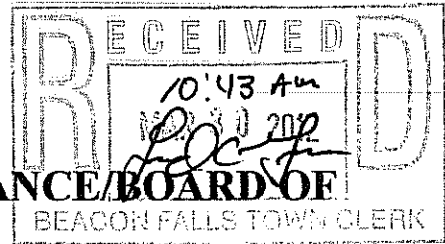


**BEACON FALLS BOARD OF FINANCE/BOARD OF  
SELECTMEN**



**JOINT SPECIAL MEETING  
Annual Audit Report  
March 27, 2012  
MINUTES  
(Draft Copy-Subject to Revision)**

First Selectman G. Smith called the meeting to order at 7:06 P.M.

PRESENT: Selectmen C. Bielik and D. D'Amico, Board of Finance Members M. Bronn, J. Dowdell, B. Ploss, J. Huk, R. Doiron, J. Levine

Also present Financial Manager M. Gomes and the Town Auditor M. Zaimaitis and approximately 50 members of the public.

M. Zaimaitis asked if the board members had any questions.

J. Levine reviewed the reports and noted where the word "significant" was checked off also noting that the report shows concerns or discrepancies regarding the Town Clerk fees. J. Levine explained that he had asked for previous reports and they show that in 2009 this was also a significant ongoing problem noting that it has been going on for at least 3 years based on the reports. He asked what Beacon Falls needs to do to fix this.

J. Levine noted that these reports are stating that there are major discrepancies noting that to him that would be 1 step below highest level of risk. J. Levine noted that he believes the word "significant" means that we are at a very high risk for something significant happening – noting that they are talking about the tax collector, town clerk and purchasing.

J. Levine noted that these 3 items are the guts of what the town should be concerned about.

J. Levine would like to know what are the causes and when was the last time the town had the books reconciled and what actions are now in place to correct them and what is the view of the auditor (what do we need to do).

*A lengthy discussion continued regarding J. Levine asking the auditor what he means by significant.*

M. Zaimaitis addressed these issues but began with saying that none of these issues have consequential financial impact but he did note that they could do things better.

M. Zaimaitis noted that there are specific problems with the matters in the accounting reports – Purchasing – noting that there is a lack of following the purchasing policy noting that this continues to be in the report because there had to be a purchasing policy put in place. He explained that a policy was put in place partially through the year but that was not a long enough sample time to see if it was working - but this year we will be able to see if it works.

Software Accounting – this has been on the list for several years – M. Zaimaitis explained that he's concerned with the town's accounting software and has been for several years. He noted that this has not affected the financials of the town but has caused him as the auditor to extend procedures over the years to ensure that it's nothing more than a mechanical problem. The auditor strongly recommends that the town get new accounting software.

C. Bielik explained that this software problem was discovered last year. The first thing they attempted to do was to put enough funding in the budget to replace the software however it was defeated during referendum. At this point they had asked M. Gomes to see if someone from the software company can come out and see if they could fix the problem but that did not resolve the situation either.

It was re-iterated that everyone is being paid correctly - it's just not posting correctly.

*A lengthy discussion continued regarding the software issue.*

J. Levine noted that this is very important because when the town goes out for bonding, they are going to look at this stuff. M. Gomes noted that fund balance will be the key to that.

A lengthy discussion continued with J. Levine asking what he thinks is the most important issue that the town should focus on. He noted that with a "significant" issue regarding financials, they would have a problem with this.

M. Zaimaitis continued addressing each issue.

The third item was – effective systems of control should include a procedures manual. A lengthy discussion continued with M. Gomes explaining that they do now have draft procedures in place. They did not have them in the past but they do now. They are in draft form noting that they are putting these policies together on shoe strings in that we don't have the funds to have all the procedures written but he did re-iterate that they do have something in place.

M. Zaimaitis noted that another short coming is that there is not a procedure on how to go about collecting delinquent taxes. A procedure needs to be documented on how the town goes about collecting taxes.

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J. Levine noted that he understands that there is not a written policy and that a lot of municipalities do not have written policy so he believes that this does not make it a "significant" finding. J. Levine noted that he is trying to understand what "significant" problems they have noting that he just doesn't see "significant"...

M. Zaimaitis explained that as the auditor, he felt it was important to discuss to the boards that they should be putting together town wide procedures and noted that when they are putting together town wide procedures, the most important revenue collecting (tax collector) part of the town should be included. It should be in the procedures that the town is doing their very best to collect taxes.

J. Levine noted that he is only hearing "significant" and not finding anything "significant". He wants to hear what the problems are noting he doesn't see anything specific.

M. Zaimaitis responded by saying very specifically the matter of trial balance with payroll took him a significant amount of time. It did not change the end result findings but he as the auditors must extend procedure when he encounters anything that doesn't reconcile to be sure that it does.

J. Levine noted that he is not seeing "significant" issues.

M. Bronn asked the auditor if everything reconciled and if he had any financial concerns.

M. Zaimaitis responded by saying that clearly the fund balance at 4.3% is not where most financial places would keep it. He noted that he is looking for around 10% - some have even been at 15% but at least 7.5% would be good. He noted that this rate is affecting the town at a high financial level.

A lengthy discussion took place.

M. Zaimaitis continued addressing his items/concerns:

He began talking about the reconciliation of the Town Clerks fee collections dispersed. He noted that historically, the town of Beacon Falls Town Clerk (prior to his auditing) had a personal account for all monies collected. The town did not have a bank account. He noted that on his first year of audit, the town needed to have their own bank account – this year he noticed withdrawals from the account that were not being reconciled. He noted that ultimately the funds that were not accounted for have since been accounted for. He noted that nothing about this matter led him to believe that the town's finances were effected in anyway. He noted that he immediately brought this information to the attention of the town. It was explained that the account is now reconciled and will be going forward. He asked that G. Smith explain this issue.

G. Smith explained that this issue had been going on for years and that it was a constant concern. He noted that when the town took over the bank account, the controls were still with Town Clerk therefore it did not allow for a complete reconciliation.

G. Smith noted that when they found out they did not have the full control to reconcile completely, M. Gomes let G. Smith know. At that point, they immediately changed the account from being out of their control to completely in their control. He noted that the deficiencies in the accounts that were not reconciled have since been reconciled. G. Smith noted that he sought advice of what he should do and notified the proper authorities. The account was made whole – the town is not owed any money “no harm no fowl”. He explained that this went through the state attorney's office. G. Smith noted that the verbal answer from the state attorney's was to have the Town Clerk resign and they had him resign. G. Smith noted that he was told that if they pursued this further, it would have still resulted in the Town Clerk's resignation and therefore

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it didn't make any sense to pursue this issue any further by spending the town's money to do so.

G. Smith also noted that when this was made public, everyone knew what was going on and the Board of Selectmen worked together as a board to handle this.

A lengthy discussion continued with J. Levine referring to statute 7-344 and 7-345. M. Gomes responded by saying that the town's records are on completely different software.

A lengthy discussion continued regarding the accounting software. M. Zaimaitis noted that there are two trustworthy vendors who support municipal software and the Town of Beacon Falls has one of them.

After a lengthy discussion

**J. Levine motioned to accept the auditor's report. B. Ploss 2nd the motion. All voted aye.**

**J. Dowdell motioned to recess the meeting at 7:50 P.M. C. Bielik 2nd the motion. All voted aye.**

**Meeting reconvened at 8:05 P.M.**

G. Smith began the budget workshop by proposing that they change their plan on capital purchases. He suggested that they remove all the line items that were discussed yesterday and put them into one line item and put them in a tax free 5 year qualified loan.

The suggestion is to break out the \$1,104,040 from the budget and put them into a yearly payment of \$229,904

M. Gomes noted that once this is done, it will be a principal debt service payment.

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J. Levine explained that they could make one payment in January and the next in July having it be paid off in actually 5 ½ years. A lengthy discussion continued regarding this.

M. Gomes noted that he would need a debt service schedule.

It was noted that \$1,125,000 had already been approved for bond for the sewer and oil tanks. A discussion continued regarding merging the two notes together.

It was noted that they should go before the town with the full amount and then take it from there.

A lengthy discussion continued.

It was noted that after all these changes were made, the budget would result in 6% increase from last year.

M. Gomes noted that salary adjustments have not yet been made.

It was discussed that they may be able to lower some maintenance items if they end up going with the capital projects.

A lengthy discussion continued regarding a sewer fee.

After a lengthy discussion, the following motion was made:

**R. Doiron motioned that we adopt the debt service plan. M. Bronn 2nd the motion. All voted aye.**

A discussion took place regarding J. Huk's suggestion of cutting a % across the board.

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**R. Doiron motioned that we go to a Public Hearing with a municipal budget proposal of \$6,206,037. J. Levine 2nd the motion. All voted aye.**

Discussion:

J. Levine complimented G. Smith on his suggestion.

**M. Bronn motioned that the Public Hearing be held on Tuesday, April 10th at 7:00 P.M. at the Fire House. J. Dowdell 2nd the motion. All voted aye.**

**J. Levine motioned that the BOF and BOS have a Special Joint meeting for discussion and possible action to convene directly following the Public Hearing. J. Dowdell 2nd the motion. All voted aye.**

**Meeting was adjourned at 8:40 P.M.**

**Respectfully submitted,**

**Lauren Classey  
Clerk for the Board of Finance and Board of Selectmen**

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