

Beacon Falls Board of Finance
10 Maple Ave.
Beacon Falls, CT 06403



BEACON FALLS BOARD OF FINANCE
Special Monthly Meeting
February 20, 2013
MINUTES
(Draft Copy-Subject to Revision)

1. Call to Order/Pledge of Allegiance

Chairman Jim Huk called the meeting to order at 7:34

Members present: Marc Bronn, Joe Dowdell, Jack Levine, Brian Ploss

Member absent: Robert Doiron

Others present: First Selectman Gerard Smith, Selectman Dave D'Amico, Selectman Chris Bielik, Assistant Librarian Susan Dowdell, Finance Manager Manny Gomes, Town Treasurer Mike Krenesky

2. Approval of Minutes – January 15, 2013

Motion to accept the January 15, 2013 special monthly meeting minutes: Dowdell/Bronn;
all aye. *B. Ploss abstained as he was not at the January 15, 2013 meeting.*

3. Comments from the Public - none

4. Treasurer's Report – from Mike Krenesky

Reports were distributed to members for review.

J. Huk questioned M. Krenesky if there's a threshold when the Board of Finance should be concerned about balances in certain categories getting too low.

M. Krenesky said no, the budgeted numbers are based on month to month for the bills that are due. As long as the budget is followed, there shouldn't be any problems.

J. Levine asked M. Krenesky if there were any transfers of funds made before the Board of Finance had approved and authorized them in advance.

M. Krenesky stated that no transfers from one fund to another were made without proper Board of Finance approval.

J. Dowdell asked M. Krenesky about the IRS issue raised at the 2/19/13 Board of Selectmen meeting.

M. Krenesky explained that the town of Beacon Falls is disputing two pending fines totaling \$1,800 with the IRS which were incurred during two quarters in 2012. A mistake was made on Federal Withholding (Form 941) in amount of money owed to IRS; money was paid from the payroll account but should have been paid from a different budget line

item. A late payment due to the change in payment cycle (biweekly versus monthly) caused another fine. M. Krenesky is in regular contact with the IRS to resolve these issues.

5. Tax Collector's Report – from Ursula Henry
Reports were distributed to members for review.

J. Huk stated he called the tax collector's office and sent an email requesting information on the impact to the town by the state's change in personal property taxes, but got no response. He would also like to have a projection of where the tax collection is in relation to the same time last year.

Motion for the Board of Finance to send a letter to the Beacon Falls Tax Collector requesting a new format for the tax collectors report, projections of tax collections in relation to the same time last year and the impact of the state's change in personal property taxes: Levine/Dowdell; all aye.

ACTION: Clerk M Melville will draft a memo to the Tax Collector from the Board of Finance requesting a new format for the tax collectors report, projections of tax collections in relation to the same time last year and the impact of the state's change in personal property taxes.

6. Town Clerk's Report – from Len Greene, Sr.
Reports were distributed to members for review.
No discussion

7. Finance Manager's Report – from Manny Gomes
Reports were distributed to members for review.

- a. Board Clerk's Invoice: Motion to accept clerk's invoice requesting payment for the January 15, 2013 meeting and associated administrative work and pay the bill as submitted: Levine/Bronn; all aye.
- b. Current audit status – Michael Zemaitis, CPA, town auditor, distributed copies of Draft Auditor's Management Letter, Town of Beacon Falls Draft Financial Statements, Town of Beacon Falls Draft State of Connecticut Single Audit, and Town of Beacon Falls Draft Federal Single Audit reports to the Board of Finance members for review. These reports have a deadline to be signed, approved and submitted to the state by 2/28/13.

M. Zemaitis explained that he conducted a town audit of the use of state and federal funds, in compliance with grant agreements, laws and regulations, and to assess if there were deficiencies in controls over the use of these funds.

M. Gomes stated that there has been a recent change in auditing standards and what was considered acceptable before may now be unacceptable.

M. Zemaitis noted a weakness in the general ledger software not balancing.

J. Levine requested an explanation on how the accountant checked journal entries, looked at specific posting in liability accounts, and how to match the credits and debits.

M. Zemaitis noted a problem in the payroll entries, but the rest of the transactions are alright but explained that some errors were a mechanical, software error.

Finding #2010-03 - Accounting Procedures Manual has been found 2 years in a row.

Finding #2012-01 - Capital Project Financial Monitoring found the Depot Bridge expenditures were greater than authorized appropriations and that a funding shortfall was not originally identified.

M. Gomes noted that this has since been funded and the bills were recently paid.

Financial Highlights from the Town of Beacon Falls Draft Financial Statements report were reviewed.

M. Bronn asked if Beacon Falls would be considered average compared to other small towns, with almost 69% of tax dollars going toward education and nearly 70% of revenue coming from property taxes.

M. Zemaitis stated yes, this was the norm.

M. Bronn asked the condition of the town's overall financial health.

M. Zemaitis suggested increasing the minimum fund balance to 7-7.5% versus its current 4.5% and having a long term financing plan for the town.

M. Zemaitis stated he found no instances of frauds or abuses to report.

M. Bronn commented that using new financial software would produce a cleaner audit report.

J. Levine noted his lack of understanding of how the auditor reconciled the books when multiple entries were wrong and questioned if enough statistical samples of the finances were taken to provide an accurate audit.

M. Zemaitis explained the audit approach was to look for questionable transactions and inconsistencies, rather than line by line of each transaction.

M. Zemaitis requested feedback from the Board of Finance on their review of the audit reports and if an extension would be needed, to coordinate with M. Gomes.

J. Levine commented that it was a mistake that the Board of Finance didn't receive these documents before this meeting. He suggested perhaps additional

manpower and a better software program were needed to resolve these issues. The problems were evident and not going to go away, that more support was needed.

J. Levine stated that he was uncomfortable with the “adjusted audit” as presented and not ready to sign off on the audit.

Discussion that the Board of Finance needs to accept the audit.

M. Gomes commented that time was wasted tracking down items not posted and that a better software system would resolve many of these problems. He added that it was impossible to balance books when all postings weren’t made. He explained that past software upgrades caused problems, after entries were made they don’t appear in reports.

J. Levine stated his willingness to support a software program that will work to resolve these problems.

M. Gomes said he has the RFPs and would recommend purchasing the \$39,000 Harris software program, which was already configured in the current budget.

J. Huk asked M. Gomes if the Harris software would put more controls in place, and provide better reporting for revenue projection, cash flow projections, and a capital plan.

Motion to give the First Selectman authorization to purchase the Harris financial software system to include technical support not to exceed \$40,000:

Levine/Bronn;

Discussion:

J. Dowdell stated he can’t vote on this topic yet as all the bids haven’t been opened.

J. Levine stated that this issue needs to be acted on immediately.

M. Gomes noted that new financial software could be in use by July 1, 2013.

B. Ploss commented that when dealing with a vendor, you need to get adequate technical support.

J. Levine withdrew his motion to give the First Selectman authorization to purchase a financial software program until the Board of Finance members can agree to vote, and that all the RFP information should be distributed to members to review.

M. Bronn disagreed and said the Board of Finance should approve purchasing the software program the user prefers and to let the finance manager decide which software program to purchase.

J. Levine requested that all the Board of Finance members review all the RFPs.

Motion to give the First Selectman authorization to purchase the Harris financial software system to include technical support not to exceed \$40,000:

Levine/Bronn; votes:

No - J. Dowdell

Aye - J. Huk, M. Bronn, J. Levine, B. Ploss

Motion to accept auditor's report as presented by Michael Zemaitis:

Bronn/Huk; all aye.

J. Levine expressed his dissatisfaction with the audit.

M. Bronn commented that the auditor went above and beyond the work that was required.

c. RFP for a town auditor

M. Gomes will send out an RFP for a town auditor in March, to be hired in May.

J. Levine requested that the RFP be sent to auditors who audit towns the size of Beacon Falls.

d. Ability to extract data from current system

e. Status of RFP for new financial system

f. Current capacity of Finance Manager

8. First Selectman Report

First Selectman Gerard Smith

a. Transfers – no official transfers to request

The Board of Selectmen received a request from the Regional Mental Health group which includes a task force comprised of various community entities to fund a survey of Region 16 7-12 graders. A survey of only 7th & 10th graders was conducted in 2010.

The total cost of the survey is \$4,500; with Prospect and Beacon Falls each funding \$2,000 and Region 16 funding \$500.

Discussion:

Both J. Dowdell and B. Ploss commented that this funding should come out of the Region 16 budget.

G. Smith explained that this survey is not a Region 16 project and that the community task force, Department of Health, police and schools will use the survey results as a tool to support our youth.

Motion that the town of Beacon Falls reject the \$2,000 expenditure for the Region 16 survey: Levine/Dowdell; votes:

Aye – J. Dowdell, J. Levine

No - J. Huk, M. Bronn

Abstention: B. Ploss

C. Bielik noted that the Town of Prospect had already committed to fund \$2,000 for the survey.

Discussion:

J. Levine questioned why the town should pay for this survey.

Motion to authorize the First Selectman to allocate \$2,000 from the contingency fund to pay for the Region 16 survey: Huk/Bronn; votes:

Aye – B. Ploss, M. Bronn, J. Huk

No – J. Dowdell, J. Levine

Discussion:

J. Huk commented that he thought there was value in this survey.

G. Smith commented that the current zoning regulations contradict each other and need to be completely redone, which would cost approximately \$10,000 to update the zoning and subdivision regulations. He questioned if that cost should be put in the Planning & Zoning budget and for the Board of Finance to keep that in mind when working on the next town budget.

February 8 snow storm expenses: Connecticut was declared a disaster area by the governor and the President. A 75% reimbursement of expenses is expected. It has yet to be determined if a 48 or 72 hour window will be used to calculate costs. A FEMA meeting is scheduled.

G. Smith commented that pay loaders and bulldozers from in town and out of town were used for snow removal.

b. Status of department budget submissions

G. Smith stated that not all the budget submissions have been received, but anticipated having everything within a week.

G. Smith noted that 5 year capital projects must include roads and the waste water treatment plant plus the Region 16 school building project will begin.

9. Unfinished Business

a. Jack Levine request for details around existing supervisory procedures for each department

b. Selectman Salaries – Topic tabled due to the late hour.

10. New Business

a. Town Budget Discussions

G. Smith repeated that all department budgets haven't been received and noted the Region 16 budget vote will be held in May.

11. Correspondence –

Letter from Woodward & Curran dated January 25, 2013 presenting the preliminary summary of short-term wastewater capital needs in the Town. Their estimates came to a total of approximately \$19 million dollars to upgrade the system.

12. Comments from the Public - none

13. Adjournment

The next regular monthly meeting will be Tuesday, March 12, 2013 at 7:30 PM.

Motion to adjourn the meeting at 9:39 PM: Huk/Dowdell; all aye.

Respectfully submitted,

Martha Melville
Clerk for the Board of Finance