

**Beacon Falls Board of Finance
10 Maple Avenue
Beacon Falls, CT 06403**



**BEACON FALLS BOARD OF FINANCE
Regular Meeting
March 10, 2015
REVISED MINUTES
(Subject to Revision)**

1. Call to Order/Pledge of Allegiance

Board Members Present: Jack Levine, Joe Dowdell, Joe Rodorigo, Bob Doiron, Marc Bronn (left at 9:06), and Brian Ploss

Others present: First Selectman Chris Bielik; Selectman Dom Sorrentino; Selectman Peter Betkoski; Chief Jim Trzaski, Asst. Chief Brian DeGeorge, and Kenny George, Beacon Hose Co. 1; Sue Dowdell, Director of Library; Tom Broesler, Finance Manager; Mike Krenesky, Town Treasurer; Michael Van Deventer and Amanda Backhaus, Mahoney Sabol; and Gary Komarowsky.

Chairman Jack Levine called the meeting to order at 7:30P.M.

2. Public Comment

J. Levine asked if there were any public comments at this time and there were none.

3. Approval of Minutes from February 10, 2015

Motion to approve the minutes from the February 10, 2015 monthly meeting:
Ploss/Dowdell; no discussion; 5 ayes and 1 abstention from M. Bronn since he was not present at that meeting.

4. Presentation, Discussion, and Approval of Audited Financial Statements

M. Van Deventer and A. Backhaus began their presentation on the audit results for the fiscal year of 2014. An electronic copy was sent to the Board prior to the meeting.

M. Van Deventer began by indicating that the audit was performed in accordance with the professional standards as well as a state single audit performed in accordance with the standards of the State of Connecticut's OPM Compliance Supplement to the State Single Audit Act for the town of Beacon Falls. They also performed some non-audit services. They assisted in the preparation of the financial statements and the schedule of expenditures of state financial assistance, as well as assisting in the preparation of the General Fund monthly bank reconciliations. A. Backhaus worked on this and Samantha Thomas stepped in with assistance in the audit. They issued several reports, with the main one on the financial statements and provided an unmodified clean opinion on the financial statements. Also included are governmental activities, major funds i.e. the General Fund and the Bonding Projects Fund, and on aggregate remaining fund information. They identified material weakness in internal controls over financial reporting and significant deficiencies in internal controls over financial reporting.

In regards to the State Single Audit, M. Van Deventer indicated that the total state financial assistance subject to their testing was \$540,000. The major projects were town aid road and the local capital improvement programs. They issued an unmodified clean opinion on compliance over those awards. Next, A. Backhaus spoke of the government wide financial highlights of the year. As of June 30, 2014, the town's net position was approximately \$15.2 million, of which \$10.1 million is represented by net investment in capital assets. The unrestricted net position was approximately \$4.9 million. The overall net position increased around \$400,000 with the biggest activity being the bonding. Combining end fund balances as of June 30, 2014 was approximately \$3.5 million which was an increase of about \$4.2 million from the prior year. The General Fund was about \$3.1 million, an increase of around \$1 million due to the budgetary swing. The Bonding Projects Funds has a deficit of \$13,000 which is a decrease is the deficit of \$3.1 million from the year which is due to the bonding. The remaining funds had approximately \$411,000 aggregately. The unassigned fund balance was around \$3 million which is about 15.9% of General Fund expenditures. They look to have this between 5% and 15%.

The original and final budget provided for no use of fund balance and the actual change in fund balance was an increase around \$1 million. The revenues were over what was budgeted by \$421,000 due to tax collection. The expenditures were under by around \$567,000 due to debt and interest payments, bond refunding, and cutbacks.

M. Van Deventer next spoke about the required communications. There was no change in the scope of work performed but the time was delayed due to delays in the closing process and additional work required. The only difficulties were with the closing process in some of the findings that they had. Management did provide the information requested. A listing of the corrected misstatements was provided and there were no uncorrected misstatements. The town will be required to implement a new accounting standard next year – GASB No. 68 on pension plans. The state actuaries will provide the information.

There was a material weakness in internal controls over financing reports that was reported. The turnover in the financial department was part of that weakness. Significant deficiencies over budgetary procedures were reported. Transfers amongst the departments were not made until after the expenditure was already incurred.

This should only happen in an emergency situation. Payroll tax remittance was a significant deficiency due to returns not being completed the way they should have been. It wasn't a significant amount of money but needed to be noted. There is a management's response in the reporting and it is somewhat generic in terms of "we agree to the findings and will take action to correct those findings". The town will have to submit a corrective action plan to the state and the timeline will need to be given. There was a deficiency under the records maintenance where there were invoices requested were delayed but were given to complete to the audit. The tracking of capital projects was elevated to a significant deficiency this year. Compensated absences were another deficiency that was identified in the reporting.

Recommendations that were made pertained to the purchasing policy; capitalization and disposal of capital assets; approval of employee pay rates and timecards; and recording of cash receipts.

M. Van Deventer asked if there were any questions by the Board. J. Levine pertained to transfers under General Statutes. J. Levine asked if a transfer under \$20,000 was done, then another one would bring it to a town meeting, but all should be brought to the Board of Finance. He wanted to know if they decided not to have a town meeting could that be done. M. Van Deventer responded that the approval should be received before spending the money. Town approval would be needed if there is more than one transfer on a line item. M. Van Deventer suggested that an option is to transfer a little more money than needed. The Board of Finance should be notified if you are going to go over. J. Levine asked where the town stands as far as collecting taxes. A. Backhaus noted that the town exceeded the budgetary amounts. The tax department is exceeding the expectation and the town has a high active uncollected tax balance. Some taxes should go under suspense and still under the active.

J. Levine asked if there are any questions by the Board. C. Bielik mentioned that he had a conversation with MaryAnn Holloway earlier that day. She is in the process of creating a suspense report and is not quite there. She is hoping to have it for April so that those accounts can be moved to a suspense account. J. Levine asked if there was a motion to accept the audit report.

Motion to accept the audit report as submitted by Mahoney Sabol: Bronn/Doiron; no discussion; all ayes.

5. Presentation and Discussion of Auditor's Management Letter

It was noted that this agenda item was covered under the previous agenda item.

When a correction action plan is done, and complete with target dates, the plan is to be submitted to the Board of Finance. J. Levine indicated that he would like to have something on the monthly agenda requests an update.

6. Presentation, Discussion, and Vote on Audit of Ambulance Services

J. Levine noted that there is one proposal from Mahoney Sabol and the Board does not have to vote on this tonight.

M. VanDeventer presented the proposal for the four different ways of doing the audit for the Ambulance Services. One – audit, which would be \$8,000. Two – Review, which would be \$4,500. Three – Agreed Upon Procedures, which would be \$2,500 to \$4,000 depending on the level. Four – Compilation, which would be \$2,000.

C. Bielik asked if they decided to go with the audit for \$8,000 that they look back only one fiscal year and M. Van Deventer indicated that that was correct. B. Doiron asked if that would flag other issues from other years. M. Van Deventer indicated that if there were no changes in the process, then it could be identified. J. Levine asked what should be considered as pros and cons with the different options. M. Van Deventer noted that costs benefit analysis should be done. If the Board is concerned with things going back several years, then an audit would not be the way to go. It depends on what the Board is looking to address. J. Levine mentioned that they are not considering that there have been any problems with what has been reported in the past. Chief Trzaski indicated that they are in a partnership and part of the contract is to agree together as to the type of procedure will be done. J. Levine apologized that he did not ask Chief Trzaski and the other member up to the front to be part of the discussion.

K. George asked for the difference between a CPA and a Forensic CPA. J. Levine indicated that if you are concerned about embezzlement or something to that effect, then you hire a Forensic CPA. J. Levine also noted that they are not looking for that. Chief Trzaski indicated that he does not believe that spending \$8,000 on a full audit is needed when a compilation costing \$3,000 would give the same results. Beacon Hose Co. 1 is paying for two full time employees to enhance the emergency services to the Town of Beacon Falls. The employees are employed by Beacon Hose Co. 1 and not of the town. Beacon Hose Co. 1 provides the workmen's comp. Their payroll company provides weekly reports as to how much is paid to the employees. Their funds are limited and J. Levine added that if any money spent to have the audit or compilation or whatever is decided to have performed, he would suggest having the town pay for the services and not Beacon Hose Co.

Chief Trzaski noted that he is not loyal to any firm and doesn't have a preference to who does the service, but the money is earned by Beacon Hose Co. going out on calls. It cost the town \$0.00 to provide the manpower and EMS service to the town. J. Levine indicated that the Board of Finance has the responsibility to have the funds audited.

After further discussion, M. Bronn mentioned that the discussion should be continued until the agreement is provided for review.

7. Financial Manager's Report

a. Status Report on Resolving Pending Audit Problems from Last Audit

b. Presentation and Discussion of Corrective Action Plan for Current Audit

T. Broesler indicated that the situation with the invoices have been resolved. The approval of the employee pay rates and time cards was started with this pay period. Cash receipts are being records from the deposit slips and not the bank statements. The capitalization is being started by T. Broesler with the new software. That software will make it easier. He noted that he will discuss the purchasing policy with the Selectmen. C. Bielik indicated that they have something that works but it needs to have more safeguards put into it.

c. Status Report on Payroll Conversion

T. Broesler indicated that payroll is running a little bumpy. They keep finding glitches in the system. They would set it up differently if they knew previously.

d. Status on Bank Reconciliations

T. Broesler indicated that his plan is to start in April with the July 2014 Bank Reconciliation.

e. Update on Other Issues

T. Broesler noted that Erin Schwartz is working out very well.

8. First Selectman's Report

a. Transfers

The first transfer request was from Beacon Hose Co. 1 for emergency repairs to Rescue 4's generator in the amount of \$7,025.00.

Motion to approve the transfer request of \$7,025.00 from the Contingency Fund, Budget Line Item 10.90.83.1170 to Emergency Service Vehicle Repairs, Budget Line Item 10.90.44.1472: **Rodorigo/Bronn**; discussion was by J. Dowdell if another line item should be used. After a brief discussion, the Budget Line Item was changed to Hose Replacement Program, Budget Line Item 1090.90.2126.

Motion to approve the transfer request of \$7,025.00 from the Hose Replacement Program, Budget Line Item 10.90.90.2126 to Emergency Service Vehicle Repairs, Budget Line Item 10.90.44-1472: **Rodorigo/Bronn**; *no discussion*; all ayes.

The second request was from C. Bielik to replenish the budget line item by \$325.00 due to the purchase of the gift for Past Chief Mike Pratt.

Motion to approve the transfer request of \$325.00 from the Contingency Fund, Budget Line Item 10.90.83.1170, to First Selectman's Expense, Budget Line Item 10.90.01.1220: **Rodorigo/Ploss**; *discussion was asked if this was enough to cover the expenses until the end of the budget and after a brief discussion, the amount was increased to \$500.00*

Motion to approve the transfer request of \$500.00 from the Contingency Fund, Budget Line Item 10.90.83.1170, to First Selectman's Expense, Budget Line Item 10.90.01.1220: **Rodorigo/Ploss**; *no discussion*; all ayes.

b. Information on MERF Plan Contribution Issue

C. Bielik informed the Board that the ruling was in favor of the town. Written notification had not been received as of yet.

c. Information on Tracy House Repairs/Demolition, and Financial Input

There was no update on this agenda item and will remain on next month's agenda.

d. Information on Potential Sale of Region 16 Community School to Prospect and Financial Implications to Beacon Falls

C. Bielik indicated that there were preliminary discussions with a couple of the members on the Board of Education. They are aware of the town's interest on this matter. C. Bielik asked the town's attorney if this is a Board of Finance issue or a joint Board of Finance/Board of Selectmen issue, or a Board of Selectmen issue. Atty. Stanek indicated that it is a Board of Selectmen issue and the Board of Finance can only give suggestions. J. Levine indicated that he had done some research and found the same result.

e. Status Report on Sewer Treatment Plant Upgrade and Proposed Bonding

There was no update on this agenda item.

f. Status on Proposal for Ordinance on Town Treasurer's Duties (Bank Reconciliations)

No discussions have taken place as of yet on this agenda item.

g. Update on Snow Removal, Sanding, and Overtime Costs

C. Bielik indicated that another purchase order was issued today since Morton's Salt is unable to fill the order. They had run out of salt. The new supplier's cost was an additional \$800.00.

h. Update on Other Issues

C. Bielik noted that the audit report showed a successful year. The General Fund balance as of 06/30/2014 was \$3.1 million. As far as a bonding standpoint, it is looking very good. Based on the numbers, C. Bielik would like to allocate some of the money to be transferred from the General Fund into three areas. One – transfer \$250,000 to the wastewater treatment plant. Two – transfer \$100,000 for the repairs of the drainage and paving of the town hall parking lot. Three – transfer \$500,000 for general road repairs.

Motion to take and move forward with the Board of Selectmen's suggestions: **Rodorigo/Ploss**; discussion was by M. Bronn wondering if the money for the roads should stay in the General Fund and go for bonding. J. Levine suggested that they accept all transfer requests as suggested and still go after bonding.; all ayes.

Motion to request the Board of Selectmen to get a bonding package proposal for the road repairs and present it to the Board of Finance at their earlier convenience: **Doiron/Dowdell**; no discussion; all ayes.

9. Reports

a. Fire Department

The report from the Fire Department was distributed to the Board.

b. Treasurer

It was noted that the Melbourne Trust account is now an interest-baring account.

c. Tax Collector

The report from the Tax Collector was distributed to the Board.

d. Town Clerk

The report from the Town Clerk was distributed to the Board.

10. Unfinished Business

a. IT

Right now, the town does not have a person in this position. The server was upgraded. C. Bielik noted that they are in the process of determining how to rebuild the server and one of the servers have crashed.

He indicated that they have recovered the data from that crashed server and now need a price. The person originally appointed last summer has passed away two months ago. We have Seth Reitcher right now as the town's on-call IT contractor. J. Rodorigo was wondering if the town has grown to where we need a contractual person for the position, and if so, should we get some quotes. J. Rodorigo's concern is having a single-person operation is not the way to go based on our growth. J. Dowdell has a suggestion and will forward the information.

11. Correspondence

a. Board of Finance Clerk's Invoice for meetings

Motion to approve the invoice for the February 10, 2015 meeting in the amount of \$87.50 and for the February 23, 2015 special transfer meeting in the amount of \$42.50 as submitted for tonight's meeting for a total of \$130.00:

Doiron/Rodorigo; no discussion; all ayes.

b. Region 16 Letter on Budget Preparation

It was noted that this is approximately 90% ready and should be complete within 7 days. Quotes are still in the process of being received and looked at as far as insurance. March 18th is a possibility for a joint workshop, with following dates of March 25th and March 26th. There will be no public comment at the workshops.

12. Public Comment

J. Rodorigo indicated that he had a conversation with a member of the Board of Education and they are at a 2.9% increase in their budget as of right now. They put a position back in that they thought they were going to eliminate. The budget does include full day kindergarten.

Mike Krenesky, 22 Maple Avenue, asked that when looking at road repairs, please do not forget about the sidewalks and sewers. Also, when doing the budget to please remember that approximately \$80,000 to \$100,000 should be included to demolish the Tracy House.

Sue Dowdell, 32 Wolfe Avenue, asked if the STEEP Grant was available for the parking lot and C. Bielik indicated that it was not.

13. Adjournment

With no further business to discuss, J. Levine asked for a motion to adjourn tonight's meeting.

Motion to adjourn tonight's meeting at 9:28 P.M.: **Doiron/Rodorigo**; *no discussion*; all ayes.

Respectfully submitted,

Marla Scirpo
Clerk, Board of Finance