

## MINUTES

### Finance Committee Meeting Thursday, December 18, 2014 – 6 p.m. Town Manager's Office

Present: Councilor Shonn Moulton, Chair; Councilors Bruce Roullard and Ron Shepard

Also Present: Casey Leonard and Ryan Cormier of the auditing firm Runyon Kersteen Ouelette; Town Manager David Cole; Finance Director Sharon Laflamme

1. Approve minutes of September 18, 2014.

A motion was MADE by Councilor Roullard, SECONDED by Councilor Shepard and VOTED to approve the minutes of the September 18, 2014 Finance Committee Meeting. Unanimous vote.

2. Review and discuss 2013-14 Audit.

Casey Leonard and Ryan Cormier from the auditing firm of Runyon Kersteen Ouelette (RKO) presented the 2013-14 Town audit.

Mr. Leonard reported that the audit went very well this year and thanked staff for their assistance. Mr. Leonard also reported that the Town received an unmodified, or clean opinion, on the audit and a qualified opinion on a separate audit on compliance requirements for the Town's major federal programs. Mr. Leonard explained that the qualified opinion was related to a noncompliance issue regarding CFDA #84.027 and #84.173 Special Education Cluster that has been corrected.

Mr. Leonard reported that the Town will be submitting its 2013-14 CAFR (Comprehensive Annual Financial Report) for consideration of the Certificate of Achievement in Excellence in Financial Reporting awarded by the Government Finance Officers Association (GFOA). He stated that the Town's 2012-13 audit received an Excellence in Reporting from the GFOA and commended staff for its continued good work in preparing the CAFR.

The Committee reviewed and discussed a financial overview handout prepared by the auditors that summarized the following audit findings: General Fund-Assets; General Fund-Liabilities and Deferred inflows of Resources; General Fund-Equity; General Fund-Revenues; General Fund-Expenditures; General Fund-2014 Revenues and Expenditures; Total Net General Fund Balance Town and School; Tax Commitment; Property Tax Collection Rates; and Unassigned Fund Balance as a Percentage of Budget.

The Committee discussed the Town's fund balance. Mr. Leonard explained that the unassigned fund balance is the balance that remains after amounts are recognized in the other four categories that make up the fund balance: Non spendable, restricted, committed, and assigned. The fund balance provides working capital for the Town and enhances credit worthiness. Mr. Leonard stated that RKO recommends a fund balance composed of one to two months of expenditures, or 8.33% to 16.66% of appropriations. The Town's current fund balance policy states that it will maintain a fund balance of at least 8.5% of the succeeding year's School,

Town, and Cumberland County appropriations. It was noted that the unassigned fund balance as a percentage of budget for 2014 is 12.35%.

The Committee discussed revenue collection in the Recreation Department. Mr. Leonard explained that the Recreation Department operates similar to a business and sets and collects fees for its program to off-set the cost, or expenditures, to run those programs.

Mr. Cormier reported that the Town's collection percentage of current taxes has remained relatively stable over the last 10 years.

The Committee reviewed and discussed Reports required by Government Auditing Standards and OMB Circular A-133 and paid particular attention to Section II—Findings Required to be Reported under Government Auditing Standards. This section lists deficiencies and Management's response/corrective action plan. The deficiencies were as follows:

Significant Deficiency.

(a) 2014-001. Segregation of Duties (Both Town and School Department)

Mr. Cormier noted that this comment has been in the report since RKO has been conducting Town audits. Because of the limitations of the size of the Town's staff, RKO understands that not all accounting functions can be segregated. To compensate for this weakness, RKO recommends that the Town Manager, Town Council, and School Committee continue its monthly review of financial reports.

The Committee reviewed Management's (both Town and School) response on actions taken to attempt to address this deficiency that includes limited involvement by the Finance Director on department purchasing; payroll back-up support provided by an assistant clerk in the Town Clerk's Office; and separation of duties in the preparation of the daily deposit and reconciliation of the monthly bank statements.

Not Significant Deficiencies.

(a) Transfers of Expenditures Versus Budgetary Transfers (School).

The auditors noted an entry posted that transferred software expenditures to wage and tuition lines. In the future, the auditors recommended that management post the items as budget transfers rather than moving expenditures. Management explained that the wrong module was selected during posting which resulted in the error.

(b) Municipal Valuation Return (Town).

The auditors noted that the municipal valuation return overstated the value of Town land by over \$26 million and understated the value of the Town's buildings by the same amount. Management agreed with the finding and will make an effort to review data for accuracy.

Test of Major Program

It is the auditor's responsibility to express an opinion on compliance for the Town's major federal programs. The auditors found that the Town did not comply with requirements regarding CFDA #84.173 Special

Education Cluster. Mr. Leonard reported that this noncompliance was discussed with the School Department's Finance Committee and that the Department will be more diligent in this regard.

The Town Manager recommended that the Finance Committee be given the opportunity, as it has in the past, to discuss the audit without staff present. At 6:50 p.m., staff temporarily left the meeting so that Committee members could talk to the auditors in private and ask questions about the auditor. At 6:56 p.m., staff returned and the meeting continued.

3. Review and discuss October and November financials.

The Finance Director reported on October and November expenditures and revenues. The Committee reviewed and discussed the financial reports and asked that staff research the following and provide more detail at the next meeting:

- (a) Acct. #400-01-50454-02 Police-Consultant.
- (b) Acct #400-03-50154-05 Fire/Rescue Call Force – Rescue PT
- (c) Acct #500-01-50520-04 Public Works-Building Maintenance.
- (d) Acct #500-01-50710-07 Public Works-Office Equipment.
- (e) Description of the FY 14 capital line.

The Town Manager updated the Committee on the former Little Falls School Building Project. He reported that the final inspection was soon and that the building is scheduled for cleaning and painting. He anticipates occupancy sometime after February 1.

4. Schedule next meeting.

The Committee agreed to meet on the third Thursday of each month at 5:30 p.m. The next meeting of the Committee is scheduled for Thursday, January 22, at 5:30 p.m.

5. Adjournment.

There being no further business, a Motion was MADE by Councilor Roullard, SECONDED by Councilor Shepard, and VOTED to adjourn. Unanimous vote. Time of adjournment: 7:15 p.m.

Respectfully submitted,

Jeri Sheldon  
HR Director