

BOARD OF FINANCE REGULAR MEETING MINUTES

February 11, 2020

Town of Beacon Falls Assembly Room

Members Present: S. Leeper, T. Pratt, K. Brennan, D. Fennell

Members Absent: T. Pratt, J. Carroll

Others Present: Michael VanDeventer and Samantha Thomas of Mahoney Sabol, Finance Manager
Natasha Nau, Selectman Michael Krenesky

1. Call to Order / Pledge of Allegiance

S. Leeper called the Regular Board of Finance meeting to order at 7:03 PM and led the assembled in the Pledge of Allegiance.

2. Public Comment – No public comment.

3. Approval of Minutes from the Previous Meetings –

L. Hutvagner made a motion to approve the January 21, 2020 Meeting Minutes as presented. K. Brennan seconded the motion. All ayes.

L. Hutvagner made a motion to approve the February 5, 2020 Special Meeting Minutes as presented. D. Fennell seconded the motion. All ayes.

Correspondence – S. Leeper distributed a preliminary Budget Workshop schedule from the Finance Office.

4. Reports

- Audit Presentation – Auditors Michael VanDeventer, Partner of Mahoney Sabol overseeing the audit and Samantha Thomas, Audit Manager were in attendance to present the results of the 2019 Audit. They presented the board with Financial Statements and State Single Audit for the year ending June 30, 2019. L.Hutvagner thanked them for supplying bound copies of the audit in advance, giving the Board a chance to review the statements in advance. Michael VanDeventer noted that the audit was available electronically upon issuance.

The presentation is attached for review. M. VanDeventer noted that overall scope of work has not changed from previous years, and the audit was performed in compliance with the AICPA and with government auditing standards. Mahoney Sabol completed a State Single audit, and the Town was not required to have Federal audit.

Non-audit services provided include assistance in the preparation of the financial statements and conversion of the government funds financials to government wide financial statements. Management takes responsible for these services.

Turning to the Report on Financial Statements- Mahoney Sabol has issued an unmodified clean opinion on: governmental activities, each major fund, and the aggregate remaining non-major funds. D. Fennell asked what the materiality of the funds is. M. VanDeventer noted that they use industry acceptable thresholds for each fund.

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Mahoney Sabol has not issued a formal Report on Internal Controls. They found no significant deficiencies, and have issued verbal recommendations and best practices recommendations.

There was a decrease in fund balance for the fiscal year ending June 30, 2019. The town has 2 months of reserves on hand. There is a deficit in the Dog Fund – transfer needs to be made to correct that deficit and a carry forward negative in the Bonded Projects fund. The town has a positive net position of \$3.7M. CMERS funding at the state level has increased from 8% to 7%, and the town has \$1.4 M unfunded liability. Our OPEB retiree medical insurance liability of \$649,750 is also unfunded.

Mahoney Sabol issued verbal recommendations which were received today by the Finance Office and are attached. Finance Manager Natasha Nau noted that many of the items have been discussed and have been addressed or on the list of items to be addressed by the Finance Office.

2019-01: To demonstrate we are paying wages at approved rates the Finance is developing Salary and Wage rate charts, which will document all employee wages, particularly non-union employees' wages.

2019-02: Exhaustive fee schedule is also under development, as fees are set by resolutions, Board & Commissions are weighing in with the BOS as the authorizing agent for any changes to fee schedules.

2019-05: Police Private Duty – This fall the town wrote off old private duty debt. The auditors recommend a one page bad debt write off policy, and documentation on how private duty rates were established. N. Nau noted this is an area for improvement; ensuring Finance and Police have open communications, due to the volume of private duty receipts and the decentralized billing process. Finance hopes to add an accounts receivable module to the new accounting software. We are also looking to improve how officers record their private duty time on the time clocks and scheduling for private duty also needs to improve. There is room for improvement which we will continue to accomplish in FY20 and FY21.

2019-06: Small Cities Housing Rehab Loan Program: The town is discontinuing this program and will not be applying for a new housing grant in the foreseeable future. Finance will continue to account for the revolving housing account.

2019-07: Cyber security – Finance has been trying to get Cyber security training in town for the past 8 months. We may ask CIRMA to come in and do cyber security training, rather than have out IT consultant complete the training.

2019-08: Fraud Risk Assessment Process – S. Thomas noted that this is a process of looking at every aspect in our town where there is risk, determining weaknesses, assessing potential fraud risks, and other risks that management needs to address, particularly in decentralized areas (outside of town hall). It involves having processes and controls in place, create policies and procedures, and having a robust process. N. Nau noted that we are looking at the P-Card program

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on the State level and need to development credit card procedures as part of this process. The recommendation is about making continuous improvements.

2019-09: Sewer/Water Assessments – The town needs to ensure for Sewer/Water project assessments, amortization schedules are being followed. These projects are regulated by statute and the town needs to make sure there are policies and procedures in place which align with the stature.

2019-10: Changes to Capital Assets Listings – Finance will be fine tuning the capital asset listing as part of our financial reporting and ensure that we document disposals and additions in the current year.

L. Hutvagner noted these are areas for improvement and pieces that we will continue to work on and advise on, however none of them rose to the level that they need to be reported as a deficiency to the State and presented to OPM. He added that he would like to see Purchase Orders locked up for security as well.

S. Leeper thanked M. VanDeventer and S. Thomas for their work for the Town and for their thorough presentation to the Board of Finance. M. VanDeVenter and S. Thomas left the meeting at 7:50 PM.

Ambulance Service Report – T. Pratt emailed the report to the Board of Finance members with the latest figures.

Town Treasurers Report – Members received this report and reviewed it.

Town Clerk's Report – There were no questions on the Town Clerk's report.

Tax Collectors Report – Report tabled at this time.

5. Finance Managers Report –

- a. N. Nau began with an update on engineering as the town is no longer with Nafis & Young and has contracted with Milone & MacBroom for general engineering services. Decarlo & Doll has also been brought on to complete the work that they began for Beacon Valley Road and West Road. There is a substantial rate differential between these two firms and our former engineer and their rates are much higher. Finance anticipates the need to transfer funds for pay for engineering prior to year-end. Now that the Bonded Projects language has been broadened, we can use Bonded Funds for engineering on Beacon Valley Road which will be a help to the general fund. We are ironing out hiccups with the transition.
- b. Currently, N. Nau anticipates Police Overtime and Engineering are two lines which will go significantly over budget.
- c. N. Nau continued to work on RFPs and the Town has been participating and submitting our quantities to Capital Region Purchasing Council to take part in their open bids. We recently participated in their Gasoline bid and contracted with Dime Oil for a fixed rate gasoline price which will save the town money.
- d. N. Nau noted that we are implementing remote clocking on the Time IPS time clock system. D. Fennell asked if there is a GPS feature on the system and at present there is no GPS capability.

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- e. Fire Department wishes to move forward with Station 2 improvements; oil tank removal and workout room in the outbuilding which houses the oil tank. The tank is obsolete, but the State owns this building and we have a right of way lease which dates back to 2009. Finance, First Selectman and Fire Chief are meeting with the State and the town will need to ask to change ownership. She noted that it is great that we are making improvements but should not move forward on improvements until we own the building. The agreement can stipulate that the State has the right of way to railroad and town own the building. The building should be up to code and so far, the tank has been cleaned and vacuumed. S. Leeper asked if soil testing had been done and agreed that the town should not be investing money into the building until it is a sure thing.
- f. The Finance Office and Treasurer and First Selectman had our quarterly meeting with Liberty Bank and met with the government relationship manager; who was being marketed to us in a different way, which was evident as the meeting occurred. The town has been receiving a good return on our bank accounts, earnings credits and minimal fees. We were locked into a 2.48% rate until 12/31/2019 and we have been getting a good deal. The STIF rate has been declining, so Liberty proposed to drop our interest rate by 20 basis points and then 10 basis points each month until we get to the STIF rate. D. Fennell asked if we have to bank at Liberty. L. Hutvagner noted that the bank has been giving us a good rate and we should continue to get a good rate. D. Fennell asked if the town was able to negotiate a better rate elsewhere. N. Nau noted that at present we want to keep a good relationship with Liberty and we are trying to get them to sponsor some things such as the concert series or our Melbourne Trust scholarship account. Newtown Savings Bank is also interested in our business. L. Hutvagner noted that Liberty has been willing to match the STIF rate, and there is an advantage to making our tax deposits locally. They are just adjusting to the market at this time. D. Fennell thought it might be useful to ping other banks and see who may want our business, instead of keeping all the eggs in one basket. L. Hutvagner asked if the STIF rate continues to decline how will Liberty react. We will continue to monitor the rates and see how interest changes next month.
- g. Human Resources will be working to fill the vacant position of Tax Collector.
- h. The 2013 Police Expedition was sold on Municibid and will be picked up and the Fire Department van purchase is moving forward after the BOF Special Meeting last week.
- i. N. Nau noted that budget season is upon on and department templates are due tomorrow. Finance will draft an exhaustive budget and next year the departments will look at goal setting and performance metrics. Department heads will be meeting with the Board of Finance during the budget season and the long term goal is to develop a workable capital plan looking out 5-10 years.
- j. Budget schedule has been set for March and L. Hutvagner asked to see a copy of the department budgets before the meeting. N. Nau is developing a PowerPoint for public meeting and a narrative that goes with traditional budget, similar to an annual report to give the public something qualitative along with quantitative.
- k. The memo which went out to freeze the lines trending over budget is attached for review by the Board of Finance. There are 23 line items that are trending over budget and they are being monitored.

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- l. Region 16 – The Finance Office met with Region 16 so that we are on the same page through this budget season. N. Nau is urging better communication in the future and open line of communication. April will be the time frame that we will have more information on the amount owed under this year's budget.
 - m. L. Hutvagner asked about the revenue side of the budget; specifically state monies on town road aide and have we reached out to politicians on FEMA monies. He urged persistence to get the project moved forward on FEMA's docket and noted that the Town Road aids funds are held up on the State level.
 - n. N. Nau is working closely with the First Selectman on a BAN/Bond plan for Roads. The Engineer, along with Public Works and the First Selectman's office will determine what roads are being funded from operating and what is being funded from debt. Details are yet to be determined, as there are also state road grants which we are applying for.
 - o. WWTP – At present, the First Selectman has ceased moving forward with the large overall plan while the CROG completes its regional study. Our Wastewater Engineer is submitting a plan for electrical only, which is \$1M plan to be part of the bond.
 - p. Aquarion credit is still needed for Skokorat Road and they have done some Hydrant testing. Fire Department will have an update forthcoming at budget workshop. Malfunctioning hydrants should be credited on our Public Fire Charges bill.
 - q. Beacon Road Wall: This project has been stalled and we are awaiting engineering report.
 - r. Beacon Valley Road – N. Nau noted that we are coupling the bridge with the road reclamation with the funding structures being reevaluated; The STEAP has been reallocated, and LOTCIP is being explored. STEAP expires January 2021. The Lopus Rd culvert grant was relinquished from Local Bridge Program.
 - s. Regarding Grants:
 - i. N. Nau noted that the EMPG grant will be funding soon and this funding is reliable. It subsidizes the emergency management salary and our Code Red is also an eligible expense.
 - ii. AFG: She is applying for an SCBA Compressor cascade system under AFG. This is an \$82,000 application and we are responsible for 5%. Beacon Hose has 75 SCBA air bottles. D. Fennell asked is the Fire Department can charge bottled at other companies? Yes, we can. Our 1990 compressor is quite old and it represents a higher priority item for AFG, so it is likely to be funded. Our Fire Pumper was not old enough for consideration.
 - iii. Katharine Matthies Grants are concluding: The Matthies Park signage is almost complete, while the Lucas device has been purchased and the Senior Center Computer center was just installed. We will utilize the remaining monies for computer classes at the Senior Center.
 - iv. DOT Build Grant: We will reapply this spring using the CERC/TPA Group North Main Street Concept study. The prior application needed an engineer to work with to provide all the information they need. This time around the grant should be more competitive.
6. First Selectman's Report - Many of the items in the Selectman's report were discussed above in the Finance Manager Report.

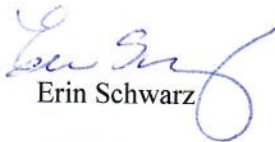
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- a. Possible Proposed Budget Transfers – None at this time.
 - b. M. Krenesky noted that the fuel cell project has officially ended and the State has pulled the permits on it and it is done.
 - c. Service Award program – M. Krenesky noted that conversations need to be expanded to include a change to the pay rate in current ordinance. There have been no cost of living (COL) adjustments to service award program in recent years. K. Brennan noted that the pension program provides an amount for every year of service that the volunteers put in; the dollar figure is something like \$15.00/month and it has been the same rate since 1996. The program administrator has provided a relatively cheap option to double the benefit. The Board of Finance needs a representative to sit on the Service Award Board to replace M. Bronn. The Service Award committee will be meeting next Thursday and they are cleaning up the list of participants in the program. There was a proposed Ordinance change for the Service Award program which has not moved forward and is due to be discussed and reviewed.
7. Finance Policy Manual
N. Nau noted that Finance Policy can be addressed later in the spring or as a summer project.
8. Old Business – None at this time.
9. New Business
- a. K. Brennan noted for the record that we should explore the costs of the Code Red system: He noted that he has learned that other towns such as Hamden are not paying for this service.
 - b. K. Brennan also noted that he has concerns over the email conversion and the recent phone installation at the Firehouse. His suggested that the Town update our needs and look around at IT options and this is something that needs to be addressed. It seems that there are a lot of IT issues town wide, which need to be addressed.
10. Public Comments – None at this time.
11. Executive Session (If needed) - Not needed
12. Adjournment – **D. Fennell made a motion to adjourn at 9:05 PM. K. Brennan seconded the motion. All ayes.**

Respectfully submitted,



Erin Schwarz

Finance Administrative Assistant



Presentation to the Board of Finance

2019 Audit Results

Town of Beacon Falls, Connecticut

Presented by:

Michael J. VanDeventer, CPA, Partner
Samantha Thomas, CPA, Manager

February 11, 2020

Agenda

- Scope of Work
- Auditor's Reports
- Financial Highlights
- Required Communications
- Questions

Scope of Work

Audit of Financial Statements performed in accordance with the following:

- Auditing standards issued by the American Institute of Certified Public Accountants
- *Government auditing standards* issued by the Government Accountability Office

State Single Audit performed in accordance with the following:

- State of Connecticut, OPM Compliance Supplement to the State Single Audit Act
- Applicable grant and contract agreements

Scope of Work (Continued)

Nonaudit Services:

- Assisted in the preparation of the financial statements, the schedules of expenditures of state financial assistance and related notes
- Assisted in the conversion of the governmental funds financial statements to the government-wide financial statements
- In order for our firm to be able to perform these services and remain independent of the Town, management is required to oversee these services by designating an individual with suitable skill, knowledge, or experience, to evaluate the adequacy and results of those services; and to accept responsibility for them. Natasha Nau, Finance Manager, has accepted responsibility for these services

Auditor's Reports

Report on Financial Statements

- Unmodified "clean" opinions on the following opinion units:
 - Governmental activities
 - Each Major Fund:
 - General Fund
 - Sewer Waste Water Fund
 - Unbudgeted Grants Fund
 - Aggregate remaining fund information:
(Nonmajor Special Revenue, Capital Project and Debt Service Funds, Private Purpose Trust Fund)

Report on Compliance and on Internal Control over Financial Reporting

- We are not reporting any material noncompliance of laws and regulations
- We are not reporting any significant deficiencies or material weaknesses over financial reporting

Auditor's Reports *(Continued)*

State Single Audit

- Report on Compliance and on Internal Control at the State Financial Assistance Level
 - Fiscal Year 2019: \$4,360,952 expended, \$326,629 nonexempt
 - Major Programs:
 - Town Aid Road (CT DOT) - \$190,730
 - Unmodified "clean" opinion on compliance
 - We are not reporting any significant deficiencies or material weaknesses over grant compliance

Financial Highlights

General Fund – Budgetary Highlights

- Original budget provided for the use of fund balance in the amount of \$49,054
- Final budget included additional appropriations of \$339,988
- Actual change in fund balance was a decrease of \$45,515, resulting in a favorable budgetary variance of \$294,473
- Revenues were \$210,971 more than budgeted
 - Favorable variance of \$129,722 in investment income
 - Favorable variance of \$116,449 in charges for services related to conveyance taxes and building permit revenues
- Expenditures were \$132,556 less than budgeted
 - No budgetary compliance issues were identified

Financial Highlights (Continued)

Governmental Funds – Highlights

- Combined ending fund balances as of June 30, 2019 totaled \$6,304,284, an increase of \$152,918 from the prior year
- Total fund balances consisted of the following:
 - General Fund: \$2,978,954, a decrease of \$69,770 from the prior year
 - \$2,858,058 is considered unassigned, which is sufficient to cover 1.6 months of and represents 13.7% of the Town's fiscal year 2020 General Fund budgetary expenditure appropriations
 - Sewer Waste Water Fund: \$1,203,320, an increase of \$64,612 from the prior year
 - Unbudgeted Grants Fund: \$18,012, an increase of \$1,299 from the prior year
 - Other Funds: \$2,103,998, an increase of \$156,777 from the prior year
- Unassigned deficit fund balances reported in the following funds:
 - Dog Fund of \$1,330
 - Bonded Projects Fund of \$14,124

Financial Highlights (Continued)

Government-wide Financials – Highlights

- Positive unrestricted net position of \$3,740,027
- Connecticut Municipal Employees' Retirement System – Pension
 - The net pension liability for the Connecticut Municipal Employees' Retirement System attributed to the Town totaled approximately \$2.1 million
 - Liability increased by \$1.0 million primarily due to a decrease in the discount rate from 8.0% to 7.0%
 - Plan is 74% funded compared to the 92% funded reported in the prior year
 - Town has an additional pension obligation payable to CMERS of approximately \$1.4 million relating to unfunded benefits that existed prior to joining the Plan
- Town OPEB Liability of \$649,750 (0% funded using a discount rate of 3.87%)

Required Communications

Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

Planned Scope and Timing of the Audit

- No changes in the scope or timing of the work that was originally agreed-upon

Significant Audit Findings

- Qualitative Aspects of Accounting Practices
 - Implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
 - Significant estimates and judgments:
 - Estimated useful lives assigned to capital assets
 - Discount rates utilized to determine net pension and OPEB liabilities

Required Communications (Continued)

Significant Audit Findings (Continued)

- There were no difficulties encountered in performing the audit
- There were no uncorrected misstatements
- There were no disagreements with management
- We obtained a management representation letter and there were no unusual representations requested by us from management
- We were not aware of any management consultations with other independent accountants

Questions?

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Recommendation Ref #	Description of Condition	Has this been resolved? - Client Response:
2019-01	<p>The audit team traced to the following mediums to agree salary/wage rates:</p> <ol style="list-style-type: none"> 1.) Union contract 2.) Approved budget 3.) Master worksheet approved by the first selections 4.) Payroll change form <p>While the audit team was able to agree all rates tested to an approved wage the audit team recommends that management develops a Master Wage Schedule on an annual basis that details all nonunion employees, their position and their rate. This master wage workbook is to be signed off by the First Selectman. If changes to rates are made mid year a Payroll Status Change form would be utilized to document this as is in accordance with the Town's best practices. Implementing a Master Wage Schedule would improve efficient and strengthen the documentation require over payroll rates.</p> <p>The audit team recommends that billing rates of any kind i.e., Police Private Duty, Building Fees & Permits, Dog licenses fees be developed and approved by the board on an annual basis and documentation regarding the calculation and approval of these rates be maintained by the finance department.</p> <p>The audit team recommends that the Finance Director initials all journal entries signifying review and approval even if the entry was posted by the Finance Director.</p>	
2019-03		
2019-04	<p>The audit team recommends that bank reconciliations are done monthly by the Assistant Finance Manager and reviewed monthly by the Finance Director. The Finance Director should signify her review via a sign off.</p>	
2019-05	<p>The audit team notes that the Police Private Duty billing process is very manual and primarily handled by one individual with no oversight in regards to bills or rates. The audit team notes that the manual nature of the process creates a risk for human error. The audit team recommends that the Finance Director reviews the outstanding receivable listing on a monthly basis, approves all proposed write offs and the Board of Finance approves all billing rates on an annual basis.</p>	
2019-06	<p>Small Cities Rehabilitation Loan Program: During our audit, we noted fluctuations in the balances of the outstanding rehab loans, which, were not supported by the current year activity. We recommend that management begins to track the loan activity by property location. In addition, we recommend that management reconciles the loan activity to the loan schedule provided by the third party service provider as of the current yearend.</p>	<p>Audit Team discussed with management and noted the Town is in the process of developing a template to track small cities loans by property/project.</p>
2019-07	<p>Cybersecurity Risk Assessment: During the audit, we noted that the Town does not have formalized information technology security policies and procedures that specifically address cybersecurity risks. Cybersecurity risks relate to gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Potential negative consequences may include, but are not limited to, remediation costs for repairing system damage that may have been caused, loss of sensitive or critical data, litigation, delays in providing services, and reputational damage.</p> <p>We recommend that the Town consider developing a plan that adequately addresses the increased risks related to cybersecurity. Consideration should be given to training employees and engaging consultants to perform an information technology vulnerability assessment.</p>	
2019-08	<p>Fraud Risk Assessment Process: All organizations are subject to fraud risks. Management of the Town is ultimately responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud.</p> <p>We noted that the Town does not have a formal fraud risk assessment process. A fraud risk assessment process is an important process that can be used by an organization to systematically identify where and how fraud may occur and who may be in a position to commit fraud. The process is used to identify fraud risk schemes as well as respective controls that may prevent or detect these schemes. An effective fraud risk assessment process:</p> <ul style="list-style-type: none"> • requires board input and oversight; • is performed on a systematic and recurring basis; • identifies instances where fraud may occur within the organization; • involves appropriate personnel to consider potential fraud schemes and scenarios; and • links potential fraud schemes and scenarios to mitigating controls. <p>The benefits of a planned and properly executed fraud risk assessment process includes identifying specific instances of fraud within the organization early, allowing the organization to address and detect fraud risk proactively rather than reactively and deterring potential fraud through its existence and communication to employees.</p>	<p>Audit Team discussed with management and noted the Town is in the process of implementing a Fraud Risk Assessment Process.</p>

2019-09	During our audit, we noted there is no formal policy that defines the terms and calculations surrounding the development of sewer and water assessments per property. We recommend that management develop formal policies and procedures to document the process and internal controls surrounding the inception and recording of sewer and water assessments.	
2019-10	During our audit, we noted multiple edits were required to bring the capital asset subsidiary schedule in compliance with the Town's Capital Asset Policies and the Governmental Accounting Standards Board (GASB) regulations. We recommend that management maintains the capital asset subsidiary ledger in accordance with governing principals and policies so to ensure accurate reporting.	