



Beacon Falls Board of Finance

10 Maple Avenue

Beacon Falls, CT 06403

BEACON FALLS BOARD OF FINANCE

VIRTUAL Regular Monthly Meeting

February 9, 2021

MINUTES

(Subject to Revision)

1. Call to Order / Pledge of Allegiance

Chairman T. Pratt called the meeting to order at 7:00 PM and led the assembled in the Pledge of Allegiance.

Members Present: T. Pratt, S. Leeper, K. Brennan, J. Carroll, D. Fennell, W. Hopkinson

Members Absent: None

Others Present: First Selectman G. Smith, Selectman M. Krenesky, Selectman C. Bielik, Finance Manager N. Nau, Mahoney Sabol's Michael VanDeVenter and Samantha Thomas

2. Comments from the Public: None at this time. No comments were received via email before or after the meeting.

3. Presentation of the FY2020 Audit by Mahoney Sabol's Michael VanDeVenter: The Audit Presentation is attached to the minutes. M. VanDeVenter reviewed the audit's Scope of Work.

The Town received an unmodified clean opinion on the financial statements, including all Funds. Mahoney Sabol does not provide an opinion on internal controls or compliance, but they are required to report deficiencies and found none. They also reported an unmodified clean opinion on the Single State Audit, complying with usage of State grant programs.

- The budgetary highlights included an increase in fund balance of \$891,438. The town had favorable variance in revenues resulting from property tax revenues and the FEMA reimbursement from the 2018 storm. Expenditures were \$547,110 under budget. Planned use of fund balance.
- He reviewed the fund balance in the major town funds. The General Fund Undesignated Fund balance is 16.5% of the overall budget. There is a deficit of \$24,699 in the Bonded Projects Fund.
- The town has an unfunded liability associated with the State MERS pension plan and an OPEB liability of \$688,648 which are currently funded on a pay as you go basis. M. VanDeVenter noted the OPEB costs can continue this basis, as they currently do not have a significant impact on the budget.
- There were no changes in scope of work or timing and reports were filed on time by 12/31/20 deadline. No new accounting standard were implemented and changes to GASB standards have been postponed due to COVID. There were no difficulties in performing the audit and the Finance Office was prepared for the audit.
- Other items for the town to be aware of:
 - Service Award Program for Firefighters– The liability associated with this program is currently not captured in the Financial Statements. Mahoney Sabol has asked for a GASB compliant actuarial valuation of this program with the intention of reflecting this liability in the financial statements in the future.
 - Cybersecurity – This is an area of growing concern with governments, companies, individuals and from a board perspective, members should be aware of this threat. Natasha is working on adding additional cybersecurity insurance currently. It is an area of significant risk.

No questions. T. Pratt extended his thanks to Michael and Samantha and appreciation for the work of Mahoney Sabol, in tandem with the Finance Office. S. Leeper added his thanks and noted improvements from year to year in the audit results. M. VanDeVenter noted that the town is now able to close out our own books and records, which frees up time for the Finance Office to focus and move forward on issues policy, planning and budgeting.

4. **Approval of Minutes from Previous Meetings:** T. Pratt asked the members for approval on the January 2021 Meeting minutes. **K. Brennan made a motion to approve the minutes as presented. D. Fennell seconded the motion. All ayes.**
5. **Correspondence:** None at this time.
6. **Reports**
 - a. Tax Collector Report – The latest version of QDS provides a dashboard which is a new feature. Collections were strong in January for supplemental and current year taxes. T. Pratt noted there is a lot of data provided from the Tax Collector, but the dashboard provides a snapshot.
 - b. Treasurers Report – No questions.
 - c. Town Clerk Report – No questions.

- d. Region 16 Report – Report from the Region 16 website. N. Nau noted that Region 16's Finance Manager advised there is \$4,000 adjustment in the posted December reporting, which is a software issue which is being corrected.

N. Nau read the attached letter from Region 16 into record which speaks to the surplus from their FY2020 budget and the projections for FY2021. Region 16's FY2020 surplus is \$661,286, which was a result of COVID related budgetary savings. The Region will be assigning a portion of this surplus to their Non-Recurring Capital Fund. The town will then receive their portion of the surplus in the form of reduced March payment schedule. The Region anticipates no surplus for FY2021, as unexpended funds will be moved to Capital Non-Recurring Fund as well. The WRHS track is a major upcoming capital project for the Region. N. Nau appreciated the open communication from the Region and T. Pratt added that the town and district have a more positive working relationship. J. Carroll noted that if they move the additional funds into Non-Recurring Capital, they are required by Statute to specify which project it is for and to track the expenditures associated with that project and report on it. The dollars devoted to the project should be clearly specified. If the specified project comes in underbudget, the funds should then be transferred back. Region 16's audit will be distributed electronically to the board, after it is approved by the BOE. N. Nau will follow up with Region 16 on the transfer to Non-Recurring Capital and tracking/reporting on specific projects.

- e. Ambulance Report - No report at this time.

7. **Finance Manager Report** – N. Nau reviewed her reporting in detail.

- a. Finance Policy Manual – No amendments this month.
- b. Alexander Rindos will be working with the Finance Office as an intern, helping with data entry on the new software modules.
- c. IT: The QDS server has been replaced with virtual server to avoid failure. The result will be a budget transfer to the Tax Collector – Computer Services line, as this was an unplanned expense. We are continuing to look at IT needs with Novus moving forward to plan. The IQS server for Town Clerk will be transferred to a virtual server in 2022.
- d. Financial Accounting Software: New modules are being implemented and we are currently in the set-up process. Customer data entry is taking place in the Flexibill AR system.
- e. Cybersecurity Insurance: We had 2 quotes with our existing broker and then received a third quote from a new broker. The third quote from AXIS had the best parameters, so this new policy is being put in place with a \$5,000 deductible and retroactive coverage. We will lock in until the end of the fiscal year and then renew for FY2022.
- f. Parking Tickets – The Police Department would like to revise the fee schedule, and this will be discussed later in the meeting.
- g. RFPs/RFQs - N. Nau has been working a lot on contracts and invitations to bid and they are progressing.
- h. WWTP meeting: The Digester project and electrical upgrades are moving forward after a positive meeting between the Town, Contractor and Engineer. The town is posed to begin the electrical upgrades this spring.

- i. FY2021 Budget: Revenue lines which will be underbudget are noted on the reporting with no major concerns. Revenue is very strong. The EE&A report shows 12 lines to monitor which are trending slightly overbudget. Budget Transfers will take place during the Budget Workshop next week. The BOS needs to address them first.
- j. FY2022 Budget Updates – State Grant information will be coming February 10th. LOCIP funds may be questionable this year.
- k. Audit – N. Nau was pleased with the Budget Process and Mahoney Sabol will be looking at policy moving forward, and we will continue to improve processes with the new software.
- l. Capital Projects – Projects are moving forward, with both vehicle purchase POs issued. N. Nau is working with Jamie Gracy on the Generator project, which is lagging, and she hopes to use consortium pricing on this project. Other Public Works projects are progressing and there is a transfer associated with 2 of their capital projects.
- m. Master Fee Schedule – Presented last month and the proposed changes made by the Attorney have been reflected. This fee schedule is to be issued, in coordination and conjunction with the Ordinance committee. T. Pratt noted that the fees and fines should be pulled out of the ordinances, so that fees can be amended without an ordinance change.
- n. Sewer Assessment Refinancing of Bonds – When the 2014 Bonds were refinanced, the interest rate dropped and the Finance Office is looking at passing the savings along to the residents who are assessed, per State Statute 7-2.5.3. Finance Office is evaluating the process for making these changes.
- o. Grants – The AFG Application for the new air bottle compressor at the Firehouse, has been submitted early. The grant application was reduced to \$62,000 reflecting FEMA’s reasonable costs for the compressor. The application stands a better chance for approval not that we are replacing a broken unit, rather than old working unit.
- p. COVID – The CRF grant on for COVID expenses is being wrapped up.
- q. N. Nau reviewed the transfer requests and the lines to monitor from the EE&A.
- r. Turning to the attachments to the Finance Report regarding Parking Tickets – Parking ticket fees have not been changed or updated in 20 years. The ordinance which sets the fees needs to be revised and the tickets needs to be changed. Tickets needs to be reordered and tracked through DMV. N. Nau reviewed Joan Rubbo’s memo on tickets. N. Nau suggested that the Police Department look at comparable towns and look at their fees. The Town has done little to collect on outstanding parking tickets and the higher fees would deter the behavior. T. Pratt added that revenue is important, and we are not breaking even on tickets, and ours should be tied in with Tax and DMV, so we need to establish this process. The Police Department as traffic authority and BOS should come up with an acceptable fee schedule and taking the fees out of the ordinance will allow the fees to change without Town meeting.
- s. T. Pratt added that the ordinance committee is moving forward, and most municipalities remove fees from their ordinances and publishing a master schedule outside of ordinances. Penalties can stay in ordinances. G. Smith added that this issue was presented by the Police Department in the past and supports increasing the fines for people who break the law. He asked about the maximum we can charge on parking tickets and State regulations on these

infractions. Also, we need to collect and using the tax office and DMV will be critical. G. Smith continued that having the fee tied to the ordinance needs to change.

- t. Master Fee Schedule – G. Smith noted that the BOS did not adopt the fee schedule last night. Since the fees are not changing, and just being compiled, he wanted a legal opinion on whether they need to be adopted. The Master fee Schedule would be domiciled on the website in a prominent place. It would be reviewed and adopted annually. N. Nau noted that in other town the BOS sets all the fees. T. Pratt added that the BOF will not act now, as the Land Use boards are still reviewing fees. The fees schedule would be linked to the ordinances.
- u. K. Brennan added that fines should also be pulled out of the ordinance schedule as well as fees and all agreed.
- v. J. Carroll returned to the discussion on Region 16 to reference Statute 10.51.d. The Regional Board can create a capital reserve fund to finance a specific capital improvement or piece of equipment, not to exceed 1% of district budget. The Board is required to submit an annual report back to the town, detailing the condition of the fund. J. Carroll has not seen this annual reporting, noting the specific project details and the condition of this fund. N. Nau will follow up.

8. First Selectman's Report

- a. Capital Projects – G. Smith added that projects have been discussed.
- b. WWTP – With regard to the Wastewater Plan, in the past the Town was acting as a GC, instead of using the engineer to manage the projects. Going forward it makes sense for the professional engineers to GC these projects and is worth the expense. When the Town GCs a project to save money, issues/mistakes with installation and implementation fall back to the Town. The Engineer will be the watch dog and the cop on the electrical upgrade job. The project will be contracted and bid, with task order in place and the engineer will be responsible for overseeing the project. T. Pratt confirmed that contracts and agreement will be in place and the Town will not act as a GC on a project. G. Smith will also have Task Orders prior to contracts.
- c. While snow is on the ground, the construction side of the road projects is paused.
- d. Dump Trailer – G. Smith may not pursue the dump trailer capital project. He is rethinking this expense. All other capital projects are moving forward as they should.
- e. Burton Road – The Task Order on this project will be coming from SLR, so that the town can submit numbers to the NVCOG for a LOTCIP application on Burton Road. This prelim engineering work is all that is moving forward, until snow melts.
- f. Beacon Valley Road – LOTCIP application, bridge and road will be well underway in early spring. We are waiting for the State DOT to return the LOTCIP approval. T. Pratt asked about Andrasko Road and this would be a \$500,00 project that is not currently in the plans. T. Pratt asked about CT Water and if water needs to be updated while Beacon Valley Road is open. G. Smith will follow up on this with the SLR engineer. Cameras have inspected these sewer lines.
- g. Fairfield Place – Aquarion is putting a new water main from Main Street all the way up to Tiverton subdivision. Aquarion will be moving the line from one side of the road to the other and the new project manager from Aquarion will not be issuing a credit to the Town. Aquarion will pave for the Town when the project is completed. The Town will look at doing camera work on

- the stormwater and sewer lines at the same time. Aquarion will move quickly in the spring. G. Smith will have Public Works look at the sewers on Fairfield Place quickly.
- h. Station 2- T. Pratt is working with Merrill Architects to provide the Fire Department with plans for the building. An elaborate drawing is not required. They will do a preliminary drawing for the Building Inspector. The State owns the building, and the Town has a right of way lease. If the town requests permission, we can make modifications. The drawing and diagrams are part of the permission factor. The drawings have been holding this project up. N. Nau added that the drawing would go to the State with the Town's request to take over ownership of the building. The State would need right of way to the building because of the rail.
 - i. WWTP Regional Study – The regional study is concluding, and Beacon Falls will be part of a suggestion for managerial oversight. A final ruling will come through in the next 60 days for determination.
 - j. Position Changes – The Land Use position has been put in place for full time as of 2/1/21. The offer made to increase the hours at the Police Station, so that the office was open 5 days per week. The individual did not want to work on Fridays. The offer was renegotiated so that position will have expanded duties at the new rate at 30 hours less Friday. This change went into effect on 2/8/21.
 - k. Basketball Court – G. Smith noted that the basketball court options have been explored, including a post tension court idea. SLR proposed removing all the courts and redoing all the courts, including the tennis courts, and adding a pickleball court/multi-purpose court. The work will give the courts another 15-20 years. The town has \$80,000 in LOCIP money for the project and we will be looking to appropriate additional funds on the project. A town meeting will be needed for the appropriation.

9. Old Business

FY2022 Budget – For the budget workshop on Tuesday, Finance will compile pdf documents with the budget requests from the departments who are presenting. The documents are all in SharePoint. Fire Department will be last in the line up to give them more time to present.

Selectman Krenesky asked about the charging station at the commuter lot and adding expenses for that into the budget. The movement of the schoolhouse to the new is also something which should be added. S. Leeper asked about costs to move the schoolhouse. M. Krenesky added that the property needs to be surveyed and the survey given to the State for the conveyance of the property. EDC is willing to provide the funds for the surveyor. W. Hopkinson asked where the schoolhouse is being moved. The plan is to rebuild the School house at the end of North Main Street adjacent to Route 8.

10. New Business

- a) T. Pratt added that he is working on town projects and seeking quotes and he learned that some vendors send invoicing to multiple locations in town. T. Pratt would like to see all invoices

directed to the Finance Office, so we are tracking all outstanding invoices and making timely payments.

- b) FY2022 Budget Projections – T. Pratt is looking ahead for the next 4 years so that board embeds this in our minds. He would like all departments coming in that generate revenue to speak to revenue during the workshops. In the 2023 Budget year, revaluation will impact the budget. We should see increase to home values which would have reciprocal impact on mill rate. A recession may be looming on a national scale. Our audit result was very positive for FY2020, and it may be time to take some of the Undesignated Fund Balance to devote to debt service, vehicle leasing, SWWT. Our Wastewater foreman has proposed \$1M as a minimum threshold in this fund for emergencies which can occur with aging sewer lines and plant. In December 2021 does the town plan on bonding the entire \$6M which has been approved.

Our mill rate has been stable for 4 years, T. Pratt would like to review employee wages and benefits over this period. The Board has some tough decisions to make and he wants the board to digest this and come up with your thoughts and proposals as we look forward.

J. Carroll advised before we look at raising the mill rate, we also need to look at the increases to the Grand Rate Book, which has been steadily increasing. He seeks a balance and is interested in providing enough funds to properly fund this town.

G. Smith added in looking at the revenue we need to reflect the impacts of building in town, on the building permit line and, we will have a new revenue stream from the Town Clerk when that position changes in January 2022. He plans to continue investing in the infrastructure of the town and stay on task and move forward.

N. Nau added that the town can look at a multi-year operating budget, and in FY2023 pursue a 3-year operating expenditure forecast.

J. Carroll noted that building at Chatfield Farms will be finished in FY2023 or 2024 at the latest.

- 11. Adjournment: J. Carroll made a motion to adjourn at 9:15 PM. K. Brennan seconded the motion. All ayes.**

Respectfully submitted,

Erin A. Schwarz

Finance Office



Presentation to the Board of Finance

2020 Audit Results

Town of Beacon Falls, Connecticut

Presented by:

Michael J. VanDeventer, CPA, Partner

Samantha Thomas, CPA, Senior Manager

February 9, 2021

www.mahoneysabool.com

Glastonbury Essex Middletown

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 2020: \$4,297,063 expended, \$289,466 nonexempt
 - Major Programs:
 - Town Aid Road (CT DOT) - \$192,176
 - 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 \$366,809
- Final budget included additional appropriations of \$88,339, resulting in a planned use of fund balance of \$455,148
- Actual change in fund balance was an increase of \$891,438, resulting in a favorable budgetary variance of \$1,346,586
- Revenues were \$799,476 more than budgeted
 - Favorable variance of \$424,250 in property tax revenues
 - Favorable variance of \$426,622 in grant revenues, primarily related to FEMA storm reimbursements
- Expenditures were \$547,110 less than budgeted
 - No budgetary compliance issues were identified

Financial Highlights (Continued)

Governmental Funds – Highlights

- Combined ending fund balances as of June 30, 2020 totaled \$7,018,782, an increase of \$714,498 from the prior year
- Total fund balances consisted of the following:
 - General Fund: \$3,792,520, an increase of \$813,566 from the prior year
 - \$3,723,824 is considered unassigned, which is sufficient to cover 2.0 months of and represents 16.5% of the Town's fiscal year 2021 General Fund budgetary expenditure appropriations
 - Sewer Waste Water Fund: \$1,234,184, an increase of \$30,864 from the prior year
 - Unbudgeted Grants Fund: \$15,956, a decrease of \$2,056 from the prior year
 - Other Funds: \$1,976,122, a decrease of \$127,876 from the prior year
- Unassigned deficit fund balance reported in the following fund:
 - Bonded Projects Fund of \$24,699

Financial Highlights (Continued)

Government-wide Financials – Highlights

- Positive unrestricted net position of \$4,126,363
- Connecticut Municipal Employees' Retirement System – Pension
 - The net pension liability for the Connecticut Municipal Employees' Retirement System attributed to the Town totaled approximately \$2.148 million
 - Plan is 73% funded compared to the 74% funded reported in the prior year
 - Town has an additional pension obligation payable to CMERS of approximately \$1.345 million relating to unfunded benefits that existed prior to joining the Plan
- Town OPEB Liability of \$688,648 (0% funded using a discount rate of 3.50%)
 - Funded on a pay-as-you-go basis

Required Communications

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

Planned Scope and Timing of the Audit:

- No changes in the planned scope or timing of the audit that was originally agreed-upon
- All reports were filed with the State by the December 31 reporting deadline

Significant Audit Findings:

- Qualitative Aspects of Accounting Practices
 - New accounting standards:
 - GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, resulted in the postponement of the effective date of most GASB standards by at least one year in response to the pandemic
 - 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
- Audit adjustments consisted of expected reclassifications made for financial statement purposes
- 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 are not aware of any consultations by management with other independent accountants

Other Matters

- Accounting for Length of Service Awards Program for Volunteer Firefighters
- Cybersecurity

Questions?

Michael J. VanDeventer, CPA, Partner

860-781-7924

mvandeventer@mahoneysabol.com

Samantha A. Thomas, CPA, Senior Manager

860-781-7926

stthomas@mahoneysabol.com



Tony DiLeone Jr.
Director of Finance and Business Operations

February 1, 2021

First Selectman Smith,

The Regional School District 16 (R16) district office administration wants to continue with open and transparent discourse with regards to our financial situation. Per our previous conversations and in anticipation of our upcoming budget season, we wanted to provide an update regarding both the audited surplus for fiscal year 2020 and the anticipated surplus for fiscal year 2021.

As you are aware, R16 anticipated no surplus for fiscal year 2020, as was communicated in our budget presentation to the Board of Education in February 2020. However, as the COVID-19 pandemic began shortly thereafter, several of our key expenditures, most notably our transportation contract, were able to be negotiated down from vendors who were not providing complete services. This, coupled with the reduced utility bills due to our facilities not being used throughout the day and reduced special education out of district rates, has led to an audited surplus of \$661,286. This figure is following the Board of Education's vote to assign \$186,692 to the district's capital non-recurring fund. Based on the State statute that allows a regional school district to assign up to 1% of their budget to their capital non-recurring fund, the Board has the option to assign an additional \$220,622 to this fund. A decision regarding this is expected at an upcoming February Board of Education meeting and will be communicated to you at that time. Shortly thereafter, updated payment schedules will be sent to each town reflecting their reduced payments through the end of this fiscal year.

In regards to the 2021 operating budget, Regional School District #16 does, again, anticipate that there will be no surplus at the end of this fiscal year. At this time, we are in the process of evaluating our options for the replacement of the track at Woodland Regional High School, which is near its end of usable life. Additionally, critical pieces of our technology infrastructure are in need of replacement. Many of these items were purchased at the time that Prospect Elementary School was opened and are due for replacement as part of the district's technology plan. As opposed to borrowing any unplanned, additional money for these replacements or requesting additional appropriations from our member towns, it is our intention to recommend to the Board of Education moving any unexpended funds from the operating budget into the capital non-recurring fund, as we feel this is our most fiscally responsible course of action for replacement of these items.

In an effort to explain further for definite clarity, we will be presenting the Superintendent's budget to the BOE on February 24th for the 2021-2022 school year. We are informing you that next year's budget payments in March thru June of 2022 should not be estimated to have deductions that result in reduced payments as has often been the case in years past. Our budget is fiscally responsible and does not include overages that will translate back to the town in the future. Hopefully, this letter early in February will help you plan your town budget accordingly.

If you have any questions or concerns regarding this letter or these upcoming projects, please do not hesitate to contact me. I am happy to discuss these items with you further.

Respectfully,

Tony DiLeone
Director of Finance and Business Operations

CC: Beacon Falls Director of Finance, Natasha Nau
R16 Beacon Falls Board of Education members, Mrs. Priscilla Cretella, Mrs. Christine Arnold, Mr. Erik Dey, Mr. Ben Catanzaro
R16 Board of Education Vice-Chair, Mr. Robert Hiscox
Superintendent of Schools, Mr. Michael Yamin