

**EAST LYME BOARD OF FINANCE  
REGULAR MEETING MINUTES  
Wednesday, JULY 8th, 2009**

Members In Attendance: Jeff Langan, Acting Chairman  
John Birmingham  
Jill Carini  
Allan Taylor

Also In Attendance: Paul Formica, First Selectman  
Anna Johnson, Finance Director

Absent: Steve Larcen, Chairman, Bob Jones

**A. Call Meeting to Order**

Acting Chairman Langan called this Regular Meeting of the East Lyme Board of Finance to order at 7:00 PM.

**B. Pledge of Allegiance**

The Pledge was observed.

**C. Delegations**

Mr. Langan called for delegations.

There were none.

**D. Approval of Minutes**

◆ **Thursday, May 7, 2009 - Special Meeting**

Mr. Langan called for a motion for approval or any changes to the Board of Finance May 7, 2009 Special Meeting Minutes, noting that the information that was requested has now been captured.

**\*\*MOTION (1)**

Mr. Taylor moved to delay action on the Special Meeting Minutes of May 7, 2009 in order for the full board to be present and to allow time for everyone to read them.

Mr. Birmingham seconded the motion.

Vote: 4 – 0 – 0. Motion passed.

◆ **Thursday, June 4, 2009 – Special Meeting**

Mr. Langan called for a motion for approval or any changes to the Board of Finance June 4, 2009 Special Meeting Minutes.

**\*\*MOTION (2)**

Mr. Taylor moved to approve the Board of Finance Special Meeting Minutes of June 4, 2009 as presented.

Mr. Birmingham seconded the motion.

Vote: 4 – 0 – 0. Motion passed.

**E. Reports**

**a. First Selectman**

Mr. Formica asked that John McCulloch, Tax Collector, please give his report first.

Mr. McCulloch said that they had a 98.68% collection rate after adjustments and refunds were applied. He noted that the TX Office would not have the final collection percentage rate for the 2007 GL until August 31, 2009 due to the 60 day rule under GASB. He noted that the tax bills were sent out on June 30, 2009 and that to date they had posted revenues of \$1,691,571.90 against the 2008 GL. (copy of report attached at end of minutes)

Mr. Langan asked how the 98.68% collection rate compares against the projected/assumed collection rate in the budget.

Mr. McCulloch said that he thought that they were close to projection; however he was reporting net figures after adjustments.

Mr. Formica reported:

- Today, they had been at a bond sale and refinanced two items. He noted that the Town rating (Aa3 from Moody's) was retained and they did very well with savings in the refunding. It was a positive day and the percentage rate was about 4.1%.
- He said that they also had a copy of a memo in their packets that he had sent to the Chair of the Board of Ed regarding back-end funding of the Federal Stimulus monies – which might go directly to the Board of Ed. It was noted that the Town's budget was based on the BOE receiving \$7,100,000 from the Town via the State and that any monies sent directly would be a part of that overall figure.
- He additionally synopsisized that they expect about \$650,000 in budgetary savings from all areas and that the \$450,000 - \$500,000 revenue shortfall would be offset by the savings. They would have a better picture on this for the next meeting of the Board.
- In April of this year they started an office purchasing program and they have compared quarters and the savings for the quarter are \$2,612 which amounts to over \$10,000 in savings over the course of a year. At the recent department head meeting, staff indicated that they do not have any problems with the new office supply quality and that they are looking to save.
- The Pension Committee met and started to work on identifying various items.
- The Capital Committee will meet in August and an agenda will be posted for the meeting.

Mr. Langan and Mr. Taylor asked that Mr. Formica thank Sgt. Blanchette for the Police Overtime report that he had submitted as it was very informative. They also asked that he be thanked for the information that he had presented at the last meeting of the Board.

Mr. Langan said that there has been some buzz around Town over the single stream recycling and asked Mr. Formica if he has received any feedback on it.

Mr. Formica said that there has been a lot of good feedback and the only complaint was from the Chapman Woods area who have said that they would like the smaller containers as they do not have a lot of storage area and in some instances cannot maneuver the larger containers – especially if they were to fill them. They are looking into the smaller containers. He added that in the short time that they have been doing this that the tonnage has increased and they feel that it is very positive and it will continue to increase. They are expecting that it will be able to be rolled out faster Town-wide with the positive results they have seen so far.

#### **b. Finance Director**

##### **• Update on Account Reconciliations**

Ms. Johnson noted that the amount of the LoCIP grant that they had received from the State was \$555,444. She said that she had also provided them with an update on the financials noted as Draft #2 in their folders. She noted various grants that they had received as well as noteworthy revenues for the month.

Mr. Taylor asked if she had a written report for them.

Ms. Johnson said no, that she had not provided one as the figures were still coming in as they are at not only month end but year end reporting.

Mr. Langan said that it looks like they came out at 97% of the revenues that they projected for the year.

Ms. Johnson said yes it appears to be fairly on target. She noted that the Board of Ed had not made all of their updates at the time that she ran the report so she had included those four (4) pages of updates for them this evening. She further explained that they have roughly \$765,000 unexpended with \$465,000 that the Town has currently in encumbrances – which include electricity, phone and attorney's final bill estimates so that they can pay them as they come in.

Mr. Taylor noted that the encumbrances going into the 09/10 year has the effect of reducing revenues received this year and asked if the \$765,000 would drop as a result of this.

Ms. Johnson noted that some of the grants are being carried over such as the COA and Affordable Housing. She noted that in the green folders that she had also provided them with a copy of the Moody's rating and bonding information.

**F. New Business**

**a. Discussion and possible action to carry over Commission on Aging Program Wages – State Grant to the 2009 / 2010 fiscal year.**

Mr. Langan called for a motion.

**\*\*MOTION (3)**

Mr. Taylor moved to approve the carry-over of funds in account 9-01-40-418-100-416 (Program Wages State Grant) from the 2008/09 fiscal year to the 2009/2010 fiscal year.

Ms. Carini seconded the motion.

Vote: 4 – 0 – 0. Motion passed.

**b. Discussion and possible action to carry over remaining funds of the Affordable Housing Grant to the 2009 / 2010 fiscal year.**

Mr. Langan called for a motion.

**\*\*MOTION (4)**

Mr. Taylor moved to approve the carry-over of remaining funds (\$28,000) in account 9-01-70-725-720-492 (Affordable Housing Grant) from the 2008/2009 fiscal year to the 2009/2010 fiscal year.

Ms. Carini seconded the motion.

Vote: 4 – 0 – 0. Motion passed.

**c. Discussion and possible action to transfer \$1,500 for additional maintenance fees old Town-wide radio system.**

Mr. Langan called for a motion.

**\*\*MOTION (5)**

Mr. Taylor moved to approve a transfer in the amount of \$1,500 from account 9-01-25-218-100-613 (Overtime/FFD) to account 9-01-25-224-200-222 (Building Maintenance) for additional monthly maintenance fees due to the delay in the new Town-wide radio system start-up date.

Mr. Birmingham seconded the motion.

Mr. Taylor asked how this affects the warranty.

Dick Morris, Fire Marshal said that the new radio warranty did not start until April of 2009.

Mr. Taylor asked if they lost any time on the one year warranty.

Mr. Morris said no, they made out well – they paid for September to April versus paying every month on the old system that is now out of service.

Vote: 4 – 0 – 0. Motion passed.

**d. Discussion and possible action – Appoint Auditor for the 2008 / 2009 fiscal year records.**

Mr. Langan called for a motion.

**\*\*MOTION (6)**

Mr. Taylor moved to appoint McGladrey Pullen as the auditors for the Town for the 2008/2009 fiscal year records.

Mr. Birmingham seconded the motion.

Mr. Taylor asked about the figure of \$58,200 and how it equates to the original quote for 2007/2008 prior to the extra monies that they spent.

Ms. Johnson said that the first year was quoted at \$55,500 and the second year at \$58,200 – so the figure is exactly the same as was quoted.

Mr. Langan asked about the time frame for their work to commence.

Ms. Johnson said that they would be here starting August 17, 2009 and November 9, 2009.

Mr. Langan asked if there was any problem with these dates.  
Ms. Johnson said that she is confident that they will meet the dates.

Mr. Taylor asked if the reconciliations are up to date.  
Ms. Johnson said that the staff accountant was on vacation for two weeks and that if she was here that the Water & Sewer would have been done through May 2009.  
Mr. Taylor asked if the reconciliations have been done through May.  
Ms. Johnson said that for the most part they are and that they do to have as many entries to do as they have been keeping up so this has facilitated the process.

Vote: 4 – 0 – 0. Motion passed.

**e. Discussion on Management Comments of the 2007 / 2008 Audit.**

Mr. Formica said that Ms. Johnson would walk them through the reconciliations and the plan and noted that she has worked tirelessly on this and that the Finance Office is coming together.

Ms. Johnson stated the issues and the remediative action that was being taken.  
Mr. Langan asked if there is a process in place that assures that these items are done.  
Ms. Johnson said that there is a policy and procedures manual that was started some time ago and that it would be updated and completed and become a working tool.

Mr. Taylor said that capital leases was started by the Board of Ed and that he thinks that this Board should look at it and see what they can do about it and if they are by-passing the Charter requirement.  
Ms. Carini asked Mr. Taylor if he would like to write the language or do the investigation.  
Mr. Taylor said no, he would like the Board to discuss it openly and to come up with the methodology.  
Ms. Carini noted that it seems that they want to determine a capital purchase and a capital lease since the capital purchase by Charter goes to a Town Meeting and the capital lease bypasses the Charter policy.

Mr. Langan noted that every item listed seems to have an estimated completion date reply of – ‘on-going’ or ‘to be determined’ – he asked if she could be more definitive with the dates.  
Ms. Johnson said that she would give them that information at their August meeting.

**IC08-4 – Review of Town and Board of ED funds that are currently not maintained on the accounting system.**

Ms. Johnson noted that this might be something for future implementation.  
Mr. Taylor commented that he felt that the Board of Ed information is not open to the public and that these funds represent a considerable amount of money.  
Ms. Johnson said that she would meet with Mr. Meltabarger from the school.

Mr. Langan said that he would like a target date on this item rather than ‘to be determined’.

**IC08-5 – Develop a plan to identify and record capital assets in a timely manner for proper reporting.**

Mr. Taylor said that about 10 years ago that the State dictated a capital asset system and that after all of that effort, they have found in the audit report that it was being updated yearly instead of monthly. Now they are going to do it monthly. He asked if they were going to make sure that ‘expended’ items that have ‘gone’ are off of the list and if somebody will check the list against what is actually in the cost center versus what is listed.

Ms. Johnson said that it a good suggestion, but it is a staff issue.  
Mr. Formica noted that they did the buildings last year and that they would get this also.

**IC08-6 – Water & Sewer policies relating to accounts receivable – method to improve segregation of duties and improve internal controls.**

Ms. Johnson explained the Water & Sewer policies and that she was having staff help out with this. She added that they are also looking into a lock box system and billing more frequently. It is a 90-day process with the bank regarding the lock box system and they figure that it would take three to four months to be able to implement.

Mr. Birmingham asked if there were any projections on how this would improve the cash flow. Ms. Johnson said that the bank promised that they would process what comes in each day on that day whereas now there is a lag time in processing with only two staff members.

Mr. Taylor noted that this is a repeat issue of the same person handling cash and no control function and now they are talking about some three to four months to do something about it and he thought that they had already implemented control measures on this.

Ms. Johnson said that this issue is for cash receipts and the accounts payable part has been taken care of as the Town side does the Water & Sewer accounts payable.

Mr. Langan asked Ms. Johnson if there is a memorandum of understanding between the Town and the Water & Sewer Department regarding the accounts payable function.

Ms. Johnson said no.

Mr. Langan offered that they should be drafting a memorandum of understanding on the policy.

Mr. Formica said that it would be a chapter in the policy and procedure manual.

**IC08-8** – Town and Board of Ed to develop policy to review capital leases prior to signing to ensure fiscal funding clause.

Mr. Taylor commented that capital leases are advantageous when the interest rates are very low (lower than what they would get with bonding) but interest rates are cyclical and the Town has been smart enough to use this properly but they should also have a procedure in place to cover and monitor it.

Mr. Langan said that he would like to see some dates on these items for their completion.

Ms. Johnson said that she thought that she would update them quarterly.

Mr. Langan said that would be fine and suggested that the quarterly updates begin in October 2009.

### **Policies and Procedures Manual**

Ms. Johnson noted that the policies and procedures manual is somewhat soft and that she is working on updating it.

Mr. Taylor asked for a list of the items.

Ms. Johnson said that they do have one.

Mr. Langan asked that it be given to them.

Ms. Johnson noted that corrective action on Fund Deficits, Budget Transfers and School Lunch Receivables has been completed. She added that she feels that the Budget Transfer process is adequate and efficient.

Mr. Taylor said that he still feels that the method just sanitizes the budget.

Ms. Johnson said that the auditors want the transfers to go before both boards before being transferred and posted rather than how they are doing it now.

Mr. Langan summed up that they will receive anticipated completion dates for these items at their August meeting and in October Ms. Johnson will start her quarterly review presentations to them.

## **G. Old Business**

### **◆ Sub-Committee Report: Financial Policies**

Mr. Langan apologized that they have not had the chance to set up a meeting for this subcommittee and said that now that the budget and audit process has been completed that he would do so.

## **H. Public Discussion**

Mr. Langan called for Public Discussion.

There was none.

## **I. Board Comments**

Mr. Langan called for any comments from the Board.

There were none.

**J. Adjournment**

**\*\*MOTION (7)**

Mr. Taylor moved to adjourn this Regular Meeting of the East Lyme Board of Finance at 8:40 PM.

Mr. Birmingham seconded the motion.

Vote: 4 – 0 – 0. Motion passed.

Respectfully submitted,

Karen Zmitruk,  
Recording Secretary