

**SALEM BOARD OF FINANCE
REGULAR MEETING MINUTES
October 8, 2009**

PRESENT

Carol Eckart
Janet Griggs
George Householder
Kevin Lyden (Alt)
Georgia Pech (Alt)
Greg Preston
Bill Weinschenker

ABSENT

Kevin Friert
Virginia Casey Rec. Sec

B. Weinschenker called the meeting to order at 7:02

Recognition of Visitors-See attached

Seat Alternates:

**M/S/C (Preston/Householder) to seat K. Lyden for K. Friert. Vote:
Approved Unanimously**

Communications: None

Additions to the Agenda: B. Weinschenker moved the Selectman's report from item 5 to item 1.

1. Selectman's Report

B. Ross informed the Board that the historic buildings assessment was completed at \$4000 less than budgeted for. He stated \$2000 will be returned to the town and \$2000 to the state (for their portion of a matching grant).

The transfer station work is going well.

The Recreation Commission received a STEAP Grant in the amount of approximately \$161,000 for the Tennis and Basketball Courts. The Town funded that project in 2008 and it is now complete. The State was contacted with this information and the Town can change the scope of the project. The Path

Committee submitted a change of scope to the First Selectman for work to be done on the two Harris Brook crossings which was submitted to the State.

**2. Approve Minutes from September 10, 2008 Regular Meeting
M/S/C (Griggs/Eckart) to accept the minutes as amended.**

Corrections:

Pg. 4, item 6A, change sentence, *He informed the Board of corrosion on the chassis....* to, He informed the Board of Finance of corrosion that exists....

Vote: Approved Unanimously

3. Treasurers Report (See file copy)

4. Marien & Company Presentation-2008/2009 Audit

Marien and Co. presented the draft audit to the Board of Finance (see file copy).

She stated there are two balance sheets, a long term with net assets and a short term for the general fund.

Pg 3 Short Term Balance Sheet

Marien & Co. made some additional adjustments.

- According to the charter, capital items are on the books for 24 months and are returned to the general fund if there is no activity on the account for 24 months. It was suggested to have a column for the capital items/capital non recurring fund. She suggested the book keeping would be easier.
- The school reimbursement of \$51,292 is revenue, not a liability.
- \$276,512 that is owed to East Lyme High School is a liability

Page 5

- Marien & Co. proposes a schedule similar to page 5.
- The Town needs some kind of reconciliation for what comes out of General Fund.
- Suggests the BOF look at capital project quarterly to give projects a chance to say done or not.

Page 7

- Fund Balance should be 5-10% minimum. BOF should decide what the amount they want in the fund balance.

Page 12

- Good idea to have a policy that explains how the Town of Salem does their accounting as compared to the GAAP.
- The Town needs to allow encumbrances but, what are they? A policy is needed, especially for the Board of Education.

Page 14

- Tax Collections have been fairly consistent
- Marien & Co. would have thought that in the “good” years more taxes would have been collected
- The Tax Collection rates for Salem are in the middle for the state.

Page 32

- Salem holds a small amount of debt compared to other towns. The Town pays “up front” for capital items.

Page 34

- The short term health of the Town went down in 2008, due to the large amount of capital non recurring items. Auditors are not worried about it.
- The long term health is good

Internal Controls

Marien & Co. stated that there needs to be more internal controls. She went over five categories:

1. Control environment-Control at the top. The Selectman and managers have to set the tone, do they know what the policies are, and do they follow them.
2. Risk Assessment-what can go wrong
3. Information Communications’ Systems-is it written down, do people know it.

4. Control Activities-Policies and procedures, segregation of duties.
5. Monitoring-is management following up on controls, monitor as you go along.

Standard Management Letter

- Salem does not have comprehensive system for five areas.
- Salem needs written accounting manual-if someone new comes in they have a document to read so they can do their job.
- Marien and Co. has developed some procedures for the town based on their questions of the employees.
- There needs to be segregation of duties and internal controls over Tax Collector and Treasury.

The Town and Board of Education will need to hire an actuary for the financial report of June 2010 to determine what the unfunded accrued liability is for the town and school. Even if there are no benefits being paid after an employee retires the liability still needs to be determined and accounted for.

G. Householder asked Marien and Co. what grade they would give Salem. The response was and A-, B+.

K. Lyden asked if Marien and Co. had any sample accounting manuals. Marien will give the Town some samples.

B. Weinschenker stated it would take the Board some time to read the report and there may be more questions at a later date.

5. Public Comment-None

6. Act on BOE ECS Grant-\$442,218

B. Weinschenker stated the legislation allows the BOF to reduce the BOE budget.

D. Kung, Chairman of the BOE stated the school has already received the funds.

Marien & Co. stated the funds may have to have separate accounting. She suggested speaking to Jessica Andrews at OPM about funds that are tied to the American Recovery and Reinvestment Act (ARRA)

M/S/C (Preston/Householder) in light of the BOE receiving the ARRA grant in the amount of \$442,218, motion to reduce the town funded portion to the BOE in the amount of \$442,218.

Vote: Approved Unanimously

7. Preparation for 2010/2011 Budget Year

B. Weinschenker suggested the Board ask for a five year capital plan as opposed to a 10 year capital plan. He stated that it would be a more realistic view of where the town wants to go with capital projects.

C. Eckart thought it was a good idea to set goals on what the BOF would like to see in the proposed budgets.

J. Griggs stated that cutting the budgets upfront worked better the past year and creates dialog and gets people out to the Town Meeting.

G. Householder asked what the School Building Committee's plans are now that the State has not approved the waivers. K. Lyden stated that the project has to be approved as a whole without knowing what percentage the State will reimburse the town.

Adjournment

M/S/C (Householder/Lyden) to adjourn at 9:25. Vote: Approved Unanimously

Respectfully Submitted

**Sue Spang
Recording Secretary Pro-Tem**