

Town of Southington
Board of Finance
Wednesday, July 24, 2013

STENOGRAPHER'S NOTE: The Minutes are now being prepared in summary style. Please refer to the audio or videotape for more details.

Appropriations from Contingency Account:

Approved to date	\$ 365,969
Approved this meeting.....	<u>0</u>
Total Appropriations.....	\$ 365,969

Appropriations with Revenue Offsets:

Approved to date	\$ 914,976
Approved this meeting.....	<u>33,443</u>
Total Appropriations.....	\$ 948,419

Chair John Leary called the Regular Meeting of the Town of Southington Board of Finance to order at 7:00 p.m. in the Public Assembly Room at the Municipal Center, 200 North Main Street, Southington with the following members in attendance:

Anthony Casale, Jr., Sandra Feld, Edward Pocock, Jr. & Wayne Stanforth

Also in attendance: Emilia Portelinha, Finance Director
Garry Brumback, Town Manager

Absent: Joseph Labieniec, Board Member

The Pledge of Allegiance to the American Flag was recited by everyone in attendance.

JOHN LEARY, CHAIR, Presiding:

III. Public Hearing Items

None

Discussion with Vanessa Rossito, Partner for Blum Shapiro & Company P.C. regarding the annual audit

Ms. Rossito advised Blum Shapiro is back with a partner change. She is going to be the partner in charge of the audit rather than Joe Cask also giving you the benefit of having a new set of eyes thus the same thing as changing firms but still getting staff continuity.

She reviewed the letter sent to the BOF which summarizes management's responsibilities are, what Blum Shapiro's responsibilities are, what the purpose of the audit, the limitations of the audit, et cetera. (Letter on file in the Finance Director's office for review.)

The Chair advised with unanimous consent he would like to move the Senior Citizen Commission to next in line on the agenda.

(Everyone agreed)

Mr. Brumback introduced Peter Freeman and Mark White of the Senior Citizens Advisory Commission. Along with our own Ed Pocock. I asked them to take a look at the Dial-A-Ride program and see if there weren't opportunities to make it more efficient and they have done that and I've asked them to present a brief overview of the things they've done and where they're taking the program.

Please note these are all volunteer members on this commission and they have done extraordinary work and spent an awful lot of time and have been invaluable to trying to review the program. I'm very grateful and happy to introduce them.

Peter Freeman stated in August of 2012 we originally met. We identified six major areas to audit:

- Communication
- Comboing
- Fair Distribution of workload among the bus drivers
- Organization of return trips
- Metrics or measurements of improvement
- Automation of scheduling
- Analysis of customer and care givers attributes
- Customer service.

This is a taxi service. The big nut to crack is communication between the office staff and Calendar House, the bus drivers and care providers and our customers. We were able to recommend a cell phone change because of dead areas in town. We recommended a communications protocol be instituted. (Explained)

Combing is a term which means if a bus in a certain portion of town and there is a customer in a certain portion of town who needs transportation we should make every effort to make sure all the people in the area where the bus is at that time be moved. Staff have done a much better job of trying not to crisscross our territory and spend gasoline and make the pickups and drop offs a lot more efficient. A GPS system would be very invaluable here.

We see the need for a small van or car to provide coverage of odd-ball pickups. (Explained)

As to fair distribution of workload, we noticed that there was inequity as to that distribution of the more difficult rides versus the easy one. Wheelchairs are very difficult. We established a measure for that, it has been addressed and we are seeing a much better distribution of the wheelchair cases.

I will turn this over to Mark White now to talk about the area he worked on.

Mr. White reviewed the history in order to understand what was necessary to be achieved and how to do it. He noted the ride numbers have doubled over the last six years. Progressive increase. (See attached sheet with number data.)

Telephone contact at the Calendar House gets really busy with the scheduling of rides, return trip scheduling, et cetera. We really do need a full time person in that position in order to cover it adequately. Explained the procedure for scheduling the return trips with the bus drivers and Calendar House was discussed. A lot of cell phone use in a driving situation which is questionable.

A large number of office calls are required to manage activity. How the schedule is actually produced is in Office Word. Difficult to change. It's suitable for the office but not an ideal situation for each bus driver having a point by point schedule of where he has to go next especially with the returns. We need some kind of mechanism to change the format. We need a data based system setup to do it. He explained the new system they're putting together to produce a

sensible schedule for the office need and a different format for the drivers.

We are also reviewing routing and timing this will reduce miles which is gas which is money. Explained we have two full time drivers now supplemented with part time drivers. If we didn't need as many part time drivers, it is a win/win situation. It's time and money.

Discussion.

We are currently testing a GPS based system. It's a marriage between a GPS device and a cell phone which reports back to the central system where the bus is. And, you can put on the map where the people are that need to be picked up and dropped off. A decision then could be made as to which bus needs to pickup which person.

We're hoping to have a high level of progress instituted by the end of the year.

Mr. Freeman concluded by saying audits tend to be negative. But we want to make it clear that the Dial-A-Ride program at Calendar House is excellent. They provide a very needed service for our seniors. We had excellent results last year on our survey with very little complaint. This need will increase geometrically as we go forward. It is a growing problem and this particular program is well positioned to do what is needed in the future.

Thank you.

In response to a query by Mr. Stanforth it was noted that other municipalities and towns were reviewed as to what they're doing and a lot of them are facing the same problems.

Discussion.

Mr. Pocock explained the reason for the drop in out of town medical numbers is now we have dialysis in town where we used to have to go to Bristol or New Britain. Southington has an excellent program only to get better.

IV. Old Business

1. Approval of Minutes from the meeting of June 19, 2013 Special Meeting.

Ms. Feld made a motion to approve the Minutes as presented. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

2. Transfer of \$3,468 to Planning & Zoning - Contractual Services (Tabled at the 6/19/13 meeting)

Michael Riccio, 100 Old State Road, addressed the board of finance. I'm Chairman of the Parking Authority.

The parking authority has initiated a study to look at the utilization of our existing parking lots and looking at two or three different scenarios in all of our lots in Southington --- not including Plantsville.

We are looking to take a look at the existing number of parking spaces, how they're situated on the property we own and can we expand within the existing property we do have to create some more parking downtown due to the increase in demand.

The second issue is to look at public parking that has limited hours and is it in appropriate places. Should there be more two hour parking, should there be pick up parking for 10-15 minutes and if so, where should it be located.

So, we sent out an RFP seeking firms to come out and look at this. We did that ended up with the firm of Weston & Sampson. They're looking at the Riccio lot, the Fleet lot and the potential for Liberty Street expansion where the new development is happening down on Liberty Street. There's a lot of development going on in and around Paul Gregory's. The town has control of some of the land but not all of it and we're looking at purchases or leases or the various methods we've used over the past to expand the parking down there to help to promote economic development in those areas.

As to the question of a parking garage, as we continue to grow and need more parking, if we have to go with a garage where might that happen. We're not promoting a parking garage by any means.

I do have a handout. (Passed around) It just shows some recent impacts to the downtown parking and how they relate to taxes.
Discussion.

He explained the demand for parking as it has grown and how it has been accommodated; i.e. overnight parking.

I will be happy to answer your questions.

Mr. Casale asked about the parking behind My Bar were were supposed to get from the owner free for the town. Mr. Riccio said

that was correct. We are parking there now. You need to discuss the project with the town attorney at this point.

Mr. Riccio said Mr. DelBuono agreed to commit to use of his land in perpetuity for parking for some parking waivers. We haven't seen that development happen yet.

Mr. Riccio said this is not asking for new money, just a transfer. It is a joint effort between the parking authority and the planning & zoning commission.

The Chair asked what benefit the consultant brought to the table that we ourselves as residents can't. What value do they add?

Mr. Riccio said they have the tools and equipment to do a study like this. I don't believe our engineering department has the time or tools.

Discussion.

Mr. Brumback pointed out having a parking problem is a good thing. It means you have activity in a place that is requiring more than what you've currently got. This really is a culmination of what we were hoping for when the Renaissance was done in the first place. We now need to be creative on how we park.

Tax revenues in the mid-90's compared to now were discussed as being extraordinary.

Mr. Pocock pointed it is nice to go down Center Street any given night or day now and with the activity now, I'd rather see the shortage of parking with people being there. It's nice to see our downtown area has really picked up and come a long way. It's all revenue and its all taxes.

Ms. Feld asked the timeline for this. Mr. Riccio said he didn't have that answer. He would email the answer to the BOF members.

Mr. Stanforth made a motion to approve. Mr. Casale seconded. Motion passed 5 to 0 on a roll call vote.

V. Assess current financial state of the town

1. Review revenue vs budget

In July, we are not totally through with the year yet pointed out the finance director as we do a 13th month to complete the year.

We have the general property tax revenue that came in \$175,000 above budget.

Building permits fees came in \$159,000 over budget.

Interest on investments rallied a little bit. It's about \$88,000 under budget. It's about \$20,000 higher than it was last year.

We're still expecting the LOCIP grant to come in. We'll accrue it. It's \$285,000. Municipal sharing coming in for \$162,000. The ECS money came in over budget by \$92,000.

Town Clerk fees have rallied and we're \$195,000 above budget.

Overall we are about \$570,000 above budget. We are anticipating two grants of approximately \$400,000 and we are bringing before you as part of the agenda today an appropriation of \$400,000, approximately, for the BRRFOC/DOT refund which would then reduce the surplus by that dollar amount.

With all the changes we are looking at about a \$600,000 surplus in the revenue side.

2. Review expenses vs budget

The finance director reported as of today, we are a little over \$3 million. We've paid \$800,000 since we ran the report and submitted it to you.

Looking at the expenditures, I am anticipating another \$1.4 million or less of expenses.

There is also before you a carry forward list of approximately \$1 million.

When you subtract that out we are coming up with approximately \$650,000 surplus in the expenditures based on my anticipation of the expenditures through the end of the year.

Mr. Brumback pointed out that by allowing staff the flexibility and trust in order to budget for what they need to, we are committed to giving you back what we don't use. And, you are seeing some of that right now.

Discussion.

Extensive discussion on the reserve fund and how it is funded by a surplus at the end of the year to cover the ratio. Both the government side and BOE were discussed.

3. Discuss unplanned items that impact revenue or expenses

Nothing to report.

4. Sub Committee Reports (Emphasis on financial aspects)

A. Sewer Committee

Mr. Stanforth reported no meeting was held. However to update you on two projects ongoing, the wastewater facility plant is ongoing and the state approved the funding for that.

The other job that will be started is the Water Street construction and that should end by September.

Mr. Brumback noted the sludge removal based on working on repairing the digesters was an unanticipated expense so we are moving money in the sewer fund to accommodate that. You will see that later in the agenda.

B. Public Works Committee

Ms. Feld reported no meeting was held in July. However, we keep getting reports from the light people that they are on top of everything. We get them weekly now.

The Chair pointed out we are all seeing the affects of the paving program happening.

C. Middle School Building Committee & Education Capital Building Committee

Mr. Pocock reports a lot of activity. We're right on target. Contractors are doing a great job and moneywise we are still holding where we should be.

We had nothing with the Capital Building Committee.

D. Open Space Committee

Mr. Pocock noted a lot of things have been discussed. People have volunteered to cleanup. One of our young scouts related to our Chair is going to cleanup an area on Laning Street. All approved by us last week.

We are looking at other areas to dress up a little bit more.

Ms. Feld asked about money the town clerk gets to be used for open space. Ms. Portelinha advised it is an annual thing. It is one of the fees they collect and the town requires it be used for open space so every year the town clerk will accumulate the funds and we appropriate it once a year. It goes into the capital fund and we use it for purchasing property and do site assessments, that sort of thing. Mr. Brumback pointed out the balance in that account is just north of \$400,000.

Mr. Pocock commented on Crescent Lake. It's crowded all the time and the open space is getting used.

E. Self Insurance Committee

Ms. Feld noted no meeting this month.

F. Gura Building Plan Review

Mr. Brumback reported nothing to report at this time.

G. Other Committee Reports

Nothing to report.

7. Board Communications

Ms. Feld brought up in looking through the Manager's Memos List, the 12 or 13 items on here, it occurs to me they are dated in July, not June. I looked at the Charter. And, she cited Section 706 of the Charter. (Read verbatim)

These all should have been dated in June, not in July. I have a dilemma here. I, for one, would vote "no" on every one of them for the simple reason they are not dated in June.

Ms. Portelinha responded the year is open for another month in order to complete the paperwork. So the year is not closed yet. We do close it as of July 31st. Ms. Feld stated our fiscal year closes June 30th. Ms. Portelinha pointed out we run a 13th month to clean up some items. Ms. Feld said they should have been dated in June. Ms. Portelinha said they have the employees date them when they submit them.

Mr. Casale asked: It is a technicality, but does it go against the Charter? We don't want to go against the Charter. Ms. Portelinha said she didn't believe it does. The town attorney could speak to

that.

Discussion.

Mr. Pocock asked what the carry forward list is how does it come about. Ms. Portelinha said it does every year and what that is we try to clean up all the pending invoices by the end of the 13th month. Contracts already in play, commitments, et cetera. If the department heads feel for some reason the invoices won't be received or projects won't be completed, they request a carry forward and we create an appropriation in the new year. Ms. Feld said in looking at the list, some of these numbers are not explained to my satisfaction. Examples cited. Ms. Portelinha said the intent was to go through them when we get to that item on the agenda. Ms. Feld said she would rather see the actual dollar amount and the breakdown in writing. To do it at the last minute when you expect us to vote on it is really last minute. The Chair said that would be addressed when we get to that item.

The Chair wanted to set a date for the first review of policies. I thought August might be a good month to meet. August 1st? The Chair said he would pencil that in and send a note out to everyone by email to confirm. He would also suggest an alternate date and we can pick.

Discussion.

VI. Public Communications (Excluding Public Hearing Items)

Arthur Cyr, 103 Berlin Avenue. I sent you an email regarding schedule overtime in the fire department. In the first month of the year, it's a situation that has been an issue for the last year or two. You have control of monies in this town and if things aren't going right in a department you have the ability to shut off the spigot.

My concern is that we have fire dispatchers sending out fire equipment on medical calls. Why? We have AMR that should be doing that. We don't need to dispatch the fire department if that is causing scheduled overtime then you need to put a shut off switch on that.

I don't want to be talking about scheduled overtime in March or April of next year when you are allocating another \$90,000 for overtime for the public safety departments.

I came to you in the first month and say you better start looking at this.

Operationally, we have fire dispatchers at the police department dispatching fire equipment for medical calls when it should be going to AMR or the police department that is an operational problem.

You guys can say stop doing it or we'll say no to your funding.

I ask you in your capacity as an oversight board, you strongly consider for every town employee that drives a town vehicle, that in every town vehicle you do mileage logs. There should be a policy of not by this board then by the town council on personal use. Personal use should be highly restricted for town vehicles for fiscal control.

Thank you.

VII. Review Long Range Plan and Priorities

1. Review status of LRP items in current fiscal year budget

A. Status /Reprioritizations

B. Strategy Discussion

The Chair indicated this had already been handled.

VIII. Conduct Administrative Business

The Chair asked for unanimous consent to bring forward the fire department's items as the Chief is here and has been waiting.

(Everyone agreed)

4. Transfer 12/13 \$5901 Fire Dept - Gasoline

The Chair thanked the board for allowing this. The Chief said this is a transfer out of wages and into fuel. The lion's share is the money was cut during the budgeting process last year. We arrived at the number using a 3-year average of use in the past. We were a few hundred gallons over what we estimated. And, the price change has to be considered. We saved money in the payroll because we had three retirements. When you hire younger firefighters there is a pay difference between probationary and fourth step. And, we have made nine changes to dispatch protocols that will reduce the number of pieces of equipment going out on calls. That was done the beginning of July.

Mr. Stanforth made a motion to approve. Mr. Pocock seconded for discussion.

Ms. Feld noted in line with her earlier comments, everything on the Manager's Memos is subject to the Charter. I would vote "no" and this would be one of the items. It's dated July 17th. That's the problem. The Chair said the expenses were incurred in the fiscal year ending June 30th, 2013. Ms. Portelinha clarified the expenses will be charged to June 30th. We are all aware of the fact that we are using funds in the old fiscal year. They are posted to the old fiscal year. And the expenses relate to the old fiscal year.

Discussion.

Mr. Casale also cited Section 706 of the Charter. (Read verbatim)

Mr. Pocock made a motion to take a recess to get a legal opinion from the town attorney if the town manager will make a call. Mr. Stanforth seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was recessed at 8:20 o'clock, p.m.)

(Whereupon, the meeting was resumed at 8:23 o'clock, p.m.)

JOHN LEARY, CHAIR, resuming the Chair:

Mr. Brumback reported the town attorney said it was when the action took place and not the date of the letter.

Ms. Feld and Mr. Casale pointed out it doesn't matter. Misinterpretation. We misread. Section 706 clearly says: appropriation and these are transfers.

The Chair noted a motion on the floor and a second pending for Item 4. The motion was to approve the transfer.

Motion passed unanimously on a voice vote.

1. Consent Agenda

A.	Appropriation	12/13	\$1,090 *	Youth Services - Kristen's Kloset (Spec Rev)
	Appropriation	12/13	\$500 *	Youth services - Outside Programs (Spec Rev)
B.	Appropriation	12/13	\$27,627 *	Capital Budget - Open Space Conservation

C. Appropriation 13/14 \$7,985 * Police Department - Uniform Cameras (Spec Rev)

D. Appropriation 12/13 Capital Fund - Athletic turf Field

Ms. Feld made a motion to approve the consent agenda as presented. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

Mr. Brumback suggested bringing the community services item forward.

7. Transfers 12/13 \$10,000 Capital Budget - Community Services Paving Project

Janet Mellon explained the request. When we put this amount in for the capital improvement that is what we thought was the cost. A few items have come up in the meantime. Explained people that park in our lot are going into the neighbor's yard to leave --- they're crossing the grass and going on his driveway which became a big issue recently. We're going to have to change the parking in the front. We'll be putting a curb so they can't go through. We do have to take out part of the gardens and bring the driveway forward.

In the back parking lot we are going to add an extra two spaces than originally asked for. Explained the volume of people that come for services.

She explained also they'll be putting in stone for drainage.

We are going to widen the center where they turn around and that is going to be done for no cost.

We didn't receive the final amount until the beginning of July. He total cost of the parking lot will be \$10,000 more or \$44,700.

Discussion.

Mr. Stanforth made a motion to approve which Mr. Pocock seconded. Motion passed unanimously on a voice vote.

Manager's Memos

1. Transfer 12/13 Withdrawn - Replaced with Item #3

Withdrawn.

2. Transfer 12/13 \$1,115 Town Council - Advertising

Mr. Stanforth made a motion to approve which Mr. Casale seconded. Motion passed unanimously on a voice vote.

3. Transfer 12/13 \$298 Engineering- Computer Maintenance
 Transfer 12/13 \$200 Engineering - Gasoline
 Transfer 12/13 \$650 Engineering - Overtime
 Transfer 12/13 \$784 Engineering- Vehicle Maintenance

Mr. Stanforth made a motion to approve. Mr. Pocock seconded for discussion.

Mr. Pocock asked if the computer maintenance going to be taken care of by the IT Department? Just so it's clarified. Mr. Brumback said it is in the next budget.

Motion passed unanimously on a voice vote.

4. Transfer 12/13 \$5901 Fire Dept - Gasoline

See earlier in the Agenda for action.

5. Transfer 12/13 \$340 Finance Dept - office supplies

Mr. Stanforth made a motion to approve and Mr. Casale seconded. Motion passed unanimously on a voice vote.

6. Transfer 12/13 \$300 Board of Finance - Temp/Seasonal

Mr. Stanforth made a motion to approve. Mr. Pocock seconded. Mr. Brumback said this was based on a special meeting last July. Motion passed unanimously on a voice vote.

7. Transfers 12/13 \$10,000 Capital Budget - Community Services
Paving Project

Item addressed earlier in the agenda.

8. Transfer 12/13 \$12,000 Bond Interest - General Government

Mr. Stanforth made a motion to approve. Mr. Pocock seconded. Ms. Portelinha explained we had planned on doing a bond sale last fall but then we had the issue with the middle schools and we had to figure out if we were proceeding with that, or not. So we've delayed that new bond sale until this fall. I had budgeted a six month interest payment on the debt that I was anticipating which we didn't utilize. During the budget processed I realized the money was there and we were delaying the bond sale; I assumed we would do a carry forward in order to budget in the 2014 year. But I had actually budgeted based on \$129,000 in the general government and \$168,000 in schools, so I want to move the \$12,000 so I can get to those numbers and carry them forward into the 2014 year.

Motion passed 5 to 0 on a roll call vote.

9. Transfer 12/13 \$39,000 Town Attorney - Other Professional Svcs

Mr. Brumback noted two issues: one is to gather money to demolish the fire ravaged structure at 17 Farmstead. We've been working with the bank and the neighborhood for quite some time. We have estimates it cost \$24,000, approximately, to demo the property.

And, the other \$15,000 is the town's obligation to correct a drainage problem that is several years old and is just now being fixed on Canterbury Lane. We're splitting it with the property owner and \$15,000 is the town's share.

Discussion of the property's ownership at 17 Farmstead Road. It is in foreclosure but the bank is refusing to close on it. That's why we are in limbo.

Mr. Casale asked if the money would be recouped at some point. The town manager advised we are going to place a lien but the likelihood of us recovering that from a foreclosed property is remote.
Discussion.

Motion passed unanimously on a voice vote.

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|-----|----------------|---------|---------------------------------|
| 10. | Transfer 12/13 | \$1,600 | Highway - overtime |
| | Transfer 12/13 | \$2,500 | Highway - Equipment Maintenance |
| | Transfer 12/13 | \$2,000 | Highway - Utilities |
| | Transfer 12/13 | \$3,100 | Bulky Waste - overtime |
| | Transfer 12/13 | \$1,500 | Bulky Waste Refuse/Recycling |
| | Transfer 12/13 | \$2,000 | Parks - Grounds Maintenance |
| | Transfer 12/13 | \$2,000 | Parks - Equipment Maintenance |
| | Transfer 12/13 | \$9,500 | Parks - Utilities |
| | Transfer 12/13 | \$3,800 | Parks - Program supplies |

Mr. Stanforth made a motion to approve. Mr. Casale seconded for discussion.

Ms. Feld saw no explanation as to why he has so much extra money left in wages. Mr. Brumback referred her to the first sentence.
Discussion.

Discussion of the transfers to the parks accounts --- where it came from.

Ms. Feld said she needed more explanation. She would like to have the information emailed to her about where it came from - the transfer into gasoline in May. Staff will do this.

Motion passed 4 to 1 on a roll call vote with Ms. Feld opposed.

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|-----|----------------|----------|-------------------------------------|
| 11. | Transfer 12/13 | \$66,456 | Sewer Fund- Plant-Plant Maintenance |
| | Transfer 12/13 | \$180 | Sewer Fund - Plant - On Call |

Mr. Stanforth made a motion to approve and Mr. Pocock seconded.
Motion passed unanimously on a voice vote.

12. Appropriation 12/13 \$390,644* Capital budget - Old Mountain Rd Culvert

Transfers 12/13 \$337,812 Capital budget - Old Mountain Road Culvert

Appropriation 12/13 \$321,424 * Capital Fund - Old Mountain Rd Culvert

Mr. Brumback advised that in light of the previous discussion, we will remove this item.

13. FY 12/13 Carry Forward List

The Chair noted this came up in discussion earlier in the agenda and the carry forward list is money that has not been spent that we want to carry forward into the new fiscal year. It's represented on a list.

Ms. Portelinha explained the process as taking the 14th month to complete the year. It is an accrual process. In July we cleanup all June invoice, commitments, et cetera. If we're getting close to July 31st which is when we cut off payments for the old year, and there are still commitments or encumbrances or invoices pending from the old year, we request that the departments put in a request to carry forward. They're submitted to this board and if approved, the items are then added to the new year budget as carry forward appropriations.

You'll see them in the budget with the other line items. In order for us to carry forward these expenditure budgets, we need approval of the board of finance and the council.

Discussion.

The Chair clarified they are service that are committed to but not provided and we are asking to carry the money forward along to be able to honor our commitment because the delivery didn't occur by June 30th and therefore we are still obligated to follow through with the purchase of the good or service and we're still obligated to pay for it. It is June 30th approved and appropriated money. We're carrying that item into the current fiscal year.

Ms. Feld asked if all the money listed was appropriated during the 2012-13 year and there are no additional funds required to meet these obligations. Mr. Brumback said she was correct.

The Town Hall project carry forward item was discussed as being for the windows.

The historical society amount is for windows.

The school item is for the security at the schools.

Mr. Brumback addressed the environmental services. Those are the cash calls that we've been talking about for the Old Southington Landfill. We had been working toward that and these are two we had budgeted and they haven't done the cash call. We've been told they're eminent and they have been for about eight months.

Discussion.

The planning and zoning item is for the parking study.

After discussion, the carry forward list document would be expanded to include the project and emailed back to the members and attached to the minutes.

Ms. Feld asked if any of the items in the sewer fund were the digester. Ms. Portelinha said yes, there is plant maintenance; about \$66,000 is associated with the cost for the sludge removal. We have money here for the other professional services for Tighe & Bond we need to carry forward. There's a few smaller purchase orders that were created before June 30th that haven't been paid, yet. The big one is the ongoing project.

And, road projects are going on all over noted the town manager.

Economic development is a part that was in the budget and he hadn't used it this year. We reduced his request this year with the understanding the carry forward would fill the gap.

Motion passed unanimously on a voice vote.

Ms. Feld made a motion to adjourn. Mr. Stanforth seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 9:06 o'clock, p.m.)

MEMO - COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To: Board of Finance, Town of Southington, Connecticut
From: Vanessa Rossitto, CPA, Audit Partner
Blum Shapiro & Company, P.C.
Date: July 18, 2013
Re: Auditing Standard No 114, The Auditor's Communication with
Those Charged with Governance

The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standard (SAS) No. 114 entitled "The Auditor's Communication with Those Charged with Governance." This statement defines who is charged with governance as well as the information that should be communicated to them. For purposes of our audits we have concluded that the members of the Board of Finance are charged with the governance of the Town.

This standard stresses the importance of two-way communication and requires certain communications to be discussed prior to the audit. Summarized below is the information that we are required to communicate to those charged with governance.

Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Single Audit Act Amendments of 1996; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Connecticut State Single Audit Act.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the Connecticut State Single Audit Act and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133 and the Connecticut State Single Audit Act and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report.

In connection with our audit of the Town's financial statements, we will also communicate any recommendations to improve the Town's internal controls.

Our Responsibility

Our responsibility under the aforementioned standards is to express opinions on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

An audit is designed to provide reasonable, but not absolute assurance. Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform an examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that we discover. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Audit Scope and Materiality

The scope of our audit of the financial statements is designed to provide reasonable assurance that the Town's financial statements are free of material misstatements, whether caused by errors or fraud. Our consideration of materiality is a matter of professional judgment and is influenced by our perception of the needs of users of financial statements.

Audit Approach

The nature, timing and extent of our contemplated procedures for significant accounts are based on a risk assessment of the likelihood of material misstatements occurring in those accounts. We contemplate an audit strategy based on reliable effective controls. We plan to execute audit procedures to substantiate account balances primarily as of or near year-end.

In conducting our audit, we maintain an awareness of the possibility that errors, fraud or illegal acts (as defined in authoritative professional literature) may have occurred that could have a material and direct effect on the financial statements. Effective internal controls are designed to prevent or detect errors, fraud or illegal acts; however, it is possible that they may nevertheless occur.

We will report to those charged with governance and management any such situations which come to our attention even though they might not be material in relation to the financial statements taken as a whole.

Independence

There are no relationships between any of our representatives and the Town that in our professional judgment impair our independence.

Responsibilities under Auditing Standards Generally Accepted in the United States of America

Management's responsibilities include:

- Management is responsible for the financial statements and all accompanying information, as well as representations contained therein.
- Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards and for the preparation of the schedule of expenditures of state assistance.
- Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance.
- Management is also responsible for the selection and application of accounting principles
- Management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud or illegal acts affecting the government.

Auditor's responsibilities include:

- Understanding the internal control structure to evaluate risk
- Performing tests, analysis and reviews of financial statements and underlying support
- Planning and performing the audit to obtain reasonable assurance that the financial statements are free of material misstatement, whether caused by error or fraud
- Evaluating fairness of presentation of financial statements in conformity with the Accounting Principles Generally Accepted in the United States of America (GAAP) in all material respects

Audit Areas of Focus

- Cash
- Investments
- Receivables and revenues
- Capital Assets
- Payables, accruals, budget and expenditures
- Payroll expenditures
- Debt
- Insurance and Self Insurance
- Grants – Federal and State Single Audit

Engagement Timing

- Our initial planning for the year-end audit will be performed during June 2013. Our focus will be on documentation of the internal controls as required by auditing standards, fraud inquiry interviews with management and key personnel, preparation of certain confirmations some overall analytical procedures and audit fieldwork as applicable to the federal and state single audits and procedures performed relevant to the tax collector's and tax assessor's offices.

- Audit Timing:

Commencement of Fieldwork	6/24/13
End of Fieldwork	11/4/13
Issuance of Draft Financial Statements	12/2/13
Client Approval of Draft Statements	12/9/13
Issuance of Financial Statements	12/16/13
Issuance of Management Letter, if applicable	12/16/13
Post Audit Meeting with Management	TBD

Engagement Team

An engagement team consisting of the following individuals will be responsible for audit, and other services, including contact information to reach us:

- Vanessa E. Rossitto, Audit Partner
Direct Line: 860-561-6824
Email: vrossitto@blumshapiro.com
- Joseph A. Kask, Concurring Audit Partner
Direct Line: 860-570-6372
Email: jkask@blumshapiro.com
- Frank Ocskasy, Audit & Accounting Manager
Direct Line: 860-570-6383
Email: focskasy@blumshapiro.com
- Paul LaBelle III, Audit & Accounting Senior
Direct Line: 860-570-6446
Email: plabelle@blumshapiro.com

Other Communications

At the completion of our audit we will communicate in writing the following information related to our audit:

- Management judgments and significant sensitive accounting estimates
- Significant accounting policies
- The adoption of new accounting principles or changes in accounting principles
- Significant audit adjustments (recorded and unrecorded)
- Disagreements with management about auditing, accounting or disclosure matters
- Difficulties encountered in performing the audit
- Irregularities and illegal acts
- Consultation by management with other auditors
- Matters affecting independence of auditors
- Material weaknesses, significant deficiencies and control deficiencies

Knowledge of Fraud

- If management or those charged with governance has any knowledge of fraud or potential fraud, this information needs to be communicated to us. As part of the audit process, we will be meeting with management to discuss fraud risks and any further issues.

- It is estimated that U.S. businesses, including municipalities, lose up to 7% of annual revenue to fraud. Municipalities are especially vulnerable due to the large amounts of cash collected in the tax collector's office, in addition to decentralized cash collection points such as transfer stations, golf courses, recreation programs, etc.

- The Forensic Accounting group of BlumShapiro provides Fraud Risk Assessment services. The objectives of a Fraud Risk Assessment are to gather perceptions of fraud risk and to promote fraud awareness and prevention across the entity. The Fraud Risk Assessment process starts with the gathering of information on the population of fraud risks that may apply to the entity. This includes consideration of various types of possible fraud schemes, scenarios and opportunities to commit fraud. This information is then used to assess the relative likelihood and potential significance of identified fraud risk based on historical information, known fraud schemes and interviews with staff and management. A report is prepared documenting fraud risk within the entity and setting forth suggested policies and procedures to help prevent and detect fraud. If you are interested a Fraud Risk Assessment or would like additional information, we would be happy to discuss the details of this service with you.

Industry Developments – Current Year Accounting Standards

- **GASB Statement No. 61 - The Financial Reporting Entity: Omnibus.** This Statement is an amendment to GASBS No. 14 and No. 34. The Statement is designed to improve financial reporting for governmental financial entities to better meet user needs and address reporting entity issues that have come to light since the issuance of those Statements in 1991 and 1999, respectively.

The requirements contained in the Statement, which arise primarily from the reexamination of Statement 14, augment the relevance of financial statements issued by financial reporting entities by improving the related guidance for including, presenting, and disclosing information about component units and equity interest transactions.

- **GASB Statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.** This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Industry Developments – Future Accounting Standards

- **GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.** This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

- **GASB Statement No. 67 - Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25.** The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

- **GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

Areas of Concerns

- If you have any concerns that you would like to discuss with Blum Shapiro, we will make ourselves available either by phone or in person to discuss such concerns.