

BOARD OF FINANCE

NOVEMBER 7, 2007
SPECIAL MEETING MINUTES

Members Present: Fran Korn, Loraine Coe, Rosemarie Naples, Rob DeSimone, Elmer Clark, and Jay Berardino.

Others Present: Maryjane Malavasi, Al Rusilowicz, CPA

1. Call to Order

The Board of Finance met at the Durham Town Hall on Wednesday, November 7, 2007. Chairman Fran Korn called the meeting to order at 7:30 p.m.

2. Review of 2006-2007 Audit

Al Rusilowicz distributed draft copies of the June 30, 2007 audit for review with the members of the Board of Finance. He noted that the MD&A is not in the draft, but will be completed by himself and the finance director after this review. He told the board that this was the best audit process ever at the Town of Durham. He complimented the town on the hiring of Maryjane Malavasi as its Finance Director.

He stated that this audit is unqualified and that there are no major issues. He then went on to briefly review the report on a page by page basis.

Pages 1-10 are the MD&A which will be inserted when complete.

Pages 11 & 12 are government-wide statements of net assets and balance sheets. These reports combine every asset and every liability of the town.

Pages 13 & 14 list the major funds of the town. The town's undesignated fund balance as of June 30, 2007 is \$2,633,400, increased by a surplus of \$343,360 for the year.

Pages 15-17 refer to the water company. Fran Korn asked if the water company was current on its payments to the town. Al Rusilowicz stated that they were not current as of the date of the audit. Maryjane Malavasi added that they are now current through June 2007 and since the rates have been increased, they should be able to become current soon. The cash flow on page 17 indicates that they were in a slight deficit situation as of June 30.

Pages 18 & 19 give an overview of the pension and performance bond accounts. Fran Korn asked if the pension was being reviewed and how long it would take. Maryjane Malavasi responded that the entire process could take up to a year, and will be a joint effort with the BoE. Al Rusilowicz noted that the pension investment fund is doing very well.

Pages 20-41 are the footnotes. Al Rusilowicz stated that nothing has significantly changed from the previous year. Prepaid assets in the amount of \$1,590 were identified as office supplies. Compensated absences totaled \$75,467 for the year. One change was made to update the

amount that the BoF is authorized to transfer without town meeting; which was increased to \$20,000 with the charter revision.

Page 29 has an amount of \$38,668 for cash on hand which represents town clerk funds in transit between the town clerk account and the general fund. In response to questions concerning this account, Al Rusilowicz stated that there are very good controls in the town clerk's office and that he would recommend keeping the account as is.

At the bottom of the page is a footnote which stated that almost \$3 million of the town's deposits were uninsured and uncollateralized. Fran Korn asked to have this verified since he remembered that this issue had been resolved last year. Al Rusilowicz will look into it and amend the footnote if necessary.

Page 30 refers to the pension fund and page 31 is an overview of receivables and deferred revenue.

Pages 32 & 33 provide the activity in the town's capital assets. Al Rusilowicz noted that Maryjane now has the town's assets loaded into the MUNIS system where they are being tracked and depreciated.

Page 34 gives an overview of debt and capital leases. Al Rusilowicz noted that that town is in very good financial shape in regards to its lack of debt.

Pages 36-40 are required pension disclosure notes.

Pages 44-47 are the town's schedule of expenditures which reflect all final transfers made by the BoF. Fran Korn noted that being able to address transfer needs throughout the year instead of waiting for the audit was a better way of handling these issues.

Page 49 is the tax collector's report. Al Rusilowicz stated that Maryjane worked with Martin to set up a procedure to balance between the two offices on a monthly basis. She was able to go back to July 1 and at the end of the year the two offices balanced to the penny. Any differences that were identified during the reconciliation process were rectified completely and timely.

Pages 50-53 summarize all of the small funds. Fran Korn suggested clearing out the gazebo and town trust funds since the dollars are small and there has been no activity for a long time in those accounts. Mr. Bober will be asked to make a recommendation on the use of the gazebo funds. There was discussion regarding the Mary Weber fund and how to account for expenses in that fund. Maryjane stated that she and the Treasurer were working on a procedure that will better meet the town's needs.

Page 54 provides the activity and balances in the reserve fund. Fran Korn asked that each separate line in the fund be assigned a number for budgeting purposes. Maryjane will add the information into the MUNIS system for accurate tracking of each line item.

Pages 55 & 56 refer once again to the pension trust fund.

Pages 57 & 58 summarize the long & short term bond funds. Fran Korn asked that the short term bond fund be cleaned up to reflect only current outstanding bonds. Maryjane was asked to contact Geoff Colgrove to ensure that this was done as soon as possible.

Page 59 is the statement of debt limitation. Al Rusilowicz noted that it may not be necessary to include the lease in this statement since it is appropriated yearly through the budget, but he chose to leave it in at this time.

The final pages of the audit include the compliance and internal control matters relating to the town's financial statements. Page 67 outlines the one material weakness, which relates back to the original conversion from Quality Data to MUNIS. The Assessor could not supply a reconciliation between the grand list and the final rate book for bills that were sent out July 1, 2006. Al Rusilowicz stated that this is the responsibility of the Assessor, and that a procedure needs to be put in place. Maryjane was asked to send a letter to the Assessor asking for compliance to the recommendation in the audit.

Fran Korn would also like the Assessor to provide the Board of Finance with grand list figures that include all exemptions. The Board will discuss this issue with the Assessor at a later date.

Fran Korn summarized the year by saying that the town added \$343,360 to fund balance as of June 30, 2007, putting our fund balance at \$3,320,520.

Al Rusilowicz stated that the fund balance is strong and complies with the recommended 10% of budget. Jay Berardino asked Al if it was necessary to have such a large fund balance. Al responded that the state is looking for larger percentages than they have in the past, at least 7 ½ -10%, and he felt that any less than that puts the town at risk. Fran Korn stated that they have no information from the Selectmen as to what the next major projects might be, but the fund balance could be applied to those projects as a way to begin funding them. Al Rusilowicz stated that Durham has been smart to finance property acquisitions with short term bonds and fund balance. If the town can afford to continue with this strategy, it does not place itself in debt for the next 20 years.

Al Rusilowicz then reviewed the Management Letter. Five comments were noted in the letter and each were discussed and reviewed.

- (1) Transfer of Library Receipts: The library had not transferred its receipts from the library to the general fund as of the audit. It has since been noted that the check had been processed, but was still outstanding. The library has been asked to place a stop payment on that check and reissue another one. The financial statements for 2008 will reflect that revenue. There was discussion as to why the library's receipts show as town assets.
- (2) Receipt of State Funds by the Library: State revenue was not reflected on the records provided by the library. The check was deposited in July, but the records were only provided through June. Maryjane Malavasi will be following up with the library on both of these issues in the future.
- (3) Documentation Regarding Fuel Purchases: Al Rusilowicz recommends that individual slips be submitted with the fuel bills to ensure that the fuel is being used for the proper vehicles. A new process for these invoices has already been put in place.
- (4) Water Company Loan Repayments: It was noted that the water company is behind in its repayments to the town. The water company has already taken steps to increase their revenue so that they can become current with the loan.
- (5) Tax Collector Checking Account: The account used by the tax collector needs to be used for its intended purpose, reconciled monthly, and the activity reflected in the town's accounting records. Fran Korn suggested all of the activity be processed through the general fund instead. This will be discussed with the tax collector at a later date. Jay Berardino asked what represented "sundry"

expenses, and Al replied that envelopes were purchased by the account and reimbursed from the general fund.

Al Rusilowicz completed his review of the audit. He will follow up on the footnote related to the town's deposits and complete the MD&A with the finance director. The completed report will then be officially filed with the town.

3. Adjournment:

**MOTION MADE BY ROSEMARIE NAPLES, SECONDED BY ELMER CLARK, TO
ADJOURN THE MEETING AT 9:36 PM. MOTION PASSED UNANIMOUSLY.**

Respectfully submitted,

Maryjane Malavasi