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**East Haven Board of Finance
Regular Meeting Minutes
June 21, 2023**

The East Haven Board of Finance held a Regular Meeting on Wednesday June 21, 2023 at 7:00 P.M. in the Senior Center, 91 Taylor Avenue, East Haven, CT 06512.

1. **Roll Call**

Mayor Joseph Carfora, Rich Esposito, Beth Purcell, Al Purzycki and Chris Perdo were present. Ralph Vitale was not present. Jim Keeley, Finance Director, was also present.

2. **Read and Approve Minutes from May 17, 2023**

Al made a motion to waive reading of the minutes from May 17, 2023, Chris Perdo seconds. Beth Purcell made a motion to approve the minutes. Chris Perdo seconds. All in favor.

3. **Old Business**

None

4. **New Business**

None

5. **Public Comment**

None

6. **Discuss Audit**

Joseph Centofanti, PKF O'Connor Davies, discussed highlights from the Audit. The Audit Report, the Financial Statements and the (inaudible) single audit reports were documents generated. Some things that are different from last year are our opinion on the financial (inaudible). During the year the new inaudible standard was implemented so there are some footnotes and new financial statement accounts. The opinion on the financial statements is a modified opinion, a clean opinion, it is the type of opinion you are looking to get. The management discussion (?) analysis is a good executive summary if you read that vs. the 120 pages. It gives you a good overview of what happened over the year, some of the changes and significant changes. It talks about the fund balance percentage which at June 30th was 7.85%. It is up from last year so going in the right direction. It talks about some of the budgetary highlights. Highlights are significant transfers, legal services, employee benefits, ? inaudible, additional monies to those accounts. Talks about significant about (inaudible) activity. The biggest one we had was the ice rink which was about 2 million dollars in costs. Exhibit C & D show your fund balance. The fund balance as of June 30th is \$7,253,000.00. The net change in fund balance as a result in operations is \$1,555,000.00. So, you added a good amount to fund balance based the operations from last year. Internal service funds, self-insurance fund, worker's compensation, Town medical, the Board of Ed also has board of ed medical, so the self- insurance fund and the worker's compensation fund could use a little more funding. We have a w/c ratio of 2.8 which means you have enough cash to pay the current liabilities. Long

term it will need additional funding. Your Town medical is pretty-well funded at almost 28% as of June 30, 2022. The goal is usually 20% which is what your stop loss gap is. There are a bunch of new foot notes on the leases, so basically the accounting standards were changed. Basically, the lease equals debt now. Before it was certain leases equaled debt and other leases did not equal debt. Now all leases equals debt. The accounting is consistent with that and if you have lease revenue you will have a receivable for that but you did not have any lease receivables as of June 30, 2022. If you look at our side 1a and 1b that shows you the budget. Revenues exceeded the budget by \$629,000. That was property taxes (inaudible) in excess of the budget of \$373 and charges for services were over budget led by police, outside services, special services about \$574,000. The other line which is your misc. line was below budget by \$565,00, some of those items in that account is hard to predict year to year. It is not unusual to not hit those exact numbers. On the expenditure side you were under budget by \$926,000.00 and that was under general Government function about \$239,000. Public Service and Engineering was under budget by \$239,000 and culture and rec was under \$217,000.00.

Federal and State single audit, the small reports we had no findings (inaudible) for any of the programs we tested. We did test the ARPA fund, Title 1, an Education grant, Special Ed, an education grant, ESSER which is another education grant where the programs that we tested where the government said ARPA and ESSER are higher risks so we do not have a lot of choice in those, but no findings for any of those programs.

For State single audit we tested a few programs, Adult Ed, Alliance, (inaudible), Local Transportation Capital Improvement Program, School readiness. Half of those are basically education grants and the other half are on the Town side. Mayor Carfora asked about the ARPA funds and if there were any problems found in review of these funds. Joe said no.

(Inaudible) We have a new standard which is software subscriptions which is basically equivalent to the lease standard for software. So, Munis, they will ask depending on what you have and the criteria those will be recorded as an asset or liability. If they are multiyear, if anything crossed the year, they want all this disclosure and additional information. It is all driven by the bond holders, they want to know your commitments beyond June 30th and previous years, if you paid for a 3-year subscription it was just expensed in that year and nobody knew that it happened so that is as of 2023.

We had some recommendations, no new recommendations this year and there were 5 that were resolved during the year so we are making progress.

Mayor Carfora asked Joe if he thought that by the Town implementing the MUNIS program would that eliminate most of the recommendations. Joe said it would eliminate quite a few of them. There are some you must change some of the process at the same time you are implementation MUNIS which is a good time to do it. It is a new software it does different things than your current software. It will create a lot of efficiency for the finance department and other users because it is a better product.

Chris asked Jim...with MUNIS being all set up, is someone helping him set this up. Jim stated there is a combination of things. Some of it has to do with procedures. Our system is so old we do a lot manually. I believe one recommendation is to not have payroll not put in by payroll person. I believe with Munis we would be able to put the contracts in so that (inaudible) We hit July 1st and all the contracts expired and we have 250 employees, if the payroll clerks were not doing it, it would be myself or Danelle, but when we get MUNIS, my understanding is we would be able to put the contracts in and assign people to the contracts, so the system would guide itself. Jim also stated the finance department will be in training and we have already had training. There are a lot of layers in building up the system. It takes a lot of hours to build it up. We also work with our IT people we work with. We are getting close and hoping January 1st to go live. One thing at a time.

Beth asked if we would have the same inaudible accounts (?) Jim said we implemented (inaudible) The state came out with a recommended Unicode(?) so we implemented that. Most towns use the same structure. It is a process.

Al asked when we would see the new account numbers. Jim said you will not see them until the system is working and in place.

Rich stated it seems worthwhile. Joe's role is to identify risks and communicate the risk. The software does help. It is designed better to protect the Town better. It is a step-by-step process. It will be all electronic. On a good path and 80% of the auditor's clients use Munis and the State as well. Beth asked if BOE uses MUNIS. (inaudible)

Al asked what happens between the 2 accounts, will we have mapping between the 2 system? Jim has been mapping. Jim said we will probably have additional costs for the first year or so.

Beth asked about ARPA funds. Beth stated some of the expenses seem to be an ongoing expense rather than a onetime expense, what happens when ARPA money is gone. Jim stated we must have the money accounted for by 12/31/2024. It must be spent by 12/31/2026. Beth asked stated that anything that is an ongoing expense we need to roll into the regular budget. Jim confirmed.

Rich asked if we started our next audit. Joe stated we already started making our initial requests for reports and start doing what we call our preliminary transaction work. Mayor Carfora asked how long has this company been doing audits for East Haven. Joe stated this company has been doing it for 6 years. Mayor Carfora asked how we compare financially to where we were at the end of fiscal year 2020. Joe stated we are steadily increased the fund balance which it was 2.8% then 6.33 then 7.85. They are looking at 8% so that is where we are at 2022. The rating agencies are looking for more in fund balance because the world is unpredictable. It is a rating agency benchmark, not a mandate other than it must be above zero. The fund balance just allows, in addition to the rating agencies, it generates investment income and gives you flexibility when cash flow for a project is not there, so there are many reasons to have the fund balance. Hopefully in 2023 you will be over the 8% and hopefully change the conversation with the rating agencies.

Rich stated we have been steadily increasing with a big change. Joe stated almost 3x.

Joe stated that we seemed to always be ok on the expenditure side but if you over estimate revenue and do not get it, then you were gone backwards. Total revenue \$629,000.00 over what we budgeted and that is break even and in 2020 you were under by 3.5 on the revenue and that was a big number to be off on revenue and that trend was clearly corrected in 2021 and 2022. Mayor Carfora sated for the record that was not my administration. Joe confirmed. All the numbers are going in a direction you want.

Rich thanked Joe for coming down.

7. **Adjournment**

Meeting adjourned at 7:29 P.M.

Dated This this 13th Day of July, 2023,
East Haven, CT 06512

Susan Mauro, Board of Finance Clerk