

**Newington Board of Selectmen
Non-Public Meeting Minutes**

**October 21, 2002
Newington Town Hall
6:00 p.m.**

In attendance: Robert Vachon, Auditor from Vachon & Clukay & Co., Board of Selectmen Chairman Cosmas Iocovozzi, Selectmen Jack O'Reilly, Selectmen Jan Stuart, AA Cynthia Gillespie.

Vachon stated that there are new reporting rules (GASB 34) that will affect Newington in the year 2004. GASB 34 is a federal government accounting change. He mentioned that there is training available. He said the Town would need to find out the original cost of the town buildings, the major fire equipment and police cruisers. First the Town must decide what to capture as fixed assets. Vachon proposes a level of \$5,000 to \$10,000 as a thrush hold for measurable fixed assets. All fixed assets above this must be booked. The reason for these changes in accounting practices is because the Bond Bank wants to know how old a Town or City's fixed assets are before issuing a Bond. Because Newington's revenues are under ten million, it puts the Town in the third phase of this plan. Meaning the Town will not have to count bridges and other levels of the Town's infrastructure from the past. However, going forward any new construction that adds to the Town's infrastructure will be measurable. Any new residential and land development in the future will have to be reported in this new plan. If the Town does not comply with GASB 34 it will receive an adverse auditor's report. This will have a negative effect when going out for bonding.

Vachon pointed to a very strong balance sheet in the 2001 audit. The Town showed almost 3.8 million in cash. However, the Town owed the School almost 2.9 million at year end because the school has a different year end than the town. He also highlighted the undesignated Fund Balance of \$1,087,766. When the Selectmen set the tax rate they can apply about a half of a million dollars from fund balance to offset the tax rate. The bond rating agencies say between 5 and 10% of a Town's appropriations, schools appropriations, county appropriations and statewide property tax appropriations combined should be left in fund balance. That would leave approximately \$400,000-\$500,000 that can be taken from fund balance to be applied to the tax rate. Also, because of the revaluation, it would be wise to pump up the Town's overlay. Overlay can be up to 5% of total appropriations. Most of the abatement process will not be taking place until 2004. However, the selectmen can start preparing for it by bumping up overlay this year.

Discussion on the schedule of revenues showed the Town raised \$128,000 more taxes than what the state said the Town should have rise for the year 2001. Vachon instructed AA Gillespie to keep this in mind when setting the tax rate this year. It's better to be

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over than under. Vachon also pointed out that motor vehicle permits were up, building permits were up and income from departments was down.

Expenditures and other financing uses budgeted and actual were discussed. Expenditures were \$172,000 less than appropriated. Vachon stated the Town should put away more money in the form of capital reserves each year.

Vachon asked why the Historic District Commission did not use any money. Selectman Iocovozzi said that there was an "L Chip" grant that we had to appropriate funds for. It did not come in until January. Selectman O'Reilly stated that the money should have been encumbered but was overlooked at the end of the year.

In the end you budgeted a little over three million and used \$2.86 million.

Vachon explained that the Sewer Fund loss almost \$15,000 after depreciation of \$196,000 which is non-cash, so that is alright.

The non-expendable trust funds loss \$87,000 which include the net decrease in valuation of almost \$99,000.

Vachon stressed that the Town needs to be aware of insurance on cash deposits of FDIC. At year end the Town had \$1.5 million uninsured. This should be reviewed every year. He stated that the Bank of New Hampshire should provide this insurance. Selectman Iocovozzi asked if Laura Coleman take care of that because she brought it to the Selectmen's attention a while back.

Vachon addressed the issues outlined in the audit management letter of internal controls. Selectman O'Reilly asked if there is a problem that the Treasurer is not making the deposits. Vachon states that in most small towns the Treasurers hold the position in name only. A lot of treasurers do not have the time or the ability for the job. However, it is required by the state, that a town have a treasurer so the Town can not get around it. Vachon said that the bank accounts are not being reconciled to the general ledger. This absolutely must be done. The Treasurer is reconciling the bank statements to his books only. AA Gillespie states that she has been working on bring all the bank accounts onto the general ledger. That includes all the CDs. However, she stated that she needs to receive a copy of the bank statements every month. The trust funds are not tying out to the MS9 and MS10. These reports are done by Trustee of the Trust funds. Selectman O'Reilly suggested that a letter be sent to the Treasure and the Trustees to take care of

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these problems. A copy of the audit report will be sent with copies of the management letters.

AA Gillespie presented a memo to the Selectmen on internal controls. She stated that while working for Newington the past couple of months she noticed some areas that are lacking proper internal controls. These procedural changes are for the protection of all that are responsible for handling Town funds.

The deposits are currently being done once a month by the fire and police. There is too much time between the deposits. The deposits are then brought to the AA with a report. The AA recounts the money and makes up the deposit slip. There are too many people handling the money. The AA should not be handling the department's money. The problems are that the departments don't receive any proof of what's going in to the bank on their behalf. The AA could be spending all the cash and they wouldn't know. Also, there is loss of interest on the revenue because it is taking so long to deposit the money. The Fire and Police Departments should be making up their own deposit slips and bring it directly to the Tax Collector on a weekly basis. They need to come in before 3:00 on Thursday because she makes the deposits on Friday. The deposit reports should be given to the AA so it can be keyed it into the general ledger. When the Tax Collector comes back with the receipts, one will go back to the department, the AA will take a photo copy and the other can go to the treasurer.

Also, there needs to be some changes with the outside detail and ambulance service. The person doing the billing should not be receiving the cash. Selectman Iocovozzi asked if the department should do the billing and have the money sent to the Town Hall. AA Gillespie replied, "A copy of the detail work order should be sent to the AA, to be booked when the detail is billed so there is a record of the bills going out. When the officer is paid to work that outside detail the payroll person should not pay him until a copy of that detail is attached to the time sheets for a cross reference. When they void and cancel any detail the AA needs to receive a copy of it. Once a month the AA should get an itemized list of all the outside details that are not paid. The general ledger's bottom line should balance with the departments every month.

The same system should be used with ambulance billing. When the run is billed, the AA should get a copy of it. Ambulance billing is going to have write-offs and received of assignments. The AA needs a report of these. The department's end of the month report for outstanding ambulance billing should match the general ledger. It's just a check and balance system that is currently not being taken care of until the end of the year.

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Currently all payables paid by the Fire and Police Department are keyed into one line item called payables, on the General Ledger. There is no break down as to the amount of an individual appropriation or expenditure. The problem is that it is not easy for erroneous postings to be detected. If the town brings itemized Police and Fire budgets onto the main general ledger there will be a more accurate picture of how expenditures are being made.

AA Gillespie also went on to say that she changed the Purchase Order Policy. The new PO policy takes out the use of payment vouchers, Purchase Orders will be used for all purchases. The Purchase Order Policy currently in place tied the hands of the department heads. The department heads have to be able to run their departments and spend their money. In the new policy, the department heads can sign for any purchase under \$500. Selectmen O'Reilly suggested that a meeting be set up with the department heads and their assistants to review all the new procedures. Selectman Iocovozzi suggested that a copy for the Purchase Policy be sent to anyone handling money. The Tax collector, Building Inspector, Police Commission, Etc. Selectman O'Reilly agrees.

Selectman O'Reilly asked Auditor Vachon if the Town should change auditing firms every few years. Vachon states that Vachon & Clukay have one more year left on their contract with the Town. He stated this is a decision that only the selectman can make. Vachon went on to say that his company rotates their staff so the same people are not auditing the same Towns every year. He also states that the year 2004 is not a good year to break in a new audit team. That is the year that Newington needs to comply with GASB 34.

Respectfully submitted,

Administrative Assistant
Cynthia L. Gillespie