

TOWN OF SOUTH BETHANY BIDGET AND FINANCE COMMITTEE MEETING MINUTES OCTOBER 18, 2013
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MEETING CALLED TO ORDER

Tony Caputo, Chairperson, called the October 18, 2013, meeting to order at 2:45 p.m.

ATTENDANCE

Tony Caputo (Chairperson), Melvin Cusick (Town Manager), Renee McDorman (Finance Director), Steve Farrow (Committee Member), Kent Stephan (Committee Member), and Al Rae (Public, but soon to likely become a Committee Member). All members were present.

PUBLIC COMMENTS

None.

INTRODUCTION AND DEMONSTRATION

Tony gave an introduction and discussed the implementation of the Edmunds Financial System, GFOA, AICPA, GAAP, Fund Accounting, Accrual Accounting, Modified Accrual Accounting, Encumbrances, and Governmental Budgeting. Tony explained that the purpose of the introduction is to get everyone orientated to Fund Accounting for local government. He explained that Colleges and Universities also use Fund Account nearly 97% the same as local governments. The differences were in fund structure and some reporting.

Tony explained that the Government Finance Officers Association (GFOA) is a professional organization with over 17,000 members made up of finance officer from state, provincial, and local governments in the US and Canada. GFOA's Annual Conference attracts approximately 5,000 government finance professionals. Renee called up the GFOA website on the Internet and Tony explained that it is an excellent source of local government accounting and financial related best practices.

Tony then went on to discuss AICPA and GAAP and how GAAP accounting for local governments varies from GAAP accounting used by "for profit businesses". He explained how governments use "Modified Accrual" accounting, and businesses use "Accrual" accounting. He used two examples, one revenue and one expense, where they vary and how it affects monthly accounting and budgeting. He also explained that most governments do not accrue or "close out" at fiscal month ends. Businesses do accrue revenues and expenses, and close the book at month end. Once a month is close on a business system you generally cannot book an accounting event to it. Tony explained that in Edmunds you can post accounting entries into any prior period in the open fiscal year. He discussed how purchase orders are accounted for in government vs. businesses. Governments encumber purchase orders, that is they obligate a budget amount. Purchase orders and businesses just keep lists and do not create accounting entries. Kent asked that if the Town had a contract that covered an entire fiscal year, like a rental agreement, would you encumber the entire amount and commit the entire budget. Tony said yes.

Tony next gave an overview of the Town's Adopted Budget and showed the amendments to date on a white board. Some were for grants, which do not need Council approval, and the other budget amendments that have already been approved by council. There was a reconciliation on the white board included the adopted budget, the amendments and finally today's budget totals. Renee then began the demonstration of Edmunds. Renee called up various on line interactive revenue and expense reports and showed the adopted budget, amendments, encumbrances, available balances and current budget. Tony showed how the amounts in the Edmunds system/reports agreed to the amounts on the white board. Renee also showed a balance sheet report, an open purchase order report and more. Questions were asked and Tony and Renee answered them.

BUDGET POLICIES RELATED TO CONTROLS

Tony asked if anyone knew of the Town's budgetary control policies, and no one knew them. Tony then explained that he could not find any written guidelines or policies, and that Edmunds will facilitate controls that QuickBooks could not. Tony then talked about how the town should have a Budget & Accounting Policies Manual and that budgetary controls should be part of it. Everyone agreed that it is a good idea. There was some discussion about reporting and how data might be reported on. It was generally agreed that we should work with the Edmunds system and as we learn more the reporting could be further refined. Some time was spent on period reporting ending dates and nothing was universally agreed upon, and that the Town Council will have an opportunity to look the reports over and come to some agreement as to what type of reporting they might like. Tony explained that he would like it if reports to Council be generated directly from the Edmunds system, and that there are a number of reports included that are designed expressly for governments. He did not want to spend a lot of resources generating reports outside of those that come with Edmunds. Tony agrees to draft a budget policy that the Committee could review at the next Committee meeting, and ultimately may become part of a Budget & Finance Policies Manual.

DISCUSSION ON RESERVES

Tony explained that while there were a lot of discussions about Reserves in the past nothing was ever formalized. To Tony's best efforts he could only find that the Council "agreed in concept" to having Reserves at a Council meeting on May 24, 2012, and that there was to be follow up. Tony could not find any follow up that formalized a Town policy regarding Reserves. Tony agrees to draft a Reserve policy that the Committee could review at Committee meeting after some work on Fixed Assets could be performed. Ultimately may become part of a Budget & Finance Policies Manual.

DISCUSSION ON FIXED ASSETS

Tony explained that the condition of the Fixed Assets records needs some attention and that before that could be done, we needed some policies, such as what should be capitalized. Tony said that we need a policy such as we only capitalize assets that last over 3 years and cost more than \$2,500. The detailed fixed asset records we have include many items less than \$500. Tony explained that we should synchronize with our Financial Statements.

Tony agrees to draft a Fixed Asset policy that the Committee could review at the next Committee meeting. Ultimately may become part of a Budget & Finance Policies Manual.

DISCUSSION IN OPEN FORUM

In an open forum the issue of investing came up. Steve had done work on investments in the past and Tony agreed that this would be a high priority for future work by the Committee. Steve said he look into it further and report back at a later meeting. Tony said that we could begin with some simple investment enhancements, such as using the Internet to solicit interest in CD purchases. The example Tony used was if we could create some competition of banks by emailing notification to a list of banks informing them that we have cash available to place into a CD. The banks could sort of "bid" on a CD by giving us their best offer via email. Tony said it would also give us good documentation regarding our experience in investing in a particular CD.

Kent said he would look into creating some sort of Internet process to market bid for CD's. Tony said that would be good, and everyone seemed to agree.

PUBLIC COMMENTS

None.

ADJOURNMENT

A motion was made by Steve, seconded by Kent, to adjourn the October 18, 2013, Budget and Finance Committee Meeting at 4:20 p.m. The motion was unanimously carried.