Town of Washington

Board of Finance

February 27, 2017

Present: Members: Michael Jackson, Craig Schoon, Jack Boyer, Barbara Brown, Ted Bent, Sally Cornell, Liddy Adams,

Alternates: Keith Templeton, Phyllis Allen

Selectmen: Mark Lyon, David Werkhoven

Treasurer: Linda McGarr

Chairman Michael Jackson called the meeting to order at 4:58 p.m.

**Minutes:** Minutes unanimously approved with the changes in New Business: It should read Union Savings has implemented the pension committee’s suggestions and have met the investment benchmark over the last 5 years. It is a 70-30 split, stocks to bonds. The Pension Committee will be drafting a RFP for Pension Administrators, as there has been concern over responsiveness and timeliness.

**Tax Collector Report:** The “Net Decrease” on Tax Collector’s Report that was discussed at the January 23, 2017 meeting represents the adjustment from the assessor’s office. Mostly due to the error of motor vehicle bill going to the incorrect towns.

**Treasurer Report:** No Comments

**Selectman:** Everything is as it should be, nothing out of the ordinary on the budget. The news from the state for next year’s budget is the grants we usually receive is decreasing and the funds we pay is increasing. The bottom line is unknown at this time. They are projecting that we will have to pay 100% of the state trooper cost and $750.00 for each trooper he supervises. Discussion have been done about sharing a state trooper but geographically it is difficult. First Selectman, Lyon has talked to Litchfield on possible sharing. If we do not have a resident trooper we cannot have the constables. Roxbury & Bridgewater share a state trooper which they are still fine tuning but allows them to have constables. Governor’s proposed budget has the towns paying 1/3 of the teachers’ pension contribution which will be $423,138 for Washington. Our ECS that was once $240,000 will be down to $29,500. There is an additional revenue sharing that was 25,000 this year that will be 36,000 in the new budget Town Road Aide is going to stay the same. We have gone from getting around $600,000 to $95,000 in the new budget proposal. That does not include the state trooper increase or the teachers’ pension. We will not know definite what will affect us until the legislation passes the budget which may not happen before our budget is due.

**Financial Reports**: No Comments

**Audit Review:** Enrico Melaragno, CPA, CGFM Presented the 2015-2016 budget. He thanked The Board of Finance and Honorable First Selectmen and staff for their professionalism. They finished the audit January 11, 2017.

* MD & A is written by the town. It explains what the financial statements are all about. If there are changes and explanation.
* There are three sets of financial statements.
  + Budgetary Method – which are the financial to town uses
  + GAAP Method – for the State OPM use
  + GASB 34 Government Wide – is done for the Bond Agencies.
* Unassigned Fund Balance at June 30, 2016 is $3,650,306
* In comparing to the 2016-2017 budget of $16,676,102. If the budget is divided by 12 the gives monthly expenditures of $1,389,675. That gives 2.63 months of operating Expenditure. 21.90% of fund balance compared to next year expenditures. The town does not have a policy of how much there should be in fund balance. The state recommended ranges is 7 to 15%. More than that range is better.
* The town has continuing appropriation such as Revaluation, Conservation & Development Plan, Legal Litigation, and Health Reimbursement Benefit. These appropriation do not end until the board decides that it is no longer needed. Page 4 of presentation is an example. It is a recommendation by the auditor that when presenting the budget to the town to have an asterisk and a footnote stating that they are continuing appropriation.
* The funds are broken down into Major fund and non-major funds.
  + Major fund is a fund that have big dollar amounts. The definition is it has 10% of the total governments assets, liabilities, revenue and expense. Management can make the Fund major if it feels it is important to the town**.**
  + All other funds are Non Major funds – The Audit expresses what each fund is used for
* Pension
  + Defined Contribution Plan - Current
  + Defined Benefit Pension Plan is frozen
  + Private Purpose Trust Fund – It is for the Volunteer Firefighters and EMTs. It used to be counted in a pension trust fund but has been switched over to a Private Purpose trust Fund. Next year it may be switched over to the general fund because it is not actually a trust fund. If it is not in a trust fund it is subject to third party creditors. If it is put into a trust fund it is complicated and pension plan will have to be rewritten. If it is in the general fund the state statues dictate what kind of investments.
* Alcohol & Drug Abuse prevention Fund. It is a Region 12 fund that we are the fiduciary for it.
* Tax Collector report – Comparison of previous years. The allowance for uncollectible will have to be adjusted if the average of the transfer that the Board of Finance approve to go into the suspense account is lowered.
* State Grants- Represent what is expended not what has been received. Represents bridge, LOCIP and pilot grants.
* All opinions are unmodified except for one. The state of Connecticut grant audit opinion. This finding was that funds were not recognized when they were expensed for the garage fund. The reason for that was that we did not know that we were going to get the grant until after the fact. We recognized the LOCIP grant when we received it. The town will received a letter from the state.
* Verbal Recommendation from last year.
  + General Ledger for the Senior Center Fund, Park and Recreations Fund and Judea Cemetery which was completed.
  + Formalizes the accounting procedural manual which is in process. Longer=m time consuming project that is an ongoing thing.

New on the Audit

* + Fair Value measurement. It is to category your investment into three categories.
  + Level one – the asset can be sold on the open market
  + Level Two – Assets that can be sold but may take a few days
  + Level Three – The town has none of theses
* New Standards on Page 40 of the Audit. Some will affect the town.

A motion to approve the audit was made by Barbara Brown, seconded by Liddy Adams and unanimously approved

**Education:** Michael Jackson had a meeting with Gary Lord and the finance chair in Bridgewater. It was thought it would be a good idea to write a common letter to the taxpayers explaining the ag-stem and the current state of the data. Gary Lord went to his Finance Board which rejected the idea. Michael Jackson asked if the Board of Finance had an obligation to the taxpayers to let them know about the current state of the arithmetic. Should they let them know about the claw back? If there was a new referendum he would not have a problem. Michael Jackson’s concern is the claw back provision. If the letter was written the question would be what number to use because there are so many out there. First selectmen Lyon state that the ag-stem program will bring students in to give the towns a viable high school. That the bulk of the budget goes to support 3 underutilizes elementary school. Even Washington will only have one class per grade. The cost per student will continue to increase. There is still question to exactly what the claw back means.

Per Guest Erika Ryland the state statues states that “for the purpose for which it was designed” Per Guest Howard Barnett the state would be giving us 80% to build an Ag-Stem not a school. So they would like it to continue as an ag-stem program. Erika Ryland states the per Reg #12 data the cost for the elementary school is cheaper than the high School. Per Reg #12 demographic in 10 years they will have 136 students. Even if you add 80 students it still will be less students that there are now. Per Michael Jackson it is still high compare to other school system.

An initial step by Michael Jackson is going to talk the Chairman of Board of Education, James Hirschfield. He would like to discuss, that this is a straight forward issue, that there should be a new referendum, and that the last referendum did not disclosed the claw back issue. Michael will ask Chairman Hirschfield how he want to disclose that. Jack Boyer felt there should be support from the selectmen. Michael stated that it is the responsibility of the Board of Finance that if they see a financial difficulty that they should disclosed it to the taxpayer. Per Liddy Adam, in order to have another referendum there has to have a dollar amount attached to it can’t just have a question. Selectman Lyon stated that the selectmen are in favor of the ag-stem program but are concern is the financial vitality of the program. Closing is not an option

**New Business:** A motion to move from non-recurring to general fund an amount $34,358.99. This represent to capital project that are closed. A motion by Michael Jackson to move $34,358.99 from non-recurring for closed project to general fund. Second by Barbara Brown unanimously approved.

Phyllis Allen stated that the Gunn Memorial Library is aware of the problems that the town is having with all the state mandates and are taking that into consideration and are not requesting an increase in their budget for the 2017-2018 fiscal year

**Old Business:** None

**A motion to adjourn at 6:00 by Michael Jackson unanimously approved.**

**Next Meeting: March 20, 2017**

Respectfully submitted,

Linda Kennedy Gomez Financial Administrator