Town of Washington

Board of Finance

January 29, 2018

Present: Members: Michael Jackson, Ted Bent, Sally Cornell,

Alternates: Keith Templeton, Phyllis Allen, Matt Cain

Selectmen: Mark Lyon, David Werkhoven

Treasurer: Linda McGarr

Chairman Michael Jackson called the meeting to order at 5:00 p.m.

**Minutes:** A motion to approve the minutes by Phyllis Allen, seconded by Keith Templeton, and unanimously approved

**Tax Collector Report:** No Comments

**Treasurer Report:** No Comments

**Selectman:** Per First Selectman Mark Lyon we are looking good. The three First Selectmen met with Anthony Amato to answer questions. Such as the numbers, how things are moving along. The Board of Education is going ahead with the project. To make it work we have to have students. If we want this to be a success we have to get behind it. If the town governments are questioning it and looking at it as the half empty instead of the half full you are not presenting a good outlook to incoming students. Those parents will look at Shepaug and not send their student if it does not look promising that we will stay open. Unless we present a positive position people will question it and then not come. We are in it and we need to make it work.

**Financial Reports**: No Comments

**Education:** There were many members of the public at the Board of Finance meeting to discuss the Ag- Science Program. The follow points:

Michael Jackson had a conversation with Anthony Amato about the question “what happens to the town if the ag-stem program fails”. Anthony is to send the lawyers reports that the Board of Education have and the names of the Board of Education at the state level so if we can to talk to them if need be. Michael’s concern is if it fails what is the town’s liability. The point is to be educated. Anthony was strait forward and he was willing to share the information. Anthony is happy to have someone else look at this and come to a conclusion. It is not sure what “fail” means and what happens if it fails.

Michael stress that the Board of Finance has no authority over the Board of Education.

* Questions have been asked at the public forum before the referendum about what will happen if it fails. The board stated they would get that information, but no information has been provided
* Per Michelle Gorra, treasurer of the Board of Education, as long as the building is being used as a school the money will not have to be returned. Per the state, a regional school district that abandons, sells, leases, demolishes or otherwise redirect the use of such a school building project to other than a public school use during such amortization period shall refund to the state the unamortized balance of the state grant remaining as of the date the abandonment, sale, lease, demolition or redirection occurs. Michelle had been at a legislature meeting with other school districts that are having issue of consolidating and closing schools that have bonds. The legislature is looking into this issue. The question is does it have to be used as ag-stem program or just a school. The board of education lawyer opinion is if the Ag-stem buildings are used for other things then that is a redirection of the use of the building. There is no evidence that this is true there is no case log of an Ag-Stem program failing in the state.
* It is asked that the Board of Finance and the Board of Selectmen to protect the town from bad decision whether it is be at the town level or at the educational level. That is why the Board of Finance is looking at it but does not have any power over the Board of Education
* It was suggested to ask the attorney general for an opinion letter. Connecticut treats these opinion letters like the law. Per Michael Jackson this could cause a mess by changing all the fundamental relationship between all the boards which has had years of history developing the way they are developed.
* The question is whose responsibility it is to get the answer to the questions? Michael said that the Board of Finance will try to get the answer to what happens if the ag-stem fails. We don’t know what “fails” means, but that is the answer we are looking for.
* There are question on the enrollment projections. These are question that Board of Education should answer not the Board of Finance.
* The Legislature has open the door for the Regional Board of Education to form a Regional Board of Finance for their Board of Education.

Michelle Gorra spoke about the operating of the ag-stem program. They have run numbers for 129 student, 122 students, and 102 student but not below that. At some point there would be staffing concerns because of specialties within the program. At which point you could not cut staff. As long as it is used as an Ag – stem program it is considered open. There is no enrollment restriction. The bond payment would be the same. There are a lot of variables that are out of their control. The state sets the amount paid by the state and the sending town. For the model that was used the board did not increase the number the sending towns would pay for the 20 years. Which is unrealistic. You would assume is would rise. It is a state statue on how many students are committed to the program which is the last three year average plus one. It is in writing from each town. Danbury did cap how many they would send because they have a very large potential sending population.

Per John Buonaiuto, member of the Board of Education, stating contrary to what Michelle Gorra said with 102 students would stand to lose with combined debt service and operating $9,210,328 over 20 years. If 122 students the loss would be $5,375,964. He states Washington is responsible for 60% of that debt. Michael corrected him by stating the Washington percentages is based on student population which at the last calculation it was 48 %. John stated that even at 139 students it would not be a break even. He is asking the rest of the Board of Education to send letters of validation to each of the sending town. Stating the maximum number of students they are willing to commit.

**Audit Review:** Enrico Melaragno, CPA, CGFM presented the 2016-2017 budget. He thanked The Board of Finance and Honorable First Selectmen and staff for their professionalism. MD & A is written by the town. It is not audited but certain procedures are applied to make sure they correspond with the audited numbers. 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 that the town uses to compare actual to the voted on budget.
  + GAAP Method – for the State OPM use to compare to other towns
  + GASB 34 Government Wide – is done for the Bond rating agencies.

There is reconciliation between one methods to the other.

* The budgetary financial have the actual column, final budget and then variance. You can look at each line item and you can see which had a positive or negative variance. Income was above budget and Expenditure came under budget.
* Question on CIRMA - it is our insurance company which is a branch of CCM. They self insurance municipality in Connecticut and if there is a profit at the end of the year they return it to the municipality.
* The town has continuing appropriation such as Revaluation, Conservation & Development Plan, Legal Litigation, and Health Reimbursement Benefit. These appropriations do not end until the board decides that it is no longer needed. An example is Legal Litigation There is a beginning balance ($167,459), a transfer from this fiscal year ($40,000) and expenditure from the fiscal year ($16,965) and then the balance is left for future fiscal years ($190,494).
* Total Fund Balance is $5,183,925
* Unassigned Fund Balance is $3,866,662

In comparing to the 2017-2018 budget of $16,748,534. If the budget is divided by 12 the gives monthly expenditures of $1,395,711. That gives 3.03 months of operating Expenditure. 25.2% 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 Board of Finance is happy to keep these percentages.

* LOSAP – Length of Service Award Program – for EMT and Firefighter service. This is the first year it is to be reported in the general fund. The reason for this is it is subject to third party creditors. The money is set aside but if the town goes bankrupt or a law suits this money is available. GASB 34 rules said it is to be added to the general fund. There is a restricted line on the financial statements because there is a liability to the EMT’s and Firefighters. Under GASB 34 for bond purposes they will see it as a liability of the town because the money will be paid out.
* The funds are broken down into Major fund and non-major funds.
  + Major fund is a fund that has 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.
* Perpetual Care - from Judea Cemetery is for the cemetery per Connecticut statue you put aside a certain amount of each plot sale that cannot be touch and interest on the amount to maintain the cemetery.
* After School Fund – New fund this year for the After School Program – runs the school year. Fees to cover expenditures.
* Alcohol & Drug Abuse prevention Fund. It is an agency fund. It is a Region 12 fund that we are the fiduciary for it.
* Pension
  + Defined Contribution Plan - Current
  + Defined Benefit Pension Plan is frozen – When someone retires they know what they are going to receive. This needs an actuary to calculate this number each year.
* 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. Collections have been very good. There are only five open grand list years.
* State Grants- Not very good. Have not received as many as the past. Represents bridge, LOCIP and pilot grants.
* All opinions are unmodified except for one.
* Verbal Recommendation from last year.
  + Formalizes the accounting procedural manual which is in process. Longer=m time consuming project that is an ongoing thing.

A motion to approve the audit was made by unanimously approved.

**New Business:** None

**Old Business:** None

**A motion to adjourn at 6:38 by Michael Jackson unanimously approved.**

**Next Meeting: February 26, 2018**

Respectfully submitted,

Linda Kennedy Gomez Financial Administrator