

**ASHFORD BOARD OF FINANCE
REGULAR MEETING
Ashford Town Offices, Room 104
5 Town Hall Road, Ashford, CT 06278
December 8, 2016**

Present: Cathryn Silver-Smith (Chairperson), Susan Eastwood (Clerk), Judi Austin, Jesse Burnham (alt.), Chuck Funk, Carl Pfalzgraf (alt.), Merrill Simpson, Gail Zaicek, Francine Hodovan (Recording Secretary).

Guests: Ashford School Business Manager, Don Neel.

1. **Call to Order:** Chairperson Cathryn Silver-Smith called the Regular Meeting of the Ashford Board of Finance to order at 7:10 p.m.

2. **Seating of Alternates:** None.

3. **Approve Minutes of the Regular Meeting of November 10, 2016:**
MS. ZAICEK MOVED AND MR. FUNK SECONDED A MOTION TO APPROVE THE MINUTES OF THE REGULAR MEETING OF THE ASHFORD BOARD OF FINANCE ON NOVEMBER 10, 2016 AS WRITTEN. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

4. **Hear From Public:** None.

5. **Communications:**

Ms. Silver-Smith received an email dated December 6, 2016 from Dr. Longo, Superintendent of Ashford School, stating that he received the Letter of Resignation for Mr. Don Neel, Business Manager of Ashford School. He also requested that Ms. Silver-Smith participate in the interview process for Mr. Neel's replacement. Mr. Neel's last day will be December 15, 2016. The BOF expressed regret at the news and Mr. Neel said that it was "a joy and an honor serving in Ashford." The BOF wished Mr. Neel good luck in his next position and requested that he keep in touch and come to Town Meetings.

Ms. Silver-Smith also noted that the annual Budget Municipal Meeting for Region 19 will be held at the E. O. Smith Library Media Center (LMC), on Tuesday, December 13, 2017 at 7:00 p.m. Our state legislators have been invited. She encouraged the BOF members to attend.

6. **Unfinished Business:**

a. **FY 2015-2016 Audit Report (final):**

Ms. Silver-Smith noted that there were no surprises in the Audit Report and that there were no additional questions from Board members after review of the draft on November 10. Auditor recommendations discussed.

- The Town Credit Card Policy should be developed and implemented without delay
- Mr. Neel started a Fraud Risk Assessment Policy model for town and school and sent all of his information to Selectman Zambo. Mr. Neel also mapped out a proposed Fraud Risk Task Force Actions and Purposes, which he distributed to BOF attendees. He stated that a whistleblower clause should be included. A procedures review should be conducted regularly to monitor the process once it is put in place
- Evaluation of the current Town accounting system needs to be completed and documented

MS. ZAICEK MOVED AND MS. EASTWOOD SECONDED A MOTION TO ACCEPT THE FISCAL YEAR 2015-2016 FINAL AUDIT REPORT AS WRITTEN. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

Ms. Silver-Smith extended her compliments Ms. Zaicek, Mr. Neel, the auditors and all others involved in the smooth completion of the 2015-2016 audit.

MR. FUNK MOVED AND MS. AUSTIN SECONDED A MOTION TO ADD AGENDA ITEM 7F, FINANCIAL SYSTEM REPLACEMENT STATUS UPDATE TO THE AGENDA. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

MS. EASTWOOD MOVED AND MR. FUNK SECONDED A MOTION TO MOVE AGENDA ITEM 7F UP ON THE AGENDA TO BEFORE AGENDA ITEM 7A. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

7. New Business:

f. Financial System Replacement Status Update:

- RFP: At Mr. Rupert's (BOE Chair) suggestion, Mr. Neel used the Town of Bolton's RFP for an accounting system as a model. Mr. Neel stated that it should be ready to go out soon, as it was sent to Selectman Zambo in September. Ms. Silver-Smith stated that she will review the proposed RFP prior to it being finalized and published
- Mr. Neel will send Ms. Silver-Smith his short list of vendor systems under consideration
- General plans for implementation need to be laid out and Mr. Neel said that some of this information is included in his Exit Status Report that he gave to Dr. Longo. He stated that there is a need for someone to manage the project, i.e., a Project Manager to oversee the processes, training, follow-ups for issues that need to be resolved, the implementation and plan for ongoing oversight
- The Uniform Chart of Accounts (UCOA) and the associated State Grant of \$30,000 were discussed. Someone needs to be assigned to establish the UCOA
- It may necessary to purchase some additional hardware for the new system.
- The group agreed that replacement system chosen be from a vendor with an established customer base. References will be required.
Mr. Neel also noted that he has written the RFP stating that it is "dependent on funding."
- A "proof of concept" (POC) test should be executed prior to purchase to confirm that the product will meet the needs of the town and school. The POC test should not get in the way of the systems that are already in place.
- A matrix documenting how product features will be evaluated during the POC test should be established before they RFP is sent out.

The Board thanked Mr. Neel for his work on these items.

a. Selectman's Update:

In Mr. Zambo's absence, Ms. Silver-Smith stated he reported that he is meeting with the various departments to go over their budgets for FY 2017-2018. He also indicated that the Capital Improvements Committee will be meeting this month.

Ms. Baker requested that all departments return their 2017-2018 budget information to her by January 13, 2017. If she does not receive responses by then she will submit that department's current budget to the Selectmen with no changes.

b. Three-Board Budget Meeting:

After discussion, it was decided that the 3-Board Budget meeting last year was very useful for all involved. Ms. Silver-Smith will offer some dates to the BOS and BOE so she can set a date for this meeting in January.

c. Transfer of Unexpended FYE 2016 Ashford BOE Appropriation to Unexpended Education Funds Account:

MR. FUNK MOVED AND MS. ZAICEK SECONDED A MOTION TO TRANSFER THE AMOUNT OF \$31,466.00, WHICH REPRESENTS THE AUDITED BALANCE OF UNUSED EDUCATION FUNDS FROM THE FY 2015-2016 BOARD OF EDUCATION APPROPRIATION, TO THE UNEXPENDED EDUCATION FUNDS ACCOUNT. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

The action brings the balance in the Unexpended Education Funds Account to approximately \$122,000.

d. Capital Improvements Request Form:

Discussion of this item will be held until Mike Zambo can attend.

e. Budget Policies and the Financial Management Goals for FY 2017-2018:

Ms. Silver-Smith presented proposed FY 2017-2018 Ashford BOF Budget Policies and Town of Ashford Financial Management Goals for Board consideration. These documents will be published on the Town website and in the FY 2017-2018 budget package.

- The Board discussed pros and cons of maintaining an Undesignated Fund Balance equal to approximately two months of expenses (8-10 percent of the general operating budget) by transferring the excess to the CNR Fund. It was decided to continue applying the 8-10 threshold and annual transfer, as CNR monies can be transferred back to the Undesignated Fund Balance if an emergency requiring the funds arises.
- A new valuation for post-retirement unfunded pension benefits will need to be performed during FY 2017-2018. A “Revaluation of Post-Employment Benefits” section will be created in the audit report between the “Operating Expenses” and “Revenue Performance Goals” sections, and it will be noted in the “Liabilities Assessments” section under “Other” stating that revaluations are to be done on a bi-annual basis as of FYE 2018. Ms. Silver-Smith will request that the auditors explain this valuation (of health benefits, unfunded retirement benefits, etc.) in more detail.

MR. FUNK MOVED AND MS. EASTWOOD SECONDED A MOTION TO ADOPT THE PROPOSED TOWN OF ASHFORD FINANCIAL MANAGEMENT GOALS AS AMENDED. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

MS. ZAICEK MOVED AND MR. FUNK SECONDED A MOTION TO ADOPT THE ASHFORD BOARD OF FINANCE BUDGET POLICIES FOR FISCAL YEAR 2017 – 2018 AS AMENDED. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

8. Review of 2016-2017 Expense and Revenue Reports:

Ms. Silver-Smith will request updated Expense and Revenue reports from Selectman Zambo for the next regular meeting. Review of the reports provided for the November meeting reflected audit expense costs are overbudget by \$12,500 despite having been projected to decrease this year. Also under scrutiny were the Uncollected Town Aid Roads, Capital Improvements and General Fund report.

9. Agenda Items for Next Meeting:

- Update from Mike Zambo regarding the RFP for new accounting system
- Capital Improvements Request Form (electronic version)
- Revenue and Expense Reports
- Pension Administration fees of \$1,825 for employee benefits
- BOF 2017-2018 Budget Request
- Three-Board Meeting

10. Remarks for the Good of the Board:

Ms. Silver-Smith thanked Mr. Neel for his consistent partnership with the BOF, BOE and Town departments. The BOF will miss him and hope to see him at town meetings. She stated that Mr. Neel has been a great help and “we would welcome you back if you ever wish to return.”

11. Adjournment:

MR. FUNK MOVED AND MS. AUSTIN SECONDED A MOTION TO ADJOURN THE DECEMBER 8, 2016 REGULAR MEETING OF THE ASHFORD BOARD OF FINANCE. THE MOTION PASSED WITH EVERYONE VOTING AFFIRMATIVELY.

The Ashford Board of Finance Regular Meeting adjourned at 9:40 p.m.

Respectfully submitted,
Cathryn Silver-Smith (for BOF Clerk)

Attachments:

Town of Ashford Financial Management Goals – FY 2017-2018
Ashford Board of Finance Budget Policies – FY 2017-2018

**ASHFORD BOARD OF FINANCE
BUDGET POLICIES
For Fiscal Year 2017-2018**

1. Formal budgetary integration is employed by the Board of Finance as a management control device during the year for the General Fund and the Capital Projects Fund, which are the only funds with a legally adopted annual budget. The General Fund includes General Government, Debt Service, Ashford Board of Education, Ashford's portion of Region 19 Board of Education, outside financing sources such as the Babcock Library, Recreation and Fire Department. Budgetary comparisons are included in the appropriate financial statements and schedules.
2. Prior to **January 11, 2017**, each department head, office, agency, board or commission of the Town, supported wholly or in part from Town funds, shall submit budget requests in the form required by the Board of Selectmen so as to indicate the program, activities, and work accomplished in the current fiscal year and to be accomplished during the ensuing year. These shall be accompanied by detailed estimates of expenditures to be made and of revenues other than taxes to be collected during the ensuing fiscal year, along with such other information as may be requested by the Board of Selectmen.
3. On **February 16, 2017**:
 - a. The Board of Selectmen shall present to the Board of Finance:
 - A budget message outlining the financial situation of the Town government and describing the important features of the budget plan;
 - Statements of the Board of Selectmen's proposed operating program and expenditures for the Town functions and Town-supported functions, other than those of the Boards of Education, along with comparisons of amounts expended in the last completed fiscal year and estimated amounts to be expended in the current fiscal year;
 - Information on amounts of revenue, other than property taxes collected, by source, in the last completed fiscal year, estimates for the current and for the ensuing year, along with information and estimates regarding property tax revenues for the same periods;
 - Statements of the condition and estimated condition of the Town funds and of the debt service obligations of the Town, proposed capital improvements to be undertaken during the ensuing fiscal year or later years, and the proposed method of financing them;
 - And such other information as will assist the Board of Finance and the Town Meeting in deciding on an annual appropriation and a capital improvement program.
 - b. The Capital Improvement Committee shall present to the Board of Finance:
 - The financial and completion status of current Capital Improvement projects and purchases;
 - Proposed capital improvements and purchases to be undertaken during the ensuing fiscal year or later years, and the proposed method of financing them;
 - And such other information as will assist the Board of Finance and the Town Meeting in deciding on a capital improvement program.

**ASHFORD BOARD OF FINANCE
BUDGET POLICIES
For Fiscal Year 2017-2018**

4. On **March 2, 2017**, the Ashford Board of Education shall present to the Board of Finance and Board of Selectmen:
 - a. Statements of the Board of Educations' proposed operating program and expenditures for Ashford School, along with comparisons of amounts expended in the last completed fiscal year and estimated amounts to be expended in the current fiscal years;
 - b. Information on amounts of revenue in the last completed fiscal year, and estimates for the current and ensuing year;
 - c. And such other information as will assist the Board of Finance and the Town Meeting in deciding on an annual appropriation.
5. On **March 21, 2017**, the Region 19 Board of Education shall hold a Public Hearing to present the Superintendent's proposed budget. On **March 28, 2017** the Region 19 Board of Education shall adopt a finalized budget, which shall be presented at the Region 19 Annual Budget Meeting on **May 1, 2017**.
6. On **March 23, 2017**, the Ashford Board of Finance shall approve a proposed budget for presentation to the Town at Public Hearing. This will include General Government, Ashford Board of Education, Ashford Capital Improvement Plan and Region 19 Board of Education budget plans.
7. The Board of Finance shall hold at least one Public Hearing on the budget. A Public Hearing for the 2017-2017 budget shall be scheduled for **April 4, 2017**. Following the Public Hearing, the Board of Finance shall review the recommendations and adopt a proposed budget, including a recommended appropriation, which shall be published in the Ashford Citizen or a newspaper in general circulation in the Town at least five days prior to the annual Town Meeting for budget consideration.
8. The Annual Town Budget Meeting shall be held on **April 18, 2017**. This meeting shall consider the budget presented by the Board of Finance and may approve or lower the general Government, Ashford Board of Education and/or Capital projects budgets. (The Region 19 budget cannot be approved or lowered during this meeting as it is subject to a separate Region 19 referendum.) The Annual Budget meeting will adjourn to referendum to be held **May 2, 2017**. If the budget is not adopted at referendum by July 1, the last budget adopted by referendum shall remain in effect for the new fiscal year until a new budget is approved at referendum.
9. The level of control for all legally adopted budgets (the level at which expenditure may not legally exceed appropriations without Board of Finance and/or Town Meeting approval) is at the department level for the General Government portion of the General Fund. Budgetary transfers from one department to another within the General Government may be made by the Board of Finance. Transfers or new appropriations that exceed \$20,000 must be approved by consecutive actions of the Board of Selectmen, Board of Finance and a Town Meeting. The Ashford Board of Education and Region 19 Board of Education have full authority over transfers within their own budgets.
10. Except for encumbrance accounting in the General Fund, all budgets are prepared on the modified accrual basis of accounting. Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration. Since the Town intends to honor contracts in process at year end, encumbrances outstanding as of June 30 reported as reservations of fund balance, since they do not constitute expenditures or liabilities.
11. Unencumbered appropriations lapse at fiscal year-end, except for capital project budgets, which remain in effect until completion.

**TOWN OF ASHFORD
FINANCIAL MANAGEMENT GOALS
For Fiscal Year 2017-2018**

The Board of Finance has developed the following to aid current and future board members in planning, monitoring and communicating to the community the Town's approach to financial management. These goals are revisited every year to keep them current.

FINANCIAL REPORTING PERFORMANCE GOALS

- The Town will adhere to full and open disclosure of all financial activity.
- Records will be maintained on a basis consistent with accepted municipal accounting standards.
- The Comprehensive Annual Financial Report will be prepared in conformity with generally accepted governmental accounting principles and financial reporting practices.
- An independent public accounting firm will be employed to perform an annual audit of all Funds, Authorities, Agencies and Grant Programs, And the annual audited report will be made available to the general public, bond and financial consultants, and other interested citizens and organizations. The audit will be completed and submitted to the Board of Finance within one hundred seventy-five (175) days of the close of the Town's fiscal year.
- 501(c)3 organizations that use funds provided by the Town must report how those funds were used to the Board of Finance on an annual basis.

FUND BALANCE GOALS

- The goal is to preserve the Town of Ashford's financial stability and maintain the Town's credit worthiness while ensuring a positive cash flow in the event of temporary revenue shortfalls and/or unanticipated major expenditures.
- The goal is to not use the undesignated fund balance for operating expenses, as this practice has an inherently destabilizing impact on current and future operating budgets.
- A year-to-year carryover fund balance will be maintained in an amount necessary for adequate cash flow and to prevent the demand for short-term borrowing. The undesignated fund balance should be approximately eight to ten (8-10) percent of the general fund operating budget.
- Fund balance in excess of the goal shall be transferred to the CNR Fund and used for one-time expenditures.
- Government Accounting Standards Board (GASB) fund classifications and hierarchies will be used for fund balance reporting.

CAPITAL IMPROVEMENTS PERFORMANCE GOALS

- Capital improvements will be based on long-range projected needs in order to minimize future maintenance, replacement and capital costs.
- All capital improvements should be made in accordance with the Town's five-year capital improvement program. The capital improvement program shall be revisited annually.

**TOWN OF ASHFORD
FINANCIAL MANAGEMENT GOALS
For Fiscal Year 2017-2018**

- The development of the capital improvement program will be coordinated with the operating budget in order to maintain a reasonably stable total tax levy.
- Unanticipated capital improvements will be funded from CNR to the extent available.
- Before submission to the Board of Finance, the Board of Selectmen will identify the estimated cost and potential funding sources for each capital project proposed. Future operating costs associated with a proposed capital improvement will be evaluated before a decision is made to implement a project.
- Federal, State and other intergovernmental and private funding sources will be sought out and used as available to assist in financing capital improvements.

INVESTMENT PERFORMANCE GOALS

- A cash flow analysis of all funds will be developed on a regular basis. Collections, deposits and disbursement of all funds will be scheduled in a way as to ensure maximum case availability.
- Where permitted by law, cash from separate funds and sources will be pooled to maximize investment yields. Interest will be credited to the General Fund except where prohibited by law or where the source of the cash is from an individual or corporation to insure performance.
- Investment policy will be consistent with State law and will provide for security of principal as well as needed liquidity.

DEBT PERFORMANCE GOALS

- Long-term debt will be limited to those capital improvements that should not be financed from current revenues.
- The maturity date for any debt will not exceed the reasonably expected useful life of the project so financed.
- The total direct general obligation debt will not exceed statutory limits.
- The issuance of Bond, Tax and revenue Anticipation Notes will be avoided.
- An official statement will be prepared to be used in connection with all sales of bonds and notes.
- Good relations will maintained with financial and bond rating agencies and a policy of full and open disclosure on every financial report and bond prospectus will be followed.

OPERATING EXPENDITURES PERFORMANCE GOALS

- The Board of Finance will propose and the Town Meeting will adopt and maintain a balanced budget in which expenditures will not be allowed to exceed reasonable estimated resources and revenues.
- All current operation and maintenance expenses will be paid from the current revenue sources.

**TOWN OF ASHFORD
FINANCIAL MANAGEMENT GOALS
For Fiscal Year 2017-2018**

- The operating budget will provide for the adequate maintenance of capital assets and equipment.
- The budget will provide for adequate funding of all employee benefit programs and retirement systems.
- A budgetary control system will be maintained to enable adherence to the adopted budget. This will include a record keeping system to be adhered to by all programs and activities receiving annual town budget appropriations.
- A system of regular monthly financial reports comparing actual revenues and expenditures to be budgeted amounts will be prepared and maintained.
- An effective risk management program to minimize loss and reduce costs will be developed and implemented. The Board of Selectmen will ensure that adequate insurance programs are in place, including unemployment and worker's compensation insurance.
- Delivery of services by other public and private organizations will be encouraged whenever and wherever greater efficiency and effectiveness can be expected. Technology and productivity advancements that will help reduce or avoid increasing personnel costs as a proportion of the total budget, to use available resources more productively and creatively, and to avoid duplication of effort and resources.
- A Reserve Fund for Capital and Nonrecurring Expenditures will be maintained and will be adequately funded each year by a transfer from the General Fund Budget and by unanticipated one-time revenues.

REVENUE PERFORMANCE GOALS

- A diversified and stable revenue system will be maintained as protection from short-run fluctuations.
- Annual revenues will be estimated based on an objective and reasonable basis. The Board of Finance will project revenues on a multi-year basis.
- Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.
 - One-time or special purpose revenues will only be used for capital expenditures or for expenditures required by the revenue (grants) and not to subsidize recurring personnel, operation or maintenance costs.
 - The creation of any new special revenue fund must be approved by the Board of Finance.
 - The purpose of the special revenue fund, and which revenues and other sources for the fund must be formally documented.
- All user charges and fees will be annually re-evaluated at a level related to the cost of providing the services.
- Appropriate expansion and diversification of the tax base will be encouraged and additional Federal and State revenues will be sought in order to reduce the reliance on the property tax due to its effect on individual homeowners.