

**TOWN OF WINCHENDON  
BOARD OF SELECTMEN MINUTES  
MONDAY, SEPTEMBER 22, 2014, 2014  
Town Hall, 2nd Floor Auditorium  
109 Front Street, Winchendon, Mass.**

Present: C. Jackson Blair, Chairman  
Elizabeth R. Hunt, Vice-Chair  
Robert O'Keefe  
Keith Barrows  
Fedor Berndt

James M. Kreidler, Jr., Town Manager  
Linda A. Daigle, Executive Assistant

Ms. Donna Allard, Town Accountant

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List of Documents Presented at Meeting:

- Central St. Revitalization Workshop Announcement (attached)
- Fire Chief's responses to Ms. Langdon's questions of the Underground Storage Tank Enforcement Guidelines (attached)
- Health Agent Jim Abare's letter dated 9/10/14 to distributors of petroleum and other chemicals (attached)
- Response from the District Attorney dated 9/12/14 regarding Salah Khelfaoui's cellular telephone reimbursements (filed)
- Mark's Auto Repair Winchendon Police Incident Report dated 9/11/14 (filed)
- Town Manager's Report (attached)
  - o Financial Policy – Purchasing/Procurement (attached)
- Draft FY13 Audit Report Management Letter (filed)
- Minutes for consideration of approval: (filed)
  - o Monday, Sept. 8, 2014 Regular Meeting
  - o Tuesday, April 1, 2014 Emergency Executive Session

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Chairman Blair called the meeting to order at 6:15 p.m. with the Pledge of Allegiance to the Flag of the United States of America. The meeting aired live on local cable access channel 8.

*Disclosure of Audio/Video Recording* - No one announced they would be audio recording the meeting this evening when asked by the Chairman.

Chairman Blair announced he has altered the order of the agenda this evening.

**APP OINTMENTS/RESIGNATIONS:** None.

**NEW BUSINESS:**

**OLD BUSINESS:**

Multi-family Inspection Requirements

CMR 780 - Kreidler said he has been focused on the budget issue which is to be addressed later this evening and has not been able to research if there was a way to put a local bylaw connection in with the State statute. O'Keefe asked for it to be moved to the next meeting agenda.

MRPC Community Hazard Mitigation Draft Plan – MRPC:

Kreidler announced Department Heads affected by this plan have convened and each will be reviewing and reporting back for your next meeting with any concerns or questions they have.

Draft Enforcement Guidelines for Fuel Storage Regulation Bylaw:

Kreidler stated at their last meeting there was a document before them regarding regulations to put in place pursuant to the bylaw that passed at the last Town Meeting for underground storage tanks. The first order of business under that regulation is a Code Red message which was sent out by the Fire Dept. last week notifying people that the bylaw does exist and if they had an underground storage tank that is implicated by the bylaw, they should notify the Board of Health (BOH) or if they know of someone else they believe does or thinks they might have one, they were encouraged to notify the BOH.

A spreadsheet has begun for tanks that have either been identified by records research or by people calling them in.

Kreidler had included in their packets answers to questions Ms. Langdon had submitted on the enforcement guidelines. She came forward and asked about permits being pulled in the neighborhood in 1984 and 1986. Kreidler stated some records go back in the 80's indicating that an underground storage tank permit was pulled for a property off Otter River Rd., for instance, but there is no specific number that ties back to the specific property. The Health Agent and Fire Chief have been able to look at names back in the early 80s when the house was originally built and back track to the specific address. There was a tank at the house most in question adjacent to your property. There isn't a record of it being pulled, but they have record of the fact that there is now a record of an above ground tank in the basement. Follow-up now is to reach out to the mortgage company on record. Presently, the house is not foreclosed on; there is no one living there being responsible for the property. Next step is to work with the bank to determine if they know if anything has been done on it and to notify them of their responsibility under the bylaw. This information is going out to anyone we can find on record, including bank owned properties. Ms. Langdon asked about the protocol on the first page referencing "Work with the Fire Chief once a UST has been identified to determine if any additional protective measures are necessary for tank installations due to the tank's geographical location." She thought the word "installation" should be "removal" not understanding. Kreidler said he'd be happy to get further clarification from the Fire Chief.

Goodwin Dog Matter Update:

Kreidler said at the direction of their last meeting, the Police Dept. filed with the courts a complaint of perjury against Mr. Goodwin for comments he made under oath at your public hearing for the complaint against his dog Sargent. We have received a response back from the District Attorney's office that they are not going to go forward with it for the following reason: the statute that details dog hearings specify that the complainant shall be sworn and any information they give is therefore under oath. There is action that can be taken statutorily against any such complainant who testifies untruthfully or incompletely while before you. The statute does not extend to any other participant witnesses, the owner, neighbor, and any other witness at all. You have a policy that says everybody that comes before you for a dog hearing will be sworn and placed under oath. What the DA's office has determined is that the issue hinges on the statutorily word "require" and in order for there to be a finding of perjury the person who is before you that is believed to be perjuring themselves must have been required to be there. The only person required to appear at a dog hearing under the statute is the complainant. You have two tiers of people before you. All are locally required to be sworn; statutorily, only one can be held accountable for failure to be truthful well so sworn. Blair said basically everyone can lie except the complainant. It would seem mute to swear others involved in the procedure or alternatively for them to require the presence of both the complainant and defendant. Kreidler said we did follow up with your question with your policy. The policy can be read that you are required to be sworn. The notice that goes out to the owner of the dog or animal says you are requested to attend and will be sworn to give your testimony. Kreidler said we argued that that should suffice and even though they are not compelled under that state statute to be there, they were given notice that we want them to come and if they do choose to come, they will then be sworn. That should have been enough to get over the threshold but the DA's office said absolutely not. Additionally, even if we had a local regulation that required them, it still does not get over the statute that does not require them for that purpose. Blair concluded that the Board has done everything possible to run this out and protect the people of the Town from this dog. The Court said it's a dead end and we will move on.

50 Franklin St. Update:

Blair said Selectmen Berndt, Lionel and himself actually walked the property last week to look at what was there. It is way beyond whatever the authorization of the permit was. It's dangerous and still being worked and various committees have given him another thirty days to fix it up. He saw the response from the man who is operating it that he "we'll try" and that this may be back before them then. Kreidler added the original thirty day order came from the State Fire Marshall. If in fact thirty days his efforts at trying are not successful, he won't be back before them, he will be under the jurisdiction of the State Fire Marshall. Secondly, the next night the Board of Health voted to give thirty days and that is being pursued with concert with the DEP Environmental Task Force. It may be back before the Board of Health in thirty days but it won't be at the exclusion of them being under the jurisdiction of the State Fire Marshall.

Fraud Policy Investigation Update:

A couple years ago, Kreidler stated the Board implemented a Fraud Policy that says in short if there is a reasonable belief that fraud has occurred with one being to include the manipulation of reimbursement that certain things shall take place. We had issues in the past that there had been allegations of theft of water with certain former employees. The course of action he had taken was not completely supported by some members of the Board. Part of the reason their policy was narrowly written and defined was to take away some of the discretion he had. If any of the thresholds of the policy are tripped, the Town Manager as the investigating officer, shall forward after consultation with Town Counsel, to the District Attorney's office. Back in May of this year an issue was brought to the attention of the Town Accountant. The issue was related to a reimbursement being sought by an employee and the belief was based on evidence from the computer system that something had to be done behind the scenes of the computer system to change the taxable benefit of this reimbursement. Attempts through Town Counsel were made to have a discussion prior to and potentially in place of going to the District Attorney's office. Those efforts were not successful. The policy precluded anything other than for it to be sent to the D.A.'s office. It has been with the D.A.'s office since last May. Last week we got a written response back from the D.A.'s office including a response beneath the D.A.'s opinion from the Dept. of Revenue Criminal Investigations Bureau. The response back was the information provided to them by the town and the town's auditing firm indicated that something had occurred but that it was not "substantial." Substantial is one of the words under the statute that would be required for successful criminal prosecution so therefore the D.A.'s office response back to us was that they would not be going forward with any attempt at prosecution because it was not deemed substantial.

Chairman Blair moved to Approval of Minutes on the agenda.

**MINUTES:**

Monday, September 8, 2014, Regular Meeting - Berndt moved to approve as written; Hunt seconded. By vote of Berndt aye, Hunt aye, Barrows abstain as he was not present, O'Keefe aye and Blair aye, the motion carried.

Tuesday, April 1, 2014, Emergency Executive Session Minutes - O'Keefe moved to release the approved minutes; Barrows seconded. By vote of all aye, the motion carried by majority vote.

**SELECTMEN'S COMMENTS AND ANNOUNCEMENTS:**

Central St. Revitalization Workshop – Monday, Sept. 29, 2014 – Blair announced the workshop that will be held at the Senior Center on Monday from 5:30 p.m. – 7:00 p.m.

Kinder Morgan Tennessee Gas Pipeline Presentation Oct. 6, 2014 – Blair announced that representatives would be here for an hour long presentation scheduled at 7:00 p.m. He wanted all interested parties to be aware and presumed they would take questions.

**PERMIT/LICENSE APPLICATIONS, HEARINGS:**

Mark Tansey, Mark's Auto Repair – Class III Activity Discussion - Mr. Tansey came before the Board. Kreidler explained the ongoing situation/discussion with the activity at Mr. Tansey's 49 Spring St. location. Mr. Tansey has sought and granted a Class II permit but has not been able to pick it up due to conditions that he appear before the Zoning Board of Appeals and a Site Plan Review from the Planning Board. Mr. Tansy has not finalized these

processes even though he has begun them. An ongoing matter is the number of unregistered motor vehicles on this property and it tripping the unregistered motor vehicle bylaw. The Police Dept. spoke with Mr. Tansey last January. He was given the opportunity to continue to pursue his Class II without the pursuit or receipt of a Class II. He was advised he would be held responsible under the Unregistered Motor Vehicle Bylaw. He reported at the Selectmen's meeting two weeks ago, the Police Dept. believed that Mr. Tansy would be reducing the number of vehicles from 23 to 15, a requirement from the Board for his Class II which they believed he had received. Kreidler stated he did not advise the Police Dept. that he had not received his Class II and that they should be followed up under the unregistered bylaw. Mr. Tansey has since been advised by the Police Department that they have sought a complaint which will be heard on the 29th of this month in the District Court for violations of the unregistered car bylaw. An additional concern is activity that is taken place on site that falls under Class III type activity.

Berndt explained basically a Class II license allows a person to sell a used motor vehicle, either one obtained from an auction or traded in for another car; it can be done with minor repairs, oil changes, but no major repairs. Class III is more in depth and is basically an open salvage license. Any reconstruction, reassembly or transferring of parts from one vehicle to another whether body panels, unistructure, motors or a complete overhaul fall under Class III. He's seen cars in different states of restore and deems Class III activity is going on. Class III can be allowed if kept inside the premises. Anything outside is a violation. Blair showed pictures provided by the Police Dept. of the lot. Mr. Tansey was asked for his comment. He declined. Kreidler mentioned if Mr. Tansey is not interested in addressing Selectmen Berndt's suggestion or allegation that Class III activity is taken place without a permit, the Board has the prerogative to issue a Cease and Desist Order to cease Class III activity. Kreidler suggested to the Board based on the evidence before them, the Police Report and photographs, Selectmen's Berndt's commentary, the lack of comments from Mr. Tansey that Class III activity is being undertaken at the property, that the Board move to issue a Cease and Desist to Mr. Tansey, Marks Auto, 49 Spring St. regarding Class III activity. O'Keefe asked if this should be limited to just Class III activity and include Class II. Kreidler responded Class II activity, cars being sold there, is not happening according to the investigation. Berndt asked about clean up. Kreidler said if it is demonstrated to be a violation of the bylaw, the court has the authority to have the vehicles removed; other issues can be addressed by this forum. Berndt asked Mr. Tansey why he couldn't get this straight. Mr. Tansey replied that he has been getting rid of cars and that people can bring cars in that are unregistered. He asked questions about what he can and can't do. Blair said a lot of leeway has been given; a lot of time has been spent on this. We need to enforce the bylaw. Eight months have gone by. Berndt moved to issue a Cease and Desist Order to Mr. Tansey at 49 Spring St. for what they have determined to be conduct of a Class III operations without a permit; Hunt seconded. By a vote of all aye, the motion carried unanimously.

Mr. Tansey asked what this meant. Kreidler explained the type of work the board has determined is not the type of work under the auto repair business, with it being Class III activity, disassemble and reassemble of vehicles, that he would get notice to Cease and Desist. Mr. Tansey can continue to fix cars that are brought to him as long as he isn't disassembling. That would be Class III activity. Examples of allowed repairs were repair of brakes and work on suspensions. Blair advised Mr. Tansey to come in and speak with the Town Manager for all the details.

#### **TOWN MANAGER'S REPORT:**

Blair announced the Town has had its books audited for six years now by the same firm. Some things have come up with the audit this year that are bothersome and the Town Manager and his staff have worked on a draft response to the auditors in how they will address anything found and the measures to be taken. It's not a fault finding thing but an action plan. A lot of people may have positions on this but have not read the audit yet or heard the Town Manager's plan yet. He asked the Town Manager to discuss the audit and responses with those present with the understanding there may be more information and possible changes as we move forward. He will then give an opportunity for each Selectman to express any concerns, offer any comment or ideas they may have. He will then open the floor to the community to come forward and ask any questions they may have. They will be answered to the extent possible.

Kreidler began with explaining the timeline for audits. Normally you would have a Fiscal Year close June 30th and into the fall you would do the actual physical closing of the books and you would have the audit completed. He explained last year that did not occur in the Town with it happening on December 30th having a Town Meeting

to address deficits from FY13. The very next day, the Department of Revenue (DOR) convened their staff to approve our tax rate based on actions taken the night before. From there the actual physical closing of the books after the budget had been balanced wasn't affected until sometime in March/April. In effect, what should have been the state of the books in July didn't occur until December and what should have happened in September didn't occur until March.

Things were taking place at two different levels at this point. One was the discussion around the actual budget and how the budget ended up and what the transfers required to take place and did take place in December; the other piece not known in December and wasn't uncovered until the March/April timeframe was that there was a deficit not identified back in December when we had our meeting in the Health Insurance Trust Fund. The Town Accountant had a special auditor in with experience with health insurance trust funds on staff addressing this issue. She is here to speak on the issue and address any concerns you have on it. The net effect of that was to determine in July that there was a deficit in the health trust fund at that time to be about \$500,000, closer when the dust settled after a couple meetings to be \$735,000. Each of you were aware at that point the numbers were still preliminary; a meeting was scheduled the first week of July with Deb Wagner from the Department of Revenue to discuss the issue. It was Ms. Wagner's recommendation that we get FY14 that just finished the week before closed and the health trust fully unraveled prior to setting a plan to go forward with what the actual accumulative FY13 and FY14 deficit was. Selectwoman Hunt was the most active coming in once a week asking questions about the matter and probably the most frustrated. She was told it was not yet known; the audit is still being conducted. Ten days ago now I notified you of the full complete deficit as it is known for the FY13 close and FY14 accumulated deficit in the health trust. Eleven years ago we had been a premium based insurance customer. We paid a premium for each insured soul or group of souls/family to Blue Cross Blue Shield (BCBS) for which they had a responsibility to pay all claims. We had an Insurance Consultant do an analysis and in the course of two years 2001 and 2002, we expended a little over \$1,000,000 more in premium than claims. A common structure to consider in that type of a situation is a self-insurance program. The consultant made the recommendation that we self-insure. We establish premiums which are arrived at looking at prior year claims grown by expected trends in health insurance costs in the upcoming year adding in the costs of the administrator fees and including a reasonable expectation if something catastrophic were to occur with a insured soul, it could impact your ability to keep paying your claims. Reinsurance is purchased and capped at \$70,000 on exposure given on any one of your insured. It was predicated for three such claims to be absorbed each year with us still remaining in the black. In 2009, 2010 we ended with \$929,000 in the black. Subsequent to that, we have had the convergence of very inopportune, very unfortunate occurrences, with not the least one being a considerable number in the last eighteen months of extraordinary claims. The focus of the discussion was financial, he said, and wanted to be clear that while he is talking about this in dollars and cents and the financial impact to the town, it shouldn't be heard any other way than a financial discussion right now and he wanted to be clear that this is not a discussion about anyone who became ill. Within the eighteen months, we have seen thirteen insured people come close to or hit that \$70,000. That number times thirteen is \$910,000 in claims. Additionally, Ms. Allard, with the assistance of the outside auditor, determined from an accounting perspective, the manner in which we have been accounting for our claims has not been fully accounting for the liability. He offered the caveat that what he is about to speak about is not meant to be anything untoward or inappropriate being done in terms of the accounting. He understands what was being done has been done for a number of years prior to the most recently retired accountant's tenure here. A process she inherited from the prior accountant and there was nothing incorrect, illegal, untoward done by the prior accountant. What has been determined was it was not the best accounting for the following reasons. He explained how the last two months of a fiscal year, the bills won't be received until the next fiscal year but the liability still runs back to that fiscal year. What's been determined is that for a number of years, those last two months of the liability have been pushed into the following year. He said this is his understanding in real time and still developing and looked to Ms. Allard for confirmation of his understanding. Ms. Allard said he was correct. The liability that's out on the insurance the last two months of the year, May and June, oftentimes those invoices are not received until perhaps July or August; however the liabilities even though invoices are not received yet, they have to be recognized. The health trust is liable for those bills that are out there. They've already occurred; they're a real cost. Somewhere along the line they have to be reported in the health trust. That's something that was not being done here. The liability was not being recorded. They discovered the account didn't even exist in the system. She had to create it to recognize that liability. What that does, going backwards three years, they may have thought the health fund trust closed at a certain amount when in actuality it was in the hole. This perpetuates

and accumulates. What happened in FY13, the two months from the previous year had been paid in FY13 and there was this liability out there for the last two months of FY13. Because we were already into FY14, those liabilities couldn't be paid in FY13 because the previous accountant already paid for them in FY14. We had to put those as part of the trust. We actually had to recognize that liability existed. The amount was \$698,000 that had to be recognized in the trust. That being made visible for the first time, due to a different method of accounting, a more up to date current method of accounting, recognizes a liability. If the trust were to close at the end of the fiscal year, the town is still responsible for that liability. If you don't have it recognized, you don't know what you are responsible for and won't have the funds to pay it. This recognizes the funds that needed to be covered in the trust for the first time really and that's what we end up in FY13 and now it carries over to the deficit we are recognizing in FY14 as well.

Kreidler added one piece of the puzzle we haven't talked about is the deposit required by the health care company when you start a reinsurance program. We have \$579,000 on deposit with BCBS. We can see as recently as FY12 closed in September of 2012, the projected deficit in FY12 in October was \$200,000+ in health insurance. The DOR was in communication with the prior Town Accountant on this matter and indicated in writing that the \$500,000 on deposit with BCBS would be sufficient to count against that deficit. This is important, Kreidler continued, as briefly as the radar screen flashed across the screen, it was then also resolved by that writing by the DOR. He felt important to highlight that because this was happening in the Fall of 2012, already more than a quarter through FY13, when we get to the point of near the end of FY13 (spring, early summer) we had a transition going on in the accounting office. Our former long serving accountant was retiring; you conducted a search that resulted in the selection of Ms. Allard who is here for you this evening. It was the intention that Ms. Allard would work with Ms. Noponen with an overlap period of time where they would work together to have an understanding of the state of the Town's finances as they had existed and as they looked to exist off to the future. That never occurred in large part because with great misfortune Ms. Noponen while on vacation was stricken gravely ill and hospitalized for a considerable amount of time. Ms. Allard came to a seat that was left vacant for some period of time. She lacked the benefit of an overlap with the prior incumbent, and in fact it was like being air dropped into someone else's life to the point of sticky notes left on the desk. In large part, the illness, the lack of transition, the lack of the prior incumbent to be present during the physical close of FY13, the lack of understanding of what the health trust accounting measures have been historically, the bleeding that was occurring at the end of FY13 went unnoticed. It didn't get noticed until nearly the end of FY14 and not finalized until the week after the end of FY14. It not only allowed the deficit of FY13 of \$735,000 to be realized and recognized but also the entire FY14 has juggled along with the same conditions.

He wanted to be clear pointing out again the town's auditing firm has been clear in saying there has been nothing illegal done; it was just a type of accounting as he was led to understand is not the type of accounting that most accurately reflects the true liabilities to the community. The reason he sent them the email ten days ago now and has met with them one on one to have a discussion about where they are is because back in July he told them he had a problem and once things were finalized he would speak to them in more detail. The problem at a 10,000 foot view is now two things: One is the health trust; the other is our usual customary snow and ice deficit and our veterans deficits for the end of FY14. All totaled, we have accumulative deficit in the health insurance trust fund of \$1.8 million, which is exacerbated by the fact that we closed FY14 with a line item deficit of \$299,000 in health related deficits. That's close to \$2.1 million related to health insurance deficits. Kreidler pointed out that there may be discussion on the street that could lead to a misunderstanding that it is money that existed and has gone missing. That has not occurred here. Bills have been paid without the money to pay them. There was no money because the true expense was never booked or recognized; therefore, adjustment and rates were not put in place to keep up with the expected liabilities.

Kreidler said with \$2.1 million in health insurance related deficits and our usual and customary that we have seen at each of our Town Meetings of veterans' benefits and snow and ice, the net deficit for FY14 is \$218,000, which puts us at an accumulated deficit of \$2.318 million. What do we do and what is the plan?

Everything is on the table, he continued. There are targeted areas that appear in his written report to them. They are draft ideas within the last ten days forward and subject to change for a number of reasons. Kreidler read

through some of the cuts listed in his report on Page 6 for the Town's FY15 budget already being a quarter through it.

\$250,000 targeted general government budget cuts  
\$250,000 targeted school budget cuts

Kreidler explained pursuant to the Indirect Cost Agreement with the School Department and the budget related to health insurance expenditures, the amount is driven by the population of school employees versus town employees who receive the benefit. Of the \$2.1 million dollar deficit, 77% would tie back and be absorbed by the School Department's budget. The amount is \$1,695,000. He wanted to be clear, it is not his recommendation or his expectation that the school department should be responsible for this \$1,695,000 of a problem that while their pro rata share of employees attributed to, they had no knowledge of. He said he met with Dr. Khelfaoui and Finance Committee Chairman Mr. Kane today. Part of the discussion focused on that very point. It is fair and appropriate that the school department bear some of the responsibility given the large percentage of this deficit that was driven, knowingly or unknowingly, by their pro rata share of employees. He has allotted an equal share of \$250,000 from the School Department's budget.

\$550,000 prepayment residual balance of the infrastructure investment account

Kreidler explained back in 1999 the Town was being compelled by the Dept. of Environmental Protection to cap and close the landfill on River St. An arrangement was reached by the parties that said the DEP will allow the town to take in materials that it wasn't otherwise permitted for that had an economic value to create the grades and shapes needed to cap the landfill. The agreement was for every dollar taken in for this process half could be taken in by the town and the other half would be put into an infrastructure investment account to pay the long term debt service on that capping and closing. When the debt had been paid whatever was remaining in that fund would be available for any lawful municipal purpose. The amount of the debt service remaining to be paid is approximately \$405,000 and there is just shy of \$1,000,000 in the account. This \$550,000 represents prepayment of the remaining due with the balance to put on the table to be used against the deficit.

\$99,000 opex to capex – fire roof and generator, town hall computers

Kreidler explained these are capital expenditures voted at Town Meeting to be spent as cash. This is to consider at Town Meeting a conversion of those items to debt, to borrow them over a short number of years instead of paying for them cash. That, unlike all the others, reflects a liability that exists today in FY15 to be spread over time but still exist.

He then spoke about the cuts of \$250,000 in town government budget. There are two vacant positions that have not been filled and will be frozen to be able to make targeted cuts that would not require an increase in taxes or the use of outside reserves. The effort in targeted cuts is to avoid the real avoidance of that financial liability without an impact on what the taxpayer sees in deliverable service if at all possible. It may take a little bit longer for that piece of sidewalk to be done with that one less person but there are people still sufficient to do the winter snow removal.

One thing you have not seen mentioned in this draft analysis and getting down to the amount still left of \$1,169,000 is a discussion around stabilization. He commented, probably him more than anyone in his tenure, has been very protective of using stabilization. We need stabilization for a rainy day. It's not raining with this background, it's in fact pouring. This is probably not a more text book time for use of stabilization but his objective will be to avoid using stabilization only as a second runner up to any discussion of an override.

He mentioned DOR was quick to suggest an override for a resolution. His response to DOR was that he doesn't feel it to be an appropriate avenue to pursue. People would consider support if it was for something they want and not something they have already been paying for. We have a deficit that already exists and people believed they have already paid for this. It is the Board's prerogative to put an article before the town for an override but it is his strong position that an override would not be an appropriate avenue. The DOR can come in and figure out how

to cover the deficit if we don't, Kreidler responded to Blair's question if they could force an override. At all cost, Kreidler said, this must and will be avoided. DOR coming in and taking over is the pinnacle of a reflection of failure to have your parents come and take over your check book. The emails between him and the DOR reflect the measures that have been put in place to date have been responded favorable by the DOR. They are quick to say those are great things, a nice job, however, you are not even remotely there yet. Kreidler has responded to them each time we will get there. He writes in his report that we don't have a choice but to get there.

He spoke of the Board's opinion that efforts should be made to impact service the least if at all. It's not the taxpayer's responsibility that this has been mismanaged. Currently \$1,600,000 is in stabilization. The objective is to use as little as that as possible for a number of reasons with not the least of the impact of the town's bond rating. We need to articulate to bond agencies, once it was identified, it was aggressively addressed, addressed internally, addressed with minimizing the impact on services and reserves were used as little as possible. He believes there is a plan to get us there and will be working on it within the next several weeks. If at the end of that some stabilization has to be used, he will be putting in a plan to replenish it. Once available revenues exist that are able to be brought to the table and able to be put back in stabilization, the commitment exists to do so. We can talk about what those opportunities would look like, what those revenues would be and when they would be likely to materialize. When we talk about that we have \$579,000 out on the arm with BCBS earning interest, part of the realization over the last eighteen months is data that we have now had a light shine on is that the type of risk that we've had run with is no longer appropriate to continue to run with. If we had not had the series of events that occurred at the end of FY13 and had we had the continuity even with the accounting we have had, we would have seen at the end of FY13 a deficit roughly of \$735,000 even when placed against the belief that \$500,000 of that can be wiped with our deposit, it would have been at least a discussion at that point back in the fall of FY13. We would have made changes in the plan to either change the type from self-insured back to premium or even plan design and structure. We don't have the benefit of that discussion because of the occurrence of vacancy, lack of understanding of the type of accounting that was being employed for as long as it took to be realized. It could have been addressed in FY13 if known; it could have been course corrected and not be where we are today. We can have another discussion any night you want for as long as you like why it is and why it wasn't known, how it could or should have been known, and he is very eager and willing to have that discussion but the fact is had it been known it could have been course corrected. Another year went without course correction and now we are here where we are.

Kreidler continued stating there is an insurance consulting group that has experience transitioning communities from self-insurance back to premium notably with the same type of situation. They have our claim's history, the trust fund balances and our plan design. The expectation is they will have a Request For Proposal out on the street within the next three weeks to solicit quotes to go premium with any carrier that is interested in bidding and will fashion a result with premiums that can be managed in the FY15 budget or less. Once the transition back to premium occurs, there will be a two month run out of claims that will be paid from the \$575,000 deposit on account with BCBS. Once paid, the balance remaining comes back to the town and is estimated at \$250,000 to \$300,000. His position at spring town meeting is to take those dollars and replace funds that may be used from stabilization.

In addition, in FY16, we are set to retire debt that's not debt excluded. It is inside the budget debt. The annual payment is \$255,000. Discussions have been previously that this could be reprogramed for other purposes such as funding OPEB or additional capital. His position moving forward would be a discussion of an article to use this to replenish stabilization until such time as stabilization has been returned in tack. He then asked if there were any questions.

Chairman Blair commented about the audit report they received Thursday. Kreidler wanted to be clear about this report saying it was a *draft* internal document until such time it is responded to on the staff level by the Collector/Treasurer, the Town Accountant, the School Business Manager. That's how all municipalities work with this. What he wasn't aware of was when the draft report was forwarded to the School Dept. to the Business Manager for his comments, that it was immediately forward to the elected School Board. When he learned of that, it only made it fair that it also be in the Board's hands as well and so he forwarded it to them. It shouldn't have happened that way but when he learned of it, it was sent to them. Blair said also the Town Manager wanted more



time to make a presentation this evening but it was decided to go ahead with it because there allowed too much time for rumor and innuendo. The Selectmen had only the weekend to review the draft audit and raise questions and seek answers. He knows this is an ongoing process and things will change. Blair said this morning they got something from the DOR that has now raised the deficit to include FY15 that could be \$3.5 million dollars. There has been no chance to even look at that, so in fairness he thinks they arrived at that figure with material that was sent in on Friday. Kreidler said what you are hearing from DOR on that matter is predicated on nothing, no data, no information provided last Friday. The only thing provided last Friday was the schedule against which the FY14 audit will be finalized and balance sheet completed. That's all they had asked for and that's all that was provided. He did give them the steps that have been taken to stabilize and stop the bleeding. What they are basing that comment on, being in a position for us to understand how scary this is, they are going to make a lot of noise and doesn't fault them for that, it's their job; but what's being suggested in the email that it may be \$3 to \$5 million, the expectation that whatever has caused the \$2.1 or \$2.7 million is going to continue. Kreidler said it will not. Kreidler said what we did this past spring, over Ms. Hunt's suggestion, is we utilized additional revenue that was made available due to retirement of debt to put more money in the budget. Where we had traditional deficits, we applied more money, specifically police overtime, police fuel, health insurance. We made changes in the plan increasing it 19% in additional money. The expectation that there is going to be a continual bleed is not borne out by the facts based on the actual budgeting. DOR, reasonably, is going to require us to go through hoops to show that. Kreidler stated FY15 cuts mean there is less exposure and liability to the FY15 budget.

The Chairman gave each Board member a chance to comment on what they have heard this evening:

Selectman Berndt:

He didn't understand how we got to this point. He understands how the explanation how the Accountant handled it but wondered at some point why anyone didn't realize this was going on. Who's responsible ideally to monitor what's going on? He feels if we are using a system that should have been used we wouldn't be so bad. Kreidler replied under the form of government we have, the Selectboard, as Chief Executive Officials appoint two people, the equivalent of a Chief Financial Officer and the equivalent of a Chief Administrative Officer. It would be easy for him to say he's not responsible because there is line, a wall drawn between the Town Accountant's function and the Town Manager's function as a segregation of duties so the person responsible to do the work isn't also responsible to report the work in a financial perspective. He won't say that though; he is responsible. Period. He is responsible to see the big picture. He did not see the big picture. There are ample reasons why he didn't and he would be happy to talk at length at how it occurred and why he didn't see it. But he didn't see it. Period. Ms. Allard added the Town Accountant has the responsibility as the Chief Financial Officer (CFO) of the community to know what in the world is going on with the state of the accounts that the CFO is in control of. The information that the Town Manager or the Selectboard get is only as good as the information the Town Accountant is able to provide to that administration. In this case, she felt it fair to ask how in the world it got to this. We have discussed briefly because it's complicated and there are a lot of pieces that fit into how we've gotten where we are and how we still don't have the final figure. There is still a piece, a couple of pieces, that are still out there. One of them is called an IBNR with the health trust that we have been chasing down with BCBS. We need that figure to be able to say we have that piece of liability that is still out there. It's continuing on and when it's to the level that it is and the depth of the deficit that exists, the seriousness of the deficit can't be diminished in any way. There truly should have been a line of communication with correct information. What she has seen presented was perhaps not the most clear of information for someone that is not an accountant to be able to understand what was going on. There were definitely red flags and there continues to be red flags on entry of this position to see what was going on and how things were being accounted for and managed. Moving forward they want those red flags done away with to make things transparent as possible. She said the Town Manager has been getting quite a lesson in accounting from her more than he has to or should have to. He has a different role than the Chief Financial Officer. It's up to the CFO to keep him in the loop of what is going on along with the Selectboard. Up until now, rather than letting something out there that is not the final figure because that is what stays in people's minds. The true figure is not known yet and is still a moving target. The Town Manager is doing his best with a plan to take care of the deficit but it's accumulative. It started a few years back and it's like kicking the can down the road saying maybe next year will be better but next year is worse. Now it's transparent and has to be addressed. There are structural deficits in the budget and in the health trust that need to be addressed now.

Berndt was baffled how it wasn't brought forth by the audit in past years. Ms. Allard said what she has saw coming on board here was the 2012 financial management report of the community here not showing any red flags on the Town side that were of concern. Now we are seeing a management report that will be discussed at a later date that brings out deficits and problems that existed back in 2008. Why wasn't that brought to our attention then? Part of that she feels is a change of the guard. She looks at things very deeply and has done a lot of digging. She has had to do that to get out of the situation that occurred with the vacancy in the office. In so doing, a lot of things have become uncovered and continue to surface. This isn't the last you have heard on some things we need to take corrective action on but we are willing to do that. Kreidler, following up on the point, said we have talked about this issue. It isn't a new auditing firm that has done the FY13 audit that is a year and a quarter old. We didn't close things out until March/April of 2014. That's how far this process is backed up. How could it be that the FY12 Management letter's only findings were things that were insignificant? You can go to the minutes of the Selectboard meetings, the principal of the firm and the prior Town Accountant say things like, the town's finances are well run, the town is in good financial position relative to other communities, things like that. So that brings Selectman Berndt to the logical question, what happened between FY12 and FY13. The only response he can offer is that we have a new Town Accountant with the past Town Accountant no longer a party to the discussion of the audit. The FY13 management letter instead of being barely six pages is thick with about twenty-five substantial findings with some of them being structural problems that go back a number of years. It's an important question to ask how you did not see this as an auditing firm in prior years. The audit firm has historically been selected by the Town Accountant. He's not suggesting for a moment the prior Accountant selected an auditing firm based on what she believed what they would audit or look at but oftentimes we deal with appearance. The appearance could exist that the doer of the work that the work is being reviewed by someone that the doer of the work holds the contract for it could make the wrong appearance that something untoward could take place. He again said he doesn't suggest that happened but recommends that function be taken away from the Town Accountant and that the contracting of the auditing firm be selected by the Selectboard in concert with input from the FinCom. Hunt stated the last audit we had she asked the auditing firm how we have a deeper audit. She felt something was wrong and it was explained. The auditor said you pay for a more in depth audit. She thought looking back we did get notice to watch the health care line item. Berndt wanted to know what recourse they would have for a firm that didn't do a audit detailed enough that didn't inform us. Kreidler stated we have not paid more for this audit that we just got that has twenty-five in depth findings, then we did for the one the year before that came back with nothing.

Selectman O'Keefe:

He hadn't had a chance to read the draft audit report yet and would like to bring it up at a later date but did have some issues to bring up. The auditing is the only way we know what's happening in our Accounting office. It's the document we depend on and it's the people we depend on. Hearing that these issues have been around as early as 2008 and the auditors didn't bring to our attention. Maybe in 2010 they mentioned this, but in 2011 and 2012 they never brought it up. Hearing that the auditing firm was being chosen and working in concert directly with the Accountant rather than this Board, he is outraged. He asked the Board to consider a motion to maybe appoint our Chairman and maybe the Finance Chairman to hire us a new auditing firm. Hearing that the Town Manager, the Accountant and even the School Committee got a copy of the FY13 report and they didn't, he's outraged again. He would not want to see anyone get a draft copy of something that they haven't also received. He doesn't see anyone at this table doing something wrong, but they have an opportunity to do something right. O'Keefe so moved his considered motion; Barrows seconded. By vote of all aye, the motion carried unanimously.

O'Keefe asked the Town Manager about his illustration in his report to take \$750,000 out of stabilization. Right now we are \$1.69 million from being in balance. Do you plan on finding the \$300,000 to \$500,000 somewhere else? Kreidler said he intentionally has not shown stabilization in the spreadsheet that appears. The discussion beneath it is an illustration. The ultimate number asked to come from stabilization, the plan concurrently is to put it back in dollar for dollar with the hope it is complete again in three years. His goal though is to still dig deeper to use less from stabilization.

Selectman Blair:

He stated he had a chance to study the audit and said we have been sloppy. They say adverse operating results in each 2013 and 2014 contributed to cause negative free cash which presently stands at the lowest than all the communities in Massachusetts. Lack of ongoing budget monitoring contributed to fund deficits and this urgent

situation. Compounding the issue was the retiring of both the Town Accountant and Treasurer/Collector. Kreidler said more specific than that, if you look at budget reports, and you can take the fiscal year end 2013 budget reports that were emailed to him and all the members of the Finance Committee from the prior Town Accountant and you look at budget items that we now know that contributed to the budget deficit we are discussing, they are in the black. So much so that he said in FY13, by the budget reports done and distributed in the last month of the fiscal year, we still had several hundred thousand dollars in health insurance. For the auditors to suggest there was lack of monitoring, he would have to challenge. When he monitors the budget, he takes the report he receives from the Town Accountant who is responsible to account for the budget and he monitors it and looks and sees that yes we are good.

Blair asked without an override or use of reserves, the report says the town will have no option but to reduce public safety, public works, public library, and others. Your presentation tonight indicated that isn't the way we were going to go at all. Kreidler replied that he didn't write that report and the person that did is not a Town Manager. O'Keefe brought up using reserves is an option we are contemplating.

Blair read on Page 3 of the audit "deficiencies in internal controls are not required to be communicated however we have chosen to report that type of deficiency in this report. Establish a limited internal audit process. We previously apprised the Town to implement this recommendation." Kreidler stated it was not done for the reasons listed if you keep reading. Blair went on to Page 5 "Health Insurance Legislation" that was signed into law in 2011 reads "an appropriate public authority of a political subdivision which has undertaken to provide health insurance coverage to its subscribers under this chapter shall conduct an enrollment audit not less than once every two years. The audit shall be completed in order to ensure that members are appropriately eligible for coverage." This audit has not been conducted by the town. Kreidler responded that that was not accurate. He was advised by the Treasurer's office that they conduct that audit annually. Blair said if inaccurate, we need to go back and tell them that. Kreidler explained there are comments that have been provided to date and additional comments that will be provided to that report. The report was finalized last Friday prematurely because DOR wants to see this stuff moved. Blair read from Page 5 of the report "Post-Employment Benefits – The Town's most recent evaluation reflected a future actuarial estimated liability of \$24.8 million approximately. While this is a future liability, it's impact on current operations cannot be ignored. This is especially important as the average employment age for Winchendon employees is fifty years." Ms. Allard said at the ATM 2015 you did vote to move \$10,000 into the trust that had already been established in 2010. Kreidler asked why in the fiscal year 13 audit we are seeing that being reported a deficiency when clearly that \$24 million OPEB liability didn't just happen overnight. Hunt stated we didn't even have this OPEB line item. They told us we needed it, it was created and now we are putting money in it.

Blair went to Page 8 and 9 "Material Weaknesses" reading "while it is expected that deficits in the snow and ice account are unavoidable due to unpredictable seasonal weather conditions, it is unacceptable and contrary to MGL to incur deficits in other appropriation line items. In light of the fact that this has occurred three straight years and has gotten worse each year, it points to a severe structural deficiency in the budget monitoring process." Kreidler replied that is a fair statement but was a concern it was being cited only in this audit and asked where they were last year and the year before. Each year when we close the end of the year, we know we have a deficit in snow and ice and in veterans. We raise them and make transfers as we have in each year of the past years. It's never been raised as an issue before by the auditors.

O'Keefe asked if we owed the auditors any money and if so, would like the invoices held. Ms. Allard stated there is a portion outstanding but to keep in mind they have already begun the FY14 audit. It's contracted and they have set up their schedule according to the request of the DOR to fast track the audit to get the tax rate set. Ms. Allard stated it is tantamount we meet the deadline.

Blair continued on Page 9 of the audit with the "Health Insurance." He read "Of greater concern, is the fact that the Health Insurance Trust Fund is significantly being underfunded on an annual basis." He said you have addressed that. Kreidler said again why is this being cited now and wasn't seen before.

Blair continued on Page 9 reading “based on a review of the School Department’s End of Year Financial Report and as represented to us by Town personnel, for the last couple of years, the Elementary Secondary Education has determined that the overall spending required for qualifying education activities has not met the threshold statutorily required under the Commonwealth’s net school spending formula. It is our understanding that Town and School officials have met with the ESE about this recurring situation; furthermore, we understand that the Town personnel may be in disagreement with the conclusions reached by the ESE.” Kreidler said a little further down, they also determine that upon their review of the end of year report, they found it was replete with errors which led to the position being taken with good belief that there was a deficit when in fact there was \$270,000 that we were not getting credit for because of the end of the year report being done a certain way. Blair read from the report “no matter what methods are employed, the most imperative issue is that the status of not meeting net school spending be corrected.” Kreidler agreed and said it does go forward in saying it was met.

Blair continued on Page 10 Water Enterprise Budget reading “...it is our understanding that for FY14, the Water Enterprise Fund is expected to meet its fiscal operational needs through the use of nearly all of its accumulated retained earnings. This can be a high risk decision by the Town, since similar to stabilization funds, retained earnings are one time sources and typically one time sources should not be used for operations. In addition, surplus reserves won’t be available for unforeseen events.” Kreidler responded since 1999 the Town has had Enterprise Funds and at every Town Meeting has vote a budget that has included the use of expected revenue and retained earnings. Clearly this has been going on for years as these people have been our auditors.

Blair continued on Page 16 Tax Collection Process reading “Financial policies need to be developed with respect to the collection of real estate tax bill” and “It is clear that the Town does not have such a policy, and if it does, it is not being followed consistently.” “All told the Town had almost \$2.5 million in outstanding receivable balances as of June 30, 2013. The statute of limitations with respect to a Town being able to secure its position through the recording of a lien with the Registry of Deeds on outstanding real estate is 42 months subsequent to the end of the levy year. As a result, the Town has lost its ability to secure a tax title on any of the 2010 and prior outstanding balances listed above and the 2011 statutory deadline is quickly approaching.” He said also the Town has \$269,000 in outstanding Motor Vehicle Excise taxes that have not been collected. Kreidler replied the Town has had a long standing practice, in fact policy, an aggressive attempt at collection of past due taxes is not the preferred choice. It is being highlighted now by the Management letter that it is being problematic but again first, it has been the position since longer then they have been the auditing firm and second has been a public position discussed in public meetings like this wherein it’s been determined in a small town where you know Betty or Bill at the counter, so long as they are making a reasonable effort in doing a payment agreement that you are going to work with them. We have had on occasion pulled the trigger and have held a tax auction. We have put things in tax title where we do have our position secured. Ultimately that entire liability is earning 14% interest and we have seen \$150,000-\$200,000 in back taxes received based on efforts the Collector/Treasurer has made which is nearly all interest. Blair stated with our current problem, we need the money. Kreidler replied fair enough and he has articulated in his report the day and age of being neighborly at the window is unfortunately going to go away at the expense of the collection.

Blair continued on with Town Payroll, Page 18 reading “The Town is not properly budgeting and charging payroll in accordance with required DOR guidelines which states that a payroll period that crosses between fiscal years is to be allocated to the applicable fiscal years in which it is earned.” Ms. Allard said she took care of that this year and it has been changed. It was past practice. Kreidler explained what that means. On June 30th, the end of the fiscal year, depending on how the cycle runs, you may have one day of a week’s payroll in a fiscal year and four days in another and the manner in which the prior Town Accountant was accounting for that was accounting for in a prior year. It wasn’t done illegally, but not the convention for the day.

Blair continued on Page 19 under Agency Accounts reading “None of the \$17,800 beginning balance in the Fire Arm License account that was due to the Commonwealth was paid out in FY13; furthermore, none of the fiscal year 2013 collections were paid either. Therefore, at June 30, 2013, there is \$38,075 owed to the Commonwealth.”

It’s sloppy. Ms. Allard agreed and said the Police Dept. is responsible for setting up an invoice to pay the Commonwealth. There must have been some disconnect between the Police Dept. and the Accounting Office because they did not turn up those invoices to have the Commonwealth paid. Blair said there is a fine line in

saying the auditing firm isn't good because it doesn't give us what we want to hear and agrees that we need a much better audit. We can come up with all the excuses we want, but the buck stops here. Ms. Allard responded, it's not really excuses but part of the corrective action. This document (the audit report) really, by all standards, by the description it is given is an internal source document for corrective action. The Town of Winchendon has always made it a public document but quite honestly it is an internal document and we have already addressed some of these issues with the auditing firm as corrective action. Blair said he wanted his mail the day that it arrived and didn't want anyone intercepting his mail. Kreidler asked to speak but Blair wanted to finish up.

He continued on Page 20, Fund Balance Deficits reading "CDBG 2010 Grant Special Revenue Fund – At June 30, 2013, this grant had been concluded and closed out but the general ledger still maintained a deficit of \$26,898 with no further funding remaining." "If the deficit is determined to be real, then the Town will have to identify a funding source to cure the deficit." Also he read "Chapter 90 Special Revenue Fund – Per review of the subsequent year reimbursements to the Town for Chapter 90 roadway improvement projects, it would appear that an approximate \$2,000 deficit exists within the fund for which reimbursements are not expected to be received." "USDA Police Cruiser Special Revenue Fund – During fiscal year 2013, the Police Dept. purchased a vehicle which was partially charged to this general ledger account in an amount of \$15,226 thereby putting the account in deficit." "Urban Self-Help Grant Special Revenue Fund – This grant account has been in deficit by \$23,980 since at least fiscal year 2008." Next he read the "Ambulance Donations Special Revenue Fund – This fund has overspent by \$31,535 during fiscal year 2013...As there are no guarantees that sufficient donations will be received in the future to eliminate a deficit within a donation account, the Town is not allowed to overspend a donation account." He reported the Library Gift Trust Fund is reported in deficit of \$19,328, the Wheeler Poor Trust Fund's reported deficit is \$4,652 and the Transfer Station Enterprise Fund's reported deficit is \$9,710. He concluded saying its sloppy, it makes us look bad and he's angry. Kreidler responded read the detail, giving example of the Wheeler Poland Trust Fund where there was a transposition of numbers between the two funds. It's still sloppy but it is not a deficit. Blair said you can tell me the auditors are wrong with 50% of this, it is still 50% and he's not happy. Kreidler agreed stating you shouldn't be.

Selectman Barrows:

He stated with not seeing the audit, he can't speak to it but has questions. Seeing this significant deficit involving the Health Insurance Trust, obviously there were obligations, liabilities coming in so where did they appear on the balance sheet? They had to appear somewhere. Ms. Allard replied that's the problem; those liabilities didn't appear on the balance sheet. Where they appeared was as a payment in the next fiscal year. So they never showed up on the balance sheet. It is not the correct or current way to do the bookkeeping. When she came on board she questioned where the liabilities were. They had to be booked. Barrows asked, "no one had visibility of this?" Ms. Allard answered the liabilities were not booked and the accounts didn't even exist in the system to book them. She had to create them. She thinks it has to do with an older way of accounting and why it wasn't brought out. She can't say what a prior accountant was thinking but it inhabited the desk. Barrows asked if we have the risk of this happening somewhere else. Ms. Allard replied that the Health Trust Fund is its own peculiar fund and we don't have another fund like this one. The auditors did bring out that there have been significant sloppy deficits that existed in previous years and need to be cleaned up. We have taken significant action. Ms. Allard said she also was upset with the sloppy accounting she saw. Barrows commented echoing sloppy accounting but also feels there was some sloppy auditing. We were fed a line of how wonderful we were doing and how great of a shape we were in compared to other communities and if this audit has the same scope of services as prior years, then the auditing firm should be ashamed as well.

Blair noted as a side issue when you provide balance budgets that are in fact not balanced and bond rating agencies tell people you are sound, they have a recourse and recommended we notify the agencies and be completely up front with them. Ms. Allard said they will be notified and will get the financials. She was in contact with them a few weeks ago. The bond rating will most likely go down with this and there will be other collateral damage from this, Blair added.

Ms. Allard, answering Barrows questions, said she did request the auditors take a deeper look at things because she was uncovering things in FY12 wondering how certain things could be. She did question with that being her nature. She saw problems and asked questions before signing things. Barrows finished up saying he thinks it's

wonderful she asked the auditing firm to look a little deeper but by definition that's their job. They shouldn't need us to tell them to look a little deeper. They are our control we rely on. We paid these professionals to provide us with a certain level of service and we were shortchanged.

Selectwoman Hunt:

She said Blair covered going through the hit list. She feels the Town lacks policies and documentation. Our policy is a verbal policy and a way the practice has been done. She wants to challenge some like taxes. She feels that names should be put in the paper. Sloppy is not the word, its neglect she said emotionally. We needed this wake up call. She has in the past asked the auditors to get deeper. She's not a money person but knew something was wrong. For the past three years she has said she didn't know how the Town Manager has given them a balance budget without an override. She still doesn't know how he did it because she saw an override. She looks at only preliminary numbers sitting with him and the Town Accountant. She reviews her notes, tries to understand and then the Town Manager comes back and has a balanced budget. Well it looks like we needed an override over three years ago or change our budget, our methods, our insurance. She doesn't feel the Town can afford to pay retirees 50% of their health insurance when they retire at age 55 until Medicaid and Medicare takes over. We can't afford it. The majority of the town is low income and elderly. She was upset we forfeited on possible back tax revenue that we could have received. Do something, make them pay something. She is frustrated looking at the audit reviews stating we need policies and procedures and has asked the Board's support to do policies and procedures. She suggested internal audits and in depth external audits. She feels some of the things in the audit report should have been addressed through the Selectboard's policy making. She spoke about the dotted line between the Town Manager and the Town Accountant. She introduced folks in attendance to the Town Accountant, Donna Allard, stating this is the first time someone in that position is sitting with them with her own name tag. She should be because she reports to them. Any decisions, discrepancies go through them, not the Town Manager. She is happy Donna is with them and will be giving them reports. She commended her for the job she has done with the audit report. She thought the Accounting office and the Treasurer's office might need more staffing with the importance of those offices handling the finances. She's upset, devastated and it bothers her that we have ignored all these things. She addressed the Town Manager and said it's more than sloppy, it's an insult. She's embarrassed and ashamed. It's terrible and said she has no issue making a motion accepting his resignation if he wants to resign from this.

Blair asked the Town Manager to freeze everything not to spend another penny while this is being reviewed. Hunt moved to accept the Town Manager's resignation; Berndt seconded. Blair explained this vote has no enforceability. The Town Manager can choose to resign or not. This can just be looked at as just a sense of the Board of lack of confidence. With a vote of Berndt aye, O'Keefe no, Barrows no, Hunt aye, Blair aye, the motion carried by majority vote. Kreidler informed the Board he would not offer his resignation and said the deficiencies that have been noted tonight are serious, if you look at the lines of accountability beneath you as Chief Executives of this community the lines are clear. They have been articulated this evening and the response that has just been offered is not reflected of what you have said is your understanding. Toward that end he hopes to continue the dialogue with them but he will not be resigning.

O'Keefe moved that they require the Town Accountant to report to the Board the first meeting of each month; Berndt seconded. By a vote of all aye, the motion carried unanimously. A spot on the agenda will be listed for Ms. Allard for a quick financial update. Ms. Allard said she would be happy to attend.

**PUBLIC COMMENTS:**

Ray Rader came forward concerned with the Town's problem and placed \$8.00 on the table to help with the deficit. He said he had other issues but this was more important and hoped other people would also donate.

Richard McAllister came forward stating he is a lifelong resident of Winchendon, said he has sat for two and one half hours listening to Charlotte Noponen being run over the coals. It's not right she's not here to represent herself. It's not her fault. He wondered how we could have had a balanced budget all these years and now have this deficit. He feels Charlotte did a good job and is not responsible. O'Keefe pointed out that Charlotte isn't the person to be blamed here. She had a method of doing things that were proper when she was doing it. It was up to the auditors to point out to her or us if something needed to be changed.

Sheila Donofrio came forward commenting that she agreed Charlotte was a capable accountant, unfortunately no one person is to blame. It seems like a whole bunch of things have happened, have historically happened and part of that reason from what she sees is the job of the Board of Selectmen, besides overseeing the Town Manager, is to make policy. It seems like bad practice has continued and if there hasn't been policies made over the years, who's to blame. It's not the Town Manager's position, or the Town Accountant's position or the Town Treasurer's position to make policy for everybody else. It's the Board of Selectmen so maybe that's one of the things that can be worked on along with all the other things. It seems like everyone kept doing things as usual. The auditors didn't do what they should have done to bring out these things. That's how the budget gets set by looking at the figures that are brought to the Town Manager's position by the Town Accountant and the auditors have approved those figures, that's how you set the budget. We had bad figures to work with. She thinks it's a great start to have input from the new Town Accountant and instead of pointing fingers, we all need to say ok let's learn from this mistake on everyone's part and move forward. The worse thing in the world is for us to be bickering amongst each other and pointing fingers. Nothing gets accomplished. You have to bite the bullet. Everyone accept their responsibility for their part and start fresh and let's get Winchendon back on the rolls as we have been for years. Ms. Donofrio received applause from those in attendance.

Ed Bond came forward and asked to sustain the integrity of the Board to send a letter to the Attorney General's office to have the Town Manager investigated for possible fraud.

Audrey LaBrie stepped forward and said she understands most of what was said this evening. The Town Manager mentioned he was going to a premium based health care plan. Until that happens, she wondered if we needed to do something now with the deficit in this fiscal year before we make the switch over. Kreidler replied what has been done even before the deficit was uncovered was increase co-pays, put co-pays on certain services that didn't have co-pays, increase the contribution rate by the employees. Additionally, Town Meeting increased the appropriation by 19%. He informed her that last Friday he had a firm in and will likely lead to plan changes around January. There is a process to get the RFP's out on the street and then a thirty day notice would need to be given.

Chris Provost came forward and had concerns that once again the school is going to take another hit. What does this mean for our children, another hit of \$250,000? We have worked so hard to put a plan in place to safeguard and slow the exodus of families leaving the district. This will be devastating. You talk about our stabilization and bond ratings but it's about our school ratings. When families come into town, they don't ask about a bond rating, they ask what is the school rating and how is the police and fire departments. Over time, he feels the bond rating can be replenished. He hopes the natural course of action is to take care of this, to use emergency funds in place.

#### **OTHER PUBLIC COMMENTS AND ANNOUNCEMENTS:**

Mrs. Cloutier came forward and asked about the Special Town Meeting sex offender law that was voted on. She asked how after this was passed that sex offenders were still moving in across from Day Cares today. Kreidler explained the bylaw, once adopted, is sent to the Attorney General's office for final approval. Until that is received back, they are free to come in. It was not known how long it would take to get the response back from the Attorney General.

Blair announced there were some packets delivered to the Board of Selectmen today with accusations and charges about a matter that is currently under litigation. He said he will be speaking to the Town Manager about it and if appropriate, addressing it at the next meeting.

Berndt questioned whether the Board should be involved also in signing the approval of any payments over \$250.00. A discussion was had about slowing down the process and it appears a control has been put into place with the new purchase order policy. The Town Manager was asked to give them an update at the next meeting how the policy was working.

Berndt moved to affirm the Purchasing/Procurement Policy; O'Keefe seconded. By a vote of all aye, the motion passed unanimously.

Ms. Langdon came up before the Board and asked about her complaint against the Town Manager she forwarded the Selectboard on June 3, 2014. The Board said they will review the letter again and address it at their next meeting.

Barrows moved to adjourn into Exemption No. 2 to conduct strategy sessions in preparation for negotiations with non-union personnel or to conduct collective bargaining sessions or contract negotiations with non-union personnel and to reconvene into Open Session for the sole purpose of adjournment; Hunt seconded. O'Keefe pointed out the subject matter would be the Town Manager's contract renewal and it is unrelated to all other events this evening. By a roll call vote of all aye, the meeting adjourned into Executive Session at 9:01 P.M.

Respectfully submitted,

Linda Daigle  
Executive Assistant