

**TOWN OF WINCHENDON
BOARD OF SELECTMEN MINUTES
SPECIAL MEETING, WEDNESDAY, OCTOBER 15, 2014
Town Hall, 2nd Floor Auditorium
109 Front Street, Winchendon, Mass.**

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

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

Guests Present: Tony Roselli, Chad Clark
Roselli, Clark & Associates

Eric Kinsherf, CPA

List of Documents Presented at Meeting:

- Selectman Berndt's Statement (attached)
- Town of Winchendon's Management Letter Year Ended June 30, 2013 (attached)
- Minutes for Approval (filed):
 - o September 22, 2014 Regular Meeting
- Selectman Blair's resignation letter (attached)

Chairman Blair called the meeting to order at 7:01 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. The auditorium was filled with the public in attendance.

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

Blair announced tonight was an information session with everyone involved in the financial situation the town is facing. He said the Auditors from Roselli and Clark & Associates will go through the presentation. When they are finished, members of the Board of Selectmen will have the opportunity to comment, ask questions and then the public present will have an opportunity ask questions that have not been answered yet. He said those questions should not be directed toward personalities but to specific issues related to finance.

Selectmen Berndt was recognized with a prepared comment he had beginning with an inspirational quote from "The Dalai Lama's Book of Wisdom" (1999).

"Our feelings of dissatisfaction, unhappiness, loss of hope and so forth are in fact related to all phenomena. If we do not adopt the right outlook, it is possible that anything and everything could cause us frustration. Yet phenomena are part of the reality and we are subject to the laws of existence. So this leaves us only one option: to change our own attitude. By bringing about a change in our outlook towards things and events, all phenomena can become friends or sources of happiness, instead of becoming enemies or sources of frustration."

He continued stating his disappointment of the amount of unruly statements, miss-information and the inaccurate and erroneous information given to the community. The personal attacks on the Town Manager are uncalled for and unproductive. We have a serious issue and time is being wasted. This issue was not caused by one individual, nothing illegal or underhanded has been committed. Moving forward the Town needs to deal with the

facts, not assumptions or personalities. Every issue must be investigated and the facts communicated to the community. “The propaganda, the personal attacks and the hateful remarks need to stop so we as a Town can move forward together and become stronger.” He went on record supporting the Town Manager. There was applause heard from those attending.

Selectman Barrows also was recognized with a couple things he wanted to say. He’s seen the absolute worse in this community in the last couple of weeks than he has ever seen. It’s a smaller group of people who are vocal and unfortunately very persistent. It takes individuals to stand up and speak up and be accounted for to stop the madness because it’s a disgrace to the good people in this community who don’t want to get involved. They want to stay above the argument because of these personal attacks. He wanted to get facts out on the table. He asked Chairman Blair, with it being reported in the paper that he had offered his resignation and with the Select Board being the only Board that can accept his resignation asked him if it was his intention to resign from the Board of Selectmen. Blair replied, “at this time, no.” Barrows stated within the past two weeks he has been increasingly concerned with the actions and statements that have been previously made and has written them down to be very specific so they are not misunderstood, misconstrued or misinterpreted. An email from the Department of Revenue (DOR) was shared with fellow Selectmen that was not shared in its entirety but rather an excerpt of that email. This concerned him. Secondly, there was another email from the DOR that was forwarded to the Selectmen; however, it was then forwarded without the Board of Selectmen knowing to the Boston Globe OpEnd Department. Yet, another email was sent this past in which there is an attempt to pit the Superintendent of Schools and the Town Manager against one another for absolutely no reason and finally, a former citizen who seems to hold hatred and disdain in his heart for anyone who expresses a view that is opposed to his has stepped over the line, every line of decency when he chose to post a profanely lame video where he did not attack my political record but sunk to the despicable level of calling him, and he is quoting his exact words with him here sitting in the audience, “a filthy piece of s**t.” Mr. Barrows stood up and pointed to Mr. Betterini in the audience. He has many of these videos that are disgraceful. He was absolutely shocked and hurt when he saw a member of this Board that he works closely and has shared both successes and failures with post a favorable comment regarding one of those videos. As a Selectman, you are voted into office by the people. A Selectman is then voted into Chairmanship by his fellow members. Given these four recent incidents he has cited and his complete heartbreak over what he views as a waning lack of his faith in this individual, he can no longer support Blair in the Chair. He believes the actions he’s committed are not productive in solving the problems. He doesn’t believe he fosters teamwork and growing trust; therefore, he moved to reorganize the Board and remove Mr. Blair from the Chairmanship. O’Keefe seconded.

Blair replied that he had sent nothing to the Boston Globe and his comment about the video related to the Franklin St. mess and not anything personal with him. Barrows replied, “You gave validation Mr. Chairman to the garbage that that man is posting about this community and people.” He called for the vote. By a vote of all aye, the motion carried unanimously. Barrows nominated Fedor Berndt as the Chairman; O’Keefe seconded. By a vote of Barrows aye, Hunt present, O’Keefe aye, and Blair aye, Berndt accepted the nomination and was handed the gavel from Blair.

School Committee Chairman Mike Niles called for a Point of Order. He explained that he and Supt. Khelfaoui had been invited to participate. The School Committee voted last Thursday to have a Joint Meeting this evening in case they needed to speak about anything and asked to call to order the School Committee. O’Keefe called for a Point of Order stating the Board of Selectmen did not call for a Joint Meeting. It is appropriate if the School Committee wants to have their meeting so they do not have an Open Meeting Violation; but it is not a Joint Meeting. Niles said he’s confused, he talked with Chairman Blair on Friday with their concern on having a Joint Meeting; Linda posted the meeting for us and it was his understanding the Chair asked for it to be a Joint Meeting as well. It’s his understanding the Chairmen of both Boards have the ability to call a Joint Meeting as needed. Applause was heard from the audience. Berndt explained the Board of Selectmen last Monday called the meeting of the Selectboard. They did not extend it out to the School Committee. O’Keefe explained the reason why this is not in the best interest of the community to have a Joint Meeting tonight is because we have a lot of business to conduct. There are gentlemen here to review two major documents with a lot of details.

O'Keefe was interrupted by calls from the audience. Berndt called for order or be escorted from the auditorium. O'Keefe continued saying they needed to have a meeting and they needed order. It is already seen the difficulty in maintaining order. How can order be maintained with two Chairmen? A single Chairman is needed and we have one. Niles stated the Joint Meetings have always had two Chairmen with no problems and called the School Committee to order at 7:15 p.m. and if needed would go into a different room to come into agreement with a response. They will bring their Recording Secretary with them; they wanted to be part of this process. They have another meeting scheduled with the Board on Oct. 27th and anticipate a continuation of this discussion. He said his interpretation of what the DOR requested of the community, is to come together all the elected officials, the Town Manager, the Superintendent and come up with a solution by Nov. 7. The School Committee has to be part of that, not excluded. Applause was heard. Kreidler stated Mr. Niles is correct and on point in that the School Committee has a role to play in formulating that plan that is due to the DOR by Nov. 7. There is a Joint Meeting one and half weeks from tonight to take up the issue. Tonight is not the global issue that has been reported out. Until the FY14 audit is complete, there's no other discussion to have. The discussion is this FY13 audit; the document that has been out on the street for a couple weeks. That is the issue we are here for. On October 27th we hope to know more about the FY14 audit. All of that is a work in progress. The gentlemen here tonight have been here all day and yesterday conducting the field work for that audit. The purpose tonight was not meant to be a Joint Meeting, not meant to be the big picture but about the FY13 audit. That is why the gentlemen are here for tonight. Mr. Niles was thanked.

NEW BUSINESS:
FY13 Audit Report

Berndt ran through some ground rules for tonight's meeting stating the discussion is of a serious nature of materials being discussed tonight and the meeting will be kept very orderly. The discussion will be limited to the FY13 Audit and not allow anyone to deviate from this and people will be asked to leave if they continue to not follow the rules or remain orderly. (Note: The School Committee, Supt. of Schools and the School Business Dept. left the auditorium and moved into the hallway.)

Kreidler said the purpose of this public presentation is around the FY13 audit, which is commonly referred to as the Management Letter. He introduced the two members from the firm of Roselli and Clark, Mr. Tony Roselli and Mr. Chad Clark. He said Roselli and Clark have been our auditors for five years now. They are prepared to give a review of the audit and discuss the four specific things contained in the audit that are the actual findings that were required to be reported. The audit Management Letter is twenty-six pages and has gotten talked about a lot out on the streets without any context whatsoever. It would have been important prior to that level of discussion taken place to provide that level of context. Out of the twenty-six pages and a number of points discussed, only four are required to be reported. They have been offered because Selectwoman Hunt asked to go a little deeper. You will see policy recommendations, suggestion other communities are doing in similar situations. They will be able to speak to that but the focus primarily will be on the material weaknesses. It is important to have that frame of reference that there are four issues with significant concern. He's not downplaying it, but with Beth's and Donna's credit, they dove down a little deeper. Usually, he continued, management responses are included in the audit. Tonight they will be live as they go over the document. He explained as a matter of process, his experience for twenty-four years that when an audit is conducted, it is a function of the independent auditors and the Town Accountant. They audit and report to the Town Accountant in draft and say these are the things we have seen to the extent that if any department has a hand in any of the things that they have seen upon which they comment, that department gets a copy of the audit in draft to supply a comment. Maybe the information provided is enough to remove the response or additional comments are added. When finalized by the auditors, it goes to the Town Accountant who then brings it to her appointing authority, the Board of Selectmen. He said in all of that process, you didn't hear mention of the Town Manager. Unless there is a specific point that references a function of his, he is not involved. He brings it up because people have had a blast bludgeoning him, headlines in the paper, social media, a demand for his resignation or firing him because he withheld the audit. That is nonsense. He didn't possess, therefore couldn't withhold. The function

of the audit is a function between the Town Accountant and the Auditor. For the record, if it is being said that I withheld the audit report, that is a flat out lie. Flat out, period, full stop. Applause came from the audience.

Auditor Tony Roselli confirmed the protocol in respect to the Management Letter that the Town Manager had just spoke about. He said the audit process is usually two weeks. What happened in this situation that caused a delay (he believes the first email was July 20 to the Town Accountant and the audit was finalized on Sept. 19th) was the need for signatures from the Town Manager, a representative from the Schools, the Town Accountant and the Town Treasurer who certify to us we have all the information they need to complete the audit. Because of the turnover in this town within the eighteen month period of time, there was reluctance on the part of some of these individuals to sign the document because they weren't responsible. If they didn't sign, if adverse opinions, it would affect your bond rating. The financial firm that does the Town's bond consulting was involved and after a lot of deliberation and vetting, it was decided it would be in the best interest of the town if all the individuals sign the document. That took a little bit of time to go through and once we had that, it was distributed. That was the major cause of the delay. Hunt asked about using a disclaimer eliminating the delay next time. Mr. Roselli said we need representation on the whole thing. Typically it is the person in the seat. In this situation there was a gap from the prior Town Accountant and the current Accountant, school business managers have come and gone. There was a lot of moving parts and not an easy situation to get through. Kreidler added that there was an issue from him signing the representation letter attesting to the fact that he was not aware of any fraud because there were issues not yet resolved before the town. He said conditions were added, edits were made to the representation letter saying something like to the extent that he is aware, and there is no fraud. You can have qualifying statements; but not qualifying signatures. Berndt asked if there was a safeguard that this couldn't happen again. Roselli said no simple solution.

Mr. Roselli said the Management Letter is twenty-six pages and the question is why so many when in the past there were six to eight pages. In doing the audit in 2012, Charlotte Noponen was the Town Accountant. She was available and had all the records. You had a Business Manager that had some degree of time for us to get to the audit so we were able to get through it sometime in September/October of 2012. The report was issued, deficits were minor. There were no deficits in the self-insurance fund at that time. A lot of the issues that have surfaced were not present at that time. What happened then was something that can only be described as a lot of...it's hard to explain...it's been described by his partner like "The Perfect Storm." The Town Accountant decided to retire, a search for a new Town Accountant began. Before the new Town Accountant took the seat, the previous Town Account didn't finish her term. There was a gap of a couple months. The new Town Accountant came in. The system was a new system for the new Town Accountant; self-insurance was new to the Town Accountant. There was learning on the fly type of thing and the previous Town Accountant wasn't able to help her close the books. That was the game plan. Some personal issues occurred with the new Town Accountant which further caused some inefficiency. A consultant, Mr. Eric Kinsharf, who is in the audience today, was called in and helped close the books. He has self-insurance experience and basically is an emergency CPA that travels the state "putting out fires." That happened in March. The books were closed for FY13 in May of 2014. On May 9th he got an email from Mr. Kinsharf with some issues that had occurred from our last audit, eighteen months prior. He alerted us to the fact that there was a health deficit and some other things that are in the report. All things that occurred happened during this period of time. There were two school Business Managers and a consultant, two Treasurers, two Town Accountants and a consultant along with a computer crash. "You name it, you can't even make it up," Mr. Roselli said. "There was so much going on here, we didn't expect to find a perfect situation. We expected to be writing something that is the end product here. It's unfortunate. It's here and we will discuss tonight. The town needs to move forward from this. Because the books were closed in May of 2014 for FY13 we can all imagine what happened to FY14." The priority was closing FY13 so FY14 fell behind. It compounded issues of FY14. A budget was approved for FY15 based on FY13 and FY14. Because of these delays, because of these things that have happened, it's basically caused a three year problem for the town and the town needs to deal with it now. Today we are here to talk about FY13. We haven't finished auditing FY14 and unless we have to they want to focus on FY13.

Mr. Roselli said there are four areas in the audit that he would like to discuss that are significant and led to where we are today: 1) Self-Insurance Fund, 2) Appropriation deficit, 3) Tax Title and 4) Deficits that exists in the funds outside of the General Funds. Those are the four major items that the DOR is concerned with right now because those are causing the cash issues and financial issues with the town and absolutely need to be resolved to move forward.

Self-Insurance – Mr. Roselli gave some background information on the legislation the Commonwealth passed in the 1970's early 80's for communities to manage their medical risk through a self-insurance pool. All the employees have money withheld from their wages that goes into an insurance pool. The Town then matches that, for us a 60/40 split, which goes into that pool. Claims are paid from the pool. The Commonwealth felt, for certain communities, that would be an advantageous situation rather than going to a premium based plan. One of the problems is the health insurance trust must be presented on a General Accounting Accrual Basis (GAAP). That presented problems because town accountants are not GAAP accountants; they're UMAS accountants, statutory accountants. They are not educated in GAAP. DOR representatives are not educated in GAAP, they are UMAS accountants. DOR basically said you can do self-insurance two ways; statutorily UMAS basis because that's the accounting system we are all familiar with or you can do it aggressively being a pioneer on a GAAP basis. It's 50/50 throughout the municipalities. This brings up a point. The previous accountant was handling it on a statutorily basis. Ellie Black had started that in 2001 and Liz Gilman continued that process and Charlotte Noponen continued what they had been doing. Your prior CPA had approved that. The DOR approved it. Charlotte was not incorrect; she was following practice that was accepted by the DOR and had been done by the previous town accountants. The problem is when Donna Allard came on Board and hired Eric Kinshurf, who is a self-insurance expert, seeing it getting lower and lower, thought it better to do it on a GAAP basis because it allows you to anticipate a problem. At the end of FY13, a different method of accounting was done which resulted in a half million dollar charge. That was part of the reason why the FY13 deficit popped up. Our surplus went from \$400,000 to a deficit of almost \$800,000. Barrows asked to explain what caused the \$500,000 charge in the change. Mr. Roselli said the Munis method of accounting said twelve months in of revenue, twelve months out as expenses. It doesn't pay much attention to liabilities. As long as you have an Incurred But Not Recorded (IBNR) claim fund, the DOR accepts twelve months in and twelve months out and the IBNR. The GAAP basis says we are going to recognizes liabilities. The recognition of those liabilities is what caused that half million dollar charge. In regards to the rest of the deficit, Mr. Roselli said for the last couple days he has been going over the last forty-eight months. Going back to 2011 the median is \$185,000 to \$220,000 a month in claims. Between Nov. 2011 and December of 2012 between those fourteen months, the average monthly claim was \$212,000. For the next fourteen months, January of 2013 and February of 2014, the claims bumped up to \$325,000 a month average - \$112,000 higher for 14 months equaling \$1.5 million and a 50% increase. It happened suddenly and came out of nowhere. He also found there were thirteen catastrophic medical situations in respect to the health trust. That's the sort of situation that can cause this. All of sudden the fund has to absorb these types of emergencies. A town of this size should have only one to two a year. You had thirteen over an eighteen month period. There is no way you could have predicted that when you were doing your budget. There is absolutely no way you could have predicted that. The biggest blip in May of 2013, it was up close to \$400,000 a month. From May 2013 to February of 2014, the average moved up to \$360,000 per month. Also, there is a sixty day lag between the information coming from the Treasurer's office to the Accounting office adding to that "perfect storm" scenario. Barrows asked to explain the lag. Mr. Roselli wasn't sure what causes it; the time between the claims are dated and when entered in the general ledger. Mr. Clark said some of that is the insurance company billing. You don't get instant information. Kreidler stated what they can do to correct is effective Jan. 1st,; they will be out on self-insurance and back out on premium and that issue will no longer be a concern.

Mr. Roselli said there was a big spike in the bill in May. The bill was being processed in July. What happened in July of 2013? That's when Charlotte Noponen left. Donna didn't start until September. Charlotte never saw those big spikes. Donna didn't know better, didn't have the history. Bills got in and processed. Next thing you know, Eric Kinshurf, CPA, comes in and goes through the bills and now we have a \$1,000,000 problem which went all the way into 2014 so add another million. Now you are looking at a \$2,000,000 problem. That's all the story with the health insurance all sketched from the general ledger between yesterday and today.

Kreidler said it is important to highlight is that we have is a different method of accounting. Not a right or wrong, but a different. Another issue that has gotten coverage in the press that this was Charlotte's fault and that she has felt thrown under the bus. Unfortunately, that's not what was said at the meetings. It was clearly stated this was not Charlotte's fault; but once the street gets a hold of that notion, it's hard to unring that bell. The independent auditors are saying not right or wrong but different. All of these occurrences that occurred June and July couldn't have happened at the worse time. Charlotte Noponen didn't do anything wrong. Applause was heard from the audience. Kreidler said he tried to call her and tell her directly. He apologizes to her if that is how it got translated on the street; it was not his intent to suggest that Charlotte did anything wrong.

Discussion was had on the stop loss reimbursement. Beth said we have thirteen people who got seriously ill. That's a lot. Mr. Roselli explained the deficit would be higher if the stop loss insurance wasn't in place. The Town received \$600,000 back. It covers anything over \$70,000. Berndt said not something anyone could have done, no negligence here. Mr. Roselli said typically this self-insurance is reserved for large cities with departments handling only this. O'Keefe pointed out Winchendon has been self-insured since 2001. Approximately a dozen years it worked well; just the last couple of years it went south. O'Keefe said hearing our former Accountant is not at fault in any way and with the story on the street that was his only information, he said he owes an apology to the firm because he disparaged them. At the time, it was thought you were aware of the problem a couple years ago and Mr. Kreidler was aware of the problem. There were members on this Board that actually called for his resignation unfairly. He apologized to the two gentlemen from Roselli Clark & Associates for the comments he made before. Mr. Roselli replied, "thank you for that. This does come with the business we are in. We issues reports, people misinterpret them. We're here to help Winchendon. That's what we are here to do. That's what we've been doing all this week. We've been working with the DOR and that's our goal. Let's get Winchendon on the right track. It's very important." The resolution for this is that the Town plans on going to a premium base, a Group Insurance Commission (GIC) clone which you won't run the risk. You won't run into this in the future, Mr. Roselli concluded.

Appropriation Deficits

Mr. Roselli said on page 8 there shows \$454,746 in appropriation deficits. Typically Department Heads should be working with the Town Accountant to prevent this. Some are unavoidable, like snow and ice removal, veteran's services, unemployment insurance, and the health insurance. He spoke about how at Town Meetings the town typically takes care of these deficits at Town Meeting and placed on the recap. The process works and is transparent. In FY13 some of these got missed. About \$200,000 to \$300,000 didn't get raised on the recap or approved at Town Meeting. Department Heads need to work with the Town Accountant. Monthly reports should be getting reconciled with each other. You cannot overspend your budgets. The Town Accountant is the gatekeeper and should not allow accounts to be overspent. There should be flags in the computer that doesn't allow this. This can't happen going forward. There needs to be a control in progress.

Keith asked about if Winchendon's systems have the capability to provide the flags that are necessary. Mr. Clark replied, there are electronic flags and human flags. For electronic flags, the system can be set up and programmed when the last invoice comes in that puts you over the budget; but it can be overridden with a transfer within other budget line items. Part of what happened here is your budgets have been kept as flat as possible. The reality is though that costs are increasing. At some point where there were surpluses to cover it no longer have that surplus. It's not a healthy process running with a thin budget, it's maybe a necessary process admittedly but it doesn't allow for much leeway when it comes to cost. The human system is there has to be a responsibility of what is voted at town meeting. People have to watch their budgets and work as a team. Hunt asked about snow and ice and why we don't increase it. Mr. Roselli said the snow and ice is tricky. If you move around in the budget, you lose the ability to raise it on the recap. You could have a great winter or a terrible winter. If you try to match that fluctuation, in the years that you go over, you will lose the ability to raise it on the tax recap. It could cause problems and most communities like to flat line it to keep it the same amount and deal with the raise on the tax recap. The auditors made it clear and in fairness to the town that most other communities also have the same four categories in deficits as well.

Kreidler pointed out that they did go to the soonest Town Meeting they could get to last year on December 30th. It was as close to the deadline as legally possible to do those yearend reconciliation votes. There was roughly \$160,000 we weren't aware of at that time. This is normally done in October; we would have addressed the debt of the number if we knew of it. This is another one of those timing issues. He also pointed out to put things in perspective how the Veteran's budget each year has grown an additional \$25,000 to \$30,000. Ten years ago the budget was \$10,000 and has grown now to \$475,000 currently. It's a significant number and again this year it's not going to be enough. The Police Dept. jumped up on the list. We've added additional funds in FY15 so this wouldn't happen again. We have already made some course corrections.

Berndt asked if the flags referenced tonight are set up on our systems. Mr. Clark said yes they are on the system but Ms. Allard said they are not set up. She said for FY15 they have instituted a spending freeze and also the Purchase Order system is in place. They have a very stringent look now at FY15 and they are micromanaging the budget and sending monthly reports. A problem with red flagging it is one department did not have a budget until last week. Everything they processed would not have been able to be paid and would have come up as red flagged. To override it sometimes can be extenuating circumstances to take into consideration. Kreidler offered since Ms. Allard has been here you have seen two issues that are policy related, the purchase order system and the spending freeze. Additionally, she expects to have the workbook, the policies, the manual. In it will be monthly Dept. Head meetings where there is a better look at monthly reports. There will be quarterly revenue projections, and lastly Donna will be meeting the first meeting of every month with the Selectboard.

Deficits that exists in the funds outside of the General Funds:

Mr. Roselli said there were a number of smaller deficits in some of the grant accounts, agency and gift accounts. After given time to look at this, some of it is coding errors that have been clarified. Ms. Allard said that's true. She's been able to go back and look at those areas. DOR has provided some transparency this year regarding free cash and looked at our system. There were some recording areas to clean up a good amount that was viewed as a deficit and see where the problem areas are moving forward. We are getting more control and have been able to find these balances and clear them out. If given the time, these issues would have been cleared up and not even put in the report. She explained why the Management Letter did not go to the Board until the final stage because they needed to send these issues to several Department Heads and get their responses. Some did their responses but not everyone contributed. The responses were not included in the Management Letter because they didn't have everyone's responses. Some of the issues still exist and they are looking at getting them taken care of.

Circuit Breaker:

Mr. Roselli spoke about Circuit Breaker deficit. Circuit Breaker relates to special education costs to the School Dept. It's the states way of helping mitigate shifts in costs and to shift communities in providing children in the school who need the service. The payments come in quarterly and it is the reimbursement of the cost incurred by the town. The first allotment of the following year comes in July and its right after the last allotment of the year you're in. Sometimes it can be confused. There is documentation that the DESE authorized the payment on June 28th but the actual wire of the money wasn't until July 2nd or 3rd. When they reviewed it, that allotment used in FY13 belonged to FY14 and in fact there was a deficit in FY13. He says this is a continuing issue in Winchendon in FY14 and it will be addressed in that audit.

Kreidler wanted to bring clarification by bringing in the context. There has been discussion at Selectmen and School Committee meetings about this deficit. It's important to hear it's a tricky thing to manage generally, and more tricky when you get the cross fiscal year reimbursement. This is a real issue and not an insignificant number, \$160,000, but important to add the School Dept. was not burning the budget.

Tax Title:

Last major issue is tax title Mr. Roselli said. Winchendon provides services and taxpayers give you tax dollars. One of the things looking at since the economy is struggling and the crash in 2009, they are looking at ways

Treasurers/Collectors are managing and collecting Tax Title. Winchendon hasn't done anything in three years. He feels we need to appropriate money to collect tax title. Tax Title should be part of our collection policy. He knows political the Town has shied away from because it's viewed as not giving people a chance, preying on the poor but there are things like installment payments can be done; there are things that can mitigate the way you do tax title. It's really important to not ignore it and really aggressively go after taxes especially in this situation. You don't have the luxury of not being able to collect your taxes. One of the ideas due to the cash crunch is to actually assign these parcels owing taxes. There are companies out there that you can assign the rights to collect your taxes to them, and they will pay you what is owed at that time plus any interest that has accrued. He said the town does have one of these firms in to negotiate such a settlement. Mr. Clark clarified that putting a property in tax title does not mean you are going to take the property. What it is, you are placing a lien on the property on behalf of the town to protect the taxpayers in the town's rights to the equitable allocation of taxes. You are just securing your rights to collect the taxes. Kreidler wanted to add context to this. When the document first rolled out at meeting on September 22, one of the things still rings in his head was the number. There is a million dollar number in tax receivables that we have foreclosed our opportunity to collect, given context, that five year window referenced that night could imply that we have five years that we have given up on. The five years begins with 2006. We collect \$9.5 million a year in taxes. On Page 16 what is noted due in 2006 is \$77.00, 2007 \$730.00, 2008 \$2,330.00, 2009 \$46,255, 2010 \$77,327, 2011 \$155,895.00 and so on. For context, some years are short amounts. What has happened since Sept. 22nd and what would have been offered in context in the management response, is the million dollars referenced in this chart is now \$440,000. Close to \$600,000 has been collected because people in Winchendon are paying their taxes. He said with the town now facing this deficit and cash flow being an issue, it is an opportunity for the town now to reconsider their philosophy of a customer friendly approach to taxes. He reported a company has come in and is analyzing what we have for tax title right now. They will bid on certain pieces of property if we have an auction. The funds come instantly to us. The downside is there is a private debt collector who will be looking to collect. They will make 16% interest. People generally pay or they take the property. That's different than what we do today and wanted to be transparent.

Mr. Roselli said those are the four major items that they wanted to address and go over in detail and asked if there was anything else in the document they would like further clarification on. Hunt thanked them and asked if they had any training, format or resources that would help guide them in the future. Mr. Roselli said they have an internal checklist that shows you how to go through a Department that he could share with the town. Mr. Clark mentioned our Town Accountant is a member of the Mass. Association of Accountants and Auditors. They are working on a program in helping implement for the three major cycles, receipts – payroll – disbursements, a checklist towns can use generically. Donna has attended those meetings. A lot of communities have asked for this so it is being implemented professionally amongst accountants across the state and they are always a resource for us as well. Barrows asked who actually conducts the internal audit with sometimes the accountant's functions may need to be audited. Mr. Roselli replied, under Mass. General Law, it is the Town Accountant who is the only one to authorize an internal audit and it can be passed off to a vendor. Ms. Allard stated in her past experience she has requested the auditors, for an extra fee, do a procedural audit on certain departments. Some departments are assigned every year. Sometimes the Selectmen will have a say but basically it's to make sure all departments are covered in a period of time. During these audits, procedures are discussed in a written form and given to departments so then can see what the findings are, what the suggestions are. She said it makes it difficult for accountants to be put in that position. She said usually the review is a cash look; how is it handled coming into their office. She feels internal audits are very important for the financial well-being of the community. Mr. Clark talked about the internal audits and it's not always being to find something wrong. Sometimes Department Heads have ideas or we may have some ideas to bring to them to enhance efficiency. Sadly, he said fraud is up in the state because they think no one is looking. That aspect is not lost. There was some discussion on on-line collection systems.

O'Keefe said this has been wonderful hearing tonight the explanations of how problems of Winchendon began. With the FY14 audit not complete, he asked for a ball park when it might be done. Mr. Roselli said he has been on a day to day communication with the Dept. of Revenue, has been communicating with the Town Manager and

Town Accountant. The goal is first the Town needs to close their books completely for FY14. They have been auditing around that. They are leaving for a bit waiting for the Town to close the books. It is of the utmost priority and needs to be done as soon as possible. Mr. Eric Kinshurf, CPA, is on call to address with the Town Accountant within the next four to five days. Once we get the call that it is officially closed, we will come back. If we get the call Monday, Tuesday, we will be here Wednesday and done by the end of next week with their phase on the town. Another week is needed to pull everything together. The goal is November 7 with the meeting with the DOR, the audit is closed for FY14, and you know what the problem is through FY14. The DOR will estimate the problems that will exist into FY15. Those numbers are added together and sometime around the middle of November there will be a big meeting with DOR, their firm, Town Management to determine exactly how this will be handled. A month from today, there will be an answer to this. That is the goal, the plan.

Barrows wanted to thank them for coming out and enlightening them. He said he too took a swipe at their firm. He was looking at a multi-million dollar deficit that had not existed; you can imagine that emotions were running pretty high. He tries not to knee-jerk react when he doesn't have all the information but it was pretty emotional and he had made some comments, "Did we get the audit we paid for." He apologized because he does believe they got the audit they paid for. The amount of time and effort you have invested goes beyond the invoice that you will submit. It is clear you do have an interest in Winchendon in helping us and seeing us do well. You also want to see us have a stronger control as a result of this. He wanted to publically state that and apologize saying it was inappropriate. Mr. Roselli and Mr. Clark said they appreciated that. The auditors were thanked for their presentation.

Berndt asked if there were any questions out there regarding the FY13 audit.

Audrey LaBrie came forward with three questions.

First, is there a way to know what the balance is in an account before the expenditure goes in and the red flag on system is activated? Kreidler replied, yes, the Purchase Order system that Donna implemented requires before any expenditures approved, in addition to a beyond the \$250 approval, that the account be identified and anything you know coming out of that account be identified.

Second, have we burned any bridges with the people/organizations that so generously give to the Town in ways of gifts and grants due to running into deficits? Kreidler said the benefactors she is referring to, the Murdock Trust, the Robinson-Broadhurst Foundation are not listed in this report and not part of the findings.

Third, she asked if we could find a median between the working with people in town so they can get caught up rather than the extreme of just cutting them loose, referring to tax title. Kreidler said the two positions are mutually exclusive and would be sequential. You can't sell the tax title debt unless you have first placed the property in tax title. He spoke of a policy from the Collector/Treasurer that will be before the Selectmen shortly. This policy will say things like, try to work with the taxpayer on a payment agreement. If people ignore it and not paying it, there will be timelines to follow. Letters are going out this week that will be more aggressive than people have seen. The two processes are different, sequential but there will always be the option first to try and keep it neighborly.

Ken MacNeil came forward and touched on tax title saying it is a very good solution. He's been an investor in the past getting 16% interest. They don't take the land, he said. There is a long period of time you deal with the land court in Boston and he tried to help people through this. He said it's time for the Town Manager to rise to the occasion and turn things around. The Town needs it. He applauded Jim for his help with the veterans.

Theresa Fifel came forward wanting to understand authority measures. She asked if it is in place for the Town Accountant to go over things with the Board of Selectmen? Why are we finding about this big hole in the health insurance fund now? Where is the accountability? O'Keefe replied, first they do not get a monthly report from the accountant. A month ago, they set a policy the Accountant will sit with the Board once a month. He spoke about the month to month numbers explaining, as the auditors had, the many staff changes on the town side with

the long time Accountant leaving, the new Town Accountant comes in, there was a change in the Treasurer's office, a change in the School Business Office that caused us to fall so far behind and now we are catching up and about to close FY14. Going forward we should have better information. Ms. Fifel said reporting wise this should have been brought to their attention a long time ago. Kreidler spoke about the job description of the Town Accountant saying she is appointed by the Board of Selectmen in accordance of the law. The position is an independent management position working under general supervision of the Board; the work is generally not subject for review except by the independent outside audit in each fiscal year. To answer how come it hasn't been done is the job description is written as such that the office is its own thing and only reviewed by the annual audit. The convention has always been based on this, the work is self-supervising and the work not checked until the annual audit. Until the FY13 audit you could go back ten, twenty years and you would not see anything like this. If we had not had the "perfect storm," the occurrence Mr. Roselli described this evening not all converged at the same time, this probably wouldn't be a discussion. There are changes being put in place to make sure this doesn't happen again. Hunt added there was never a time, if a report was requested, that she didn't get it. Going over the budget each year, she ties up much of the time of the Town Manager and Town Accountant.

Secondly, Ms. Fifel, asked if all the health insurance bills have they been paid wondering if we still owe a lot. No, the Town Manager replied. The bills have been paid but the funds were not there. Ultimately it was paid from the general fund now creating this cash strain. Ms. Fifel wanted to know if funds are taken out of other accounts for a huge amount, who signs the bills to be paid, asking if the Town Manager did. Kreidler replied, no, he does not. He wanted it clear that there is a firewall that is built between himself and the Town Accountant. He can't direct her, she should cooperate but she is responsible to the Board of Selectmen. Ms. Allard said the Department Head directs where the account is expended from. Ms. Fifel spoke of the speculation going around about paying for the iPods that the funds for it were not available because they were used for something else. Kreidler replied that this has been reported widely that the Town Manager has absconded, transferred with school funds; nothing further from the truth has occurred. What has occurred specific to the Murdock Trust, he said, there is a report that exists that was generated by the Business Manager who is no longer here, that for FY13 the Murdock Trust Fund had a balance of \$1.3 million available to spend. He believes the Business Manager didn't know that the report generated included all the revenue this fund had collected in the past ten years. He explained that the fund collects \$160,000 a year and roughly \$160,000 a year is spent. It would be conceivable to think that this doesn't register accurately. That didn't happen. He doesn't think it was nefarious; it was a mistake. That \$1.3 million was spent; invoices exist signed by the School Department. Ms. Allard clarified adamantly that the former business manager knew very well that those reports were not showing what was actually in the account. They were showing in perpetuity revenue that had been generated from the day those accounts were opened in 2005. Ms. Allard said she had done a historic on that and showed what could be brought forward from 2005 on and showed what the revenues were and what the expenses were. She had clearly explained that to the former Business Manager. She explained to her that you can't actually tab on that number and see any kind of history on it. It's just for information only. There is another part on that report that shows the actual. That's the number you have to deal with. If you get \$160,000 a year and you are spending \$130,000-\$160,000 a year, there is no way you are going to have a million dollars in that account. When the school puts through \$617,000 worth of expenditures that has a balance of \$240,000, there is a major problem. Ms. Fifel asked who had the wrong information about that account. Ms. Allard replied the Business Office did. The carry over balance from the previous year stated in all their financials was \$277,000. There was never any \$1.3 million in that account in any given time. Ms. LaBrie called for a point of information stating the School Committee was not here tonight to address the issue and felt there should be no further discussion without their proper representation.

Ms. Fifel had one last question about the change of method of accounting. If it was used for so long knowing that the method was changing wouldn't you know that it would make an impact and figure out a way to lessen the impact? Mr. Roselli stated what he understands from FY12 to FY13 there is a \$500,000 charge going from UMAS to accrual basis picking up liabilities. Maybe it could have been smoothed out over two ears. The bottom line when that fund closes, you owe the money. With the plan changes this year, you owe it. It doesn't matter now. This year it's closing so that bill will hit. Mr. Roselli said he agrees with Eric Kinsharf, CPA consultant,

working with Donna regarding this plan change. Kreidler said this budget deficit issue has been referred to as “our medicine.” We have to swallow the pill, a \$500,000 hit this year making it accurate in terms of the accounting with all the liabilities. We could have withheld another year but we are closing out the fund Dec. 31st.

Berndt asked if there were any other questions.

Mr. Cataldo came forward and asked about an issue that was discussed on April 1st regarding a policy that was broken. It was not discussed this evening as the issue involved the School Dept. and they were not in attendance. He was informed a Joint Meeting with the School Committee was being held on Oct. 27th.

Current Financial Situation – Passed over until FY14 audit is complete.

MINUTES:

Monday, September 22, 2014 Regular Meeting - Hunt moved to approve; Blair seconded. By a vote of Hunt aye, Barrows aye, O’Keefe aye, Blair aye and Berndt abstain due to not being present, the motion carried.

Monday, September 22, 2014 EXECUTIVE SESSION – Passed over not finalized for this evening.

Barrows said before we go into Executive Session and in light of the information presented tonight, juxtaposed with the onslaught of rumor, innuendo, we have just heard from the horse’s mouth, he felt a motion was in order to move to rescind the vote taken on Sept. 22, 2014 asking for the resignation of the Town Manager being it inappropriate and not timely and not based on accurate information. Barrows so moved; O’Keefe seconded the motion to rescind the vote asking the Town Manager’s resignation on Sept. 22, 2014. Hunt wanted to explain that night saying what she said was she would “accept his resignation”, making it clear if he wanted to give it, she would accept it. She said she is not taking back that statement because it is what she said. It has nothing to do with her working relationship with him and is going to move forward saying we are a team here. She is not going to sit back and bad mouth him and said “the guy is good at what he does.” She will continue to work with him and his staff and does not hold a grudge and that she is here for the town. Audrey LaBrie called for a Point of Clarification asking about the motion she offered at the last meeting was not requesting his resignation but to accept it had it been acknowledged. Hunt confirmed that was correct. By roll call vote of Barrows aye, Hunt no, O’Keefe aye, Blair no and Berndt aye, the vote regarding the Town Manager’s resignation taken on Sept. 22, 2014 was rescinded.

Danielle Hart came forward with a statement saying Mr. Kreidler may or may not be the person to lead us for the next five years. She asked the Board to seriously consider giving attention of non-renewals and advertise the position. Mr. Kreidler could decide to be one of the applicants but he may not be the most qualified. She asked the Board to do their due diligence and look at who may be the most qualified. O’Keefe disagreed with her saying when you have a job, you keep it unless and until it is unacceptable by your managers. Ms. Hart told the Board that they are Mr. Kreidler’s managers and if they didn’t do their due diligence by reviewing, maybe perceived, but lack of oversight that led to the underfunding of the health budget, they would not be doing their jobs as elected officials to this Board and she would personally take the effort to attempt to recall everyone that needs to be so we are sure as town residents that you are taking our interest into consideration seriously. She clarified that this was not a statement for anyone person individually, but collectively as a Board as this Town’s Chief Executive Officers as its written in the Charter. O’Keefe replied they will act as such.

Robin McAuliffe came forward and was cautioned by the Chair to be specific to the FY13 audit. She took offense to the caution saying “where did that come from” and wanted to see “who you people are.” Barrows called to rise to a Point of Order saying we are now getting to the point of making allegations

and question the loyalty of volunteers of this community and making suggestions that anyone on this Board that would not take the best interest of this community to heart, is unacceptable and irresponsible. Ms. McAuliffe continued to interrupt Mr. Barrows as he spoke. The Chairman called for order. Barrows said he wanted give her the opportunity to ask her question. She continued to be argumentative. Hunt asked her to please give them the opportunity to hear her question as long as it related to the FY13 audit. Ms. McAuliffe did not get around to asking her question, commented on a vulgarity said tonight from the Board and telling someone to go home. She left the meeting while Mr. Barrows was trying to respond to her explaining the vulgarity was quoting an individual.

Berndt announced that someone was recording the meeting this evening that had not disclosed it earlier. Mr. Beterini said he did disclose it. Blair said he asked at the beginning of the meeting and he did not raise his hand. He was told to shut it off.

Mr. Donald Santini came forward with a question for the Town Manager. He said he heard that town hall employee from his office had heard at Cumberland Farms that things were being said about you negatively and that you went to Cumberland Farms and talked to the Manager trying to curb that kind of behavior. He asked if that was true. Kreidler responded that it is partially true. Mr. Santini said doesn't that violate someone's free speech adding that Mr. Barrows seemed awfully upset with everyone else's free speech. Barrows asked Mr. Santini why he would drag him into this to make his point. He's been disparaged enough over the past couple of weeks and he would appreciate not get dragged into something again. "You don't know what's been happening on the other side of this table and the things my family has been subjected to as a volunteer of this community. It's an absolute disgrace." Applause was heard. He continued if he has a chip on his shoulder tonight, there is a reason there is a chip on his shoulder because it's been placed on there. Mr. Santini said he didn't know about his family or anything else, he just noticed a few minutes ago that he seemed to be quite angry with other people's right for free speech. Barrows said he doesn't have a problem with free speech, but has "a problem with hateful speech; unfounded, unjust, hateful speech. Mr. Santini asked again if Mr. Kreidler went down to Cumberlands. Kreidler replied it is his practice as a rule if somebody that he knows says something or has an issue and it comes back to him, he doesn't stew about it or whine about it, he goes to them. He was taught from scripture to go talk to them face to face and talk with them. He considers the gentleman a friend, was hurt when he heard this and did what he was taught and went to talk to him. We have since talked, shaken hands and everything is OK. Mr. Santini concluded that he supports the interest in a recall. Blair said this is all interesting, but off the subject of the audit.

EXECUTIVE SESSION:

Barrows moved to enter into Executive Session under 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; Chairman Berndt so declared. The subject matter is the Town Manager's contract.

Barrows also moved Executive Session under Exemption No. 3 to discuss strategy with respect to collective bargaining or litigation if an open meeting may have a detrimental effect on the bargaining or litigating position of the public body and the chair so declares; Chairman Berndt so declared. The subject matter being the ABCC Appeal Decision of Vasta, Inc., d/b/a Kwik Stop Liquors – 18-20 Railroad St.

By roll call vote of Hunt aye, Barrows aye, O'Keefe aye, Blair aye and Berndt aye, the meeting adjourned for Executive Session at 9:30 p.m. noting they would reconvene into Open Session.

RECONVENE PUBLIC SESSION:

The Board reconvened after Executive Session at 10:39 p.m. The door was open and The Winchendon Courier Editor, Ruth DeAmicis, entered in.

ABCC Appeal Decision: Vasta, Inc., d/b/a Kwik Stop Liquors – 18-20 Railroad St. - Barrows moved that the Board accepted Option No. 1 from Town Counsel which would be to not pursue an appeal and to restore the license to Ms. Halkiadakis for Kwik Stop Liquors; Hunt seconded. By a vote of all aye, the motion carried unanimously. Barrows explained the rationale to not pursue the option to appeal was that the individual involved in the issue that brought the Board to suspension and revocation is no longer part of the corporation, is no longer part of the business. The proprietor has been essentially suspended for a period of ten months which actually is more severe than any other suspension we could have handed down absent the revocation.

Town Manager's Contract: Barrows moved they affirm the vote taken in Executive Session to execute a contract extension or agreement with the Town Manager: terms of contract are for three years, a reduction of 3% to his base pay, zero salary increases with the term of the contract and use of the vehicle will be specified by identifying the particular vehicle for use; O'Keefe seconded. By a vote of all aye, the motion carried unanimously. The Town Manager was welcomed back.

One more point of business had come to the Board's attention after the regular meeting this evening. Selectman Jackson Blair had handed a letter to Vice-Chair Hunt stating his resignation. Berndt read the letter into the record. O'Keefe moved to accept the resignation; Hunt seconded. By a vote of O'Keefe aye, Barrows no, Hunt no, and Berndt aye, the motion did not carry. Barrows mentioned he may have not agreed with Selectman Blair at times, but did not want this. The Board realized this didn't change Jack's resignation but that they were making a statement to him.

O'Keefe moved to adjourn; Barrows seconded. By a vote of all aye, the meeting adjourned at 10:47 p.m.

Respectfully submitted,

Linda Daigle
Executive Assistant