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## TOWN OF NEWTOWN

### TOWN OF NEWTOWN LEGISLATIVE COUNCIL MEETING

FEBRUARY 21, 2018

NEWTOWN MUNICIPAL CENTER, NEWTOWN, CT

**PRESENT:** Chris Eide, Chris Smith, Jordana Bloom, Robert Pickard, Judit DeStefano, Ryan Knapp, Dan Wiedemann, Paul Lundquist, Phil Carroll, Kelley Johnson, Jay Mattegat, Dan Honan.

**ALSO PRESENT:** First Selectman Dan Rosenthal, Finance Director Bob Tait, Michael J. VanDeventer, Partner, MahoneySabol, Samantha Thomas, Audit Manager, 1 press.

**CALL TO ORDER:** Mr. Lundquist called the meeting to order with the Pledge of Allegiance at 7:30 pm.

**VOTER COMMENT:** None.

**MINUTES: MR. EIDE MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 7, 2018 REGULAR MEETING. SECOND BY MR. WIEDEMANN. (Mr. Carroll abstained.) ALL IN FAVOR. MOTION PASSES. (11-0)**

**COMMUNICATIONS:** None.

**COMMITTEE REPORTS:** None.

**FIRST SELECTMAN'S REPORT:** Mr. Rosenthal recapped the Selectman's meeting from last night, reviewed Hunters Ridge application for a zone change, overlay zone incentive housing, in order to get that, the need for sewer needs to be presented, Water and Sewer Authority has referred that to the Board of Selectman and plan to act on at the March 5 meeting. Mr. Ryan asked if that was the same sewer that had the recent problem in Sandy Hook, yes, which Mr. Rosenthal provided a bit of background that sewer system was built for environmental mitigation purposes and not to support future development. The Board of Selectman also voted on a resolution, which will come to the Legislative Council, to support an initiative called Sustainable Connecticut.

The Board of Selectman also accepted three properties of open space, which had been identified by the Land Use office and Conservation Commission, all less than \$20,000 each.

Regarding the state budget, Mr. Rosenthal received communication from Rep. Bolinsky that the local delegation is working hard to forestall and reverse adverse budget impact, to be prepared for budget impact based on new data, Mr. Rosenthal asked Mr. Tait to prepare a revenue analysis. (ATTACHMENT A) Mr. Tait reviewed the ECS grant changes, FY 17 Actual, FY 17 and FY 18 Pre-Holdback Budget, and FY 18 Post Holdbacks which show a \$552,330 savings which offset Motor Vehicle cap loss. With the new data of FY 19 compared to Town budget leaves a \$121,000 cushion. Mr. Knapp asked about how this affects the roads grant for Newtown and if it will have an impact in the budget, Mr. Tait said this will not have an impact on total budget, capital road improvement projects will still move forward. Mr. Lundquist asked if there is any sense of timing, Mr. Rosenthal said that the session is just two weeks in,

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and he will try to get more clarity within the next month or two. Mr. Eide asked for clarification on new data and original data, is that data on the fiscal side or data for example on the educational services side. The decision was made by the Governor, the formula is basically the same.

**OLD BUSINESS:**

**2016-2017 FINANCIAL STATEMENT**

Mr. Lundquist asked Michael J. VanDeventer, Partner, MahoneySabol, Samantha Thomas, Audit Manager to review the 2016-2017 Financial Statement. Mr. VanDeventer, joined by Ms. Thomas, distributed the 2017 Audit Results to the Legislative Council. (ATTACHMENT B) Mr. VanDeventer said the overall results went very well, very clean from an audit perspective. He reviewed the Scope of Work, Auditor's Reports, Financial Highlights, Required Communications, and took questions from Council members. Mr. Lundquist asked about the 10.1% in the unassigned fund balance which is good, but the 1.2 months could be better, is the 2 month goal new, Mr. VanDeventer replied that it has been out there for a while. Rating agencies would look at 10-15%, recently have looked for towns to have a higher fund balance percentage. Mr. Eide asked about the Water Fund deficit position, Mr. Tait replied that the Water Authority will do some special assessments, \$2 million to cover, under the approval process and is supposed to start July 1. Mr. Wiedemann asked about the special assessment being charged to the state, according to Mr. Tait that is correct. Mr. Knapp inquired about origin of expenditures and other financial uses, Mr. Tait said that typically it comes from salary counts, openings, long term disability, works comp, fund balance increase due to salary counts.

**MR. WIEDEMANN MOVED TO ACCEPT THE 2016-2017 FINANCIAL STATEMENT AUDIT RESULTS FROM MAHONEY SABOL CPA AND ADVISORS. SECOND BY MR. HONAN. ALL IN FAVOR. MOTION PASSES. (12-0)**

**NEW BUSINESS:**

**APPROVE 2018-2019 CIP ITEMS FOR REFERENDUM IN ACCORDANCE WITH THE NEWTOWN CHARTER 6-35G**

Mr. Lundquist explained the process of approving CIP items, any CIP item that equals or exceeds \$1.5 million shall go to Town referendum, there are 3 items in the CIP that fit this requirement: 1) the Capital Road Program for \$3.5 million, 2) \$1,685,400 Middle Gate roof replacement, and 3) Building/Land Purchase/Remediation/Demolition/infrastructure for \$4 million.

**MR. WIEDEMANN MOVED TO APPROVE 2018-2019 CIP ITEM – CAPITAL ROAD PROGRAM FOR REFERENDUM IN ACCORDANCE WITH THE NEWTOWN CHARTER 6-35G. SECOND BY MR. EIDE. No discussion. ALL IN FAVOR. MOTION PASSES. (12-0)**

**MR. WIEDEMANN MOVED TO APPROVE 2018-2019 CIP ITEM – MIDDLE GATE SCHOOL ROOF REPLACEMENT FOR REFERENDUM IN ACCORDANCE WITH THE NEWTOWN CHARTER 6-35G. SECOND BY MR. EIDE. No discussion. ALL IN FAVOR. MOTION PASSES. (12-0)**

**MR WIEDEMANN MOVED TO APPROVE 2018-2019 CIP ITEM – BUILDING/LAND PURCHASE/REMEDICATION/DEMOLITION/INFRASTRUCTURE FOR REFERENDUM IN ACCORDANCE WITH THE NEWTOWN CHARTER 6-35G. SECOND BY MR. HONAN.**

Mr. Rosenthal said that this line item was associated with the police department, as mentioned in the last

LEGISLATIVE COUNCIL

meeting, the design firm was hired by the Board of Selectmen two weeks ago and have undergone updating the space needs study, which should be completed soon, then move quickly to analyze three different sites, with the objective to deliver a new station that delivers what the department needs at the lowest possible cost. Mr. Rosenthal respectfully asked that without complete information at this time it would be best to hold off until there is a better project plan developed before sending to the voters for consent at referendum. Mr. Lundquist asked of any sense of timing, perhaps at the next meeting, Mr. Rosenthal said that it will probably take longer than that. He does not want to jeopardize the project by vague information or speculation. He wished there was more information at this time, but there is not enough explanatory text. Mr. Knapp said that if it were to be sent to the April referendum do we have to approve the text that goes with the referendum. Mr. Rosenthal said we do not yet have clarity on the number. Mr. Knapp added that a referendum costs \$8-10,000. Mr. Rosenthal said that his objective is not to have a special referendum. Given the size of the project if special referendum, he would support it, but the objective is to get as much information to the voters and he does not have that yet. If he gets that, he will present it, he has discussed with the chiefs of police. Mr. Lundquist said that trying to be flexible and allowing future transparency, but the description as is now, is not descriptive of relating of a police station, and that is really not fair to the voters. He said that the Council could take no action. Mr. Smith said that there if there is lack of clarity, would that jeopardize the project, Mr. Rosenthal had those concerns and it could be rejected without more information. Mr. Pickard asked if it is possible to change the language and clarify that it is for a police department. Mr. Lundquist said it could be done, but since there is no clarity at this moment, it is not rational to put forth with lack of information. Mr. Knapp agreed with Mr. Rosenthal, his concern about doing a special referendum after more information and having lower voter turnout for special referendum. Mr. Rosenthal is aware of that, and will need to talk to everyone collectively once we have a project. Mr. Carroll asked if it would be better to put off to next year. Mr. Rosenthal said it could be possible, but he hopes to not delay the project a whole year. Based on the Mr. Rosenthal's comments, Mr. Mattegat suggested to table the motion for further discussion. Mr. Lundquist advised to consider that and explained the process in order to withdraw the motion.

Mr. Eide asked when items, voted on in referendum, impact debt service. Mr. Tait said that the impact would be in 2019-20. 6 months for interest, 1 year for principal. Always bond in February/March.

**MR. WIEDEMANN WITHDREW HIS MOTION. MR. HONAN WITHDREW HIS SECOND. ALL IN FAVOR TO WITHDRAW THE MOTION TO APPROVE 2018-2019 CIP ITEM - BUILDING/ LAND PURCHASE/REMEDIATION/DEMOLITION/ INFRASTRUCTURE FOR REFERENDUM IN ACCORDANCE WITH THE NEWTOWN CHARTER 6-35G. ALL IN FAVOR. MOTION TO WITHDRAW PASSES. (12-0)**

**VOTER COMMENT:** None.

**ANNOUNCEMENTS:** Mr. Honan said the education committee meeting will be at 7:00 pm on March 7.

**ADJOURNMENT:** There being no further business the meeting adjourned at 8:26 pm.

Respectfully Submitted,  
June Sgobbo, Clerk

Attachments: Budget analysis, MahoneySabol 2017 Audit Results.

*These are draft minutes and as such are subject to correction by the Legislative Council at the next regular meeting. All corrections will be determined in minutes of the meeting at which they were corrected.*

2017-18 town budget = 3,691,266;  
552,330 savings will off set MV cap loss

2018-19 town budget = 3,956,332;  
this leaves a \$121,000 cushion.

ATTACHMENT  
A

ECS FY 17, FY 18, and FY 19

Town Name	FY 17 and FY 18		FY 18 Post- Holdbacks	FY 19 Budget Law		FY 19 Gov.	
	FY 17 Actual	FY 18 Pre- Holdback Budget		FY 19 Budget Law, Original Data	FY 19 Budget Law, New Data	FY 19 Gov., Original Data	FY 19 Gov., New Data
Newtown	4,893,944	4,649,247	4,243,596	4,756,332	4,565,641	4,251,588	4,077,880
Norfolk	25,815	24,524	18,194	25,884	25,863	0	0
North Branford	8,076,776	7,672,937	7,011,730	7,610,958	7,605,127	6,812,173	6,806,343
North Canaan	2,044,243	1,942,031	1,757,777	1,925,261	1,892,849	1,710,411	1,678,000
North Haven	3,842,088	3,649,984	3,285,464	3,898,561	3,868,905	3,440,184	3,382,320
North Stonington	2,834,470	2,692,747	2,463,810	2,666,403	2,708,664	2,388,408	2,430,669
Norwalk	11,243,340	11,243,340	11,050,993	11,431,251	11,439,365	11,433,037	11,448,868
Norwich	36,209,664	36,209,664	35,959,664	36,711,586	36,719,421	36,959,023	36,974,311
Old Lyme	247,462	235,089	205,447	242,994	241,512	0	0
Old Saybrook	122,907	116,762	98,302	124,414	124,074	0	0
Orange	1,509,226	1,433,765	1,298,813	1,211,899	1,212,214	0	0
Oxford	4,528,763	4,302,325	3,937,717	4,011,511	4,049,342	3,568,226	3,606,058
Plainfield	15,364,444	14,596,222	13,331,630	15,275,917	15,163,177	13,465,926	13,429,850
Plainville	10,272,197	9,758,587	8,893,762	10,372,724	10,359,331	9,200,187	9,174,054
Plymouth	9,761,632	9,273,550	8,471,430	9,786,650	9,778,621	8,623,462	8,607,795
Pomfret	3,073,015	2,919,364	2,668,708	2,866,649	2,826,685	2,563,418	2,523,454
Portland	4,363,751	4,145,563	3,779,612	4,398,526	4,373,412	3,894,196	3,845,194
Preston	3,012,017	2,861,416	2,613,882	2,998,757	3,008,874	2,641,490	2,644,727
Prospect	5,297,609	5,032,729	4,606,205	5,027,574	5,024,784	4,509,021	4,506,231
Putnam	8,340,282	8,340,282	8,283,776	8,340,282	8,340,282	8,283,776	8,283,776
Redding	180,135	171,128	156,228	180,253	179,602	0	0
Ridgefield	571,648	543,066	480,583	571,858	570,905	0	0
Rocky Hill	4,250,230	4,037,719	3,678,283	4,386,717	4,347,629	3,990,355	3,914,086
Roxbury	33,612	31,931	26,867	34,205	34,177	0	0
Salem	3,049,314	2,896,848	2,654,289	2,757,007	2,728,827	2,460,738	2,432,558
Salisbury	10,871	10,327	6,867	12,224	12,273	0	0
Scotland	1,423,001	1,351,851	1,238,722	1,333,359	1,340,349	1,195,150	1,202,140
Seymour	10,040,987	9,538,938	8,695,451	10,080,252	10,086,935	8,879,708	8,892,748
Sharon	9,960	9,462	6,768	10,720	10,644	0	0
Shelton	5,893,771	5,599,082	5,064,848	6,001,819	5,987,323	5,341,987	5,313,703
Sherman	46,611	44,280	40,273	47,005	46,840	0	0
Simsbury	6,087,799	5,783,409	5,269,907	6,122,017	6,039,516	5,402,105	5,319,888



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**Presentation to the Legislative Council**  
**2017 Audit Results**

**Town of Newtown,  
Connecticut**

Presented by:  
Michael J. VanDeventer, CPA, Partner  
Samantha A. Thomas, CPA, Manager

February 21, 2018

## Agenda

- Scope of Work
- Auditor's Reports
- Financial Highlights
- Required Communications
- Questions

## Scope of Work

### **Audit of Financial Statements performed in accordance with the following:**

- Auditing standards issued by the American Institute of Certified Public Accountants
- Government auditing standards issued by the Government Accountability Office

### **Federal and State Single Audit performed in accordance with the following:**

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- State of Connecticut, OPM Compliance Supplement to the State Single Audit Act
- Applicable grant and contract agreements

### **Agreed-Upon Procedures on End of Year School Reports (ED001)**

- Procedures required by the State of Connecticut Department of Education

## Auditor's Reports

### Report on Financial Statements

- Unmodified "clean" opinions on the following opinion units:
  - Governmental activities
  - Business-type activities
  - Each Major Fund:
    - General Fund
    - Bonded Projects Fund
    - Sewer Fund
    - Water Fund
  - Aggregate remaining fund information

### Report on Compliance and on Internal Control over Financial Reporting

- We did not identify any material noncompliance of laws and regulations
- We did not identify any significant deficiencies or material weaknesses over financial reporting

## Auditor's Reports (Continued)

### Federal Single Audit

- Report on Compliance and on Internal Control at the Federal Award Level
  - Fiscal Year 2017: \$2,207,154 expended
  - Fiscal Year 2016: \$3,894,375 expended
  - Major Program:
    - School Safety National Activities Program (\$294,940)
    - Crime Victim Assistance Grant (\$357,454)
  - Unmodified “clean” opinion on compliance
  - No significant deficiencies or material weaknesses over compliance reported

## Auditor's Reports (Continued)

### State Single Audit

- Report on Compliance and on Internal Control at the State Financial Assistance Level
  - Fiscal Year 2017: \$13,339,920 expended, \$4,711,403 nonexempt
  - Fiscal Year 2016: \$41,546,167 expended, \$33,717,523 nonexempt
  - Major Programs:
    - School Construction Grants (\$2,019,743)
    - Payment in Lieu of Taxes on State Owned Property (\$733,247)
    - Municipal Grants-In-Aid (\$235,371)
    - Small Town Economic Assistance Program (\$500,000)
  - Unmodified “clean” opinion on compliance
  - No significant deficiencies or material weaknesses over compliance reported

## Financial Highlights

### Government-wide Financial Highlights

	June 30, 2017		June 30, 2016		% Variance	
	Governmental Activities	Business-type Activities	Total	Total		
Current and other assets	\$ 47,603,082	\$ 4,606,974	\$ 52,210,056	\$ 59,452,673	\$ (7,242,617)	-12.2%
Capital assets	296,578,092	31,170,004	327,748,096	321,155,108	6,592,988	2.1%
Total assets	344,181,174	35,776,978	379,958,152	380,607,781		
Deferred outflows of resources	5,473,876	6,187	5,480,063	5,420,211	59,852	1.1%
Other liabilities	11,294,356	178,007	11,472,363	17,642,069	(6,169,706)	-35.0%
Long-term liabilities	89,882,967	2,790,597	92,673,564	92,696,299	(22,735)	0.0%
Total liabilities	101,177,323	2,968,604	104,145,927	110,338,368		
Deferred inflows of resources	144,781	-	144,781	1,691,241	(1,546,460)	-91.4%
Net position	\$ 248,332,946	\$ 32,814,561	\$ 281,147,507	\$ 273,998,383	7,149,124	2.6%

## Financial Highlights (Continued)

### Government-wide Financial Highlights (Continued)

- Overall the Town's net position increased by \$7,149,124
- Reduction in current assets reflects a decrease in cash and cash equivalents associated with the liquidation of prior year accounts payable
- The Town's investment in capital assets increased by \$6.6 million from the prior year. Significant capital asset additions consisted of:
  - Road and bridge projects (\$904 thousand)
  - High School auditorium and roof projects (\$3.2 million)
  - Elementary School project (\$2.3 million)
  - Middle School projects (\$667 thousand)
  - Community Center project (\$465 thousand)
- Long-term bonded debt decreased by \$2.9 million due to \$8.0 million in scheduled debt repayments offset by the issuance of \$5.1 million in bonds to fund ongoing capital projects

## Financial Highlights (Continued)

### Government-wide Financial Highlights (Continued)

- The Town's net pension liability increased by \$3.0 million to \$16.5 million as of year end due primarily to a decrease in the discount rate assumption from 7.50% to 7.00%, offset by current year investment gains
  - Plan is 70% funded
- The Town does continue to report an unfunded other post-employment benefit obligation of \$6.6 million (July 1, 2016 valuation date), for which a net OPEB obligation of \$2.4 million is reflected as a liability
  - This reflects the liability associated with post-employment health benefits provided to both Town and BOE retired employees
  - Entire amount of the liability will be reflected on the Town's balance sheet next year
  - Plan is 24% funded
- The net pension liability for the State Teachers' Retirement System attributed to the Town totaled \$122.7 million as of June 30, 2016 (most recently available reporting by the Board). This liability is currently carried by the State. On-behalf payments totaled \$8.4 million.

## Financial Highlights (Continued)

### Funds Financial Highlights

- Combined ending fund balances as of June 30, 2017 totaled \$25.2 million, a decrease of \$394 thousand from the prior year
- Total fund balances consisted of the following:
  - General Fund: \$13.3 million (\$12.3 million unassigned)
  - Bonded Projects Fund: \$5.3 million restricted for capital projects
  - Other Funds: \$6.6 million restricted or committed for various programs and purposes
- Unassigned fund balance of the General Fund as of June 30, 2017 represented 10.1% of total General Fund expenditures and other financing uses. This is sufficient to cover approximately 1.2 months of General Fund operating expenditures.
- Internal Service Fund has an ending fund balance of \$4.1 million as of June 30, 2017
  - Represents 3.7 months of claims and administrative costs
- Water Fund has a deficit unrestricted net position of \$1.8 million as of June 30, 2017
- Sewer Fund has an unrestricted net position of \$6.3 million as of June 30, 2017

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## Financial Highlights (Continued)

### General Fund – Budgetary Highlights

- Original and final budget provided for no use of fund balance
- Actual change in fund balance was an increase of \$883,328
- Revenues and other financing sources were \$141,561 more than budgeted
- Expenditures and other financing uses were \$741,767 less than budgeted (0.7% of budgeted expenditures)

## Required Communications

### Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

#### Planned Scope and Timing of the Audit

#### Significant Audit Findings

- Qualitative Aspects of Accounting Practices
  - The Town was required to implement a number of new accounting standards, however, those standards did not have a significant impact on the financial statements
  - The disclosures included in the financial statements are deemed to be neutral, consistent, and clear.
- There were no significant difficulties encountered in performing the audit
- None of the adjustments identified and recorded as part of the audit were deemed to be material to the financial statements
- There were no uncorrected misstatement
- There were no disagreements with Management
- Management Representations – There were no unique representations
- We were not aware of any management consultations with other independent accountants



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## Questions?

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