



**Canton Finance Committee**  
**801 Washington Street**  
**Canton, MA 02021**

Minutes Voted on: 1/31/24  
Vote: 8-0-0

**Meeting Minutes**  
**January 10, 2024**

**Finance Committee Members Present:** Dave Clough, Dan Cole, Emilio Mauro, Tim McKenna, Kristin Mirliani, Reuki Schutt and Cindy Thomas.

**Finance Committee Members Absent:** Karen Foley and Maureen Menconi.

**Guests Present:**

Paul Gargano, Partner, Roselli, Clark and Associates  
Ellen Jones, Finance Committee Recording Secretary  
Tony Roselli, Partner, Roselli, Clark and Associates

**Call Meeting to Order:** Ms. Thomas called the Zoom virtual meeting to order at 7:00 p.m.

**Review of the Agenda** – Ms. Thomas reviewed the agenda items that included the Auditor's Report for FY23 and a discussion of two Annual Town Meeting articles for the Committee's review and consideration for sponsoring the articles.

**Auditor's Report FY23 – Tony Roselli and Paul Gargano of Roselli, Clark & Associates**

Typically the Audit Review would take place in May or June, however, a decision was made to hold the review earlier in the season before the budget season started. Mr. Roselli explained that an audit must be done annually in accordance with GAGAS which the Town is required to follow. Because the Town has greater than \$750,000 in federal funding the Town is required to have a Single Audit (a federal audit) that is in addition to the regular audit. If the auditors see issues with receipts etc. they will examine the Town's records further. Mr. Roselli explained that they issued a "clean opinion" for the audit, as opposed to a "qualified opinion" (if issues had been found during the audit.) If material weaknesses or significant deficiencies were found (there were none) the auditors would have had to issue an SAS #115 report.

Mr. Roselli reviewed the following items:

- **Reserves** - Canton's reserves have grown from \$5 million in 2009 to \$25 million in 2023, or increased 500%. Reserves are comprised of Stabilization Funds and Undesignated Fund Balance (aka Free Cash) and Overlay Reserve.
- **Reserve Ratio** - The reserve ratio is the reserve amount divided by the annual expenditures. Canton's reserve ratio is above 20% which is well above the 15% reserve ratio that is required by Standard and Poor's for a triple AAA bond rating. The Town is also well above the state average of approximately 12%. Canton has held the triple AAA bond rating for 13 years and is among the top 10% communities in Massachusetts with respect to investment appeal, allowing Canton to borrow money at the best rate available.
- **Economic Trends** – Revenues beat the forecasted revenues by \$4.7 million. Expenditures beat budgeted expenditures by \$1.4 million.
- **Long Term Obligations – Pension** – The Town has an unfunded liability for pension (required to be funded) of \$43.6 million which is an increase of \$15.8 million over the prior year (as of December 2022). Investments were down in calendar 2022 which had a negative impact on the pension. The Town went from 80% funded to 70% funded. The next valuation will be as of December 31, 2023 (with the financial markets having a dramatic turnaround in 2023), Mr. Roselli predicts that the \$15.8 million lost, the Town should "get that back and more". He also stated that as the pension is fully funded around 2030, he suggested the Town take that "budget windfall" and designate it towards the OPEB obligation. The actuary hired by Norfolk County determines annually and reports to PERAC (Public Employees Retirement Administration Commission) how much cities and towns have to appropriate for the fiscal year (and for the next 15-20 years) towards retirement to the Norfolk County Retirement System
- **Long Term Obligations – Other Post Employment Benefits (OPEB)** – The unfunded liability (optional to be funded) for OPEB is \$94.1 million (as of June 2023). The plan assets have increased from \$8.6 million to \$10.5 million which is high in comparison to what other communities in the state have.

- **Informational Item - Investment Income** – Mr. Roselli stated that last year they had made comments to Canton’s financial team to look at investments. Canton’s investment income for fiscal 2023 was substantially higher than the prior year.
- **Informational Item - Network Security** – Mr. Roselli recommended that the Town consider hiring a consultant/specialist to conduct a network security audit with the results of that audit discussed in executive session. It is his opinion that while the Town has an excellent Manager of Information Systems (Mr. Jutras) who does a wonderful job keeping the Town’s financial systems secure, an outside consultant with “another set of eyes” may be able to find weaknesses. He stated that Nantucket Schools student system was shut down for 2-3 days. The Town of Nantucket had a full security audit but the School district had not. In response to Mr. McKenna’s inquiry if there were state guidelines the Town should be following with regard to network security, Mr. Roselli stated that towns were on their own. The rating agencies usually inquire if the Town has security insurance with regard to bond issuances.
- **Informational Item - Key Challenges** – Wage inflation, retaining good employees, maintaining competitive wages, labor shortage, construction inflation costs, energy inflation, supply costs and higher interest rate costs for borrowing are a few of the items mentioned by Mr. Roselli that may be challenges for Canton.

Mr. Roselli turned the audit discussion over to Mr. Gargano.

- **Informational Item - Uniform Guidance** – Mr. Gargano stated that when the law was first enacted the funds had to be spent by December 31, 2026. Obligation does not mean that the Town has decided what to do with the funds or that a vote has been taken on how to spend the funds but means that the Town is obligated to spend the funds. By the end of December 31, 2024 any amounts to spent under the ARPA award have to have a signed contract or a written purchase agreement with the vendor.
- **ARPA** – The Town received \$7 million with \$2.5 million sent directly to the town to be spent on any municipal purpose. Of the \$2.5 million \$800,000 has been spent through June 2023. The grant was audited through the Single Audit process. Mr. Gargano stated that Mr. Scollins has done an excellent job of monitoring and administering the grant. An additional \$4.5 million was awarded to be passed through Norfolk County Commissioners to be spent on specific categories. Mr. Gargano stated that the process is cumbersome with more paperwork, and the consultants of Norfolk County have to review the requests and in some cases rejecting requests. Mr. Gargano believes that all of the funds have been identified and now it is up to the spending of the funds. He further stated that Mr. Scollins is working with the County regarding their more aggressive deadline dates to make sure all the funds have been spent by the county’s deadline dates.

Mr. Gargano reviewed the following Findings and Recommendations which appeared in either last year’s or the prior years’ Management Letters:

- **Findings – Assessor’s Overlay Balances** (last year’s Management Letter) – The Assessors have \$2.5 million in excess overlay which means the amount set aside for abatements and exemptions are in excess of what the Assessing Department plans or estimates what they will have to pay out in current ATB (Appellate Tax Board) cases. While Mr. Scollins had indicated to Mr. Gargano that there is some cushion in the balance, the Auditors recommend over time that the Town work getting the \$2.5 million down.
- **Findings – Police Details** – The Police Details finding was in the Management Letter about ten years ago and more recently a finding about the Fire Department details. Mr. Gargano explained the process: police private details are requested by private companies by contacting the Police Department, the police officer works the detail, the officer is paid on the next payroll and then the invoice is sent to the vendor to collect the payment of the detail. The Police Detail Fund is always in deficit. There is a police detail receivables list that equals out to the deficit list because the Accounting Office does a reconciliation of this fund at month end. However, at year end there was approximately \$190,000 of detail invoices to vendors that were over a year old. The Auditors did review the balance a month or so after the year end and approximately 50% of the \$190,000 balance was collected, leaving a balance of approximately \$90,000 of receivables that were older than one year. The auditors are recommending that enhanced collection procedures need to occur such as taking the vendor to small claims court or sending the overdue invoice to a collection agency. Unfortunately some of these invoices may be billed to a vendor for a one-time detail that may have gone out of business which invoices will never be collected.
- **Findings – Federal Grant Procurement (Procurement and Debarment Issues)** – The federal grant procurement finding is related to a Single Audit Finding that was identified when the auditor was auditing the Special Education Grant. When testing procurements for grants, the federal rule is when there is both federal law and state law, the federal law is the more stringent of the two laws that prevails. In Massachusetts Ch. 30B has the more stringent law, however, under Ch. 30B there are exemptions (snow plowing, engineers, special education services) that the federal law does not recognize. The auditors had a finding with regard to several special education procurements. If these procurements had been paid out of the school special education budget they would have been fine, however, when charged to a federal grant then the federal award regulations are in effect. There is also a procurement requirement that when more than \$25,000 is spent with a vendor the School Department/Town is required to log into a federal database website to check if the vendor

has been debarred or suspended from doing work on federal awards. The auditors found several instances where this process was not adhered to. The School Department is aware of these findings and has taken corrective action going forward. Mr. Gargano noted that this requirement is not only for the School Department but also for Town Departments making procurements. He further stated that the Town Finance Department should be aware for any federal award that if a purchase order is presented to them they should be checking to make sure the procurement is being done regardless if something being procured is exempt under Ch. 30B or not. Mr. Gargano provided an example under the ARPA award. If the funds are being used for the procurement of an engineer which may be exempt under Ch. 30B the Town is still required to do a procurement because it is under a federal grant.

### **Questions and Comments from the Finance Committee regarding the Audit**

In response to Mr. Cole's question as to why the Committee did not see any of the findings regarding the Police Details and were only provided the Single Audit Report, Mr. Gargano explained that the auditor's findings were contained in the Management Letter which was discussed with Mr. Scollins.

In response to Ms. Mirliani's question as to who would follow up on the findings, Ms. Thomas stated that perhaps some of these items may be addressed during the budget process, such as the network security finding, or continued in a discussion with Mr. Scollins at a future Finance Committee meeting. Mr. Gargano noted that included in the Single Audit Review is the School Department's corrective action taken. As well, the auditors would follow up during the next audit review and their follow-up of the resolution would be in the audit report, as this is a requirement of the audit. Ms. Thomas stated that the Assessor's Overlay balance could be discussed at the upcoming Revenue Forecast Committee meeting.

In response to Mr. Mauro's inquiry given inflationary costs, what is the best level of contingency to determine for a project, is it best practice or project-based? The Town has been using 10-15% of a project cost for a contingency. Mr. Roselli stated that it was more project-based and that 10-15% was favorable, but if there was a project manager or project engineer involved to work with them on arriving at a contingency amount. Mr. Mauro also inquired if the Town's structure and manner in which it negotiates its contracts with regard to collective bargaining was keeping the Town in a certain position with regard to OPEB and Pension liability and if this was reviewed as part of the audit. Mr. Roselli replied that collective bargaining would definitely affect the calculations of OPEB and pension liabilities "down the road". Mr. Roselli confirmed for Mr. Mauro that a county-based retirement system such as Norfolk County Retirement System made the town very solvent, however, the Town does not have control over a county-based system. A Town that has a town-controlled retirement system (such as Falmouth or Malden) can control how much and when funds are contributed to the retirement system, which may not be such a burden when the rating agencies are reviewing it. Mr. Roselli gave an example of the Town of Wilmington, very similar to Canton, but enrolled in the Middlesex County Retirement System. Because the Middlesex County Retirement System is a poor funding performance retirement system, Wilmington has been unable to increase their double AA bond rating. To mitigate, Wilmington has created their own Stabilization Pension Fund but they have still been held back because of the Middlesex County Retirement System.

In response to Mr. Clough's question about a greater than \$1 million of ambulance billing fees, Mr. Gargano explained that the ambulance billing is a different process than the police detail billing process. Much of the billing will be billed and paid off by Medicaid or Medicare. He further stated that write-offs do occur. In addition the third-party billing that handles the collections for the Town is a licensed collection agent. Mr. Gargano stated that write-offs occur on a regular basis but that once a year a bigger review of the write-offs needs to be done. Mr. Roselli stated that there could be individuals that have passed away and unless the estate has a lien on it the Town will never collect for that billing. He suggested that the Fire Department go through the listing of uncollectibles and determine those amounts that will never be collected to "cleanse" the listing. He asked if the Fire Chief was a "strong Fire Chief" in Canton. A "weak Fire Chief" would have to go to the Select Board to have amounts written off. Ms. Thomas suggested that this could be placed on the list for follow-up items with Mr. Scollins. Mr. Roselli suggested to Mr. Gargano to take a closer look at this in the next audit. With regard to approximately \$360,000 of outstanding excise taxes, Mr. Roselli stated that there is a process in place to collect excise taxes when someone is marked at the registry for an unpaid bill. The state has records for ten years with individuals "tagged" in their computers. Many excise tax bills are uncollectible due to individuals moving out of the state. Mr. Roselli complimented Mr. Clough for his in-depth look at the accounting records.

### **Discussion of Proposed Finance Committee-Sponsored Town Meeting Warrant Article – Composition of Finance Committee and Duty of Finance Committee**

Ms. Thomas explained that because of the deadline date for articles to be submitted to the Select Board of the Annual Town Meeting Warrant, she drafted language for two placeholders in the warrant. She stated that the Finance Committee could either 1) move the motions or withdraw the motions and 2) if the Committee decided to move forward, is this the language the motion they would move to send to Town Counsel.

**Discussion – Proposed Finance Committee By-Law Changes**

Ms. Thomas screen shared the following proposed language for the Finance Committee’s by-law change for Section 1 (Composition) and Section 4 (Duty of Committee, In General). Ms. Thomas also made note and quoted a section of the By-Laws regarding Town Meeting which specifically states that . . .**the Finance Committee shall prepare a written report, setting out its conclusions and recommendations, including the reasons therefore, regarding articles in the warrant.** . . . (This is from ARTICLE III 3 BY-LAW PROVIDING THE PROCEDURE FOR ANNUAL TOWN MEETING WARRANT AND REPORT PREPARATION/PUBLICATION AND TOWN MEETING ADMINISTRATION, Section 3.6.)

Ms. Thomas commented that this particular section of the By-Law of which the Finance Committee is to report on does not distinguish between the types of articles with the exception of Planning Board articles being referred to the Planning Board.

Ms. Thomas screen shared the following Section 1 and Section 4 with proposed language added (In red) to the By-Law and language deleted (strikethrough) from the Finance Committee By-Law.

**PART B - FINANCE COMMITTEE 7-B**

**Section 1. Composition of Committee; Limitations**

There shall be a Finance Committee which shall consider any and all municipal operations involving an appropriation matters having a financial impact on the town including but not limited to appropriations by the Town, for the purpose of making reports and recommendations thereon to the Town. Such Committee shall consist of nine voters, who shall serve without pay, none of whom, during their service on such Committee, shall hold any regular elective Town office or be a paid employee of the town.

**Section 4. Duty of Committee, In General**

It shall be the duty of the Finance Committee to study the financial affairs of the town and to advise town meeting as to expenditures and recommendations for appropriations to be made by it. To this Committee shall be referred all ~~articles of the Warrant calling for appropriations and those having a financial impact on the town-~~ financial and non-financial articles of the warrant.

Mr. Mauro spoke in support of these Finance Committee By-Law changes in that it would help get the government modernization process started. Ms. Thomas had conferred with Mr. Scollins and came to the conclusion that more robust changes to the by-law should be handled in the modernization process.

**A motion made by Mr. Mauro that the Finance Committee sponsor By-Law amendments as written in the draft presented at the Finance Committee meeting on January 10, 2024 was seconded by Mr. McKenna.**

**Roll Call Vote:**

<b>Ms. Schutt</b>	<b>Aye</b>	<b>Mr. Clough</b>	<b>Aye</b>
<b>Mr. Cole</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. McKenna</b>	<b>Aye</b>	<b>Ms. Thomas</b>	<b>Aye</b>
<b>Ms. Mirliani</b>	<b>Aye</b>		

**Vote: 7-0-0.**

Ms. Thomas stated that she will forward to Town Counsel the draft of the language for the ATM article regarding the Finance Committee By-Law changes, with minor tweaks.

**Discussion – Proposed Finance Committee Warrant Article – Establishment of a Government Modernization Study Committee (GMSC)**

Ms. Thomas screen shared the following proposed language for a Finance Committee-sponsored ATM warrant article regarding the Establishment of a Government Modernization Committee.

**To establish a Government Modernization Study Committee to conduct a review of the Town of Canton’s By-Laws and governance structure and to bring forth recommendations to the 2025 Annual Town Meeting and to approve an appropriation of \$20,000 to be transferred from free cash to engage a consultant to support the committee in its review and recommendations. The committee shall be appointed by the Town Moderator and is to be convened no later than July 1, 2024. The Committee shall be comprised of 13 members to include:**

- **Member of the Select Board**
- **Member of the School Committee**
- **Member of the Finance Committee**
- **Member of the Master Plan Implementation Committee**
- **Superintendent of Schools or designee**
- **Director of Finance**
- **Town Administrator**
- **6 members at large**

Mr. Clough raised the issue of separation of powers at the Special Town Meeting in which the Moderator was going to appoint members to a committee. Ms. Thomas explained that the proposed warrant article contained the language of the Moderator to appoint the committee members so that the committee would be held accountable to and report to the Town Meeting body as opposed to the Select Board.

No one had reservations to move forward with the proposed Town Meeting article. The Committee discussed and considered the following regarding the Modernization Study Committee:

- Should we include CDEI and/or Planning Board/Town Planner?
- Should there be a representative from the Police Department and/or Fire Department? Consider who is the lead for emergency management.
- Should we have stronger language about the intent – do we know if it will be more? This will be what the committee should consider. Keeping it vague gives the committee room to determine.
- Will need to determine what governance structure is and should consider?
- What about the administrative code?

**A motion made by Mr. Mauro that the Finance Committee support sponsoring an Annual Town Meeting warrant article to Establish a Government Modernization Study Committee, details of which to be determined and voted on at a later date was seconded by Ms. Schutt.**

**Roll Call Vote:**

<b>Ms. Schutt</b>	<b>Aye</b>	<b>Mr. Clough</b>	<b>Aye</b>
<b>Mr. Cole</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. Clough</b>	<b>Aye</b>	<b>Ms. Thomas</b>	<b>Aye</b>
<b>Ms. Mirliani</b>	<b>Aye</b>		

**Vote: 7-0-0.**

**Approval of Minutes**

Ms. Thomas confirmed for Ms. Mirliani that if a Finance Committee member was not in attendance at a meeting but reviewed the meeting minutes the member is allowed to vote on those minutes.

**A motion made by Ms. Schutt to approve the December 4, 2023 Finance Committee minutes as written was seconded by Mr. Mauro.**

**Roll Call Vote:**

<b>Ms. Schutt</b>	<b>Aye</b>	<b>Mr. Mauro</b>	<b>Aye</b>
<b>Mr. Cole</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. Clough</b>	<b>Aye</b>	<b>Ms. Thomas</b>	<b>Aye</b>
<b>Ms. Mirliani</b>	<b>Aye</b>		

**Vote: 7-0-0.** The December 4, 2023 minutes were approved.

In response to Ms. Schutt's inquiry if the upcoming Finance Committee meetings would be virtual meetings via Zoom, Ms. Thomas stated no, that all upcoming meetings would be in-person meetings.

**Next Meeting Date:** January 17, 2024 (Armando Recreation Center) and January 24, 2024 (Salah Meeting Room).

**Meeting Adjournment** - A motion made by Ms. Schutt to adjourn the meeting at 8:35 p.m. was seconded by Mr. McKenna.

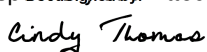
**Roll Call Vote:**

<b>Ms. Schutt</b>	<b>Aye</b>	<b>Mr. Mauro</b>	<b>Aye</b>
<b>Mr. Cole</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. Clough</b>	<b>Aye</b>	<b>Ms. Thomas</b>	<b>Aye</b>
<b>Ms. Mirliani</b>	<b>Aye</b>		

**Vote: 7-0-0.**

Minutes reviewed by: Dan Cole

Respectfully submitted,



Cindy Thomas

Chair, Canton Finance Committee and  
Sub-Committee to Review Compensation of Elected Officials

**Finance Committee  
Meeting Documents  
January 10, 2024**

**Please note: Some meeting documents may be found on the Town's website under the Posted Minutes section (Laser Fiche).**

Agenda for January 10, 2024.

Town of Canton - Audit Exit Conference – Roselli, Clark & Associates – January 10, 2024 – PowerPoint Presentation – Tony Roselli and Paul Gargano (10 pages).

Town of Canton – Federal Award Reports, Pursuant to the Uniform Guidance, Year ended June 30, 2023 - provided by Roselli, Clark & Associates (17 pages).

Memorandum dated September 5, 2023 from Randy Scollins, Finance Director, to Select Board regarding General Fund Fiscal 2023 Operating Results (provided as reference for discussion with Auditors) (11 pages).

Memorandum dated September 5, 2023 from Randy Scollins, Finance Director, to Select Board regarding Enterprise Funds' Fiscal 2023 Operating Results (provided as reference for discussion with Auditors) (4 pages).