

**MINUTES OF SPECIAL MEETING HELD
THURSDAY, JANUARY 28, 2010
COLONIAL BEACH TOWN CENTER**

**MAYOR:
VICE MAYOR:
COUNCIL:**

**FREDERICK C. RUMMAGE
TRISH KING
DAVID COOMBES
STEPHEN KENNEDY
BURKETT LYBURN - *absent*
KAREN PAYNE
RONALD RIDGELY
VAL FOULDS
ANDREA G. ERARD
JOAN H. GRANT
BARBARA A. GOFF**

**TOWN MANAGER:
TOWN ATTORNEY:
CHIEF FINANCIAL OFFICER:
TOWN CLERK:**

CALL TO ORDER:

Mayor Rummage called the Special Meeting of Thursday, January 28, 2010 to order 3:00 p.m. at the Colonial Beach Town Center and stated the purpose of the meeting was for a presentation by Miller Foley for the Town of Colonial Beach Fiscal Year 2008 – 2009 Audit.

Ms. Miller from Miller Foley stated the Town Council should have in front of them two bound copies, one which is the financial statement for the year and the other is the single audit report which is the audit of the federal program which is required by federal law.

Starting with the financial statement report, Ms. Miller stated if questions needed to be asked she would answer them as we move along. I do want to emphasize that my audit is as of June 30, 2009 and my remarks will be related under the period of the audit which is that year ended June 30, 2009. I would like to start by saying I was present about 10 months ago finishing up the 2008 report and there were significant findings in that 2008 report. At that time I made a comment for you not to expect everything to be fixed overnight. It took a while to get here and it will take a little while to get it all fixed. I have to say while we still have findings and we still have some issues, but significant progress was made during the year ending June 30, 2009. I think you will see the number of findings were reduced significantly overall and this will vary as the findings are reduced. As we go through, we still have some issues and we will talk in some broad generalities about this.

The first thing I would like to talk about is the audit report modifications. There are two modifications to the audit report. The audit report is our opinion on the financial statement. You will see the audit report reflected on the fifth page to the financial statements. It is entitled Independent Audit Report on the financial statement. We have two modifications. The first one relates to the School Board activity in that we were unable to obtain sufficient audit evidence as it relates to the statement of activity to render an opinion on the Statement of Activity for the school system. It is primarily related to expense information that we were not able to get sufficient audit evidence. The second modification of the audit report is related to the amount owed by the School Board to the Town's General Fund in the amount of about \$335K. There is

currently no repayment plan in place for that dollar amount. We questioned whether or not those funds were truly collectible by the General Fund. The Town felt they wanted to leave that amount fully represented on the books of the Town and the financial statements. It is well within their prerogative to do so. However, because of our concerns about that collectability we did modify our opinion related specifically to the collectability of that amount which we deemed to be uncertain.

The first two are Exhibits I and II of the financial statements on the full accrual method of accounting. I generally don't go over these in a board presentation because this is not the methodology that you use for budgetary purposes so I would like to skip past those and go into Exhibit III & IV specifically. These two Exhibits and the primary purpose of these two Exhibits will be the General Fund Balance Sheet and the General Fund Income Statement Activity. There are a couple of other funds here, but their activity is relatively limited. We will talk in a moment about the Utility Fund and then later on about the School Fund. One of the things I did want to comment on was the conversations I had with the members of the Budget Finance Committee as well as what it is going on currently with the budget environment and the current economic environment. I do want to speak to fund balance and I do want to speak to what I have been suggesting to many of my clients and that is a very judicious conservative attitude toward spending in the future. In fact, we have seen the State budget cuts coming up in the 2011 budgetary year to be expected that have been quite considerable. I am not so sure that the General Assembly might not look at cutting the Personal Property Tax Relief Act which would result in perhaps the loss of considerable dollars to the Town. I actually had meetings with some federal officials Tuesday and we were having a conversation about the current fiscal issues and their comment was that it generally takes two to three years after a recovery starts for a State to start to see recovery dollars. As we move forward and talk about the fund balances, I do recommend that you keep in mind that while we may be seeing some signs of recovery, I am not sure that there are not some contradictory signs as well and certainly I think there is a long road ahead before we are going to see some true stabilization at the State level which of course impacts you all.

Looking at Exhibit III for example, the undesignated fund balance for the General Fund is about \$2.5 million dollars. If you look on the Exhibit IV you see your annual expenditures right now, that \$5.5 million dollars, so your unrestricted undesignated fund balance represents about half of your annual expenditures. Keep in mind that your largest revenue source of the General Fund which is real estate taxes comes in twice a year. From a cash flow perspective you are really only seeing the vast bulk of your revenues coming in twice a year and it is about \$1.5 million dollars in June and December. I don't consider a \$2.5 million dollar undesignated fund balance to be at all excessive, and in fact I would suggest that you be very careful about trying to erode away at that number especially if the State is unable to continue funding certain activities at the level that they have been, which we are already seeing some clear demonstration of that. They did get a boost with the Recovery Act dollars for 2010 and 2011, but that falls off in 2012. Those funds will not be available. I really have not heard of anything on the federal level that anybody is talking about a second Stimulus Package, so when you look at the fund balance, I would say that is where you want to be and you really don't want it lower than that from a cash flow perspective and just being able to maintain the current program.

Looking at Exhibit IV, you will see that is your Revenue and Expense Statement for the General Fund. You can compare Exhibit IV also which is looking at more detail on page 30 under Exhibit VIII. That shows the General Fund activity compared to your original and amended budget. I would say with the budget variances, there is nothing in there that would cause me any particular concern. I think those are just part of the budget being a planning tool. Those variances seem to be in line with expectations. There is no question about the General Fund.

Looking at Exhibit V, on page 11, you will see the Utility Fund which is the Water and Sewer Fund. The Utility Funds are accounted for under the Full Accrual Method of Accounting because they are considered to be business like activities and are intended to be self supporting. If we have a fund balance or the net asset conversation here as well, you will notice that your assets are \$10.5 million dollars, but of that \$9.2 million dollars is tied up in facility costs. That is not something you are going to turn around and liquidate to general cash. When we look at unrestricted net assets you are looking at about a \$1.2 million dollar net asset balance. Again if we equate that to revenue and expenditures which is on the following page, you are looking at \$1.7 million dollars in revenues. Expenditures is about \$1.7 million dollars plus some debt service at the net of \$114,000 so I don't again consider that fund balance, the net asset balance at \$1.2 million dollars to be, it is reasonable but it is not something I would want to see eroded away especially when you look at operating income. It breaks even at about \$28,000. It is not like you are building up surpluses in that. There are a lot of people who believe that you should at least break even on operating income in the Utility Fund. If you go to the middle of the page, you will see some non-operating revenue and expenses. A lot of people agree on the Utility Fund that the connection fees should really be set aside for future capital maintenance repair type activities, but that is really what your connection fees are for. You will also see a very large number of almost \$6 million dollars in Governmental Capital Grant. That was money that came in through grants through the State of Virginia for your Water Quality Improvement Project. That money went out the door and is not reflected as an expense here because of the Full Accrual Method of Accounting, but that cash is gone. In fact that was spent before you got reimbursed for those funds. That cash is represented in the balance sheet as part of your construction project. While it looks like you had a really great year, you really can't look at the \$5.8 million dollars as building up a surplus because it is tied up in facilities right now.

If there are no questions on the Utility Fund, I would like to skip back to the very last pages and talk about the School's Balance Sheet and Income Statement. On Schedule A1 on Page 34 and I will be jumping back between Schedule A1 and A2 which are on the following pages, when we talked last year, we talked about the fact that the schools had built up a deficit over time. At the end of 2008, it was approximately \$660K. The School General Fund and the Construction Fund did have a surplus this year which reduced the overall deficit and you will see on Schedule A1 down to just under \$500K. This partly ties into the receivable issue as to the \$335K that is owed between the school system and the General Fund. It is the \$338,487, Payable to Primary Government.

Ms. King asked if there was a reduction in the amount because the school paid us back?

Ms. Miller responded the school is given authority to spend money. While there is some cash activity that goes between the school accounting records, actual cash is not transferred. It is

considered a Pooled Cash System so there is one checking account that in essence is shared by all of the different funds. So the school's three year appropriation process is given authority to spend money and basically what happened is they didn't spend money that they had authority to spend and their revenues came in higher than their expenditures were so it is not like you actually write a check for it.

Mr. Ridgely stated it is left in the General Fund.

Ms. Miller agreed.

Mr. Coombes stated on Page 35, under *Operating*, under the *Actual* down at the bottom, what you are saying then is the school did not spend what they were authorized to spend to the tune of \$136K.

Ms. Miller responded basically yes.

Mr. Coombes responded because they didn't do that, they kept within their budget which is a good thing because that offsets part of the deficit.

Ms. Miller responded it offset part of the deficit from the prior year because that deficit is an accumulation over time.

Mr. Coombes stated he understood so in the actual *Operating* line the deficit was reduced to \$208K.

Ms. Miller agreed.

Mr. Coombes stated on Page 36 under *Construction*, under the *Actual* column, the same thing happened. There was a \$34K to the good minus the \$317K which left \$283K. If you go over to the total under *Actual*, the \$658K was reduced because they didn't spend everything that they were authorized to spend and comes to \$493K.

Ms. Miller agreed.

Ms. King asked about the carryover?

Ms. Miller responded when you are dealing with Carryover Funding, appropriations in Virginia lapse at year end. Even if we were in a surplus position those appropriations would lapse at year end. Generally when you are in a full surplus position over time what happens when the appropriations lapse, that surplus would zero out back to the General Fund and carryover requests would be made by whatever fund or department might have had that surplus in that year.

Ms. King stated in this situation it wouldn't actually be a surplus because there is debt incurred.

Ms. Miller agreed.

Mr. Ridgely stated it stays in the General Fund to bring down the debt.

Mr. Looney stated in your initial comments you said something about the \$335K as being uncollectable. Now you are treating the unspent monies from the General Fund as if they are in fact collectable by the Town.

Ms. Miller responded there is no current repayment plan for the collectability of that \$335K receivable and the deficit is represented partly by that along with some other liabilities that are sitting on the school's books. From an accounting standpoint and I hate to get into debits and credits, but it has in essence reduced the deficit in order to make the accounting records work and the balance sheet balance. If the school continues on this path then that deficit will ultimately disappear. The repayment will happen. For right now, I don't have any assurance for a repayment plan after the collectability. I don't know if part of it would be collectible, if none of it is collectible because I didn't really have any added evidence to support that issue. When we qualified our opinion, it basically said we don't know how much that might be and that was uncertain.

Findings:

Ms. Miller stated there were fewer findings. There is clear progress that has been made and there is no question that the severity of the findings has been significantly reduced. I know that you have a Draft of these and I have talked with a few of you in exit conferences and basically I will be willing to entertain questions if you have them, but I do not have plans to go item by item over those.

Mayor Rummage asked if we use the Draft, because we did not have this final until today, can we follow your same recommendations?

Ms. Miller responded yes, the changes between the draft audit and the final audit are cosmetic. I want to also mention that both the school and the Town have their Corrective Action Plan and they are responsive to these findings. I would spend my time focusing on the Corrective Action Plan and I am sure staff will be more than happy to answer any questions about the Corrective Action Plan as well.

Mayor Rummage stated even though you don't intend to go over these point by point, I think there will be some interest in the findings.

Mr. Kennedy stated you probably answered this question and it has already been posed by the School Board because of the restrictions they are putting in place and that would be the first one on Page 9 underneath Year Ended June 30, 2009 addressing the financial system they are putting in. It says there are no monitoring functions at the school to insure compliance with internal control procedures. I just want to understand this. Is that the system you are putting in now?

Dr. Power responded that is correct and is also today I will be able to present you today the 1st runoff of that new system.

Mr. Kennedy stated originally that system was supposed to be up and running at the beginning of the year but because of circumstances it was not. It had to do with payroll.

Ms. King asked if it was true as of June 30th of last year progress has been made? Is the new system complete?

Ms. Miller responded she would have to direct that to staff to answer that question. I was auditing as of June 30, 2009 and this system was not in place when I did my audit, in fact it was started after the beginning of the new fiscal year. School personnel or the School Board could best answer that question for you.

Mr. Trivett responded the system is fully implemented. The first payroll was done on it this month. It does all revenues and expenditures and like Dr. Power said, there will be a complete report and it will show you all the things that it does. It is fully implemented. We met the January deadline.

Mr. Kennedy stated on Page 10 it states the Cafeteria Fund was recorded twice.

Ms. Miller responded the School Cafeteria Fund because it is subsidized through federal reimbursements for the free school lunch and breakfast program has a separate checking account. It is one of the only funds that accounts for its cash in a separate checking account outside of the main checking account. When the reimbursements come in from the federal and state governments, they come into the main checking account and are recorded as revenue in the school fund. The transfer is made out of the School Fund into the Cafeteria Fund where a check is actually written to put the money into the School Cafeteria checking account. When that check is written, an expense is created in the School Fund and other revenue is created in the School Cafeteria Fund so in essence there is no fixed income bottom line income, but it has the effect of doubling up revenues and expenses inadvertently. It wouldn't cause cash to be out of balance, it wouldn't cause the final end result to be out of balance but it creates a grossing up that is basically not correct. I believe that what the staff has decided is that at year end, they are going to make a correction overall when they are getting ready to audit. Everything in here has had corrective action.

Mr. Ridgely stated it was posted twice though. There was one at Union Bank and one at BB&T. If your revenue is posted twice and your expenses are posted twice, it is a wash.

Ms. Miller stated it is technically incorrect from an accounting standpoint, but it is an easy fix.

Mayor Rummage stated with the new accounting system, that won't happen.

Ms. Miller responded that is occurring on the Town side not on the school side.

Mr. Ridgely stated it has to happen because of the two accounts. It is something that can be worked out. As long as there are two accounts, that is about the safest way to post it.

Mr. Kennedy stated then it is an apparent flaw in the system you have to live with.

Ms. Miller responded it is relatively easy fix at year end. When you are getting ready for the audit, you can do an entry to eliminate it.

Mr. Kennedy stated on Page 13 Condition – the employee benefits requested for the program are not calculated correctly nor were they pro-rated based on actual time spent by para-professionals and are not an allowable cost.

Ms. Miller responded when we get into these findings starting with the 2009 – 2013 moving forward, these are specific to the federal programs that we tested for compliance. There are specific compliance procedures that we have to do. If you recall in 2008, we had issues with the Title I Program with para-professionals that were charged to the program. There were some things that were done to address that, that are related to payroll cost. Unfortunately what happened is some of the payroll costs were addressed and this is one of the areas that I mentioned that there are significant reductions in problems and the level of the problem is substantially better. We pretty much questioned the cost of the entire program last year. When the payroll costs were allocated based on actual time spent by para-professionals dealing with Title I students because you can only get reimbursed for time spent with a Title I student. When the payroll costs were allocated, the employee benefits were also not pro-rated based on time spent. We weren't able to determine how much that amount was, but it does appear there were some overcharges related to employee benefits related to those para-professionals at that Title I Program.

Mr. Ridgely asked do you have to pro-rate their benefits and their salary?

Ms. Miller responded yes. It is a relationship issue. I want to emphasize there were things put in place to make this better. It just didn't get pro-rated.

Mr. Kennedy asked what does this mean?

Ms. Miller responded when we do the federal compliance work, this is not always necessarily accounting type compliance that we are doing. There are a lot more aspects to that. This is more compliance in nature, not necessarily financial in nature.

Dr. Power clarified that this particular program anything having to do with the federal program has met the approval from the Department of Education. The program has been revamped and is now under the direction of Title I Virginia licensed teachers or the employees have to sign verification that 100% of their time is devoted specifically to Title I.

Mr. Kennedy stated he was looking for clarification and stated on Page 16, *there was inadequate documentation available to support transactions on the reimbursement requests. There was no evidence that the requests were reconciled to the Schools' general ledger nor reviewed for completeness and accuracy.*

Ms. Miller responded this schedule is referenced to the findings of the prior year's audit findings. If you will notice, they start with the 2008 reference so we are required to report on subsequent

status. You will see on the current status, I referred to you the 2009 – 2015 as the current status of findings. We still did have a problem in this area, but it was limited to an employee benefit issue whereas in the prior year, we pretty much have documentation issues across the program.

Mr. Ridgely asked in 2009-11 are we going to need that audit, won't that be an ongoing finding? That is something that is just there and needs to be completed. The other thing is on 2009-08, I think they went back and fixed those adjustments. Had they not fixed them, would that have been a major finding?

Ms. Miller responded yes, whenever we propose material for audit entry, there is a presumption that there is a weakness in the internal control system. To give you a flavor, I would suspect in 2008 to the Town's records, we probably proposed something along the line of 40 or 50 journal entries. I think we have proposed 3 this year. That is in large part to the outside consultant we brought in helping to fix some set up problems in the accounting system and do some account reconciliations.

Mr. Ridgely asked Ms. Miller if she was talking about the Virginia Municipal League representative?

Ms. Miller agreed.

Ms. King stated she was concerned about the retirement payments. Did all of that get straightened out for the teachers?

Ms. Miller responded we did have some concerns and it is reflected to some degree in our inability to render an opinion on the School Statement of Activity. We were not able to reconcile credible compensation. I really could not speak to you as to how off it might be, but there was no reconciliation of the records that were available and the ones that were available were not sufficient to help us to determine that. It may not be a problem at all. I can't speak to the degree of that except that we were unable to reconcile that compensation issue.

Ms. Brown stated as of July we have been reconciling monthly with the Virginia Retirement System. Corrections have been made and you probably won't find them right away but we are definitely reconciling every month. If any options that might come up and they may, we might not see anything for a year. When they go through the entire cycle, that is when we will make corrections as needed from the previous system.

Mr. Ridgely asked what did he read recently that the Governor was thinking about messing with the Virginia Retirement Plan for the employees?

Dr. Power responded that the Governor suggested that the employees due to the severe cutbacks to the individual school budgets, that the employees be required to pick up 1% of the increase to VRS.

Ms. Payne stated she wanted to follow up on some of the things Mr. Ridgely said regarding the 2009-2011 Transmittal Form not submitted in time – did the Town provide the information?

Ms. Miller responded the Town did provide the information. The problem is that I have to put a report on that in relation to this report. I can't release that report prior to the issuance of this report. They have to go together.

Ms. Payne asked if this reflects poorly on the Town? I know how hard our staff works to have the information prepared and submitted on time and I think this is unfair and reflects poorly on the Town.

Mr. Ridgely stated we can file ours, but the Auditor has to do it.

Ms. Miller responded there are certain reconciliation procedures that we have to do between these statements and that report and we have to render a report on that. That report is going out tomorrow.

Ms. King stated she was concerned about the past problems and from your perspective, I want to be sure that there are not any lingering problems with the grants and that everything has been brought up to date.

Ms. Miller responded all she could do is speak to what I audited through June 30, 2009. We had findings and I can't give you a guarantee that there won't be repercussions. I have never seen it happen. It is not within my control to say what may or may not happen as a result of that. I have increasing concerns moving forward with Recovery Act dollars. I do think there is a measure of transparency to those dollars that is different from other federal funds. I think the best assurance I can give you is to continue with corrective actions and resolve the problem is the best way to move forward. To get the problems resolved, that will be looked on very, very favorably. I think the biggest issue is if you are not doing anything to demonstrate that you are trying to resolve the issues. Under no circumstances, I would not want to be in that place.

Mr. Kennedy asked if Ms. Miller could say with a degree of certainty that we are moving in the right direction on both sides?

Ms. Miller responded that she could say that the progress I have seen from 2008 to 2009 was significant.

Mayor Rummage stated the questions he was going to ask have already been asked. This is a completely different report than what I heard last year. You feel a lot better about it and I certainly do. One should never take a newspaper article and refer to it at a time like this, but I am going to. I read the article by Mr. Delano in today's Free Lance Star. Did you have a chance to read that?

Ms. Miller responded that she did.

Mayor Rummage stated that he liked what he read and asked Ms. Miller if she concurred with the article?

Ms. Miller felt it was not appropriate for her to respond.

Mayor Rummage stated this is probably the only information that the public, not those who are sitting here in the audience because they are individuals who are involved with numbers. Most of the public who read the article, that is the only information they have. I was very impressed with the article. Do you have any problem with that?

Ms. Miller felt it was not appropriate for her to respond to the nature of the newspaper article. I started out my comments and I will conclude my comments, by saying that significant progress has been made. These problems didn't happen overnight. They weren't going to be solved overnight and I was well pleased by where you got to in a relatively short period of time.

Mr. Ridgely stated VML has been a big help to our staff. We have an opinion on our side of the house from the auditor and I commend our staff because they stood ready to get the information requested. Sometimes the same information is requested in various forms and they are to be commended for what they have done. One of the three findings we need to do something about. One is procedure. Another one is dependent on the auditor getting done which is not her fault. When you look at it, we had one thing to really correct as far as that goes. I am happy with our progress. We went from 40 findings down to 3. That is significant progress in that area and I would like to thank the staff for their help.

Ms. King stated she wanted to move forward in hopes that we can work together with more transparency and more communication. If we can work together at the end of the year, there shouldn't be anything that is pending. We should pretty much know what is going on. We have to come together and we are two separate entities and it is about the children in the community. I think this is the only way this will be resolved is if we all come together.

Mr. Ridgely stated we are doing okay right now with this audit, but Colonial Beach is not exempt from what is going on all around us, State and National.

Mr. Trivett stated he was glad we agreed to have this meeting and I have been very impressed with Ms. Miller. She has worked with us and I think she has been able to see that we are doing the right thing and putting the right things in place. A year ago, I really thought we would have a lot of these things corrected but unfortunately it didn't happen. But as you well know, we made some changes that have been very good. I am working with some of the most professional people that I think that I have ever worked with including Dr. Power, Janet Brown and the new addition to our team, Annette Thompson. I believe in my heart that we are on the right track and will correct every one of these deficiencies. A lot of them are already corrected by just putting an accounting system in place. The accounting system that the school had, I don't know how they got by with it for all those years. It was so obsolete it is just mind boggling to think you could operate off of a system like that. There was resistance from day one with me coming on board to change that. Sometimes you have to make tough decisions and move on if you are going to do the right thing. You have to replace people and move forward. Believe me I have struggled with this thing for many days and many nights and my staff have worked hour after hour. I can call them 6 or 7 o'clock at night and they are there working trying to get this right. They basically built a new system with nothing. That created a problem for us because some of

the documentation wasn't available. Unfortunately that was out of my control. It was out of the School Board's control. Where that documentation is, I can speculate but I have no idea. We are heading in a direction now where when we report to you and give you information it will be accurate. It will mirror whatever your CFO has. Our staff has worked very closely with Ms. Grant to make sure that our numbers are correct. We don't want any secrets and one of the biggest things that we really tried hard to do last year was to make sure we had money left over that we could give you back. Even though there are so many things in the school, in the buildings and different things that we need to spend money on to repair and fix, it was so important to us that we would be able to show you that we were making an honest effort to be able to repay some of this money. We owe money as you well know, but the only way for us to be able to bring this deficit down like the auditor said, for us to do without and try to return money at the end of the year. I am a firm believer that it is the taxpayer's money and they really do look at how we spend it. I think we have done an excellent job of trying to spend it in the right way, but Dr. Power reminds me every time I see her that it is all about the children. It really is. If we don't always keep that in our minds and if we don't keep the idea that without the school system this Town is going to be a retirement community. That school system is very important to this community. I know many of the 620 families who send their kids to our school system that praise it every day. They are so thankful for the school system and the dedication that we have from our teachers and our staff. We feel like we did everything possible to rectify those issues and talk to people that we are not trying to hide anything. That is what we will continue to do for at least two more years while I am here. I welcome the opportunity to work with any one of you. I believe our staff feels that way. I wish we were all in the same building where we don't have to worry about being separated. I think we can all work together and do what is right for this Town. I really believe that in my heart and I will do everything possible to make that happen. I have been impressed with the newspaper articles lately and even some of them say we have issues which we do. They are not over yet. We have some issues that are still unresolved but I am confident they will be resolved in the very near future. We are on top of everything. We are struggling to make sure that we are doing the right thing every single day. I think all of the employees are all thankful that they have jobs. That is the bottom line. We are the ones who have to make the tough decisions. It is going to take more than a couple of years to come out of this recession and we all have to tighten our belts and we will do that. I can assure you that the school will do that in every way possible.

Mr. Ridgely stated we have to get ourselves in a position to make sure we can obtain an opinion from the auditor next year. It is crucial to the operation of the finances of this Town. This has a debilitating effect on ability to do business. It is not acceptable anymore. I am sure you realize that.

Mr. Trivett agreed.

Mr. Kennedy stated Mr. Trivett and I don't agree on everything, but we do agree on this. The school is an intricate part of this Town. I agree with him 100%. Without it there is no growth. Without growth there is no revenue. For financial help, it is important that we keep that school healthy but it behooves all of us and everyone sitting here to work through these issues. It is going to take every one of us to sit down and make sure this budget is a working budget.

Mr. Ridgely stated that is one of the things that is interesting to the economic issue, the only ones who seem to be avoiding layoffs are agencies with vacancies. I looked at fire and rescue in Stafford and Spotsylvania and King George. They cushion their payroll with vacancies. The fire chief in Spotsylvania has been faced with major layoffs. The smaller the group, the less chance you have of that.

Mr. Trivett stated Ms. Miller has agreed to come and meet with us quarterly to see our progress and monitor the progress and we intend to do that so we can make sure we are on the right track.

Mr. Ridgely stated as long as she sends you the bill.

Mr. Trivett stated we will pay for it.

Dr. Power thanked the Council for the opportunity to have this meeting. I would like to thank Val Foulds. She took a great deal of time at the very beginning with me being new to the community, new to the Superintendent position, to help me understand the needs and direction of the community. The progress that has been made is a good starting point of common ground in which we can build relationships and progress. Ms. Grant has educated me as I walk over and say I know you are not going to believe this, but could you tell me what this means. Again, when understanding grows together so does the relationship. I wanted to present to you this afternoon for your approval the Corrective Action Plan that addresses each of the items in Ms. Miller's audit report and as Mr. Kennedy asked, 99.1% of each of the School Boards' responses are already in place. The corrections have been made. What I plan to do with Council's approval is at the Finance Committee each month is to present evidence of each of these items so that Council can feel confident that we are moving in the right direction. The second attachment for your approval is the RDA Report – July 1, 2009. By the end of February this system will have it all full accounts from July 1, 2009 to February 27, 2010. At that time there will be a percentage of budget use but as you can see, the School Board has diligently worked to keep itself within a very balanced budget. Ms. Grant works with us on a monthly basis so that our numbers reconcile and any differences are noted and worked on. There was an issue whether the Department of Education posts numbers and again we want to present the true picture. The last consideration for Council is a resolution that I brought before Council in August asking that the carryover funds be approved to the School Board. The advice from Council was that this resolution be held until the audit report. I would ask Council to approve the appropriation of this money to the School Board. I want to thank you for your time and your positive words and for these personal relationships I have developed with each of you. Ms. Payne was been forthcoming and honest. Mr. Kennedy I have met with. The Mayor is certainly supportive and again, my sincere thanks to my Board because I could not do what I do every day without their support. Anytime there are questions about any of these issues, I more than welcome you to call me and come in.

Mayor Rummage asked if this was something we want to take up now?

Mr. Ridgely responded, no not now. We can have a special meeting.

With no further discussion, Mayor Rummage called for motion to adjourn the meeting.

Motion was made by Mr. Ridgely. With no objection the Special Meeting of Thursday, January 28, 2010 was adjourned at 3:50 p.m. at the Colonial Beach Town Center. *Mr. Lyburn was absent from the vote. Motion Carried*

Respectfully submitted:

Barbara A. Goff,
Town Clerk

Frederick C. Rummage,
Mayor