

Town of Washington
Board of Finance
February 24, 2020

Present: Members: Michael Jackson, Craig Schoon, Matt Cain, Barbara Brown
Alternates: Phyllis Allen
Selectmen: James Britton, Michelle Gorra
Treasurer: Linda McGarr
Guest: Enrico Melaragno, CPA, CGFM

Chairman Michael Jackson called the meeting to order at 5:00 p.m.

Minutes: A motion to approve the minutes of January 27, 2020 by Barbara Brown, seconded by Craig Schoon, and unanimously approved

Audit Review: Enrico Melaragno, CPA, CGFM presented the 2018-2019 audit. He thanked the Board and staff. He announced that Charles Heaven & Co, inc is almost 100 years old and that Erica Melaragno, CPA had made partner and that Charlie Heaven has semi-retired.

- He had a recommendation due to the fact the Town of Prospect had funds electronically stolen from their Webster bank account. The town should have a written internal control.
- Management's Discussion & Analysis (MD & A) is written by the town. Pages 4 through 10. It is not audited but certain procedures are applied to make sure they correspond with the audited numbers. It explains what the financial statements are all about and If there are changes and their explanation.
- There are three sets of financial statements.
 - Budgetary Method – which are the financial that the town uses to compare actual to the approved budget. Each Town picks their own budgetary method either it be cash basis, accrual basis or modify accrual basis.
 - GAAP Method, Fund Financial– for the State OPM use to compare to other towns. It is the modified accrual basis.
 - GASB 34 Government Wide – is done for the Bond rating agencies. Combines all the asset and all the liabilities.

There is reconciliation between one method to the other.

- There are three separated audits that need to be done if threshold is met. Only the basic financial statements were done. The Federal Single Audit and the State of Connecticut Single Audit did not meet the threshold. The three audits are as follows.
 - The basic financial statement audit is required by law and is done every year.
 - The Federal Single Audit threshold is \$750,000 in federal funds.
 - The State Single Audit has a threshold of \$300,000.

- The Basic Financial statements can be found on pages 41-44 of the audit. Page 41 show the revenues. The third column shows the variance in the revenues. If you see a positive number that shows that you have collected more than was budgeted. \$878,683.00 was collected more than the town had budgeted. There are two line items that are not acceptable for general accepted accounting principles the way we budget them. The building inspection fees which we budget income of \$52,000 and will show \$52,000 but the excess will go against expenditures. This is because the building inspection gets paid a percentage of permit fees issued. There is an adjustment to go from budgetary to GAAP because it is not acceptable. It is the same for private duty. Excess revenue is applied to expenditures. You will see these adjustments on page 42 expenditures. Expenditures are by department. The last column is the variance between Budget and Actual. If the column is a negative that means it is under budget. The Town expended less than budget. Some of the large variances are health insurance, due to less spent on deductible, public safety- Lake Waramaug Authority due to lower payroll (police coverage), Public Works is weather conditions, Sanitation was under due to less solid waste trucking and tipping fees. The Town has no control over education because it is a separate taxpayer approved budget. The difference between budgetary and GAAP is that any funds returned by region #12 is income but GAAP rules see it as return of your own funds. Reduction in expenditure.
- The town has continuing appropriation such as Revaluation, Conservation & Development Plan, Legal Litigation, and Health Reimbursement Benefit. These appropriations do not end until the board decides that it is no longer needed. An example is Revaluation. There is \$25,000 for current year and \$73,967 from the prior year to a total of \$93,967 and expended \$41, 178 which will leave a balance forward of \$57,789. Legal Litigation There is a beginning balance (\$207,884), a transfer from this fiscal year (\$20,000) and expenditure from the fiscal year (\$43,496) and then the balance is left for future fiscal years (\$164,388). The Board of Finance creates the continuing appropriation.
- Fund Balance, Page #13 Total Fund Balance at the end of the year is \$6,777,347
 - Some of these funds are restricted; Revaluation, Conservation & Development, Legal Litigation, Health Reimbursement Benefits and LOSAP (Length of Service Awards Program). There is also an assignment of funds for the following years budget, \$361,932
 - After the restricted funds, the available unassigned fund balance is \$5,408,099
 - Based on this year's budget of \$17,934,040 there is 3.86 operating months available. Which means without any revenue coming in the town could pay its expenses for about 4 months.
 - The fund balance is 32.2 % of this year's budget.
 - The Government Finance Officer Organization recommend not less than 2 months. It does not have authority it is just a recommendation. Per the auditor assume if a fund balance get too large taxpayers may complain. Per Michael Jackson, Washington is still one of the lowest mill rates in the state. Per Michelle Gorra the state does look at the wealth of the town when looking at grants and the teachers' pension issue.
- The funds are broken down into Major Funds and Non-Major Funds.
 - A Major Fund is a fund that has a big dollar amount. The definition is it has 10% of the total government's assets, liabilities, revenue and expense. Management can make the Fund major if it feels it is important to the town.
 - Town Aid Road Fund, Capital Nonrecurring Fund, and Open Space are Major funds

- Capital Assets is to last longer than one year and a cost of over \$5,000. The asset is depreciated over a set amount of years depending on the asset.
 - All other funds are Non-Major funds – The Audit has a description what each fund is used for (Page 22). Judea Cemetery, Park and Recreation Fund, Senior Center Fund, Greenway Committee Fund, Document Preservation Fund, Recycling Fund, After School Fund, and affordable Housing Fund
 - The Judea Cemetery has restricted funds in Perpetual Care Principal of \$66,526 which is regulated by state statute and can not be touched but the interest earned. The principal is from an accumulation of a percentage of a plot sale. The town owns the cemetery and it is the towns responsibility to maintain it.
 - Page 51 of the audit shows the profit and loss of all the Non-major funds.
 - The recycling is not a restricted fund but a special revenue fund
 - After School Fund. - to run the after-school program. Administrator by Parks & recreation. Income comes from tuition and donations.
 - Affordable Housing Fund. – for Down payment assistance and to build low income housing. Town approved \$70,000 to the Housing Trust for low income housing.
- Pension Trust Funds
 - Defined Contribution Plan – Current Plan. 7% of eligible wages are put into the trust. Not subject to third party creditors
 - Defined Benefit Pension Plan is frozen – When someone retires they know what they are going to receive. This needs an actuary to calculate the amount that is transferred each year.
 - Volunteer Incentive Programs (LOSAP) - was moved to the general fund so it could be invested in the current investment. They are still subject to third party creditors. The funds are restricted.
 - Alcohol & Drug Abuse prevention Fund. It is an agency fund. It is a Region 12 fund that we are the fiduciary for it. The program is funded by grants and the funds are used for programs at the school. Michael asked that there be some reporting from the school on what the funds were spent on.
 - Tax Collector report – There are only six open grand list years with a total of \$114,980. The suspense that was approved by the board was \$7,384. Page 11 of attached presentation shows the historical balances. The Board of Finance is very please with the collection of taxes.
 - Recommendations
 - Formalizes the accounting procedural manual.
 - Due to a large amount of cash on hand that the town needs new procedures. FDIC insures up to \$250,000. Need to limit exposure. The Treasurer has been working with the local banks with the following procedure.
 - Litchfield Bancorp has CEDARs which they put the funds out to other banks with no more than \$250,000 in each bank
 - National Iron Bank has ICS which is basically the same as CEDARs which is a sweep account. The contracts for that is at the town attorney
 - Union Savings, we have letters each year that go above and beyond the \$250,000 which is state regulated that banks have to have enough assets to cover the municipality

- There are also letters stating that they will never wire transfer out of our accounts. No online transfer.
 - The town hall took a cyber security seminar with homeland security. The seminar was very informative.
 - The state does have a short- term investment fund that they allow you to invest in.
- Consider Budgeting Continuing appropriation to be categorized in the department it benefits instead of the end of the budget. i.e. Revaluation under the Assessor.
- Government Wide Financial – for Bonding (Page 11). Combined all funds and capital assets is the Total assets except for pension funds that are not subject to third party creditors. Total assets are \$33,943,827. The bonding agencies will look at the towns when the region #12 wants to bond. The Town of Washington is obligated for our share of the Region #12 bonds 45.84 % of the total of two bonds of \$\$12,250,000. (Page #56) Only liable if the region does not pay.

A motion to except the audit was made by Barbara Brown, seconded by Craig Schoon and unanimously approved.

Tax Collector Report: No Comment

Treasurer Report: No Comments

Selectman: No much this month. Next month there will be more

Financial Reports: No Comments

Education: Budget presentation is March 2, 2020 at 6:30. They will be running a bond for the roof and some more work. Michelle Gorra was not sure how much yet. First Selectman, Jim Britton stated that the three selectmen of the towns are behind the bond package. The superintendent is trying to get out head of the maintenance issues and be proactive. The construction on the ag-science is done except the landscaping which will have to wait until the spring. The Bond anticipation note for \$4,000,000 mention on Page #56 of the audit will come off when the reimbursement by the state is received.

New Business: None

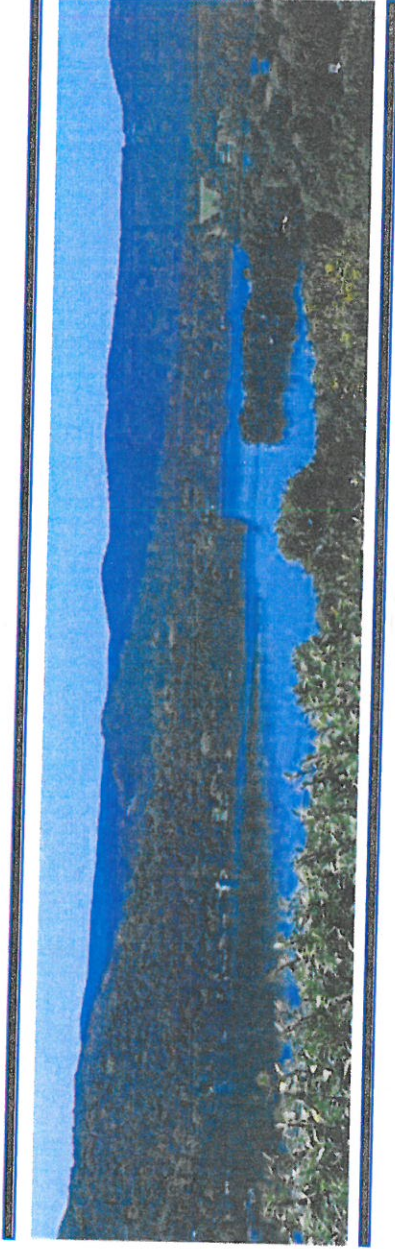
Old Business: Appointment of Elizabeth Fenton to fill the vacancy of alternate was unanimously approved.

A motion to adjourn at 6:22 by Michael Jackson, seconded by Barbara Brown and unanimously approved.

Next Meeting: March 16, 2020

Respectfully submitted,

Linda Kennedy Gomez
Financial Administrator



Town of Washington, CT

Audited Financial Statements

June 30, 2019

Charles Heaven & Co., CPAs
Rico Melaragno, CPA, CGFM

Management's Discussion & Analysis

MD&A

- Pages 4-10
- Not Audited, Applied Certain Limited Procedures

Charles Heaven & Co., CPAs
Rico Melaragno, CPA, CGFM

Financial Statements

Standards Requires 3 sets of Financial Statements:

Financial Statement	Page Number(s)
1. Budgetary Method	41-44
Reconciliation to GAAP	45-46
2. GAAP Method, Fund Financials	13 & 15
Reconciliation to GASB 34	14 & 16
3. GASB 34 Government Wide	11 & 12

Financial Statements

Includes three AUDITS:

Financial Statement	Page Number(s)
1. Audit on Basic Financial Statements	1-58
2. Federal Single Audit	N/A
3. State Single Audit	N/A

Charles Heaven & Co., CPAs
Rico Melaragno, CPA, CGFM

Analysis of General Fund Undesignated Fund Balance

Assigned for 2017..2018 Budget	361,932	791,664	356,808
Prepayment	6,528	-	2,840
Committed for Revaluation	57,789	73,967	45,317
Committed for Conservation & Development Plan	6,569	6,569	6,569
Committed for Legal Litigation	164,388	187,884	190,494
Committed for Health Reimbursement Benefits	79,588	79,588	79,588
Total Available Fund Balance, Page 14..13	5,408,099	4,257,429	3,866,662
Plus Amount Assigned for next year Budget	361,932	791,664	356,808
Total Available Fund Balance	5,770,031	5,049,093	4,223,470

Fund Balance Restated in Number of Operating Months

Next year budgeted expenditures	17,934,040	17,356,120	16,748,534
Monthly expenditures	1,494,503	1,446,343	1,395,711
Operating months	3.86	3.49	3.03
% to next year budget	32.2%	29.1%	25.2%

Best Practice: (GFOA) Government Finance Officers Association recommends "no less than 2 months.."

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Committed Fund Balance

- Continuing Appropriations

- Legal litigation

Revaluation

Balance 6/30/13	\$34,169	\$55,860
Budgeted 13/14 year	80,000	0
Expended 13/14 year	<u>-9,222</u>	<u>-42,460</u>
Balance at 6/30/14	104,947	13,400
Budgeted 14/15 year	80,000	0
Expended 14/15 year	<u>-39,279</u>	<u>0</u>
Balance at 6/30/15	145,668	13,400
Budgeted 15/16 year	60,000	0
Expended 15/16 year	<u>38,209</u>	<u>0</u>
Balance at 6/30/16	167,459	13,400
Budgeted 16/17 year	40,000	54,000
Expended 16/17 year	<u>-16,965</u>	<u>-22,083</u>
Balance at 6/30/17	190,494	45,317
Budgeted 17/18 year	<u>30,000</u>	<u>40,000</u>
Expended 17/18 year	<u>-32,610</u>	<u>-11,350</u>
Balance at 6/30/18	187,884	73,967
Budgeted 18/19 year	20,000	25,000
Expended 18/19 year	<u>-43,496</u>	<u>-41,178</u>
Balance at 6/30/19	164,388	57,789

Charles Heaven & Co., CPAs
Rico Melaragno, CPA, CGFM

Major Funds

- Balance Sheet – Page 13
- Statement of Revenue and Expenditures – Page 15

General Fund

Town Aid Road Fund

Capital Non-Recurring Fund

Land Acquisition Open Space

Highway Garage Fire Fund ---

---Nonmajor Closed 6/30/16

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Non Major Funds

- Balance Sheet – Pages 50
- Statement of Revenue and Expenditures – Pages 51

Judea Cemetery

Park and Recreation Fund

Senior Center Fund

Greenway Committee Fund

Document Preservation Fund

Recycling Fund

After School Fund

Affordable Housing Fund

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Pension Trust Funds

- Defined Contribution Plan
- Defined Benefit Pension Plan

Private Purpose Trust Funds – moved to GF 7/1/16

- Volunteer Incentive Program: Firefighters
- Volunteer Incentive Program: EMT
- Combined Statements: Pages 17 & 18
- Combining Statements: Pages 53 & 54

Agency Fund

- Alcohol and Drug Abuse Prevention Fund
- Combined Statement: Page 17
- Combining Statement: Pages 54

Tax Collector's Report

- Page 55
- Taxes due at 6/30/2019 \$ 114,980
- Taxes due at 6/30/2018 \$ 124,183
- Taxes due at 6/30/2017 \$ 155,093
- Taxes due at 6/30/2016 \$ 263,787
- Taxes due at 6/30/2015 \$ 287,100
- Taxes due at 6/30/2014 \$ 293,839
- Allowance for Uncollectible - Page 31 "zero" it was \$7,000

Town of Washington, CT

Unmodified Opinions
For financial statement audit
and
Compliance

Charles Heaven & Co., CPAs
Rico Melaragno, CPA, CGFM

Constructive Suggestions

- Formalize the accounting procedural manual
 - Repeat suggestion
- Consider Budgeting Continuing appropriation in the department benefited