



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WASHINGTON
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2020**

Town of Washington
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June 30, 2020

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Washington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town of Washington, Connecticut's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on Pages 4 through 11, budgetary comparison information on Pages 42 through 47, the schedule of changes in net pension liability and related ratios on Page 48, the schedule of employer contributions on Page 49 and schedule of investment returns on Page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021 on our consideration of the Town of Washington, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Washington, Connecticut's internal control over financial reporting and compliance.

Charly Hemen + Co., CPAs

January 22, 2021

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

This discussion is intended to provide readers a narrative overview and analysis of the financial activities of the Town of Washington, Connecticut (the "Town") for the fiscal year ended June 30, 2020. The information presented here should be considered in conjunction with the Town's basic financial statements that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position and the statement of activities, which are the government-wide statements, report information about the Town finances as a whole and about its activities in a way that helps the reader determine whether the Town is better or worse off as a result of the year's activities.

The statement of net position reflects all of the Town's assets and deferred outflows of resources, and all of its liabilities and deferred inflows of resources, the net result of which is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating. However, significant changes in net position can also occur from year to year due to changes in accounting standards issued by the Governmental Accounting Standards Board (GASB). To assess the overall financial condition of the Town other nonfinancial factors such as the property tax base and the condition of the Town's infrastructure also need to be considered.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses, such as uncollected property taxes and earned but unused vacation leave that will result in cash flows in future fiscal periods are reported in this statement.

The government-wide financial statements distinguish functions of the Town that are principally supported by tax revenues, grants and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, education, and other activities. The Town does not report any funds that carry on business-type activities.

The basic government-wide financial statements can be found on pages 12 and 13 of this report.

FUND FINANCIAL STATEMENTS:

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Town report governmental funds and fiduciary funds.

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is to say the Town's most basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a near or short-term view of the Town's finances that may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Town Aid Road Fund, Capital Non-Recurring, Land Acquisition Open Space, each of which is considered to be a major fund. The remaining eight funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been included as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. This includes pension trust funds, and the Town's Alcohol and Drug Abuse Prevention Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Washington's own programs.

The basic fiduciary fund financial statements can be found on pages 18 and 19 of this report.

NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They also provide required supplementary information regarding the Town's progress in funding its liability to provide pension benefits to its employees. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's pension liability and General Fund budget information.

The notes to the basic financial statements can be found on pages 20 to 41 of this report. Required supplementary information and supplemental schedules can be found on pages 42 to 57 of this report.

Town of Washington
Management's Discussion and Analysis
June 30, 2020

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Town's assets and deferred outflows of resources of \$36,979,252 exceeded the sum of its liabilities and deferred inflows of resources of \$2,076,019 resulting in net position of \$34,903,233. Of this amount, \$22,367,556 was invested in capital assets, while \$694,765 was restricted for road improvements and \$104,995 was restricted for purposes of various nonmajor Town funds. The remaining net position of \$11,735,917 was available to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the fiscal year, the Town's governmental funds reported, on a current financial resource's basis, combined ending fund balances of \$13,442,393 an increase of \$1,632,174 from last fiscal year. The total fund balance of the General Fund of \$7,637,399 represented 40.53% of fiscal year 2020-2021 budgeted appropriations of \$18,840,379, while its unassigned fund balance of \$5,813,731 available for spending at the Town's discretion, represented 30.85% of that same amount.
- The Town's long-term debt at June 30, 2020 consisted of its obligation of \$125,493 for earned but unused employee compensated absences, net pension liability of \$340,101, landfill – transfer station closure and post-closure care costs of \$12,000, and LOSAP program benefits of \$693,091.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$34,903,233 at the close of the fiscal year.

Town of Washington - Net Position

	<u>2019</u>	<u>2020</u>
<u>Assets</u>		
Current assets	\$ 12,564,869	\$ 14,503,574
Capital assets, net	21,378,958	22,367,556
Total assets	<u>33,943,827</u>	<u>36,871,130</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>108,122</u>
<u>Liabilities</u>		
Current liabilities	635,940	908,333
Long-term liabilities	1,021,157	1,167,686
Total liabilities	<u>1,657,097</u>	<u>2,076,019</u>
<u>Deferred Inflows of Resources</u>	<u>107,381</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	21,378,958	22,367,556
Restricted	897,583	799,760
Unrestricted	9,902,808	11,735,917
Total Net Position	<u>\$ 32,179,349</u>	<u>\$ 34,903,233</u>

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

The largest portion of the Town's net position \$22,367,556 (64.08%) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Of the Town's remaining net position, \$11,735,917 (33.62%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased \$2,723,884 during the fiscal year.

Town of Washington Governmental Activities - Changes in Net Position

	2019		2020	
	\$	% to Total	\$	% to Total
Revenues:				
Program:				
Charges for services	\$ 879,714	4.74%	\$ 844,935	4.37%
Operating grants and contributions	55,052	0.30%	51,992	0.27%
Capital grants and contributions	860,774	4.63%	668,234	3.45%
General:				
Property taxes	16,337,344	87.97%	17,296,355	89.41%
Grants and contributions, not restricted to specific programs	91,483	0.49%	106,304	0.55%
Unrestricted investment earnings	297,909	1.60%	327,409	1.69%
Lease income and other miscellaneous	49,615	0.27%	49,169	0.25%
Total Revenues	18,571,891	100.00%	19,344,398	100.00%
Expenses:				
General government	2,100,423	13.34%	2,164,180	13.02%
Public safety	822,959	5.22%	798,727	4.81%
Highways (public works)	1,837,269	11.66%	2,124,555	12.78%
Sanitation	412,308	2.62%	485,385	2.92%
Social services	87,121	0.55%	15,211	0.09%
Health	86,831	0.55%	89,676	0.54%
Parks and recreation	312,216	1.98%	331,482	1.99%
Education	9,677,719	61.44%	10,140,173	61.01%
Other	415,061	2.63%	471,125	2.83%
Total Expenses	15,751,907	100.00%	16,620,514	100.00%
Change in Net Position	2,819,984		2,723,884	
Net Position, Beginning of Year	29,359,365		32,179,349	
Net Position, End of Year	<u>\$ 32,179,349</u>		<u>\$ 34,903,233</u>	

The following is an analysis of significant changes in activity from the prior year:

- The decrease in charges for services is mainly due to a reduction in parks and recreation and private duty police activity.
- The increase in unrestricted investment earnings is due to increased invested cash and cash equivalents.
- The decrease in capital grants and contributions is due to receipt of bridge grant in 2019, not 2020.
- The increase in property tax revenue, including interest and liens is mainly due to an increase in Grand List assessments.

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

- The increase in General government is mainly due to increased activity in the building department.
- The increase in highways (public works) is mainly due to the increase in depreciation expense, a noncash item.
- The decrease in Social Services is due to a nonrecurring donation made in 2019.
- The increase in sanitation is mainly due to expenditures in the recycling fund for transfer station upgrades.
- The increase in education expenditures is attributable to an increase in pupil ratio of education cost as assessed by Regional School District # 12 (determined by a separate approved taxpayer budget).
- The increase in Other expenses is mainly due to an increase in pension expense.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$13,442,393. This fund balance is classified as follows for the major funds: \$693,091 restricted for the LOSAP program, \$694,765 restricted for road improvements, \$4,238,031 committed for capital non-recurring expenditures, \$347,432 committed to land acquisition for open space, \$50,289 committed for revaluation, \$6,569 committed for conservation and development, \$131,197 committed for legal litigation, \$79,588 committed for health reimbursement benefits, and \$862,934 assigned for the subsequent year's budgeted deficit. The \$5,813,731 unassigned fund balance of the General Fund was available for spending at the Town's discretion. The nonmajor fund balances are classified as follows: \$66,532 nonspendable, \$38,463 restricted, \$326,145 committed, and \$93,626 assigned for recycling purposes. Information detailing the allocation of fund balance for nonmajor fund purposes is on pages 50 and 51.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare its fund balance to the ensuing year's budgeted appropriations. Total fund balance of the General Fund at fiscal year-end represented 40.53% of fiscal year 2020-2021 budgeted appropriations, while its unassigned fund balance represented 30.86% of that same amount.

The fund balance of the Capital Non-Recurring Fund increased by \$909,210 during the fiscal year as revenue and appropriated transfers exceeded expenditures mainly due to construction in progress. The Town Aid Road Fund decreased by \$102,477 by expending more than the fiscal year's grant allocation. The Land Acquisition Open Space Fund increased by \$5,892 represented by the investment income. The combined fund balances of all nonmajor funds decreased by \$40,503 during the fiscal year.

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund budget provided for \$670,266 use of fund balance to finance approved appropriations. However, actual revenues and transfer in were \$715,101 greater than budgetary projections, while expenditures and operating transfers out were \$814,580 less than approved appropriations, resulting in an actual addition of fund balance of \$859,415 and a positive budgetary variance of \$1,529,681.

Additional appropriations to the original budget totaled \$308,334. Additional appropriations were all comprised of continuing appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The breakdown of capital assets, net of accumulated depreciation is as follows:

	2019	2020
Land	\$ 1,141,215	\$ 1,144,215
Construction in Progress		
Mygatt Road Reconstruction	30,275	30,275
Transfer station	1,400	1,400
Tennis courts	16,748	-
Firehouse HVAC	55,375	-
Town Hall drainage	42,270	-
Senior center	-	5,580
Bridge Reconstruction	-	205,710
Bryan Memorial Plaza	-	45,000
Storage Building	-	51,601
Land Improvements	62,848	112,364
Building & Improvements	4,360,196	4,268,843
Machinery & Equipment	1,273,123	1,117,366
Infrastructure	14,395,508	15,385,202
	<u>\$ 21,378,958</u>	<u>\$ 22,367,556</u>

During the fiscal year, the Town's net investment in capital assets increased by \$988,598. This increase results from current year additions over current year depreciation and disposals, as follows:

Additions:	
Work in Progress and land purchase	\$ 310,891
Land improvements	43,657
Building and improvements	71,159
Machinery, equipment, and vehicles	135,106
Infrastructure: paving and other road improvements	1,656,773
Current Year Depreciation	<u>(1,228,988)</u>
Net Increase	<u>\$ 988,598</u>

Additional information on the Town's capital assets can be found in Note 7 on page 32 of this report.

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

Debt

The Town's long-term debt at June 30, 2020 consisted of its obligation of \$125,493 for earned but unused employee compensated absences, \$340,101 net pension liability, \$693,091 owed to LOSAP participants, and \$12,000 for landfill – transfer station closure and post closure care costs.

The Town is also contingently liable for its pro rata share of the Regional School District No. 12 debt. At June 30, 2020, the Town's pro rata share (46.50%) was \$5,545,125.

Additional information on the Town's debt can be found in Note 8 on page 34 of this report and the Statement of Debt Limitation on page 56.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors affecting the Town, including those that were considered in preparing the Town's General Fund budget for the 2020-2021 fiscal year, and those that will affect future budgets are as follows:

The Town's Mill rate for the 2020-2021 fiscal year has remained the same as the prior year, at 14.25 mills.

The \$18,840,379, 2020-2021 General Fund expenditure budget, which increased by \$906,339 from the prior fiscal year original budget, incorporates the following changes:

- An increase of 3.78% in the operating budget of the Town, a 29.35% increase in non-recurring capital expense transfer and a 2% increase in education expense in accordance with a separate taxpayer approved budget.

It is expected that general State financial aid will remain level at best.

At the end of the FY 2019-2020 fiscal year, the General Fund balance was at \$7,637,399. Of the General Fund balance, \$862,934 was assigned for the FY 2020-2021 operations, to help moderate any tax impact from the higher expenditures.

The Town's unemployment rate increased to 6.3% as compared to prior year, June 30, 2019 rate of 1.8%. This was mostly due to the impact of the COVID-19 pandemic. In comparison the unemployment rate for the State of Connecticut increased to 10.1% from 3.7% a year ago.

The Town adopted, in accordance with the State of Connecticut Governor's executive order the Tax Deferment Relief Program through October 1, 2020. This program allowed the Town of Washington to extend the last day to pay amounts due for property taxes that became due July 1, 2020 for three months from the date they became due and payable without interest or penalty for eligible taxpayers, as defined by the executive order. The potential impact of the pandemic on the local economy, businesses and the Town's revenue is being closely monitored. Although we expect little impact on the Town's revenue, the impact, on the property tax revenue is expected to occur with the January 2021 semiannual installment.

**Town of Washington
Management's Discussion and Analysis
June 30, 2020**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Washington's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the First Selectman, Bryan Memorial Town Hall, PO Box 383, Washington Depot, CT 06794.

Town of Washington
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 11,451,955
Investments	2,539,474
Property taxes receivable - net	172,789
Contribution in Lieu- Recievable	37,043
Mortgage receivable	50,000
Grant receivable	252,313
Total current assets	<u>14,503,574</u>
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	1,483,781
Assets, net of depreciation of \$25,386,548	20,883,775
Total noncurrent assets	<u>22,367,556</u>
Total Assets	<u>36,871,130</u>
 Deferred Outflows of Resources	
Difference between projected and actual earnings on pension plan investments	3,185
Difference between projected and actual experience on pension plan investments	104,937
Total Deferred Outflows of Resources	<u>108,122</u>
 Liabilities	
Current Liabilities	
Accounts payable	444,578
Performance bonds held	76,484
Overpaid property taxes	23,278
Grant payable	360,993
Long-term liabilities due within one year	3,000
Total current liabilities	<u>908,333</u>
Noncurrent Liabilities	
Due in more than one year	1,167,686
Total Liabilities	<u>2,076,019</u>
 Net Position	
Net investment in capital assets	22,367,556
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,532
Road improvements	694,765
Senior Center	7,300
Community beautification	800
Document preservation	14,063
After school programs	16,300
Unrestricted	11,735,917
Total Net Position	<u><u>\$ 34,903,233</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 2,164,180	\$ 749,856	\$ ---	\$ ---	(1,414,324)
Public safety	798,727	44,640	---	---	(754,087)
Highways (public works)	2,124,555	---	---	668,234	(1,456,321)
Sanitation	485,385	2,775	---	---	(482,610)
Social services	15,211	2,742	---	---	(12,469)
Health	89,676	---	---	---	(89,676)
Parks and recreation	331,482	17,098	---	---	(314,384)
Education	10,140,173	---	51,992	---	(10,088,181)
Other	471,125	27,824	---	---	(443,301)
Total governmental activities	\$ 16,620,514	\$ 844,935	\$ 51,992	\$ 668,234	(15,055,353)
General revenues:					
Property taxes, interest and lien fees					17,296,355
Grants and contributions not restricted to specific programs					106,304
Investment earnings					327,409
Lease income and other miscellaneous					49,169
Total general revenues					17,779,237
Change in net position					2,723,884
Net position - July 1, 2019					32,179,349
Net position - June 30, 2020					\$ 34,903,233

The accompanying notes are an integral part of these financial statements.

Town of Washington
Balance Sheet
Governmental Funds
June 30, 2020

June 30, 2020

	Major Funds					
	Special		Capital Project Funds			
	Revenue Fund			Land	Other	Total
	Town Aid		Capital	Acquisition	Governmental	Governmental
	Road Fund		Non-Recurring	Open Space	Funds	Funds
General Fund						
Assets:						
Cash and cash equivalents	\$ 6,108,763	\$ 694,765	\$ 4,410,649	\$ 24,751	\$ 213,027	\$ 11,451,955
Investments - at fair value	1,955,054	-	-	322,681	261,739	2,539,474
Property tax receivable, net	172,789	-	-	-	-	172,789
Contribution in Lieu Receivable	37,043	-	-	-	-	37,043
Mortgage receivable	-	-	-	-	50,000	50,000
Grant receivable	-	-	252,313	-	-	252,313
Total Assets	\$ 8,273,649	\$ 694,765	\$ 4,662,962	\$ 347,432	\$ 524,766	\$ 14,503,574
Liabilities:						
Accounts payable	\$ 376,372	\$ -	\$ 68,206	\$ -	\$ -	\$ 444,578
Performance bonds payable	76,484	-	-	-	-	76,484
Overpaid property taxes	23,278	-	-	-	-	23,278
Unearned revenue	4,268	-	356,725	-	-	360,993
Total Liabilities	480,402	-	424,931	-	-	905,333
Deferred Inflows of Resources:						
Unavailable revenue - property tax	155,848	-	-	-	-	155,848
Fund Balances:						
Nonspendable:						
Perpetual Care Principal	-	-	-	-	66,532	66,532
Restricted for:						
Volunteer Firefighter & EMT Service Program	693,091	-	-	-	-	693,091
Road improvements	-	694,765	-	-	-	694,765
Senior Center	-	-	-	-	7,300	7,300
Community beautification	-	-	-	-	800	800
Document preservation	-	-	-	-	14,063	14,063
After school programs	-	-	-	-	16,300	16,300
Committed to:						
Parks and recreation	-	-	-	-	63,421	63,421
Cemetery operation	-	-	-	-	6,161	6,161
Capital non-recurring expenditures	-	-	4,238,031	-	-	4,238,031
Land acquisition for open space	-	-	-	347,432	-	347,432
Affordable housing	-	-	-	-	156,563	156,563
Down payment assistance program	-	-	-	-	100,000	100,000
Revaluation	50,289	-	-	-	-	50,289
Conservation and Development Plan	6,569	-	-	-	-	6,569
Legal litigation	131,197	-	-	-	-	131,197
Health reimbursement benefits	79,588	-	-	-	-	79,588
Assigned for:						
Recycling	-	-	-	-	93,626	93,626
Subsequent year budgeted deficit	862,934	-	-	-	-	862,934
Unassigned	5,813,731	-	-	-	-	5,813,731
Total Fund Balances	7,637,399	694,765	4,238,031	347,432	524,766	13,442,393
Total Liabilities, Deferred Inflows of Resources and Fund Balances						
	\$ 8,273,649	\$ 694,765	\$ 4,662,962	\$ 347,432	\$ 524,766	\$ 14,503,574

The accompanying notes are an integral part of these financial statements.

Town of Washington
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2020

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following:

Total Fund Balances for Governmental Funds **\$ 13,442,393**

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Governmental capital assets	\$ 47,754,104	
Less accumulated depreciation	<u>(25,386,548)</u>	22,367,556

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property taxes, interest, and liens receivable	155,848
--	---------

Long-term liabilities, including bonds payable are not due and payable in the current period, and therefore, are not reported in the governmental funds.

Compensated absences	\$ (125,493)	
Postclosure landfill costs	(12,000)	
Net pension liability	(340,101)	
Length of Service Award Plans liability	(693,092)	
Deferred outflows related to the net difference between projected and actual earnings on pension plan investments	3,185	
Deferred outflows related to the difference between pension expected and actual experiences	<u>104,937</u>	<u>(1,062,564)</u>

Total Net Position of Governmental Activities **\$ 34,903,233**

The accompanying notes are an integral part of these financial statement.

Town of Washington
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	Major Funds					
	General Fund	Special	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Revenue Fund	Capital Non-Recurring	Land		
		Town Aid Road Fund		Acquisition Open Space		
Revenues:						
Property taxes	\$ 17,194,971	\$ -	\$ -	\$ -	\$ -	17,194,971
Interest & lien fees on property taxes	67,246	-	-	-	-	67,246
Intergovernmental	69,340	332,040	253,104	-	-	654,484
Contribution in lieu of taxes	88,956	-	-	-	-	88,956
Investment income	216,629	6,704	90,501	6,892	6,683	327,409
Lease income	49,169	-	-	-	-	49,169
Licenses and permits	791,782	-	-	-	-	791,782
Program fees and other receipts	-	-	83,090	-	53,153	136,243
Total Revenues	18,478,093	338,744	426,695	6,892	59,836	19,310,260
Expenditures:						
Current:						
General government	2,069,876	-	-	-	-	2,069,876
Public safety	641,522	-	-	1,000	-	642,522
Highways	1,167,514	-	-	-	-	1,167,514
Sanitation	459,462	-	-	-	28,440	487,902
Health	86,759	-	-	-	-	86,759
Recreation	222,361	-	-	-	65,747	288,108
Social services	11,789	-	-	-	3,422	15,211
Education	10,140,173	-	-	-	-	10,140,173
Other	495,085	-	-	-	24,730	519,815
Capital outlay	-	441,221	1,818,985	-	-	2,260,206
Total Expenditures	15,294,541	441,221	1,818,985	1,000	122,339	17,678,086
Excess (Deficiency) of Revenues Over Expenditures	3,183,552	(102,477)	(1,392,290)	5,892	(62,503)	1,632,174
Other Financing Sources (Uses):						
Proceeds from sale of capital assets	-	-	-	-	-	-
Operating transfers in (out)	(2,323,500)	-	2,301,500	-	22,000	-
Total Other Financing Sources (Uses)	(2,323,500)	-	2,301,500	-	22,000	-
Net Change in Fund Balances	860,052	(102,477)	909,210	5,892	(40,503)	1,632,174
Fund Balances:						
Beginning of Year	6,777,347	797,242	3,328,821	341,540	565,269	11,810,219
End of Year	\$ 7,637,399	\$ 694,765	\$ 4,238,031	\$ 347,432	\$ 524,766	\$ 13,442,393

The accompanying notes are an integral part of these financial statements.

Town of Washington
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different due to the following:

Net Change in Fund Balances-Total Governmental Funds **\$ 1,632,174**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Total capital outlay	\$ 2,217,586	
Less current year depreciation	<u>(1,228,988)</u>	988,598

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Property taxes receivable - net	\$ 34,138	
Change in deferred inflows related the net difference between projected and actual earnings on pension plan investments	107,381	
Change in deferred inflows related to the differences between pension expected and actual experiences	<u>108,122</u>	249,641

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in compensated absences liability	\$ 17,931	
Change in postclosure landfill costs	3,000	
Change in Length of Service Award Plan liability	(647)	
Change net pension liability	<u>(166,813)</u>	(146,529)

Change in Net Position of Governmental Activities **\$ 2,723,884**

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Pension Trust Funds	Prevention of Alcohol and Drug Abuse Agency Fund
Assets:		
Cash and cash equivalents	\$ 117,660	\$ 15,550
Accrued interest	3,100	-
Investments - at fair value	<u>3,809,297</u>	<u>-</u>
Total Assets	3,930,057	15,550
Liabilities:		
Due to beneficiaries	<u>-</u>	<u>15,550</u>
Net Position		
Held in trust for pension benefits	<u>3,930,057</u>	<u>-</u>
Total Net Position	\$ <u>3,930,057</u>	\$ <u>-</u>

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2019

	Pension Trust Funds
<hr/>	
Additions:	
Town contributions	\$ 165,313
Investment income:	
Net appreciation (depreciation) in fair values of investments	39,571
Interest and dividends	94,126
Gross investment income	<u>133,697</u>
Less: investment expense	<u>19,779</u>
Net investment income	<u>113,918</u>
Total additions	279,231
Deductions:	
Pension benefits	<u>208,099</u>
Net Increase - Change in Net Position	71,132
Net Position - Beginning of year	<u>3,858,925</u>
Net Position - End of year	<u><u>\$ 3,930,057</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Washington, Connecticut (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

A. Reporting Entity:

The Town of Washington, Connecticut was incorporated in 1779 under the provisions of the Connecticut General Statutes, and has a population of approximately 3,500 living within an area of 38.07 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Washington, Roxbury and Bridgewater are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Washington residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for reviewing/revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United State of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in the Government Accounting Standards Board Codification have been considered, and as a result, the potential component units discussed below are not included in the Town’s reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Washington Volunteer Fire Department, Inc. and Washington Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

B. Jointly Governed Organizations:

Lake Waramaug Authority

The Lake Waramaug Authority (the “Lake Authority”) was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$12,468 and expended \$8,297 for the operation of the Lake Authority for the year ended June 30, 2020.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

B. Jointly Governed Organizations (continued)

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the “Commission”) was created by the Town of Washington, Warren and Kent to improve the lake water quality and control water pollution. The Town appropriated and expended \$14,580 for the operation of the Commission for the year ended June 30, 2020.

Northwest Hills Council of Governments

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Governments (the “NHCOC”) to provide a regional forum for information exchange and regional planning. The NHCOC is supported by assessments to the twenty-one member Towns based upon population census. The Town of Washington appropriated \$2,763 and expended \$2,762 for the operation of the NHCOC for the year ended June 30, 2020.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns, in the fund financial statements. The other eight nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting:

Government-Wide Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

The Town reports the following major governmental funds:

General Fund:

The General fund is the Town’s primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

Capital Projects Funds:

The Capital Non-Recurring Expenditure Fund, as authorized by General Statutes of Connecticut, accounts for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Land Acquisition Open Space Fund accounts for the purchase of land for open space.

The Town also reports the following eight Nonmajor Governmental Funds:

Special Revenue Funds, account for specific revenues that are legally restricted to expenditures for particular purpose:

Judea Cemetery Fund – accounts for the sale of plots, along with the related expenditures for maintaining and improving the cemetery.

Park and Recreation Fund – accounts for fees from recreational leisure programs and its related expenditures.

Senior Center Fund – accounts for charges for services and contributions restricted for senior citizens functions and activities.

Greenway Community Fund – accounts for contributions restricted for ground maintenance and improvements.

Document Preservation Fund – accounts for recording fees and state grants restricted for document preservation and its related expenditures.

Recycling Fund – accounts for recycling rebates and monies received from the dissolution of the Bristol Resource Recycling, restricted for the purposes of recycling bins and the updating of the Transfer Station.

After School Fund - accounts for tuition restricted for after school activity expenditures.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Capital Project Funds, account for major capital facilities and the acquisition of equipment:

Affordable Housing Fund – accounts for the purchase of land and related cost used to provide affordable housing.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

Pension Trust Funds - The pension funds account for the accumulation of resources to be used for retirement benefits.

Agency Funds - The agency funds account for financial resources held as a custodian for outside groups and agencies. The Town’s Alcohol and Drug Abuse Prevention Fund accounts for resources used for the prevention of alcohol and drug abuse, on behalf of outside groups and agencies.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer’s Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value. Volunteer Firefighter and EMT Service Program investments, held in a grantor/rabbi trust account, are restricted for the Length of Service Award Plan, and as such, are reported as restricted fund balance in the General Fund.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

Receivables

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles. For the year ended June 30, 2020, all taxes are deemed collectible, and therefore, the allowance was zero.

In the fund financial statements, all property taxes receivable at June 30, 2020, which have not been collected within 60 days of June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 days period have been recorded as revenue.

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Grant Receivable

Grant receivable is comprised of \$252,313 grant expenditures incurred for bridge work and not yet reimbursed by the Federal government, passed through the State of Connecticut.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings	40
Building improvements	6-20
Infrastructure	30
Machinery, Equipment and Vehicles	5-15

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

Deferred Outflows and Deferred Inflows of Resources

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period.

The statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. The Town reports deferred inflows of resources related to pension for the difference between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

For governmental funds' balance sheet, the Town reports an additional deferred inflow of resources for unavailable revenue from property taxes. Property tax income is recognized as revenue in the period that the amounts become available.

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On the fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net position.

Compensated Absences

Eligible employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Under various agreements employees may accumulate unused sick leave to be paid upon retirement. Sick leave and vacation leave expenditures are recognized in the fund financial statements in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for accrued vacation and sick leave earning is reported in the government-wide statements.

Unearned Revenue

Unearned revenue is a grant payable for an unused State of Connecticut, Small Town Economic Assistance Program (STEAP) grant of \$360,993. It will be recognized as expenditures are incurred.

Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Town of Washington
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

Fund Equity and Net Position – Governmental Funds

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town’s Board of Selectmen and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category. Debt issued for non-capital purpose is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted. A deficit will require future funding.

F. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

Town of Washington
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued)

G. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note "2" – Stewardship, Compliance, and Accountability

Budgetary Compliance – The General Fund

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectmen and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

The original General Fund budget increased by continuing appropriations of \$308,334.

Budgetary Compliance - Other Governmental Funds:

The Town does not budget for its other Governmental Funds. Considering a cost-benefit analysis, it is not practical for the town to report budgetary information for the other governmental funds on a combined basis. Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Town of Washington
Notes to Financial Statements

Note "3" – Cash and Cash Equivalents, Deposits and Investments

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2020:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 5,279,983	\$ 15,551
Certificates of Deposit	1,881,547	---
Total Deposits	<u>7,161,530</u>	<u>15,551</u>
 Petty Cash and Cash on Hand	 98,892	 ---
Cash Equivalents:		
Repurchase Agreements	6,036,678	---
Wealth Management money market Accounts	8,944	117,660
State Short-Term Investment Fund (STIF)	1,236	---
Total Cash Equivalents	<u>6,046,858</u>	<u>117,660</u>
 Less: Certificates of Deposits classified as investments	 (1,855,325)	 ---
 Total Cash and Cash Equivalents	 <u><u>\$ 11,451,955</u></u>	 <u><u>\$ 133,211</u></u>

B. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, the carrying amount of the Town's deposits, including certificates of deposits of \$1,855,325 classified as investments, was \$7,177,081 and the bank balance was \$7,315,013. Of the Town's bank balance \$4,370,500 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,431,781
Uninsured and collateralized held by pledging	
Bank's trust department not in the town's name	<u>938,719</u>
Total amount subject to custodial credit risk	<u><u>\$ 4,370,500</u></u>

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2020, the Town's cash equivalents amounted to \$6,164,578. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

State of Connecticut Short-Term Investment Fund (STIF)	<u>Standard and Poor's</u> AAAm
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Town of Washington
Notes to Financial Statements

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)

C. Cash Equivalents (continued)

Amounts held in the repurchase agreement accounts of \$2,234,475 were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name and \$3,859,698 were FDIC insured.

Wealth management money market accounts are uninsured and uncollateralized.

D. Investments

At June 30, 2020, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Primary Government			
Certificate of Deposit	\$ 1,035,915	*	1/30/2021
Certificate of Deposit	322,681	*	2/5/2021
Certificate of Deposit	170,455	*	12/16/2020
Certificate of Deposit	62,518	*	1/14/2021
Certificate of Deposit	81,242	*	2/5/2021
Certificate of Deposit	76,418	*	4/29/2022
Certificate of Deposit	64,536	*	1/14/2021
Certificate of Deposit	39,000	*	2/5/2021
Certificate of Deposit	2,560	*	4/28/2021
Mutual Fund	684,149	N/A	N/A
Total Primary Government	<u>\$ 2,539,474</u>		

* Included in deposits above, therefore, insured and collateralized to the extent described above.

The common stock and mutual fund investments included in the General Fund are restricted for the Volunteer Firefighter and EMT Service Incentive Program Plan held in a grantor/rabbi trust.

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Fiduciary Funds			
Corporate Bonds	\$ 386,780	See below	See below
Common Stock	86,454	N/A	N/A
Exchange Traded & Closed End Funds	327,590	N/A	N/A
Real Estate Investment Trust	19,475	N/A	N/A
Mutual Funds	2,988,998	N/A	N/A
Total Fiduciary Funds	<u>\$ 3,809,297</u>		

- Ratings by a nationally recognized rating organization are provided where applicable to indicate the associated credit risk. N/A indicates rating is not applicable.

Town of Washington
Notes to Financial Statements

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)

D. Investments (continued)

- Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

The average credit rating of the corporate bonds are as follows:

A1	<u>\$ 25,733</u>	A2	<u>\$ 77,418</u>	A3	<u>\$ 105,030</u>		
Aa1	<u>\$ 25,846</u>	Aa2	<u>\$ 76,789</u>	Aa3	<u>\$ 50,973</u>	BBB	<u>\$ 24,991</u>

The bonds have a maturity date of less than 5 years.

E. Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2020 whose fair value was determined using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2020.

Investments by Fair Value Level	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Certificate of Deposit	\$ ---	\$ 1,855,325	\$	1,855,325
Corporate Bonds	---	386,780		386,780
Common Stock	86,454	---		86,454
Exchange Traded & Closed End Funds	---	327,590		327,590
Real Estate Investment Trust	---	19,475		19,475
Mutual Funds	3,673,147	---		3,673,147
Total Investments by Fair Value Level	\$ <u>3,759,601</u>	\$ <u>2,589,170</u>	\$	<u>6,348,771</u>

Town of Washington
Notes to Financial Statements

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodial bank.

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Property taxes	\$ 148,324
Accrued interest and lien fees on taxes	24,465
Gross receivables	172,789
Less: Allowance for uncollectibles	---
<u>Net Receivables</u>	<u>\$ 172,789</u>

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	Transfers From <u>Other Funds</u>	Transfers To <u>Other Funds</u>	Net <u>Transfers</u>
Major Governmental Funds:			
General Fund	\$ ---	\$ 2,323,500	\$ (2,323,500)
Capital Non-Recurring	2,301,500	---	2,301,500
Nonmajor Governmental Funds:			
Judea Cemetery Fund	22,000	---	22,000
Total	<u>\$ 2,323,500</u>	<u>\$ 2,323,500</u>	<u>\$ ---</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note "6" - Operating Deficiencies and/or Fund Deficits:

At June 30, 2020, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating Deficiency</u>	<u>Fund Deficit</u>
Non-major Funds		
Judea Cemetery Fund	\$ 1,194	\$ ---
Senior Center Fund	\$ 177	\$ ---
Greenway Committee Fund	\$ 1,107	\$ ---
Recycling Fund	\$ 24,047	\$ ---
Park and Recreation Fund	\$ 23,487	\$ ---

Town of Washington
Notes to Financial Statements

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2020 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals &</u> <u>Reclasses</u>	<u>Ending</u> <u>Balance</u>
Capital Assets - Not Depreciated:				
Land	\$ 1,141,215	3,000	\$ ---	\$ 1,144,215
Mygatt Road - Reconstruction - WIP	30,275	---	---	30,275
Bridge Reconstruction - WIP	-	205,710	---	205,710
Bryan Memorial Plaza	-	45,000	---	45,000
Calhoun Street - WIP	-	51,601	---	51,601
Senior Center- WIP	-	5,580	---	5,580
Transfer Station - WIP	1,400	---	---	1,400
Tennis Courts - WIP	16,748	---	(16,748)	---
Firehouse HVAC - WIP	55,375	---	(55,375)	---
Town Hall Drainage - WIP	42,270	---	(42,270)	---
Total Capital Assets Not Depreciated	<u>1,287,283</u>	<u>310,891</u>	<u>(114,393)</u>	<u>1,483,781</u>
Capital Assets - Depreciated:				
Land Improvements	556,267	43,657	16,748	616,672
Building & Improvements	7,006,965	71,159	55,375	7,133,499
Machinery & Equipment	5,341,228	135,106	---	5,476,334
Infrastructure	31,344,775	1,656,773	42,270	33,043,818
Total Capital Assets Depreciated	<u>44,249,235</u>	<u>1,906,695</u>	<u>114,393</u>	<u>46,270,323</u>
Less: Accumulated Depreciation				
Land Improvements	493,419	10,889	---	504,308
Building & Improvements	2,646,769	217,887	---	2,864,656
Machinery & Equipment	4,068,105	290,863	---	4,358,968
Infrastructure	16,949,267	709,349	---	17,658,616
Total Accumulated Depreciation	<u>24,157,560</u>	<u>1,228,988</u>	<u>---</u>	<u>25,386,548</u>
Capital Assets Being Depreciated - Net	<u>20,091,675</u>	<u>677,707</u>	<u>114,393</u>	<u>20,883,775</u>
Capital Assets - Net	<u>\$ 21,378,958</u>	<u>\$ 988,598</u>	<u>\$ ---</u>	<u>\$ 22,367,556</u>

Depreciation is charged to the following Governmental Activities:

General government services	\$ 91,989
Public safety	154,048
Public works	916,898
Health & Welfare	2,917
Parks and recreation	63,136
<u>Total depreciation expense</u>	<u>\$ 1,228,988</u>

Town of Washington
Notes to Financial Statements

Note "8" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2020. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1"	\$ 143,424	\$ 27,934	\$ 45,864	\$ 125,494	\$ ---
<u>Total Pension Liability</u>	173,288	409,044	242,231	340,101	---
<u>Length of Service Award Plan</u>	692,455	55,673	55,037	693,091	---
<u>Landfill - Transfer Station Closure and Post-Closure Care Costs</u>					
Liability for closure and post-closure care costs of the Town of Washington's Landfill, as explained in Note "12"	15,000	---	3,000	12,000	3,000
Total	<u>\$ 1,024,167</u>	<u>\$ 492,651</u>	<u>\$ 346,132</u>	<u>\$ 1,170,686</u>	<u>\$ 3,000</u>

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 12 general obligation bond issue of 2019, \$7,925,000 due FYE 2040 and bond anticipation notes of \$4,000,000 due FYE. The amount (46.50%) attributable to the Town is \$5,545,125. Additionally, The Town is continuing working with the State Department of Environmental Protection and Legal Counsel to resolve a water compliance order resulting from road salt storage.

Note "10" - Pension Plans:

A. Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees not participating in the defined benefit pension plan. The Board of Selectmen has oversight and fiduciary responsibility for the plan.

All eligible employees working a minimum of 1,500 hours during the year are eligible for inclusion in the plan. The plan provides that benefits are vested in accordance with the following vesting schedule.

<u>Years of Continuous Service:</u>	<u>Percentage Vested:</u>
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans:

A. Defined Contribution Plan (continued):

The participants become 100% vested after six years of service. Normal retirement age is at 65. The Town contributes an amount equal to 7% of each eligible employee's base compensation. During the year, the Town's contributions totaled \$35,313. As of June 30, 2020, the plan had seven active participants.

Financial statements are prepared using the accrual basis of accounting. The employer contributions are recognized in the period that the contributions are due.

Plan investments are reported at fair value and reported in accordance with GASB fair value measurements.

B. Defined Benefit Pension Plan:

General Information about the Pension Plan

The Town of Washington is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The plan does not issue stand-alone financial statements. At January 1, 2019, the latest actuarial valuation date, PERS membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	<u>15</u>
Total	<u>49</u>

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must work at least 1,000 hours per year, complete one full year of continuous service and attain a minimum age of twenty-five.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. A participant must work for a minimum of five years in order to qualify for normal retirement. The annual benefit is 1.25% of Average Monthly Compensation multiplied by years of Credited Service to June 30, 1993 and 1.5% of the average monthly compensation multiplied by years of credited service beginning July 1, 1993. The maximum years of credited service is 40 years. Final average earnings are the highest average years of compensation over the highest five consecutive calendar years within the last ten years of employment. The plan contains a provision for early retirement at age fifty-five and after fifteen years of credited service at a reduced benefit.

Town of Washington
Notes to Financial Statements

Note “10” - Pension Plans (continued)

B. Defined Benefit Pension Plan (continued)

Participants separation from service prior to early or normal retirement date, are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

<u>Full Years of Credited Service</u>	<u>Vested Percentage of Accrued Benefit</u>
less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Plan Amendments:

On September 16, 2013 the Town executed an amendment that froze participation in the plan, to new employees, as of July 1, 2013. Employees who have not met the eligibility requirements by July 1, 2013 are not eligible to participate in the plan.

Authority:

The Board of Selectmen has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions.

Funding Policy:

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. There are no legal or contractual limitations on the maximum amount of the Town's contribution.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All funds are invested in fixed income and equity securities through trust agreement with Union Savings Bank and are reported at fair values as discussed in the notes.

Investments:

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee of the Board of Finance by a majority vote of its members. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across the broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Town of Washington
Notes to Financial Statements

Note “10” - Pension Plans (continued)

B. Defined Benefit Pension Plan (continued)

Investments (continued)

The following was the Board’s adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	62%
Fixed Income	35%
Cash	3%
Total	<u>100%</u>

The following investments represent 5 percent or more of plan net assets:

Vanguard 500 Index Fund	\$ 1,306,536	34.22%
Vanguard High Dividend Yield	\$ 353,092	9.25%
Vanguard Short Term CP Admiral Shares	\$ 438,769	11.49%
Vanguard Bond Index Fund	\$ 416,864	10.92%
Vanguard Ftse All World	\$ 191,184	5.01%

Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability at June 30, 2020 were as follows:

Total pension liability	\$ 4,158,390
Plan fiduciary net position	<u>3,818,289</u>
Net pension liability	<u>\$ 340,101</u>

Plan fiduciary net position as percentage of the total pension liability is 91.82%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the June 30, 2020 measurement:

Inflation	Not separately stated
Salary Increases	3.5%, average, including inflation
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Male Mortality Table for males and the same table set back six years for females.

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a blended rate, an average of past performance. The rate best estimates expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The total weighted average expected rate of return is 5.50%.

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized below.

<u>Assets Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	6.50%
Fixed Income	4.00%
Cash	1.00%

Discount Rate

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates. Therefore, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability of the Town

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (a) - (b)
Balances as of June 30, 2019	\$ 3,957,445	\$ 3,784,157	\$ 173,288
Changes for the Year:			
Service cost	68,532	-	68,532
Interest on total pension liability	221,760	-	221,760
Differences between expected and actual experience	118,752	-	118,752
Employer contributions	-	130,000	(130,000)
Net investment income	-	112,231	(112,231)
Benefit payments	(208,099)	(208,099)	-
Net changes	200,945	34,132	166,813
Balances as of June 30, 2020	<u>\$ 4,158,390</u>	<u>\$ 3,818,289</u>	<u>\$ 340,101</u>

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 5.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate.

	<u>1% Decrease</u> <u>to 4.50%</u>	<u>Current Discount Rate</u> <u>of 5.50%</u>	<u>1% Increase</u> <u>To 6.50%</u>
Net Pension Liability	\$ 745,833	\$ 340,101	\$ (9,540)

Pension Expense: Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$81,310. At June 30, 2020, the Town reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ ---	\$ 104,937
Net difference between projected and actual earnings on plan investments	\$ ---	3,185
	<u>\$ ---</u>	<u>\$ 108,122</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2021	\$ (21,533)
2022	16,614
2023	32,682
2024	33,939
2025	16,344
Thereafter	30,076
<u>Total</u>	<u>\$ 108,122</u>

Town of Washington
Notes to Financial Statements

Note "11" - Volunteer Firefighter and EMT Service Incentive Program:

The Town of Washington is the Plan Administrator, of an Incentive Program for the benefit of its Volunteer Firefighters and its Volunteer Emergency Medical Technicians (EMT). The Town, at its discretion, provides an annual contribution to the program. The Town's volunteer contribution is \$500 per eligible volunteer for the volunteer firefighters and a fixed lump sum for the EMT Incentive Program. The total contributions for the year 2019-2020 for the Firefighters and EMT were \$13,500 and \$9,000, respectively. The volunteers become fully vested after ten years of service. The normal retirement age for receiving benefits is age 65, although participants may apply for hardship distributions under certain circumstances as prescribed by the United States Department of Labor. The plan also has provisions for participant withdrawal prior to normal retirement age once vested at 100%.

The fund financial statements recognize benefit payments as expenditures within the General Fund at the time they are due and payable. Volunteer Firefighter and EMT contributions represent the reclassification of unrestricted General Fund assets to the programs' grantor/rabbi trust restricted investments.

The plan holds the Incentive Program's assets in a grantor/rabbi trust, which are not legally protected from the Town's creditors. GASB 73 requires assets held in such trust arrangements to be reported as assets of the sponsoring municipality. As such, Town accounts for Incentive Programs assets as restricted investments in the General Fund. Authority to invest the Plan's assets is vested in the Town in accordance with a statutory prudent person rule. See the fair value measurement disclosure note.

Note "12" - Landfill closure and postclosure care liability

In accordance with State and Federal laws and regulations, the Town has placed a final cover on its Washington Landfill and has stopped accepting demolition waste for burial. (The Town of Washington stopped accepting municipal solid waste, household garbage, in March of 1987.) The Town will perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$12,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2020. Actual cost may be higher due to inflation, changes in technology or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by future tax revenue. The Town has not set up a trust for this liability and is not aware of any legal requirement to do so.

Note "13" - Commitments and Litigation

It is the opinion of Town officials that there are no material or substantial claims against the Town, which will be finally determined so as to result in a judgment or judgments against the Town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

Town of Washington
Notes to Financial Statements

Note "13" - Commitments and Litigation (continued)

The Town is self-insured for employees' health insurance co-pays and/or deductibles according to benefit policies established by the Board of Selectmen and Board of Finance. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

The Town currently accounts for the funding of the employee health insurance co-pays in the General Fund. The Town has committed \$79,588 of fund balance to cover the amount over and above the approved budgeted amounts.

The Town establishes deductible claims liabilities based on estimates of claims that have been incurred but not reported at the balance sheet date. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and incremental claim adjustment expenses. The claims accrual does not include other allocated or unallocated claims adjustment expenses. The Town purchases commercial health insurance coverage over and above the employees' deductible.

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2019-2020	\$ <u>9,950</u>	\$ <u>54,586</u>	\$ <u>54,167</u>	\$ <u>10,369</u>

Note "14" – Risk Management

The Town is exposed to various risks of loss related to public official liability, police liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters for which the Town carries insurance.

The Town of Washington is a member of the Connecticut Interlock Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, formed by the Connecticut Conference of Municipalities (CCM) for the purpose of establishing and administering an interlock risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's workers' compensation pool, a risk sharing pool. The workers' compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

Note "14" – Subsequent Events:

On March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread in the United States. As of the date the financial statements were available to be issued, there was considerable uncertainty around the expected duration of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. At this point, the extent to which COVID-19 may impact the Town's financial condition, and changes in the fair values of its investments or results of operations cannot be reasonably estimated at this time.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenue			
Property taxes	\$ 16,854,883	\$ 17,176,567	\$ 321,684
Interest and lien fees on property taxes	60,000	67,246	7,246
State of Connecticut - Grants:			
Judicial fines	1,000	1,235	235
Mashantuck Pequot/Mohegan fund	-	-	-
State - real property tax	13,927	13,927	-
Totally disabled	-	87	87
Educational cost sharing grant	51,990	51,992	2
Veterans exemption	-	941	941
Other state and federal grants	158	1,158	1,000
Telephone access tax	18,650	18,404	(246)
Refund from Regional School District 12	-	208,600	208,600
Contributions in lieu of taxes	75,000	88,956	13,956
Investment income	130,000	169,955	39,955
Lease income	49,550	49,169	(381)
Other fees and receipts:			
Building inspection - net of expenditures	52,000	382,670	330,670
Building inspection - Excess			
revenue over budget offsets expenditures	-	(330,670)	(330,670)
Selectman licenses, fees and permits	72,450	112,640	40,190
Private duty police	22,500	44,640	22,140
Private duty police - Excess			
revenue over budget offsets expenditures	-	(22,140)	(22,140)
Town Clerk's fees including conveyance taxes	170,000	251,832	81,832
Total Revenues	<u>\$ 17,572,108</u>	<u>\$ 18,287,209</u>	<u>\$ 715,101</u>

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2020

	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen	\$ 170,830	\$ -	\$ 170,830	\$ 169,070	\$ (1,760)
Assessor	107,284	-	107,284	103,883	(3,401)
Tax Collector	85,509	-	85,509	78,049	(7,460)
Town Clerk	81,817	-	81,817	75,771	(6,046)
Town Treasurer	16,834	-	16,834	16,804	(30)
Building Department	9,135	-	9,135	293,686	284,551
Building Department - Excess revenue over budget	-	-	-	(330,670)	(330,670)
Probate Court	5,144	-	5,144	5,144	-
Elections	33,872	-	33,872	24,962	(8,910)
Professional fees-Audit & legal	28,600	-	28,600	25,300	(3,300)
Board of Assessment Appeals	2,350	-	2,350	58	(2,292)
Planning Commission	33,823	-	33,823	23,978	(9,845)
Zoning Commission	62,562	-	62,562	62,278	(284)
Zoning Board of Appeals	9,943	-	9,943	8,040	(1,903)
Inland Wetlands	83,581	-	83,581	75,223	(8,358)
Historic District Commission	9,200	-	9,200	7,519	(1,681)
Conservation Commission	11,500	-	11,500	7,055	(4,445)
Housing Commission	849	-	849	272	(577)
Operation of Town Hall	121,857	-	121,857	107,628	(14,229)
Town Garage / Salt Building	36,450	-	36,450	31,390	(5,060)
Surety Bonds and Insurance	191,928	-	191,928	183,229	(8,699)
Accident & Health Insurance and committed reimbursable costs	502,008	-	502,008	420,352	(81,656)
Office Expense	43,050	-	43,050	36,195	(6,855)
Payroll Taxes	135,901	-	135,901	126,830	(9,071)
Board of Finance	63,378	-	63,378	60,898	(2,480)
Economic Development	55,000	-	55,000	60,571	5,571
Total General Government	1,902,405	-	1,902,405	1,673,515	(228,890)
Public Safety					
Fire Marshal	71,913	-	71,913	43,617	(28,296)
Fire Department	194,500	-	194,500	173,528	(20,972)
Police	310,161	-	310,161	264,944	(45,217)
Private duty police - Excess revenue over budget	-	-	-	(22,140)	(22,140)
Emergency Management	70,654	-	70,654	70,239	(415)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	12,468	-	12,468	8,297	(4,171)
COVID-19 Emergency	-	-	-	34,261	34,261
Total Public Safety	660,295	-	660,295	573,345	(86,950)

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2020

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Highways					
General Maintenance	751,206	-	751,206	748,449	(2,757)
Winter Maintenance	523,283	-	523,283	390,793	(132,490)
Street Lighting	33,000	-	33,000	28,272	(4,728)
Total Highways	1,307,489	-	1,307,489	1,167,514	(139,975)
Sanitation					
Transfer Station	310,219	-	310,219	284,471	(25,748)
Recycling	188,072	-	188,072	174,991	(13,081)
Total Sanitation	498,291	-	498,291	459,462	(38,829)
Conservation of Health					
Paramedic Service	38,506	-	38,506	38,506	-
Health Department	43,320	-	43,320	43,838	518
Visiting Nurses Associations	19,000	-	19,000	4,415	(14,585)
Hepatitis B Vaccinations	100	-	100	-	(100)
Total Conservation of Health	100,926	-	100,926	86,759	(14,167)
Recreation					
Parks and Recreation	172,986	-	172,986	157,353	(15,633)
Senior Center / Veterans Hall	67,953	-	67,953	60,008	(7,945)
After School Arts Program	5,000	-	5,000	5,000	-
Total Recreation	245,939	-	245,939	222,361	(23,578)
Social Services	15,642	-	15,642	11,789	(3,853)
Other Expenditures					
Gunn Memorial Library	178,500	-	178,500	178,500	-
Pension Expense	203,618	-	203,618	200,092	(3,526)
Council on Governments	2,763	-	2,763	2,762	(1)
Interlocal Advisory Board	14,580	-	14,580	14,580	-
Annual Repairs	45,000	-	45,000	42,148	(2,852)
New Preston Cemetery	12,000	-	12,000	12,000	-
Animal Control	39,719	-	39,719	35,411	(4,308)
Newsletter and Website	9,600	-	9,600	9,592	(8)
Total Other Expenditures	505,780	-	505,780	495,085	(10,695)
Education	10,348,773	-	10,348,773	10,348,773	-

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2020

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Continuing Appropriations					
Revaluation	-	57,789	57,789	7,500	(50,289)
Conservation and Development	-	6,569	6,569	-	(6,569)
Legal litigation	25,000	164,388	189,388	58,191	(131,197)
Health reimbursement benefit	-	79,588	79,588	-	(79,588)
Total Continuing appropriations	25,000	308,334	333,334	65,691	(267,643)
Total Expenditures	<u>15,610,540</u>	<u>308,334</u>	<u>15,918,874</u>	<u>15,104,294</u>	<u>(814,580)</u>
Other Financing Uses - Operating Transfers Out					
Judea Cemetery	22,000	-	22,000	22,000	-
Non-recurring Capital Exp. Fund	2,301,500	-	2,301,500	2,301,500	-
Total transfers out	2,323,500	-	2,323,500	2,323,500	-
Total Expenditures and Other Financing Uses	<u>17,934,040</u>	<u>308,334</u>	<u>18,242,374</u>	<u>17,427,794</u>	<u>(814,580)</u>
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(361,932)	(308,334)	(670,266)	859,415	1,529,681
Fund Balance at beginning of year	<u>361,932</u>	<u>308,334</u>	<u>670,266</u>	<u>6,084,892</u>	<u>5,414,626</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,944,307</u>	<u>\$ 6,944,307</u>

The accompanying notes are an integral part of these financial statements.

Town of Washington
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Continuing Appropriations - The Town budgets committed fund balance as continuing appropriations. Pursuant to the legislative authority, these continuing appropriations do not lapse at year end, but are carried forward until expended or changed by legislative authority.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

For budgeting purposes, the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. GAAP requires that refunds for prior year and other credits be offset against educational expenditures.

The Town, for budget purposes, recognizes building inspection fees and private duty-police fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on a percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized resulting in the adjustment shown below.

GASB requires that the Volunteer Firefighter & EMT Service Program, also known as, Length of Service Award Plan (LOSAP) be accounted for in the General Fund. For budgeting purposes, the Town recognizes LOSAP contributions as expenditures. Under GAAP, LOSAP contributions do not meet the definition of expenditures, but rather restricted funds to the LOSAP participants. Additionally, the Town does not budget for LOSAP investment activity. GAAP requires the investment activity income to be recorded as revenue and benefit payments and investment fees be recorded as expenditures.

Town of Washington
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2020

The difference between GAAP and the budgetary basis is as follows:

	<u>General Fund</u>		
	<u>Total</u>	<u>Expenditures</u>	<u>Fund</u>
	<u>Total Revenues</u>	<u>and Transfers/</u>	<u>Balance</u>
	<u>and Other</u>	<u>Other Financing</u>	
	<u>Financing Sources</u>	<u>Uses</u>	
Actual - Non-GAAP Budgetary Basis Statement - June 30, 2020	\$ 18,287,209	\$ 17,427,794	\$ 6,944,307
Prior Year Refund from RSD #12 Offsets Expenditures	(208,600)	(208,600)	-
To Gross up Revenue and Expenditures:			
Building Department	330,670	330,670	-
Private Duty Police	22,140	22,140	-
LOSAP activity:			
Accumulated LOSAP activity prior to 6/30/2019	-	-	692,454
LOSAP contributions	-	(22,500)	22,500
LOSAP pension benefits	-	68,537	(68,537)
LOSAP net investment income	46,674	-	46,674
Actual GAAP - June 30, 2020	<u>\$ 18,478,093</u>	<u>\$ 17,618,041</u>	<u>\$ 7,637,398</u>

Town of Washington
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 68,532	72,851	\$ 82,602	\$ 91,439	\$ 94,845	\$ 102,325	\$ 98,203
Interest	221,760	211,024	205,734	201,809	190,974	184,048	176,212
Difference between expected and actual experience	118,752	3,107	(49,976)	66,239	(8,445)	(7,780)	-
Benefit payments, including refunds of member contributions	(208,099)	(197,151)	(171,812)	(152,722)	(150,434)	(137,463)	(117,455)
Net change in total pension liability	200,945	89,831	66,548	206,765	126,940	141,130	156,960
Total pension liability - beginning	3,957,445	3,867,614	3,801,066	3,594,301	3,467,361	3,326,231	3,169,271
Total pension liability - ending	4,158,390	3,957,445	3,867,614	3,801,066	3,594,301	3,467,361	3,326,231
Plan fiduciary net position							
Contributions - employer	130,000	100,000	140,000	140,000	140,000	159,275	172,775
Net investment income	112,231	207,079	271,199	362,535	59,616	60,532	336,327
Benefit payments, including refunds of member contributions	(208,099)	(197,151)	(171,812)	(152,722)	(150,434)	(137,463)	(117,455)
Net change in plan fiduciary net position	34,132	109,928	239,387	349,813	49,182	82,344	391,647
Plan fiduciary net position - beginning	3,784,157	3,674,229	3,434,842	3,085,029	3,035,847	2,953,503	2,561,856
Plan fiduciary net position - ending	3,818,289	3,784,157	3,674,229	3,434,842	3,085,029	3,035,847	2,953,503
Net Pension Liability - Ending	\$ <u>340,101</u>	<u>173,288</u>	\$ <u>193,385</u>	\$ <u>366,224</u>	\$ <u>509,272</u>	\$ <u>431,514</u>	\$ <u>372,728</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	<u>91.82%</u>	<u>95.62%</u>	<u>95.00%</u>	<u>90.37%</u>	<u>85.83%</u>	<u>87.55%</u>	<u>88.79%</u>
Covered Employee Payroll	\$ <u>641,623</u>	<u>760,466</u>	\$ <u>803,376</u>	\$ <u>880,632</u>	\$ <u>915,138</u>	\$ <u>965,273</u>	\$ <u>924,764</u>
Net Pension Liability as a percentage of covered employee payroll	<u>53.01%</u>	<u>22.79%</u>	<u>24.07%</u>	<u>41.59%</u>	<u>55.65%</u>	<u>44.70%</u>	<u>40.31%</u>

Town of Washington
Schedule of Employer Contributions
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 124,721	85,748	\$ 124,764	\$ 149,687	\$ 128,579	\$ 135,255	\$ 151,353	\$ 172,775	\$ 155,330	\$ 164,697	\$ 144,849
Contributions in relation to the actuarially determined contribution	130,000	100,000	140,000	140,000	140,000	159,275	172,775	172,775	160,179	165,000	140,000
Contribution Deficiency (Excess)	\$ (5,279)	(14,252)	\$ (15,236)	\$ 9,687	\$ (11,421)	\$ (24,020)	\$ (21,422)	\$ -	\$ (4,849)	\$ (303)	\$ 4,849
Covered employee payroll	\$ 641,623	760,466	\$ 803,376	\$ 880,632	\$ 915,138	\$ 965,273	\$ 924,764	\$ 975,124	\$ 959,248	\$ 981,076	\$ 872,321
Contributions as a percentage of covered employee payroll	20.26%	13.15%	17.43%	15.90%	15.30%	16.50%	18.68%	17.72%	16.70%	16.82%	16.05%

Notes to Schedule

Valuation date: January 1, 2019

Measurement date: June 30, 2020

Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate method with no supplemental liability
Amortization method	Not applicable, cost method does not identify actuarial liabilities separately
Remaining amortization period	Not applicable
Asset valuation method	Fair market value
Inflation	Not separately stated
Salary increases	3.5%
Investment rate of return	5.5%
Retirement age	100% normal retirement age
Mortality	1983 group annuity male mortality table (setback six years for female)

Other items:

Changes in benefit terms

Changes of assumptions

None

None

**Town of Washington
Schedule of Investment Returns
Last Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.96%	5.67%	7.82%	11.61%	1.97%	2.00%	12.64%

Town of Washington
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds						Capital Project Fund		
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Housing Fund	Total
Assets:									
Cash and cash equivalents	\$ 33,693	\$ 63,421	\$ 4,740	\$ 800	\$ 14,063	\$ 31,107	\$ 16,300	\$ 48,903	\$ 213,027
Investment - at market	39,000	-	2,560	-	-	62,519	-	157,660	261,739
Mortgage receivable	-	-	-	-	-	-	-	50,000	50,000
Total Assets	<u>\$ 72,693</u>	<u>\$ 63,421</u>	<u>\$ 7,300</u>	<u>\$ 800</u>	<u>\$ 14,063</u>	<u>\$ 93,626</u>	<u>\$ 16,300</u>	<u>\$ 256,563</u>	<u>\$ 524,766</u>
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:									
Nonspendable:									
Perpetual Care Principal	66,532	-	-	-	-	-	-	-	66,532
Restricted for:									
Social services	-	-	7,300	-	-	-	-	-	7,300
Community beautification	-	-	-	800	-	-	-	-	800
Document preservation	-	-	-	-	14,063	-	-	-	14,063
After school programs	-	-	-	-	-	-	16,300	-	16,300
Committed to:									
Parks and recreation	-	63,421	-	-	-	-	-	-	63,421
Cemetery operation	6,161	-	-	-	-	-	-	156,563	156,563
Affordable housing	-	-	-	-	-	-	-	100,000	100,000
Down payment assistance	-	-	-	-	-	-	-	-	-
Assigned for:									
Recycling	-	-	-	-	-	93,626	-	-	93,626
Total Fund Balances	<u>\$ 72,693</u>	<u>\$ 63,421</u>	<u>\$ 7,300</u>	<u>\$ 800</u>	<u>\$ 14,063</u>	<u>\$ 93,626</u>	<u>\$ 16,300</u>	<u>\$ 256,563</u>	<u>\$ 524,766</u>
Total Liabilities and Fund Balance	<u>\$ 72,693</u>	<u>\$ 63,421</u>	<u>\$ 7,300</u>	<u>\$ 800</u>	<u>\$ 14,063</u>	<u>\$ 93,626</u>	<u>\$ 16,300</u>	<u>\$ 256,563</u>	<u>\$ 524,766</u>

Town of Washington
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	Special Revenue Funds							Capital	
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Project Fund Affordable Housing Fund	Total
Revenues:									
Investment income	\$ 916	\$ 65	\$ 11	\$ 1	\$ 3	\$ 1,618	\$ -	\$ 4,069	\$ 6,683
Program fees and other receipts	(500)	17,098	2,742	12	2,702	2,775	28,324	-	53,153
Total Revenues	<u>416</u>	<u>17,163</u>	<u>2,753</u>	<u>13</u>	<u>2,705</u>	<u>4,393</u>	<u>28,324</u>	<u>4,069</u>	<u>59,836</u>
Expenditures:									
Cemetery expenditures	23,610	-	-	-	-	-	-	-	23,610
Programs and Activities	-	40,650	2,930	1,120	-	28,440	25,097	492	98,729
Total Expenditures	<u>23,610</u>	<u>40,650</u>	<u>2,930</u>	<u>1,120</u>	<u>-</u>	<u>28,440</u>	<u>25,097</u>	<u>492</u>	<u>122,339</u>
Excess (Deficiency) of revenues over expenditures	(23,194)	(23,487)	(177)	(1,107)	2,705	(24,047)	3,227	3,577	(62,503)
Other Financing Sources:									
Operating transfers in	22,000	-	-	-	-	-	-	-	22,000
Net Change in Fund Balances	(1,194)	(23,487)	(177)	(1,107)	2,705	(24,047)	3,227	3,577	(40,503)
Fund Balances:									
Beginning of Year	73,887	86,908	7,477	1,907	11,358	117,673	13,073	252,986	565,269
End of Year	<u>\$ 72,693</u>	<u>\$ 63,421</u>	<u>\$ 7,300</u>	<u>\$ 800</u>	<u>\$ 14,063</u>	<u>\$ 93,626</u>	<u>\$ 16,300</u>	<u>\$ 256,563</u>	<u>\$ 524,766</u>

Town of Washington
Combining Statement of Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2020

	Defined Benefit Plan	Defined Contribution Plan	Totals
Assets:			
Cash and cash equivalents	\$ 117,660	\$ -	\$ 117,660
Accrued interest	3,100	-	3,100
Investments - at fair value	<u>3,697,528</u>	<u>111,769</u>	<u>3,809,297</u>
Total Assets	\$ 3,818,288	\$ 111,769	\$ 3,930,057
Net Position:			
Held in trust for pension benefits	\$ <u>3,818,288</u>	\$ <u>111,769</u>	\$ <u>3,930,057</u>
Total Net Position	\$ <u><u>3,818,288</u></u>	\$ <u><u>111,769</u></u>	\$ <u><u>3,930,057</u></u>

Town of Washington
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2020

	Defined Benefit Plan	Defined Contribution Plan	Totals
Additions:			
Town contributions	\$ 130,000	\$ 35,313	\$ 165,313
Investment income:			
Change in fair values of investments	37,883	1,688	39,571
Interest and dividends	94,126	-	94,126
Gross investment income	132,009	1,688	133,697
Less: investment expense	19,779	-	19,779
Net investment income	112,230	1,688	113,918
Total additions	242,230	37,001	279,231
Deductions:			
Pension benefits	208,099	-	208,099
Change in Net Position	34,131	37,001	71,132
Net Position - Beginning of year	3,784,157	74,768	3,858,925
Net Position - End of year	\$ 3,818,288	\$ 111,769	\$ 3,930,057

Town of Washington
Fiduciary Fund Type - Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2020

ALCOHOL AND DRUG ABUSE PREVENTION FUND

	Balance			Balance
	July 1, 2019	Additions	Deductions	June 30, 2020
Assets:				
Cash	\$ <u>7,742</u>	\$ <u>8,839</u>	\$ <u>1,031</u>	\$ <u>15,550</u>
Liabilities:				
Due to Participants	\$ <u>7,742</u>	\$ <u>8,839</u>	\$ <u>1,031</u>	\$ <u>15,550</u>

Town of Washington
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2020

	Taxes Receivable July 1, 2019	FUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS		Refunds and Adjustments	Total Net Collections	Taxes Receivable June 30, 2020
		Lawful Additions	Corrections Reductions			Taxes	Interest, liens and other costs			
Grand List: October 1,										
2018 \$	17,210,032 \$	26,460 \$	(25,460) \$	- \$	17,211,032 \$	17,107,040 \$	46,039 \$	(317) \$	17,152,762 \$	104,309
2017	79,173	-	(1,606)	-	77,567	43,037	10,254	(102)	53,189	34,632
2016	30,704	1	(158)	(5,056)	25,491	19,350	7,623	(14)	26,959	6,155
2015	2,509	-	-	-	2,509	1,152	39	-	1,191	1,357
2014	1,309	-	-	-	1,309	-	-	-	-	1,309
2013	1,285	-	-	-	1,285	723	1,277	-	2,000	562
Suspense book collections	-	-	-	1,477	1,477	1,477	1,954	-	3,431	-
Totals	\$ 17,325,012 \$	26,461 \$	(27,224) \$	(3,579) \$	17,320,670 \$	17,172,779 \$	67,186 \$	(433) \$	17,239,532 \$	148,324

Town of Washington
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
Year Ended June 30, 2020

Total tax collections (including interest and lien fees) for the year ended June 30, 2020 \$ 17,239,532

Reimbursement for revenue loss on :

Tax relief for elderly - (CGS 12-129d) -

Total Receipts From Taxation For The Year Ended June 30, 2020 (Base) \$ 17,239,532

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 38,788,947	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	77,577,894	-	-	-
3 3/4 times Base	-	-	64,648,245	-	-
3 1/4 times Base	-	-	-	56,028,479	-
3 times Base	-	-	-	-	51,718,596
Total Debt Limitation	<u>38,788,947</u>	<u>77,577,894</u>	<u>64,648,245</u>	<u>56,028,479</u>	<u>51,718,596</u>

Indebtedness:

Town's share of Shepaug Regional School

District #12 debt at 46.50%

General Obligation Bonds issued 4/10/19 -\$7,925,000

Bond Anticipation Note issued 4/10/20 -\$4,000,000

Total Indebtedness

-	3,685,125	-	-	-
-	1,860,000	-	-	-
-	<u>5,545,125</u>	-	-	-

Debt Limitation In Excess Of
Outstanding And Authorized Debt

\$ 38,788,947 \$ 72,032,769 \$ 64,648,245 \$ 56,028,479 \$ 51,718,596

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Finance
Town of Washington
Washington, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements, and have issued our report thereon dated January 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Washington, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Washington, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington, Connecticut's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

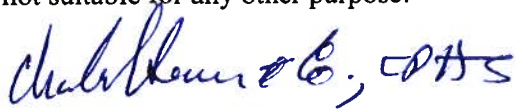
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Washington, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles Heaven & Co.

January 22, 2021

STATE SINGLE AUDIT REPORT



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Washington
Washington, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Washington, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Washington, Connecticut's major state programs for the year ended June 30, 2020. The Town of Washington, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Washington, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Washington, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Washington, Connecticut's compliance

Opinion on Each Major State Program

In our opinion, the Town of Washington, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Town of Washington, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Washington, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Washington's internal control over compliance.

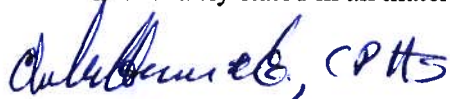
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the Town of Washington, Connecticut, as of and for the year ended June 30, 2020 and have issued our report thereon dated January 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



CHARLES HEAVEN & CO.

January 22, 2021

Town of Washington
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2020

State Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	\$ 13,927
Property Tax Reimbursement - Disability Exemption	11000-OPM20600-17011	87
Property Tax Relief For Veterans	11000-OPM20600-17024	941
Municipal Grants-In-Aid	12052-OPM20600-43587	158
Local Capital Improvement	12050-OPM20600-40254	29,625
Department of Transportation		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	220,610
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	220,611
Small Town Economic Assistance Program (STEAP)	12052-DOT57131-40532	3,000
Judicial Branch		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,235
Department of Revenue Services		
Other Expenses	11000-DRS16410-10020	30
Department of Public Safety		
Firefighter Training	12060-DPS32251-35180	1,220
Total State Financial Assistance before exempt programs		491,444
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	51,992
Total State Financial Assistance		\$ 543,436

The accompanying notes are an integral part of this schedule.

Town of Washington
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2020

I. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Washington under programs of the State of Connecticut for the fiscal year ended June 30, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: local capital improvement, road repairs, tax relief, education and other public assistance. Because the Schedule presents only a selected portion of the operations of the Town of Washington, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of Washington, Connecticut.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Washington conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for capital lease principal and interest which are reported as expenditures in the year due.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditure column of the Schedule of Expenditures of State Financial Assistance.

Town of Washington
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

State Financial Assistance

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

 yes X no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	\$ <u>220,610</u>
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$ <u>220,611</u>
• Dollar threshold used to distinguish between type A and type B Programs		\$ <u>100,000</u>

**Town of Washington
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

II. FINANCIAL STATEMENT FINDINGS

We issued our report, dated January 22, 2021, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

Our report on compliance indicated no reportable instances of noncompliance.

Our report on internal control over financial reporting indicated no findings or questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.