# Board of Finance

**January 26, 2015**

Present: Members: Michael Jackson, Craig Schoon,

Alternative: Keith Templeton, Ted Bent

Selectmen: Mark Lyon, Richard Carey

Treasurer: Linda McGarr

Guest: Delisse Locher Town Assessor,

Enrico Melaragno, CGFM, CPA, Auditor, Charles Heaven & Co

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

**Minutes:** Minutes of the December 15, 2014 meeting were approved.

**Guest:** TownAssesso**r** Delisse Locher requested a $3,000.00 contingent funding for personal property audits for the current grand list year. She reported that the town has roughly 450 personal property accounts and that many are under reported. Some businesses are fully and accurately reporting like the Washington Market, Washington Supply and the Pantry but many accounts are grossly understated. Three auditors have been reviewed and Chuck Feldman from Bethlehem she feels is the best candidate. He deals with small towns. His fee schedule for accounts under a million would be $500 per audit unless he needs to physically inspect the fee it is $700 per audit. She hopes to do five audits. His process will be to looks at the last three years of returns which statue #12-41 allows a town to do. He will gather information such as business taxes and balance sheet, etc. to see if there has been adequate reporting. If not, the assessor has the right to add it to the grand list. The assessor plans on setting up a revolving audit plan. The audit may be set up by type of business. If a business is red flag due to inadequate declarations, then that business will be audited. The idea is to have a plan so Washington is above reproach. She does not want it to look like she is only targeting certain types of business or size of business. Michael Jackson asked how other towns pick who is to be audited. Per Delisse most towns audit what is red flagged. The point of the audit is to have all business file adequately so all are paying their fair share. The idea is to have the auditor train the assessor on what to look for so in the future it can be done in house. She has been told by G & K, Feldman & Associates and Barron that the return on a dollar is anywhere from $4 to $20 invested. It was requested by Michael Jackson that the assessor notify the Board of Finance on who will be audited. At this time there are 12 accounts that are red flagged. It is know that 14% of businesses don’t declare and it is the assessor job to declare for them and penalize them. She would also like to budget this for next budget year. She wants to start this year to know what to expect for next fiscal year. Michael Jackson asked if the Selectman agree with this and First Selectman Mark Lyon said they do and it will be an ex-budget item. What came up in the Selectman’s meeting is that they do not want to discourage business but they don’t think is fair that some are declaring 100% and some are declaring 10%. It should all be equitable. In Washington there is a strong feeling that businesses are fragile and they want to encourage business but however it is a legal requirement for all business to file.

**Guest**: Enrico Melaragno, auditor presented a written copy of a power point presentation and the draft copy of the independent auditor’s report for the year ending June 30, 2014. Enrico thanked the Board of Selectman and town staff for all their cooperation. The auditor is hired by the Board of Finance and it is his job to report back to the Board of Finance. He reported that there were no problems. The staff answers millions of questions and presented all documents that were needed to be reviewed without any problems. The present audit draft was 60 pages with three sets of audited financial. The reason for three financials is the town requests the budgetary method financial and outside agencies require GAAP financial statements. The budgetary method which is page 39 & 42 of the audit shows the approved budget, any amendment, the actual results and the variance. Income overage and shortage was first reviewed. Michael asked about the overage in town clerks fee income. Town clerk fee income is from conveyance fees. Per Mark Lyon and Enrico it could have been a couple of large sales. The Budget is conservative per Mark Lyon. A question was asked about the building inspection fees. Enrico explained that the Building inspection fees and private duty police fees are budget at net. The more the inspections the more money comes in. It is difficult to budget. The Building Inspector receives a percentage so the more money that comes in the more money goes out in expense. It is the same theory for private duty police. They are hired by outside entity which is then billed for their service. These items are reconciled on the GAAP financial statements because the way it is budgeted it is not recognized by general accepted accounting method. You cannot recognize a net number only the gross numbers.

Enrico reviewed the expenses on the financial. The budget is approved by the taxpayers by department not by line item. A department may not go over the budget amount. If it does than it has to go back to a town vote unless it is under the $20,000 than the Board of Finance can make the appropriation. All departments were under budget except Parks & Recreations which the Board of Finance approved an appropriation at the December meeting of a $119 which puts that department at zero. On the Propane incident, it is budgeted at net, expenses minus reimbursement of insurance claim. Enrico congratulated the board for paying off their debt on their general obligation bond. Enrico reviewed the ex-budget items that the Board of Finance had approved. The board of finance may prove an ex-budget amount up to $20,000. There are also continuing appropriation which is items that are appropriated by a town meeting that go on for more than one fiscal year. These line items will continue until expended, the project is completed or the taxpayers vote that that the project is no longer being done. If there are funds left they go back to the fund balance by a vote of the Board of Finance. Revaluation is an example of this. Enrico stated that on education, that if the School has funds left in a fund balance they are required to return the funds to the towns. The Town of Washington receives $125,000 back from the schools which was included into revenue. On the GAAP financial statements it is offset to the expense because it is a return of fund paid to the schools. The town also has “transfer out” accounts that have specific missions such as Judea Cemetery and non-recurring capital account. They are not expenditures they are transfers to other accounts. On the June 30, 2014 financial, Revenue exceeded expenditures by $454,909 which will be transfer to the unassigned fund balance to give a fund balance at the end of the year of $3,286,588. Some of the fund balance of $3,286,588 is assigned to special accounts which create an unassigned balance of $2,752,209. Enrico states if you look at the approved budget of $15,686,202 and dived it by 12 months that give roughly 1.3 million per month of expenses. If the town receives no income from any source the town could operate for a little over two months. This is roughly 20% which is up from last years of 17%. Enrico stated that a Board of Finance should create a policy of what level of unassigned fund balance the town should have. Michael Johnson referred to past question on this subject and that no one can predict what will happen and feels they would rather feel more comfortable than not. Look what the town has endured in the past couple of years with the propane explosion and the town garage fire. Prepare for the unanticipated. Enrico said most guidelines are 15% to 17%.

The legal litigation account was discuss that it is a continuing appropriation that was largely funded in prior years to build up the fund in case of large litigations. In the 2013-2014 year, ligation slowed which has created a reserve of $104,947.

The “MDA”, Management’s Discussion and Analysis, is prepared by the Town Selectman not the auditors. There are some simple typo so Enrico suggest that changes be made before approved by the board. It is not audited but it must represent the outcome of the audit.

Enrico review the adjustments on the GAAP financial to the budgeted financials. A question was asked by Ted Bent about difference between committed funds and restricted funds. The difference is that committed funds are part of the general fund that have a specific restrictions made by the Board of Finance and a town meeting. Restricted funds are funds that are restricted by external parties, constitutional provisions or legislation.

Enrico reviews the Major funds on the Balance sheet using the Town Aid Road Fund as example. Money comes in from the state. Money is expended and the balance is added to the fund balance of that fund. There is a schedule listing on the audit showing all funds.

Michael asked if there is a dollar amount restriction on all the small funds. Enrico stated those funds need to be kept open because they have outside restriction.

Conversation was brought up about Judea Cemetery perpetual care which is a restricted amount that cannot be spent. The Judea cemetery has only $7,648 in its fund balance. There will be a budget request this year that will reflect their expenditures because they have no extra cash. Mark Lyon stated that they have changed their bylaws on the perpetual care so a smaller amount goes to perpetual care and a larger amount to operating when a lot is sold. Once all lots are sold their funding will have to come from the town. Mark also stated that funds are also given to the New Preston cemetery to help them so they stay solvent.

Enrico review the fiduciary funds which includes the Pension Trust fund and Volunteer Incentive Program fund. The Volunteer Incentive Program is not a pension because the Firefighters and EMT are not employees of the town. The program is listed with the pension because it has the restriction of a pension.

Tax Collection Report is reviewed. Taxes still due are $293,839. The board has the right to suspend per the request of the tax collector. Real estate taxes cannot be suspended.

State grant schedule is reviewed. The schedule only accounts for the funds that were expended not received. Only Expenditure is recorded. State Income that is received but not spent is deferred. The state looks at what is expended so if they want to review the receipt they could.

Two recommendations by Enrico are that the Parks & Recreation and the Senior Center be put on QuickBooks instead of staying on a manual system. Both have already been approached to be set up on the QuickBooks system per Linda Kennedy Gomez.

Michael Jackson asked if the audit is a clean opinion and Enrico said yes it is a clean opinion. Michael thanked Enrico for everything he has done.

**Tax Collector report:** No questions.

**Treasurer Report:** Michael reported that because there is a lot of money at Union Savings that he is going to review a prior arrangement deal with them. A deal was made on specific set of treasury securities that set asides to cover the difference between what they insure and what the federal government insures and for what we have in there and is paid directly to us. Linda McGarr will check with David Miles if the bank should claim bankruptcy our funds are safe.

**Selectman:** Per Mark Lyon no new news.

**Financial:** No question.

**Old Business:** Discussion on board vacancy. Candidates are Michelle Gorra and Peter Arturi who Michael states are both wonderfully qualified. Michael suggest that the board consider Michelle Gorra, one because she is on the board of education and two her youth, both things that the board of finance could use. Michael chuckled about getting in trouble with the youth comment stating the difference in the age between Tony Bedini who currently reports on the Board of Education and Michele. Peter also has great qualifications, and is an incredible decent man with a wonderful resume. Michael thought it would be a good connection to the board of education and the fact of having some younger people involved would give us a plug into a difference side of the community. Ted Bent suggests that we wait until more board members are at the meeting. All are in agreement to postpone the decision until the February meeting

**New Business:** A request was made by Linda McGarr for an appropriation for $3,000 to cover the expense for the retirement party for Phyllis Allen and Kathy Gallow. Ted Bent makes the motion to approve the retirement gathering expense of $3,000 Craig Schoon seconds the motion. The motion was unanimously passed.

Ted Bent makes a motion to approve the ex-budget amount of $3,000 for the Personal property audit requested by Delisse Locher. Craig Schoon seconds the motion. The motion was unanimously passed.

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The meeting was motioned to adjourn at 6:35

Respectfully submitted,

Linda Kennedy Gomez

Financial Administrator