Town of Washington

Board of Finance

February 25, 2019

Present: Members: Michael Jackson, Sally Cornell, Craig Schoon

Alternates: Keith Templeton, Phyllis Allen, Matt Cain

Selectmen: Mark Lyon, David Werkhoven, Jay Hubelbank

Treasurer: Linda McGarr

Guest: Enrico Melaragno, CPA,CGFM

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

**Minutes:** A motion to approve the minutes by Phyllis Allen, seconded by Michael Jackson, and unanimously approved

**Audit Review:** Enrico Melaragno, CPA, CGFM presented the 2017-2018 audit. He thanked Honorable First Selectmen, elected officials and staff for their professionalism. He reported that the state of the financial reporting is good.

* He conducted three separated audits; a regular financial statement audit, Federal Single Audit, and a State of Connecticut Single Audit. They issued clean opinions on all three audits.
  + The basic financial statement audit is required by law and is done every year.
  + The Federal Single Audit was done because the town received an excess of $750,000 in federal funds. The town received $3,868,463 in federal funds. These expenditures were for the Walker Brook Road Bridge, Romford Road Bridge, and the Bryan Plaza Project. This is based on the expenditures for the fiscal year 2017-2018.
  + The State Single Audit has a threshold of $300,000. This is grant money received from the State of Connecticut. The Town spent $379,000 in state money which majority was Town Aid Road grant.
* The board of finance was given a copy of the audit draft prior to the meeting. Enrico present a change on Page 27 to reflect the change for an appropriation that was made by the Board of Finance at the January meeting in the pension line item. This was due to the increase in the accounting and legal fee to set up the Rabbi Trust for the EMT and Firefighter Awards Program.
* MD & A is written by the town. It is not audited but certain procedures are applied to make sure they correspond with the audited numbers. It explains what the financial statements are all about. If there are changes and explanation.
* There are three sets of financial statements.
  + Budgetary Method – which are the financial that the town uses to compare actual to the approved budget. Each Town picks their own budgetary method.
  + GAAP Method – for the State OPM use to compare to other towns
  + GASB Government Wide – is done for the Bond rating agencies.

There is reconciliation between one method to the other.

* There is an accumulated Fund Balance that is carried over from year to year
  + The accumulated GAAP fund balance at the end of 2018 is $6,065,767 this is reconciled to the budgetary fund balance.
  + Some of these funds are restricted; Revaluation, Conservation & Development, Legal Litigation, Health Reimbursement Benefits and LOSAP (Length of Service Awards Program). There is also an assignment of funds for the following years budget.
  + After the restricted funds, the available fund balance is $5,049,093
  + Based on this year’s budget there is 3.49 operating months available.
  + There is no written rule for the town on how many months of expenses it would like to hold in reserve. The Government Finance Officer Organization recommend not less than 2 months. There is a push to have a written rule. It is not the recommendation of the auditor to have one. It should be the job of the Board of Finance to regulate it. The fund balance is a value decision. How much money do you feel comfortable to have in case of an emergency?
  + There has been an increase in the fund balance over the last couple of years.
* In review of the budgetary financials; the 2017-2018 Revenue budget was $16,391,727 but actual received $16,982,248. Some of this was due to the sale of Pavilion Hall and collection of prior years’ taxes.
* The town has continuing appropriation such as Revaluation, Conservation & Development Plan, Legal Litigation, and Health Reimbursement Benefit. These appropriations do not end until the board decides that it is no longer needed. An example is Legal Litigation There is a beginning balance ($190,494), a transfer from this fiscal year ($30,000) and expenditure from the fiscal year ($32,610) and then the balance is left for future fiscal years ($187,844).
* Total Budgetary Fund Balance at June 30, 2018 is $5,397,101
* The funds are broken down into Major Funds and Non-Major Funds.
  + A Major Fund is a fund that has a big dollar amount. The definition is it has 10% of the total government’s assets, liabilities, revenue and expense. Management can make the Fund major if it feels it is important to the town**.**
  + All other funds are Non-Major funds – The Audit expresses what each fund is used for.
  + Town Aid Road Fund, Capital Nonrecurring Fund, and Open Space are Major funds
    - Capital Assets is to last longer than one year and a cost of over $5,000. The asset is depreciated over a set amount of years depending on the asset.
* Pension Trust Funds
  + Defined Contribution Plan - Current
  + Defined Benefit Pension Plan is frozen – When someone retires they know what they are going to receive. This needs an actuary to calculate this number each year.
  + Rabbi Trust for Volunteer Incentive Programs (LOSAP) - was moved to the general fund so it could be invested in the current investment. They are still subject to third party creditors.
* Alcohol & Drug Abuse prevention Fund. It is an agency fund. It is a Region 12 fund that we are the fiduciary for it.
* Tax Collector report – Comparison of previous years. Collections have been very good. There are only six open grand list years with a total of $124,183.
* State Grants- Not very good. Have not received as many as in the past.
* Recommendations
  + Formalizes the accounting procedural manual which is in process.
  + To move Other Expenses into more appropriate departments. Example: Animal control into public safety.
* Positive comments and appreciation to the staff of the town by board members for a clean audit.

A motion to except the audit subject to the change was made by Michael Jackson, seconded by Craig Schoon and unanimously approved.

**Tax Collector Report:** Question asked if the uncollected tax balance was higher than usual. Per Mark Lyon he believed it is a timing thing. The Tax Collector has mention money were slow coming in this January.

**Treasurer Report:** No Comments

**Selectman:** In the process of hiring a Land Use Administrator. The new Land Use Enforcer is on the job. In the process of hiring an Assessor assistant.

**Financial Reports**: No Comments

**Education:** The School Project is on schedule and on budget**.** There has been close to 80 applicants. They want to start with 39-40 students.They are hiring 2 new teachers.

**New Business:** None

**Old Business:** None

**A motion to adjourn at 6:05 by Michael Jackson unanimously approved.**

**Next Meeting: March 25, 2019**

Respectfully submitted,

Linda Kennedy Gomez Financial Administrator