FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886

PHONE: 860-442-0553
www.waterfordct.org



Board of Finance
Regular Meeting Minutes

Wednesday, February 12, 2025
Town Hall Auditorium 7:00 p.m.

**Present:** Glenn Patterson, Robert Tuneski, Joseph Filippetti, Bill Sheehan, Ron Fedor, Josh Kelly (7:00pm-7:55pm), Michael Rocchetti

**Elected:** Abbas Danesh, Treasurer; Paul Goldstein, RTM Moderator

**Staff:** Kimberly Allen, Director of Finance; Michael Howley, Interim Director of Fire Services and Stephen Dubicki, Fire Marshall; Rebecca Hall, Administrative Assistant Finance Office/BOF Recording Secretary

1. **Establishment of a quorum and call to order**
   A quorum was established and the Regular Meeting of the Board of Finance was called to order at 7:00 p.m. February 12, 2025.

2. **Public Comment:** none

3. **Approval and acceptance of minutes:**
   Regular Meeting on January 15, 2025

   **Motion** by Bill Sheehan and **seconded** by Josh Kelly to approve the minutes of the January 15, 2025 Regular Meeting as presented.

   **Vote: 7-0-0** **Motion: Passed**

4. To consider and act on a request for a FY25 Out-of-Series Transfer from the Human Services Administrator, Dani Gorman, in the amount of **$1,439** as presented

   **Motion** by Bill Sheehan and **seconded** by Michael Rocchetti to transfer **$1,439** as follows:

# TOWN OF WATERFORD
# TRANSFER REQUEST FORM

Out of Series Transfer Request

10119
**DEPARTMENT**

| Line No. | Org. Code | Object Code | Object Description | APPROVED Budget Amount | CURRENT Available Budget | ACCOUNT INCREASE | ACCOUNT DECREASE | REVISED Available Budget |
|---|---|---|---|---|---|---|---|---|
| 1 | 10119 | 51110 | Clerical and Technical | 46,716.00 | 17,217.80 | | (1,439.00) | 18,656.80 |
| 2 | 10119 | 52030 | Professional Fees | 5,000.00 | (1,438.19) | 1,439.00 | | 0.81 |
| | | | | | | | | |
| | | | | | TOTAL | 1,439.00 | (1,439.00) | |

Explanation

**Vote: 7-0-0** **Motion: Passed**

5. To consider and act on a request for a FY25 additional appropriation, to **line #10123-51410 (Fire Fighting)**, from the Interim-Director of Fire Services, Stephen Dubicki, in the amount of **$84,511** for salary increase approved under the negotiated union contract that was settled after the FY25 budget cycle, and forward to the RTM if required.

   **Motion** by Ron Fedor and **seconded** by Michael Rocchetti to transfer **$84,511.**
   **Amendment** by Bill Sheehan and **seconded** by Joseph Filippetti to transfer money from Unassigned Fund Balance of the General Fund, not Contingency. Bill Sheehan rescinded amendment.
   Glenn Fedor restated the motion as:
   **Motion** by Ron Fedor and **seconded** by Michael Rocchetti to transfer **$84,511 from Contingency** to **line #10123-51410 (Fire Fighting).**

   **Vote: 7-0-0** **Motion: Passed**

6. Discussion of FY24 Audit, by Bill Sheehan along with "Highlights" of the audit. *Highlights document at the end of the minutes.*

7. **Old Business:** Continued discussion from the January 15, 2025 meeting regarding the process for submitting and approving capital projects. Bill Sheehan opened discussion indicating he had researched the Charter and State Statutes further and realized he was wrong in his statements during the January meeting. There is no written policy in the town for the procedure for submitting and approving capital projects. The current process is simply how the town "has always done it". He would suggest to the RTM if a change in the process is discussed to create one (1) account titled Current Year Capital Fund. He formally requested a written proposal from the Director of Finance, Kimberly Allen, explaining the proposed 1-step appropriation process for the Board of Finance to review further.
   Josh Kelly spoke supporting the change to the 1-step direct appropriation process. He offered insight on how other towns utilize this method and how effective he has seen it implemented.

RTM Moderator, Paul Goldstein, asked the board to speak. He shared that several RTM members would welcome the change to this new approval process and shared examples of how it would have been a more efficient method in past appropriations. He pointed out that the RTM can designate and appropriate at the same time.

Chairman, Glenn Patterson, expressed concern about all management of the Capital Plan falling under the Board of Selectman and ultimately the First Selectman. He does not believe that the Town of Waterford is prepared for this new process.

Discussion expanded to how departments would present their projects, bid procedures, and planning costs.

Board members would like to obtain more information on the process and discuss further at the next Regular Meeting.

8. **New Business:**

**a.** Bill Sheehan suggested to the Board of Finance that due to the cut in the Contingency budget, that the Board of Finance should appeal the Board of Selectman's cut to the Board of Finance. The Contingency line is below $3,000 for the remaining five (5) months of FY25 which supports his suggestion.

**Motion** by Bill Sheehan and **Seconded** by Ron Fedor to appeal the budgetary reduction from **$273,000 to $265,000** in the Contingency line to the Board of Finance.

Chairman Patterson told the Board that during the Contingency presentation at the Board of Selectman Budget Hearing, that FY26 presents few financial strains than FY25 presented. FY26 will not encounter contract negotiations as FY25 did.

Bill's main concern is retirement of town employees. The town employees are not mandated to share their planned retirement with their department heads by any certain date, therefore, their retirement is a surprise and unplanned expense for the town.

**Vote: 4-3-0 (No: Tuneski, Rocchetti, Patterson) Motion: Passed**

**b.** Chairman Patterson requested to the Director of Finance that the Budget Books for FY26 be categorized by the departments scheduled for each Budget Hearing date. Mrs. Allen approved this request.

**c.** Chairman Patterson advised the Board of Finance that there are bills currently being voted on at the state level regarding taxes and reducing property assessments for Veterans. If approved, revenue in town will decrease by approximately $800,000. He will share a letter he received on Wednesday, February 12, 2025 from the First Selectman's office with data shared by the Assessor.

**d.** Michael Rocchetti told the Board that he would prefer to make any adjustments to the General Fund Unassigned Fund Balance before the FY26 Budget is approved.

9. **Liaison Reports:** none

**10. Correspondence:** Bill Sheehan addressed the Unassigned General Fund balance as presented in the Correspondence documents. He pointed out how the town has spent it down as was the goal for FY25.

**11. Adjournment**

**Motion** by Robert Tuneski and **seconded** by Bill Sheehan to adjourn the Regular Meeting of the Board of Finance at 8:31pm.

**Vote: 6-0-0** **Motion: Passed**

Respectfully submitted,

John (Bill) W. Sheehan,
Clerk of the Board of Finance

Rebecca L. Hall,
Recording Secretary

# Highlights of Questions and Comments on FY 2024 Audit Report

## State and Federal Special Report Letters

1. Federal Single Audit Report was a clean report for FY2024. The Federal letter had the usual discussion of Internal Controls and the limitation of the Audit regarding the "...effectiveness of internal control over compliance".
2. Total Federal Expenditures for FY2024 were $4,551,173. The largest single Department source was the Department of Treasury at $1,921,031. The next highest was Department of the Education at $1,822,759. Most of the Treasury funding is the from the ARPA. The Department of Agriculture provided $656,353 for the School Lunch Program.
3. As is usual, the Town got a clean report with no noncompliant issues in the state audit. I always have to smile when every such audit includes the statement "Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed." Then the report says "The purpose of this report in 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." This statement comes after two- and one-half pages describing internal control compliance.
4. Total State revenues = $2,712,793, down from $2,797,537 in FY23, down from $3,673,564 in FY2022 up from $2,075,683 in FY2021 up from $1,848,603, up from $2,446,421 in FY2020. FY2022 increase appeared to be from a LOTCIP grant of $1,580,345 to Public Works.
5. Which Department uses the Medicaid Grant from the Department of Social Services? Page 4 of State Single Audit. ($55,199 in FY2024, $30,252 in FY2023, $124, 194 in FY2022, $62,310 in FY2021 and $52,714 in FY2020). I asked this question last year and I do not remember the answer.
6. As usual, the Auditors noted that the Expenditures in the report are presented on the modified accrual basis of accounting.
7. No Findings or Questioned Costs found in the State Single Audit Report

**Management Letters Comments**

1. No observations or negative comments were in the FY2024Management Letter or Audit Check Off List. This was also true in the FY2023, FY2022 and FY2021 Management letters and Audit Check off lists. Unlike the FY20 Audit letter, there were no recommendations for improved Internal Controls.
2. In FY20, however, the Auditors did have some recommendations regarding Internal Controls:
    a. Initiate a regular review of employee listing and the payroll system change logs by an employee of the HR department to insure there are no false employees, individuals not removed upon termination, or unapproved changes to pay rates.
    b. Establish a formal Whistleblower policy and tip line, especially for employees, to report fraud or inconsistencies in the Town.
    c. Establish the practice of having Town employees and elected officials sign a formal log acknowledging their understanding of the Ethics policies of the Town. I informed the RTM L&A committee of this comment during the public hearing on the revision to the Ethics Ordinance. The committee determined that the requirement for employees and

public officials to sign acknowledging receipt of a copy of the Ethics ordinance was sufficient. The Ordinance would rely on the Human Resources Department and Town Clerk to administer such a sign in log.

d. Town should perform a risk assessment to identify, analyze and manage the risk of asset misappropriation. This should be an element of Town Internal Controls. This assessment can be performed by an outside agency or a management level individual who has extensive knowledge of the Town that might be used in the assessment.
e. The Town must be proactive in assessing and managing operations and IT environments in anticipation of cyber threats. The recommendations are lengthy and I recommend all members read them to see what financial investments might be requested by the administration to implement the recommendations.
f. The Auditors also reviewed the specific security of the financial management systems and the letter notes seven recommendations that are still outstanding:
    i. Perform regular format tests of backup data
    ii. Implement formal wire transfer procedures
    iii. Evaluate and ensure PCI (personal/confidential information) compliance
    iv. Update technology and operational policies and procedures
    v. Develop and test a comprehensive disaster recovery plan
    vi. Incorporate a mobile device and bring your own device (BYOD) strategy
    vii. Institute a comprehensive cybersecurity training program

3. Has the Finance Department implemented all of the recommendation of the FY2020 audit or explained why the recommendation was not implemented?

## Comprehensive Financial Report

1. Cover notes that, like the FY2020, FY2021, FY2022, and FY2023 Reports, the FY2024 Report is a Comprehensive Annual Financial Report (CAFR). I prefer the CAFAR because the additional statistical information is very useful.
2 The Profile of Government on pages i and ii does not include the four-year term for the members of the Board of Finance.
3 Excellent summary of Economic Activity in Town on Pages ii-iii
4 The paragraph on Long Term Financial Planning needs to be corrected to include the fact that the RTM formed a Planning Committee that superseded the BOF Committee in CY 2013 (October 7, 2013 RTM meeting). Also, the RTM Committee established in 1998 went out of business after the release of the Government Consulting Group Report in CY2001. That is why the BOF formed its committee in FY2001. A similar comment was in the Review of the FY2023 report, FY2022 report, the FY 2021 report, and the FY2020 Report. Page iii
5 Note the brief Unassigned Fund Balance discussion. Page iii
6 The Organization Chart on Page vi does not reflect the titles of one of the Town Officials on page v. Also, the "reports to" lines need to be changed to reflect what is actually the current chain of command in Waterford Town Government. Page v-vi. A similar comment was in my review of the FY2023 and FY2022 audit reports.
7 The Auditor's report explained how they conducted the Audit of the Financial Statements provided by the Town noting what they reviewed and what they did not review. Key paragraph is the Opinion that the Financial Statements were"... in accordance with accounting principles generally accepted in the United States of America." Pages 1.
8 In the conclusion of the Auditor Report, the Auditors again state that the report is not an opinion "...on the effectiveness of the Town...internal control over financial reporting or on

compliance" In plain English, what they looked at was correct but that does not mean there are no errors in places where they did not look. Page 4

9. In FY2024 the Town's net position decreased as a result of the year's operations. The governmental activities increased by $762 thousand and business type activities decreased by $898 thousand. In FY2023 the Town's net position decreased as a result of the year's operations. The governmental activities increased by $280 thousand and business type activities decreased by $973.0 thousand. .In FY2022 the Town's net position increased by $5.0 million or 3.2% and the business activities decreased by $6.9 thousand or 1.4% In FY2021 the Town's net position decreased by $688 thousand after restatement or 0.4% and Business Activities decreased by $1.6 million or 3.1%. In FY2020 the Town's net position decreased by 0.6% or $894 thousand and business activities decreased by 2.9% or $1.6 million. Page 5
10. In FY2024 expenses were $134 thousand more than the $125.1 million generated in tax and other revenues for governmental programs. In FY2023 expenses were $691 thousand more than the $125.7 million generated in tax and other revenues for governmental programs. In FY2022 expenses were $5 million less than the $111.5 million generated by taxes and other revenues for government programs. Expenses in FY2021 were $2.3 million more than the $121.6 million generated in tax and other revenues for governmental programs. Expenses in FY2020 were $894 thousand more than the $111.4 million generated in taxes and other revenue. Page 5
11. Resources available for appropriations in FY2024 were $1.5 million more than anticipated for the general fund. Resources available for appropriation in FY2023 were $5.4 million more than anticipated for the general fund. Resources available for appropriation in FY2022 were $1.1 million more than anticipated for the General Fund. Resources available for appropriation in FY2021 were $1.7 million more than anticipated. Resources available for appropriation in FY2020 were $1.5 million more than anticipated. Page 5
12. The resources available for appropriation were $1.5 million more than anticipated for the General Fund. There were additional appropriations of $4.5 million, of which, $4.3 million was for transfers out to the Capital Improvement and Capital and Nonrecurring Funds. Unused appropriations of $1.6 million were returned to the Fund Balance at year end. Overall, the operating results decreased the General Fund balance by $1.4 million. The resources available for appropriation were $5.4 million more than anticipated for the General Fund in FY2023. This permitted additional appropriations of $3.0 million to the Capital Improvement and Capital and Nonrecurring Funds. Additional $1.3 million were returned to the fund balance at the end of FY2023 increasing the General fund balance by $3.4 million to a yearend total of $26.5 million. This compares to the managed spending by department heads and the impact of the COVID-19 partial shutdown of activities in FY2022, that resulted in $1.8 million transferred to the Capital and Nonrecurring (CNR) Fund and an unused appropriation of $1.0 million returned to the General fund in FY2022. Overall, in FY2022 the operating results increased the General Fund Balance by $350.6 thousand. This compares to the $41.1 thousand transferred to the Capital Improvement Fund in FY2021 and unused appropriations of $2.2 million were returned to the fund balance at the end of FY2021. This compares to $1 million of the unassigned balance transferred to the Capital Non-Recurring Expenditure Fund and $1.8 million of unused appropriations were returned to fund balance in FY2020. Page 5
13. Good explanation of town financial activities and categories of Town funds is found Pages 6 and 7.
14. Note that Town Funds use the modified accrual accounting method so there is a difference between governmental activities and governmental funds. This difference is described in a reconciliation included with the fund statements. Page 6.
15. Town cannot use fiduciary net assets to finance operations. Page 7

16. Government activities revenue sources – 79.6% from property taxes, 13.6% from operating and capital grants, 3.2% from charges for services and 3.6% from investment and other general revenues in FY 2024 Page 8 & 9
17. Note the factors affecting operations outlined on Pages 8 & 9.
18. As usual, a good presentation of major factors affecting the FY24 operating budget. Pages 11 and 12.
19. There were $133.8 thousand of outstanding encumbrances at end of FY24 compared to $234.4 thousand of outstanding encumbrances at end of FY23, compared to $226.1 thousand of outstanding encumbrances at end of FY22 compared to $641.8 thousand of outstanding encumbrances at the end of FY21 compared to $522,100 of outstanding encumbrances at the end of FY20. Encumbrances are reported as expenditures for budgetary purposes. Page 12
20. Note that balances for special revenue funds that are funded primarily from operating transfers from the General Fund are also rolled into the General Fund for reporting purposes. In FY24 those balances amounted to $47.5 thousand. In FY23 those balances amounted to $32.5 thousand. In FY22 those balances amounted to $59.3 thousand. FY21 those balances amounted to $53.7 thousand. In FY20 those balances amounted to $355,500. Page 12
21. Town Debt at the end of FY24 was $55.2 million. Town debt rating is "AA" from Standard and Poor's in FY23. Page 13
22. The unassigned fund balance of the General Fund decreased by $2.4 million if FY24. The main reason for the decrease is negative operating results of $1.4 million. Page 13
23. Total Cash, cash equivalents and investments at end of FY24 was $66,203,577 in the Audit. The Treasurer's Report for 06/30/2024 showed a value of $65,130,282. Page 15
24. The Total Cash and Investments in the General Fund for FY24 was $59,682,064 in the Audit. The 06/30/2024 Treasurer's Report reported a total of $32,623,656 of Cash and Investments in the General Fund. Page 15
25. Long Term Liabilities not reported in the funds at the end of FY24 were $127,770,766. Page 18
26. Note the Net Pension Liability is $38,244,581, Compensated absences is $6,897,140 and Net OPEB Liability is $16,850,395 in FY24. Page 18
27. General Fund Balance at end of FY24 was $24,965,170 ($32,623,656 in Treasurer's report), Capital and Nonrecurring Fund Balance at end of FY24 was $$10,806,860 ($11,414,150 in Treasurer's report). Page 19

28 Note the explanations for the differences in amounts reported for government activities on Page20

29. The combined Retirement and OPEB Trust funds ended FY24 with a balance of $13,818,321. , FY24 was a good year for investments. Page24

30. It is important to understand the accounting policies discussed on pages 26-36.
31. Note that revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Page 27
32. Generally, expenditures are recorded when a liability is incurred. However, debt service expenditures as well as expenditures related capital leases, compensated absences, claims and judgements are recorded when payment is due. Page 28
33. Note the rules on interfund activity described on Page 29
34. Note the depreciation table on page 31 for all physical property and equipment.
35. The Section on Leases was new in FY22 due to GASB 87 Pages 31-33
36. Note discussion of Deferred Outflows/Inflows related to OPEB funds on Page 33-34.
37. Fund balance terms explained on pages 35-36. (GASB 54 implementation)

38. In budget discussion on page 37, the appeals process time lines are in the Town Charter,
39. and repeated in the Town Ordinances. This error was also in the FY23, FY22, FY21, FY20, FY19 and FY18 reports. Page 37
40. Note that there were $4,547,982 of supplemental budgetary appropriations in FY23. Page 38
41. The Section on Leases was new in FY2022. What has been leased? Page 43 and 48
42. Note the Interfund receivables, payables, and transfers tables on Page 46
43. Membership in the Town Retirement Plan is down to 6 persons in FY24 compared to 7 persons in FY23 and FY22. Page 52
44. Although it may be a sure cure for insomnia, it is worth the time to read the details of MERS, TRS, and OPEB plans. Pages 57-78
45. Membership in the OPEB retirement plan is 486 as of July 1, 2022. Page 68
46. The Net OPEB liability that is recognized as of June 30, 2024 is $16,850,395. Note that because the total OPEB liability in FY24 is $30,161,924 up slightly from the FY23 total OPEB Liability of $30,109,553 up from FY22 total OPEB Liability of $26,048,033 up from the FY21 total OPEB liability of $25,755,778 the Plan fiduciary net position percentage of total OPEB liability is 44.13% up from 35.02% in FY23 up from 32.45% in FY22. Page 68
47. For a defined benefit plan it is considered "fully funded" if the funding status is 100% which means there is enough money to cover any liabilities. If the fund is 80% funded it is considered "Healthy". In reality, the average funding status is 69.9%. Sourced from "THE NEST" "What is a Fully Funded Retirement Plan".
48. Note discussion on Risk Management on Pages 79. Stop Loss is discussed on Page 79. This is important in funding Health Care Plans
49. As usual, the major tax payer for fiscal year 2024 was Dominion Nuclear at 34.7%. Page 80
50. The total returned funds for the Town and Board of Education was $1,605,722 at end of FY24. Page 89
51. Comparing expenditure total on Pages 89 with revenue total on page 83 Revenue was $1,503,460 less than expenses in FY24
52. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued so that encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year while in GAAP basis encumbrances are recorded as assigned fund balance. Page 89
53. Carefully review the MERS retirement plan data and the Teachers Retirement Fund Data. The Town is fortunate that it is not paying for the Teachers retirement fund as well as the MERF. Pages 90-95
54. The Town has been fortunate that the tax collection rate continues to be greater than 99% and the Town has been successful in collecting back taxes. Page 104 and Page 135
55. Review the explanation of the Special Revenue funds on pages 107 to 109 and then the expenditures from pages 116-121.
56. The Statistical Data on pages 126-143 are valuable information on the Town and well worth spending some time reviewing to see how the Town as changed in the past ten years.