Board of Finance
Regular Meeting Minutes
7:00 pm

Wednesday, February 9, 2022
Waterford Town Hall

Present: Chairman Glenn Patterson, Ronald Fedor, John Sheehan, Kevin Petchark; Robert Tuneski, Baird Welch-Collins and Joe Filippetti

Elected: Jody Nazarchyk, Selectwoman, Abbas Danesh, Treasurer

Absent: Robert J. Brule, First Selectman

RTM: Thomas Dembek, Sue Driscoll

Staff: Christine Walters, Director of Human Resource, Jeffrey Robillard, IT Manager, Kimberly Allen, Finance Director, Maryellen McConnell, Secretary

1. Establishment of a quorum and call to order:

   A quorum and a call to order was established at 7:00 pm, February 9, 2022

2. Public comment: No public comment.

3. Approval and acceptance of revised minutes of January 12, 2022.

   Motion by John Sheehan and **seconded** by Baird Welch Collins to approve the minutes of January 12, 2022.

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

4. To consider and act on a request from Kimberly Allen, Director of Finance, for an appropriation in the amount of $5,380 from Capital and Non-Recurring designated line 20547-57846 Wi-Fi Town Wide Wiring.

   Motion by John Sheehan and **seconded** by Robert Tuneski to amend the agenda from Wi-Fi Town Wide Wiring to Fiber Upgrade.

   Motion by John Sheehan and **seconded** by Robert Tuneski to approve the appropriation in the amount of $5,380 from Capital and Non-Recurring.

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

5. To consider and act on a request from Christine Walters, Director of Human Resources, for an **FY22 Out of Series Transfer as follows**:

Account	Description	Approved Budget Amount	Current Available Budget Amount	Account Increase	Account Decrease	Revised Available Budget Amount
10145-51110	Administration	125,548	110,815.69		(67,546)	43,269.69
10145-51210	Clerical and Technical	60,639	4,016.05	29,694		33,710
10145-52030	Professional Fees	54,000	0	37,852		37,852
	Total			**67,546**	**(67,546)**	

Motion by John Sheehan and **seconded** Ronald Fedor to approve the Out of Series Transfer for $67,546.

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

6. Old Business: None

7. New Business:

   a. Discussion of the FY2021 Audit Report with representatives from CliftonLarsonAllen, LLP (CLA). Vanessa Rossitto from CliftonLarsonAllen, LLP was on hand to give a presentation and answer questions from the Board of Finance members.
   b. Review of the Audit Report for FY 2021 by the Board of Finance. John Sheehan reviewed selected items from an extensive list of questions and comments he prepared. A copy of the list is attached to these minutes.
   c. Review of the 2022 Grand List Report from the Town Assessor. Discussion ensued on the Grand List, several questions were asked and Kimberly Allen will be contacting the Assessor's Office for responses.
   d. Discussion of the current Board of Finance Policies. Chairman Patterson stated that he would like to make a procedures manual for the Board of Finance. This would help all new incoming members and answer questions they may have.

e. Select the Board of Finance School Building Committee Representative for the balance of the current term through 6/30/2022, and the next term 7/1/2022 – 6/30/2023.

   Robert Tuneski was nominated for the position.

   Motion by John Sheehan and **seconded** by Baird Welch-Collins to approve the nomination.

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

f. Monthly Reports – question from Kimberly Allen, Finance Director, can we put the monthly reports on the Finance Department web page.

   Motion by John Sheehan and **seconded** by Baird Welch-Collins to accept the Finance Director's request to post the monthly reports and send copies to the RTM Moderator and to the RTM Majority and Minority Leaders.

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

8. Liaison Reports: No reports.

9. Correspondence:
   a. Quarterly Treasurer's Report: Quarterly Treasurers Report: Abbas Danesh, Town Treasurer, noting he expects interest rates to rise over the rest of the year and will adjust the town's investments accordingly.
   b. Letter from the Tax Collector: Discussion ensued regarding Department Heads having to be at the last Board of Finance budget meeting. The Board of Finance members concluded that there is no standing Board of Finance requirement for Department Heads that attend that meeting. The Finance Director noted that the First Selectman has addressed this issue with the Department Heads.

10. Adjournment:

Motion by Ronald Fedor and **seconded** by Baird Welch-Collins to adjourn the Meeting of the Board of Finance at 8:22 p.m.

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

Respectfully submitted,

John Sheehan, Clerk

Maryellen McConnell, Secretary

7b.

Questions and Comments on FY2021 Audit Report

State and Federal Special Report Letters

1. *Federal Single Audit Report Pending. Last Year's comments noted. Total Federal revenues = $1,716,656 in FY2020 up from $1,399,839 in FY2019 which was down from $2,588,876 in FY2018 which was up from $1,476,481 in FY2017 which was down from $1,850,874 in FY2016 – down from $2,139,308 in FY2015.
2. *The largest Federal award was the Special Education IDEA grants totaling $586,337.
3. *No deficiencies were noted in the Federal Single Audit Report
4. Total State revenues = $2,075,683 in FY2021 up from $1,848,603 down from $2,446,421 in FY2020 down slightly from $2,489,647 in FY2018 which was down from $4,830,177 in FY2017. Increase in FY2017 was in School Construction Grants.
5. Grant that I just noticed after all the years doing this report – Which Department uses the Medicaid Grant from the Department of Social Services. Page 4 of State Single Audit. ($62,310 in FY2021 and $52,714 in FY2020)
6. No Findings or Questioned Costs found in the State Single Audit Report

Comprehensive Financial Report

1. Cover notes that, like the FY2019 and FY2020 Reports, the FY2021 Report is a Comprehensive Annual Financial Report (CAFR) unlike the FY2018 report, which like the FY2017 Audit Report was just the Annual Financial Report, not a Comprehensive Annual Financial Report (CAFR). I prefer the CAFAR because the additional statistical information is very useful.
2. Short summary of Waterford Government that preceded listing of Principal Town Officials in prior CAFRS is after the listing of Principal Town Officials. It did not appear in FY2018 Audit Report. It was also not in the FY2017 or FY2016 Audit reports. It had been in previous Audit reports.
3. Excellent summary of Economic Activity in Town on Pages vi-vii.
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 FY2020 Report and the FY2019 report. Page viii
5. Unassigned Fund Balance discussion. Page viii
6. 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 1-3.
7. 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. In FY2019 the Town's net position decreased by 0.8% or $1.4 million and the business activities decreased by 2.2% or $1.3 million. Town's net assets as restated due to GASB 75 increased by 1.4% in FY2018 compared to the increase in FY2017 of 1.7% compared to the decrease of 3.42% in FY16. Page 4

8. 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. Expenses in FY2019 were $1.4 million more than the $102.6 million generated in tax and other revenues compared to FY2018 expenses that were $2.1 million less than the $106.9 million generated in tax and other revenues. In FY2017 expenses were $2.7 million less than generated revenues compared to expenses $5.8 million more than generated revenues in FY2016. Page 4
9. 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 compared to FY2019 resources available for appropriation compared to $2.7 million more than anticipated compared to resources in FY2018 that were $823.4 thousand more than anticipated. Resources available for appropriation were $1.2 million more than anticipated in FY2017. Page 4
10. Due to the managed spending by department heads and the impact of the COVID-19 shut down of activities, there were $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 compared to the $963.0 thousand that were returned to fund balance at the end of FY2019 compared to $792.6 thousand of unused appropriations which were returned to the general fund balance in FY2018. This compares to $591.2 thousand of unused appropriations were returned to the general fund balance in FY2017. Page 4
11. Good explanation of town financial activities and categories of Town funds is found Page 5.
12. 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 5.
13. Town cannot use fiduciary net assets to finance operations. Page 5
14. Due to GASB 84 the FY2020 Unrestricted net position was restated at $18.9 million and the FY2021 Unrestricted Net Position is $9.002 million. As noted above, the Town's assets were restated in FY2018 Audit Report due to GASB 75. In FY2020 the unrestricted net assets changed to ($19.13) million compared to the FY2019 unrestricted net assets of ($13.040) million from the ($11.532) million in FY2018 Based on that restatement, the Unrestricted net assets decreased from ($13.638) million in FY2017 to ($11.532) million in FY2018. In the FY2017 report Unrestricted net assets changed from (5.725) million at end of FY15 to

(10.913) million at end of FY16 to (5.839) in FY2017. The negative value is a result of the implementation of GASB 68 in FY15. Business type activities (mostly the Utility Commission Enterprise Fund) decreased to $50.4 million in GY2021 compared to $52.0 million in FY2020, compared to $53.6 million in FY2019 compared to $54.817 million in FY18 compared to $56.670 million at end of FY17 compared to $57.463 million at end of FY16. This compares to $57.6 million in FY15. Page 6.

15. Total Revenues were $117.776 million and total expenses were $118.432 million in FY2021 compared to total revenues of $111.416 million and total expenses of $112.215 million in FY2020 compared to Total Revenues of $102.563 million and total expenses were $103.781 million in FY2019. This compares to Total Revenues of $106.967 million and total expenses of $104.634 million in FY18. This compares to Total Revenues $104.939 million and total expenses $102.223 in FY17 compared to revenues of $101.315 million and Total Expenses $107.242 million in FY16 compared to Total revenues $102.886 million, Total Expenses $102.315 million in FY15. Page 7.
16. Government activities revenue sources – 79.1% from property taxes, 17.9% from operating and capital grants and contributions, 2.8% from charges for services and 0.2% from investment and other general revenues in FY21 compared to 82.7% from property taxes, 13.4% from operating and capital grants and contributions, 2.8% from charges for services and 1.1% from investment and other general revenues in FY20. This compares to 88.0% from property taxes, 7.2% from operating and capital grants and contributions, 3.5% from charges for services and 1.3% from investment and other general revenues in FY2019. This compares to 82.2 % from property taxes, 14.0% from operating and capital grants and contributions, 3.1% from charges for services and 0.7% from investment and other general revenues in FY18. This compares to 81.9% from property taxes, 14.4% from operating and capital grants and contributions, 3.3% from charges for services and 0.4% from investment and other general revenue in FY17 compared to 85.2% from property taxes, 11.2 from operating and capital grants. 3.4% from charges for services and 0.2% from investments in FY16. This compares to 80.5% from property taxes, 16.2% from operating and capital grants and contributions, 3.1% from charges for services and 0.2% from investment and other general revenues in FY2015. Investments have decreased by $949.3 thousand in FY2021 after decreasing by $215.0 thousand in FY2020 after increasing slightly in percentage share (up by $611.0 Thousand in FY2019 over FY18. Page 7 & 8.
17. Note the factors affecting operations outlined on Pages 7 & 8.
18. Revenues from Sewer fees increased by $115 thousand in FY21 after decreasing by $55 thousand in FY2020 after increasing by $111 thousand in FY19 compared to a decrease of $265,000 (3.3%) in FY18 compared to $226,000 (1.4%) in FY17 compared to decrease of $70,000 (1.8%) in FY16. Capital contributions increased by $16 thousand in FY21 after decreasing by $43 thousand in FY2020 after a $221 thousand (5.3%) decrease in FY2019, compared to a $890 thousand decrease (68.1%) in FY17 compared to the increase by $362,000 (38.3%) in FY16. This was due to completion of work on Pump Station Grit Facility in

FY18, Harvey Ave. Pump Station in FY17 and the Wastewater SCADA system project. Ion FY16 Page 8

19. Town Combined Fund Balance was $35.6 million, an increase of $4.1 million from the restated $31.5 million ($31.2 million originally) in FY2020, an increase of $7.5 million from $23.7 million in FY2019, an increase of $1.7 million compared to $22.0 million, an increase of $0.9 million in FY18 from $21.1 million an increase of $3.5 million in FY17 compared to $17.6, million, a decrease of $2.7 million in FY16 compared to $20.4 million in FY15. The General Fund showed a total increase of $2.8 million in FY20 compared to an increase of $2.5 million in FY2019 compared to an increase of $1.2 million in FY18 compared to an increase of $1.7 million in FY17 compared to an increase of $1.3 million in FY16. Page 9
20. The Internal Service Fund net assets increased by $426.5 thousand in FY21 compared to an increase of $1.3 million in FY20 compared to a decrease by $352.5 thousand in FY19 compared to an increase by $255.3 thousand for FY18 adding to the $217.2 thousand in FY17 adding to the $788,900 increase in FY16. Fortunately, in FY21 the contributions of $11.9 million offset the expenses for claims and program administration of $11.5 million in FY21 compared to FY20 when the contributions of $11.4 million offset the expenses of $10.2 million. This compared to FY19 when the contributions of $11.7 million offset the expenses of $12.1 million. This compares to FY18 where the $11.2 million in contributions was greater than the $11.0 million expenses in FY18 continuing the positive trend. In FY17 the $11.0 million in contributions and other revenues was greater than the $10.8 million in expenses for claims and administration. This continues the positive trend. In FY16 the $10.9 million in contributions was greater than the $10.1 million in expenses for claims and administration. Page 9.
21. FY21 revenues were $3.9 million over expenses compared to FY20 revenues which were $2.3 million over expenditures. This compares to FY19 when revenues were $2.8 million over expenditures on a budgetary basis. This compares to FY18 revenues that were $934.9 thousand over expenses compared to FY17 when revenues were $1.8 million over expenses compared to FY16 when revenues were $1.2 million over expenses. Page 10
22. As usual, a good presentation of major factors affecting the FY21 operating budget. Page 10.
23. There were $641.8 thousand of outstanding encumbrances at the end of FY21 compared to $522,100 of outstanding encumbrances at the end of FY20. This compares to $186,800 of outstanding encumbrances at end of FY19. This compares to $566,000 of outstanding encumbrances at the end of FY18. This compares to $279,600 of outstanding encumbrances at the end of FY17. This compares with $414,700 of outstanding encumbrances at the end of FY16. Encumbrances are reported as expenditures for budgetary purposes. Page 10
24. 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 FY21 those balances amounted to $53.7 thousand. In FY20 those balances amounted to $355,500. In FY19 those balances amounted to

$67,000. In FY18, those balances amounted to $74,900. In FY17 those balances were $86,600 compared to $98,700 in FY16. Page 10

25. Capital assets decreased by $4.5 million in FY21. This compares to Capital assets decreasing by $2 million in FY20. This compares to a decrease of $6.8 million in FY19. This compares to a decrease of $7.0 million in FY18 on top of the $7.37 million decrease in FY17 on top of the $5.8 million decrease in FY 16. Much of these decreases were influenced by depreciation Page 11.
26. Town debt at end of FY21 was $72.8 million, up from FY20 debt of $63 million down from $69.5 million at the end of FY19, down from $74.5 million at end of FY18 which was down from the $79.5 million in at end of FY17 compared to $85.7 million at end of FY16. Page 12.
27. Town debt rating is "AA" from Standard and Poor's in FY210. This is no change from FY20, FY19 and FY15. There is no mention of "Aa2" (up from "AA3" in FY11) from Moody's Investors Service that was noted in the FY16 report. Page 12.
28. Note that the town debt limit in FY21 is $646.3 million up from $638.6 million in FY20, up from $614.8 million in FY19, up from 603.2 million in FY18, unchanged from FY17 but up from $572.3 million in FY16. I hope we never get close to that figure. Page 12.
29. The unemployment rate in FY21 was 6.5%, down from the FY20 10.8% up sharply from 3.7% in FY19. The FY19 rate was down from the FY18 rate of 4.0% down from an FY17 rate of 4.7% in FY17 compared to 5.3% in FY16. This is lower than the national 11.1% and higher than the State average of 10.1% in FY20. Page 12
30. The Unassigned Fund Balance increased by $4.0 million in FY21 compared to an increase of $2.2 million in FY20 compared to a $2.8 million increase in FY19 compared to an increase of $796.8 thousand in FY18 compared to an increase of $2.2 million in FY17 compared to a $809,700 increase in FY16. For historical information prior to change in fund definitions in FY11, the Unreserved Fund Balance at end of FY2010 was $11.1 million, essentially the same as in FY2009 (report says it is a decrease from $12.08 in FY09) and close to the $11.4 million at end of FY07 after an increase to $19.2 million in FY08 due to Dominion settlement. Page 12
31. Total Net Assets for FY21 are $208,405,121 compared to $210,444,390 in FY20 compared to net assets in FY19 of $212,884,881 compared to net assets for FY18 of $215,485,469 compared to net assets of $222,999,822 in FY17 compared to $221,076,376 in FY16. Page 13.
32. Total Cash, cash equivalents, and investments at end of DY21 was $55,044,640 in the Audit. The Treasurer's report for 06/30/2021 showed a value of $54,913,022. Page 13
33. Loss in the Business Type Activities (Utility Commission) in FY21 was $1,622,655 compared to a loss of $1,688,931 in FY20 compared to a loss in FY19 of $1,451,560 compared to a loss of $2,085,971 in FY18 compared to a loss of $800,704 in FY17, compared to FY16 loss of $137,199. These losses are mostly due to depreciation of related capital equipment. Page 14.
34. Long Term Liabilities at end of FY21was $19,360,178. This is an increase from the FY20 value of $14,540,697. This is an increase from the FY19 value of

$13,688,114, a slight decrease from FY18 total liabilities of $14,426,353 compared to $10,893,245 in FY17 compared to an FY16 value of $19,128,450. Page 15.

35. Long Term Liabilities not reported in the funds at end of FY21 are $157,967,581 compared to a FY20 value of $158,417,896 compared to a FY19 value of $134,731,866 compared to $124,511,806 in FY18 compared to $124,073,136 in FY17, compared to FY16 liabilities of $125,581,192 compared to FY15 liabilities of $123,607,087. This is the fourth time the long-term liabilities have been detailed in this part of the audit due to the OPEB reporting requirements. Page 16.
36. Note that the Net Pension Liability is $33,780,610, Compensated absences is $6,740,355, and Net OPEB liability is $16,693,761 in FY21. This compares to a Net Pension Liability is $31,574,561, Compensated Absences is $7,239,502 and Net OPEB Liability is $17,291,575 in FY20. This compares to a Net Pension Liability of $29,879,877, Compensated absences liability of $7,258,446, and the Net OPEB liability of $18,501,569 in FY19. This compares to Net pension liability of $14,262,138; the compensated absences liability of $7,093,628 and Net OPEB liability of $20,720,417 for FY18. Page 16
37. General Fund Balance at end of FY21 was $23,782,024 compared to $20,113,162 at the end of FY20 compared to $17,259,424 at end of FY19, compared to $14,789.151 in FY18 compared to $13,594,126 in FY17, compared to FY16 Balance of $11,922,864 compared to a general fund balance at end of FY15 of $10,574,012. Page 17
38. Capital and Nonrecurring Fund Balance at end of FY21 was $7,797,327 compared to $8,062,934 at end of FY20 compared to $4,491,330 at end of FY19, compared to $5,593,327 at end of FY18 compared to $6,473,966 in FY17, compared to FY16 CNR balance of $7,307,393 compared to a CNR balance at end of FY15 of $10,197. Page 17.
39. Note that there was still a deficit of $2,941,627 related to the Waterford High School Building Project at the end of FY21, a reduction of $1 from $2,941,628 at the end of FY20. This is down from the deficit of $2,941,645 at end of FY19. I guess $17 of interest sort of pays off. Real question is what is current status? Page 17
40. Note the explanations for the differences in amounts reported for government activities on page 18. There is more detail in FY21, FY20 and FY19 audits compared to previous audits before FY18. Some of this is a result of the requirement to provide more detail regarding Pension and OPEB future liabilities. Page 18
41. The change in net assets of government activities was (687,683) in FY21 compared to ($895,894) in FY20 compared to ($1,356,763) at end of FY19 compared to $2,137,645 at end of FY18 compared to $2,716,587 at end of FY17 compared to ($5,790,620) at end of FY16 compared to ($1,005,513) in FY15. Page 18.
42. Enterprise Fund showed an operating loss of $1,638,665 in FY21 compared a loss of $1,688,931 in FY20 compared to an operating loss of $1,451,560 in FY19 compared a loss of $2,105,565 in FY18 compared to a loss of $1,217,918 in FY17 compared to a loss of S1,444,095 in FY16 compared to a loss of $1,378,805 in

FY15. The depreciation expense ($1,807,505) plays a significant role in this paper loss. Page 20

43. Internal Service Fund for Health insurance showed an increase to $6,229,162 in FY21 compared to an increase to $5,802,649 in FY20 compared to a reduction to $4,542,016 in FY19 compared to its position of $4,894,509 in FY18, up from $4,639,216 in FY17 up from $4,422,052 in FY16 up from $3,633,202 in FY15. Page 20
44. Internal Service Fund Investment income of $5,069 in FY21 is down significantly from $62,559 in FY20 is up from $43,199 in FY19 is up from $27,557 in FY18 is up from $12,741 in FY17 is up from $3,548 in FY16 is up from the $2,017 earned in FY15. Page 21.
45. Utility Commission Enterprise Fund ended FY21 with $4,027,700 cash balance down from cash balance of $4,836,350 at end of FY20 compared to ending FY19 with $3,667,346 up from $3,138,882 cash balance in FY18, up from $2,990,568 in FY17, up from FY16 cash balance of $2,320,871 in cash, up from FY15 with $2,266,877. Page 21.
46. Note that $9,062,017 is restricted for OPEB Benefits and $639,050 to Retirement Benefits in FY21 compared to $6,109,331 restricted to OPEB Benefits and $540,447 to Retirement Benefits in FY20 compared to $5,056,942 restricted for OPEB and $535,281 for retirement in FY19. Page 22
47. Trust Funds information was combined in the FY18 report rather than separating the Pension fund and the OPEB fund. This was repeated in FY19 and FY20. I prefer keeping the reporting of the two funds separate even though both are managed by the Retirement Commission. These funds are reported separately later in the Audit Report. Page 22 & 23
48. The combined Trust funds ended FY21 with a balance of $9,701,067 up from the FY20 balance of $6,649,778 up from a FY19 balance of $5,592,253 up from a FY18 balance of $4,179,991 compared to a combined balance of $2,919,656 at end of FY17. OPEB Trust Fund ended FY17 with a balance of $2,355,136 with its only expense in FY17 an Administrative payment of $9,781. It made its first appearance in the audit report in FY16 with a value of $1,160,000. Page 22 and 23.
49. The combined Retirement and OPEB Investment Income in FY21 was $1,977,974 up from FY20 Investment Income of $333,388 in FY20, compared to a FY19 Investment income of $297,336 up from $161,460 in FY18. The FY17 investment income was $48,277. Page 23
50. It is important to understand the accounting policies discussed on pages 24-35.
51. 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 25
52. 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 25
53. The Custodial Funds are new in FY21. Page 26
54. Note the rules on interfund activity described on Page 26
55. Note the depreciation table on page 27 & 28 for all physical property and equipment.

56. Note discussion of Deferred Outflows/Inflows related to OPEB funds on Page 28.
57. Fund balance terms explained on pages 29-30. (GASB 54 implementation)
58. In budget discussion on page 31, the appeals process time lines are in the Town Charter, not Town Ordinances. This error was also in the FY20, FY19 and FY18 reports.
59. During FY21 supplemental budgetary appropriations of $41,100 were made compared to FY20 supplemental budgetary appropriations of $1 million. This compares to supplemental budgetary appropriations of $800,000 in FY19. Page 32
60. Note the difference between GAAP and budgetary basis of accounting on Page 32.
61. Funds with Deficit balances – Historic Preservation Enhancement Grant – I assume that the dollars are in the General Fund. High School Building Project – $2,941,627 in FY21 down a dollar from $2,941,628 in FY20 compared to $2,941,645 deficit in FY19 (down from $2,941,672 deficit in FY18). I assume this is the amount in dispute with the State regarding allowed expenditures for the High School Project. Nuclear Safety Emergency Preparedness - $84,798. Again, I assume those dollars are in the General Fund. Page 32. In FY19 and FY18 report the High School Building Project owed the General Fund $2,942,807 (Page 37). Page 32
62. Custodial Credit Risk Presentation different in FY21, FY20, FY19 and FY18 different from the FY17 discussion. IN FY21 the bank balance had increased to $28,781,931. IN FY20 the discussion was limited to a bank balance of $9,684,969. Discussion was limited to bank balance of $3,682,002 in FY19 and $1,258,200 in FY18 while bank balance if FY17 was $16.969,000. Respective Credit Risks reported are $23,178,450 in FY21, $7,671,969 in FY20, 2,859,979 in FY19, $633,815 in FY18 and $13,500,000 in FY17. Page 33
63. Be sure to review the Various Risk explanations. Pages 33-35
64. Net Receivables in FY21 were $4,420,989 compared to $3,772,763 in FY20, compared to $3,669,623 in FY19 compared to $5,347,557 in FY18. Page 36
65. Note the decrease in net capital assets on page 37 due to depreciation. Page 37
66. Note the Depreciation expense of $9,053,694 in FY21 compared to $9,366,645 in FY20 compared to $9,627,541 in FY19 compared to $9,718,411 in FY18 compared to $9,668,916 in FY17 compared to $9,676,204 in FY16 compared to $9,334,424 in FY15. Page 37 & Page 38
67. Construction Commitments remaining at end of FY21 are $1,002,753 compared to $6,689,464 in FY20, compared to $13,379,955 in FY19, compared to $1,726,988 in FY18 compared to remaining FY17 commitment of $1,716,627 compared with FY16 Commitment of $1,390,796 compared to the FY15 commitment of $1,168,918. The new Public Works Building on Hartford Road is responsible for the large number. Page 38
68. Note the composition of the interfund balances at the end of FY21 totaling $9,846,013 in FY21 compared to a balance of $9,107,963 in FY20, compared to a balance of $7,352,253 in FY19. Page 38
69. Note the Post-Employment Benefits (OPEB) liability in FY21 of $16,693,761 down from $17,291,575 in FY20 compared to the FY19 liability of $18,501,569

compared to the FY18 liability of $20,720,417 compared to the restated value in FY17 of $21,640,691 in FY17. FY17 Audit Report stated an OPEB liability of $13,841,300 down from the FY16 value of $15,274,000 up from the FY15 value of $13,574,800 and the Compensated absences of $6,740,355 in FY21 down from $7,239,502 in FY20 up from $7,258,446 in FY19 up from $7,093,628 in FY18 compared to $7,301,177 in FY17 down from $7,811,225 in FY16 compared to $8,247,881 in FY15. Enterprise fund compensated absences are $315,651 in FY21 down from $345,395 in FY20 compared to $406,178 in FY19 compared to $358,456 in FY18 compared to $383,488 in FY17 up from $348,931 in FY16 up slightly from $348,518 in FY15. Page 40

70. Note the Town's long-term liability of $135,325,515 in FY21 up from $134,964,002 in FY20, up from $130,232,756 in FY19 up from $122,470,628 in FY18 compared to the restated FY17 value of $131,872,563. FY17 audit reported a long-term liability of $124,073,136 in FY17 down from $125,581,192 in FY16 up from $123,607,087 in FY15. Page 40
71. The Due within one year is $7,372,193 in FY21 up from $6,521,348 in FY20 down from $6,534,786 in FY19 up from $6,415,023 in FY18 compared to $5,841,000 in FY17 up from $5,101,327 in FY 16 up from $4,950,806 in FY15. Page 40
72. Note the bond payment schedule. Final payment of bonds will be in 2041, up from 2035 in FY20 up from reported 2034 in FY19 (It was 2037 in FY17, 2036 in FY16 and 2035 in FY15). The recent bonding for the Municipal Complex and bond refinancing that happened in December 2019 and December 2020 moved the final payment year to FY2041. Page 41.
73. Total statutory debt limit of seven times annual receipts from taxation is $648,806,802 in FY21 up from $638,609,762 in FY20 compared to $614,810,721 in FY19 The actual debt at end of FY21 was $72,815,000 up from $63,030,000 in FY20 compared to FY19 when it was $69,465,000. It was not listed in FY18 report. The actual debt in FY18 is $74,485,000. In FY17 the Total statutory debt limit was $603,192,000 but current debt was $87,841,000. Page 41and 42
74. Note that the Unassigned Fund Balance of the General Fund at end of FY21 was $22,981,081 but the total Unassigned Balance was reduced to $19,948,347 by negative balances in other funds (mostly from the High School Building Project Fund deficit) in FY21. Page 43
75. Tax Abatement discussion on page 44 first appeared in the FY18 audit report.
76. Description of Employee Retirement Systems and Pension Plans is much expanded from previous audit reports prior to FY17. Pages 44-66 (compared to Page 42-49 in FY14 audit report)
77. Membership in the town retirement plan on July 1, 2019 (date of last actuarial valuation) is 10, down from the FY19 and FY18 figure of 13 (Based on July 1, 2017 actuarial valuation. This is down from 17 for FY17. This is down from 19 in a previous actuarial valuation in FY15) Page 45.
78. Note the annual required contribution to the town plan of $59,870 (with contributions of $82,000 made by the Town in FY21 compared to $81,131 (with contributions of $89,953 made by the Town) for the year that ended on June 30, 2020 compared to $82,000 for year that ended on June 30, 2019 compared to

$81,493 for year that ended June 30, 2018 compared to $84,000 as of June 30, 2017 compared with $83,367 as of June 30, 2016 which was the same amount as June 30, 2015. Page 46

79. Although the pension liability as of June 30, 2021 was $931,582 compared to the June 30, 2020 of $969,081 compared to the June 30, 2019 liability of $1,013,766 compared to $1,066,831 as of June 30, 2018, compared to the liability as of June 30, 2017 is $1,052,775 down from June 30, 2016 is $1,126,510 (down from June 30, 2015 liability of $1,213,597 down from $1,293,910 at end of FY14), the actual amount in plan is $639,050 (68.59% of pension liability) at end of FY21 compared to $540,447 (55.77% of pension liability) at end of FY21 up from $535,281(52.80% of pension liability) at end of FY19 compared to $543,569 at end of FY18 (50.95% of pension liability) compared to $564,556 at end of FY17 (53.63% of liability), down from $575,470 (51.08% of total liability) at end of FY16 compared to $639,471 (52.69% of total liability) at end of FY15. Page 47
80. The net pension liability is very sensitive to the discount rate. See table of page 48.
81. Pension trust fund had a net position at end of FY21 of $639,050 up from FY20 net position of $540,447 up from FY19 net position of $535,281 down from $543,569 at end of FY18 and $564,520 at end of FY17. Page 49
82. The MERS is fully explained on Pages 50-53
83. Town reported liability share in the MERS is $33,488,078 at end of FY21 up from $31,145,927 at end of FY20 up from $29,401,392 at end of FY19 up from $13,738,876 in FY18 down from $16,236,237 in FY17, up from $11,738,474 (6%) in FY16, up from $8,954,659 (17.38%) in FY15. The recognized pension expense was $9,020,067 at end of FY21 down from $9,233,462 at end of FY20 up from $4,931,098 at end of FY19 up from $3,358,779 in FY18, down from $3,747,799 in FY17 up from $2,256,480 in FY16 compared to $1,698,885 for FY15. Page 51
84. The town has recorded $417,901 as long term liability to MERS at end of FY21 down from $835,265 as long-term liability to MERS at end of FY20 down from $1,252,629 as long-term liability to MERS at end of FY19 down from $1,678,977 as long term liability to MERS at June 30, 2018, down from $2,110,496 as long term liability to MERS at June 30, 2017 down from the FY2016 value of $2,542,012. The FY21 amount paid was the same as the FY20 amount paid of $417,364. The FY19 amount paid was $426,348. The FY18 amount paid was $431,519 compared to the FY17 amount paid of $431,516. Page 52
85. Actuarial Assumptions noted on pages 52-53 greatly impact the Net Pension Liability, especially the discount rate. Page 53
86. The Teachers' retirement system is fully explained on Pages 54-57
87. The aggregated Pension information combines data from the PERS plan, The State Teachers Plan and the MERS plan to show the total pension liability for the Town. This table was new in the FY19 audit but the FY19 audit did not include the State Teachers Plan. Page 57
88. Employee contribution to the MERF is 3.25% if covered by Social Security and 5% if not covered by Social Security (Page 51) while the Teacher's Contribution

is 7% as of January 1, 2018 (An increase from 6% effective on July 1, 1992) (Page 55).

89. Legislation passed in June 2019 has increased the employee contribution to MERF to 2.75% if covered by Social Security and 5.5% if not covered by Social Security for FY20. The Act envisions an increase up to 5.25% if covered by Social Security and 8% if not covered by Social Security in FY24. (This change is not reflected in the FY21 audit).
90. Note membership in the OPEB retirement plan of 492 as of July 1, 2020 down from 514 as of July 1, 2018 down from 528 as of July 1, 2016 (down from 804 as of July 1, 2014 which was up from 733 as of July 1, 2012 and Up from 713 as of July 1, 2010). Page 58
91. OPEB Liability Presentation in FY21, FY20, FY19 and FY18 audit is very different from presentation in previous audit reports due to GASB 75. Pages 57-66
92. The Net OPEB liability that is recognized as of June 30, 2021 is $16,693,761 down from June 30, 2020 liability of $17,291,575, down from the June 30, 2019 liability of $18,501,569 down from liability as of June 30, 2018 of $20,720,417 compared to July 1, 2017 net liability of $21,632,696 (GASB 75). Page 58
93. Note that because the total OPEB liability is $25,755,778 the Plan fiduciary net position percentage of total OPEB liability is only 35.18% in FY21, up from 26.11% in FY20, which is up from 21.47% in FY19 which is up from 14.93% in FY18. Page 58
94. 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".
95. The Discount rate used to measure OPEB liability in FY21 is 6.5%, down from the FY20 rate of 6.75%, the same as FY19 based on the July 1, 2018 study. Page 59
96. Like the Retirement Plan Liability, the OPEB liability of very sensitive to the discount rate. Page 59
97. The Town recognized OPEB expense for FY21 was $750,150 down from the FY20 recognized OPEB expense of $1,018,898 down from the FY19 Town recognized OPEB expense of $1,310,541 down slightly from the FY18 Town recognized OPEB expense of $1,539,938. Page 60
98. OPEB Trust Fund position at end of FY21 was $9,062,017, up from the FY20 end of year position of $6,109,331 up from FY19 EOY position of $5,056,972 up from the FY18 end of year position of $3,636,422 compared to end of FY17 position of $2,355,136. Page 61-62
99. Teacher's OPEB explained although the Town makes no contributions to this fund Pages 62-66
100. Note that if Town was required to fund OPEB for teachers the net OPEB liability would be $15,736,711 in FY21 up from $15,128,952 in FY20. Page 64
101. Not to panic anyone but that would give the Town a total OPEB liability of $41,492,489 at end of FY21, up from $32,420,527 at end of FY2020.
102. Note discussion on Risk Management on Pages 66-67

103. Health Claim additional liability as of June 30, 2021 was $605,346, down from the June 30, 2020 of $639,399, down from the June 30, 2019 additional liability of $976,696 up from June 30, 2018 liability of $872,476 compared to June 30, 2017 liability of $814,809 compared to June 30, 2016 Liability of $764,096 compared to Health Claim Liability on June 30, 2015 of $783,939 compared to the Health Claim liability June 30, 2014 of $807,131. Due to change to a fully-indemnified insurance policy there were no liabilities as of June 30, 2013. Page 66-67

104. Stop Loss is discussed on Page 66. This is important in funding Health Care Plans. Page 66

105. Miner Lane Landfill liability not claimed in FY21, FY20, FY19 or FY18. The Liability is listed as $247,000 in FY21, down from $271,000 in FY20, down from $295,000 in FY19 down from $309,000 for FY18 on Page 40. Town claimed liability for closed land fill on Miner Lane for FY17 was $368,000 compared to FY16 liability of $391,000 compared to $414,000 in FY15. Page 67

106. Note that Dominion is 34.3% of Town property tax revenue in FY21, up slightly from 34.1% of Town property tax revenue in FY20 up from 33.7% of Town property tax revenues in FY19, down slightly from 34.9% of property tax revenues in FY 18 compared to 34.5% in FY17 compared to 33% of tax revenue in FY16 down slightly from 34% of tax revenue in FY15, same as in FY14, up from 30% of tax revenues in FY13, FY12, FY11 and FY10 compared to 29% n FY09. Page 67

107. The GASB 84 restatement for FY20 is discussed on Page 68. The School Activity Fund is a Special Revenue Fund, the Student Scholarship Fund is reported as a Custodial Fund and Performance Bonds are reported in the General Fund. Page 68

108. COVID-19 Impact in FY20 was discussed on page 67of the FY20 Audit. It is not discussed in the FY21 audit.

109. Note the difference in budgetary revenues compared to GAAP revenues. Page 70.

110. Police Department returned $114,830 in FY21 compared to $40,321 in FY20. Page 73

111. Public Works returned $116,241 in FY21 compared to returning $331,282 in FY20 compare to $149,384 in FY19 compared to $270,273 in FY18 compared to $149,076 in FY17 compared to $142,177 in FY16 compared to $130,552 in FY15. Page 73

112. Senior Citizens returned $115,634 in FY21 compared to returning $58,128 in FY20. Page 74

113. Recreation and Parks returned $187,442 in FY21 compared to returning $80,965 in FY20. Page 74

114. Board of Education returned $1,123,093 at end of FY21 compared to returning $332,426 in FY20 compared to returning $50,099 in FY19. Page 74

115. The total returned funds for the Town and Board of Education at the end of FY21 was $2,197,183 compared to a total returned of $,780,026 at the end of FY20. Comment – The large returns at the end of FY21 and FY20 are a

combination of good management by the Department Heads and the uncertainty of programs and projects in the COVID years. Page 74

116. Comparing expenditure total on Pages 74 with revenue total on page 70 Revenue was $7,558,246 greater than expenses in FY21 compared to $2,229,889 greater than expenses in FY20 compared to Revenue $2,470,273 greater than Expenses in FY19 compared to FY18 when Revenues were $934,924 greater than expenses compared to revenue $1,818,440 greater than expenses in FY17 compared to $1,348,852 greater than expenses in FY16 compared to revenue being $2,410,135 less than expenses in FY15. Pages 74, 70

117. Town finished year FY21 with $2,197,183 unexpended budget balance compared to FY20 with $1,780,026 unexpended balance compared to a FY19 $962,997 unexpended balance compared to FY18 with $792,563 unexpended balance compared with $591,164 unexpended balance in FY17 compared to FY16 with $599,291 unexpended balance compared to FY15 with $252,144 unexpended balance... Page 74.

118. 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 74

119. Pension liability for Pension Trust Fund is $931,582 in GY21 compared to $969,081 in FY20 compared to $1,013,766 in FY19 compared to $1,066,831 in FY18 compared to $1,052,775 in FY17 compared to $1,126,510 in FY16 compared to $1,213,597 in FY15 but the net pension liability is $292,532 or 68.60% in FY21 compared to $428,634 or 55.77% in FY20 compared to $478,485 or 52.80% in FY19 compared to $523,262 or 50.95% in FY18 compared to $488,219 or 53.63% for FY17 compared to $551,040 or 51.08% in FY16 compared to $574,126 or 52.69% in FY15. Page 75

120. Regarding MERS, the Town's proportion of the net pension liability is 3.01% in FY21 compared to 3.02% in FY20 compared to 3.07% in FY19 compared to 5.54% in FY18 compared to 6.09% in FY17 compared to 4.88% in FY16 and 5.21% in FY15. This is a restatement of the 17.38% for FY16 and FY15 in the FY16 report. The fiduciary net position is 71.18% in FY21 compared to 72.69% in FY20 compared to 73.60% in FY19 compared to 91.68% in FY18 compared to 88.29% for FY17 compared to 92.72% in FY16 of total pension liability. The percentage is up slightly from the 90.48% for FY15. Page 78

121. Town contributions to the MERS was 16.70% of the covered payroll in FY21 compared to 15.55% of the covered payroll in FY20 compared to 13.26% of the covered payroll in FY19, compared to 13.21% in FY18, 14.91% in FY17 and 13.51% in FY16. Page 79

122. Although the town pays nothing to finance the Teacher's Retirement System, the System fiduciary net position is only 49.24% in FY21 compared to 52.00% in FY20 down from 57.69% in FY19 up from 55.93% in FY18 up from

52.26% in FY17 down from 59.50% of the total pension liability in FY16 compared to 61.51% of the total pension liability in FY15. Page 80.

123. Note that Net OPEB liability is 52.39% of covered payroll of $31,862,190 in FY21 compared to 55.64% of covered payroll of $31,077,578 in FY20 compared to 61.08% of covered payroll of $30,290,037 in FY19 compared to 68.09% of covered payroll of $30,429,413 in FY18 compared to 73.05% of covered payroll of $29,615,001 for FY17. Page 81

124. Note that for FY21 the Actuarially Determined Contribution was $2,139,712 but the actual contribution was $1,445,778 leaving a deficiency of $693,934. In FY20 the Actuarially determined contribution was $2,127,089 but the actual contribution was $1,614,570 leaving a deficiency of $512,519 compared to FY19 when the Actuarially determined contribution was $2,482,200 but the actual contribution was $1,871,349 leaving a deficiency of $610,855 compared to FY18 where the Actuarially determined contribution was $2,474,700 but the actual contribution was only $1,906,707, leaving a deficiency of $567,993 compare to the FY17 actual contribution of $3,811,946 which was a contribution Excess of $1,204,946. Page 82

125. Investment return of 26.18% in FY21 is a significant increase from the 5.44% in FY20 is down from the 6.44% investment return in FY19 was better than the 4.13% in FY18 was better than the 2.069% rate of return in FY17. Page 83

126. Note information of Teacher's Retirement System OPEB share for Town that is paid by the State on Page 84 (Same as on page 64)

127. Unlike previous audit reports prior to FY18, there is no General Fund Balance Sheet that generally appeared before the Schedule of Expenditures and Encumbrances on page 85. The balance sheet is actually on Page 15. This appears to be a difference in audit methods between auditors. Note the balance sheet General Fund total of $36,717,537 in FY21 up from $29,316,688 in FY20 up from $26,602,213 in FY19 is up from $26,124,036 in FY18 up from $22,084,471 in FY17 which is a decrease from $26,083,818 in FY16 which is an increase from the $22,097,428 balance in FY15. Page 15

128. Note the Unexpended balance of $1,123,093 in FY21 compared to $332,426 in FY20 compared to $50,099 in FY19 compared to $114,988 in FY18 compared to $57,659 in FY17 compared to $44,165 for FY16 compared to the unexpended balance of $26,084 for FY15. Page 85

129. Uncollected taxes for FY2021 are $423,052 (Grand List of 2019) Uncollected taxes for FY2020 were $525,600 (Grand List of 2018). Uncollected taxes for FY2019 were $527,459 (Grand list of 2017). Uncollected taxes for FY2018 were $611,084 (Grand List of 2016). Uncollected taxes for FY2017 were $606,243 (Grand list of 2015). Uncollected taxes for FY2016 were $629,715 (Grand list of 2014). Uncollected taxes for FY2015 (Grand list of 2013) were $613. Total uncollected taxes at end of FY21 were $1,063,782 down from FY20 total of $1,207,391, up slightly from FY19 total of $1,180,222 which were down from FY18 total uncollected taxes of $1,587,257 down from FY17 uncollected taxes of $1,665,965 down from FY16 when total was $1,787,537, up from FY15 when the total was $1,563,749. It is gratifying to note the success in

collecting the back taxes. There does not appear to be any impact of COVID-19 on the collection of Taxes in Waterford. Page 86

130. Utility Commission has about $25,838 of uncollected assessments in FY21, down from the $31,662 of uncollected assessments in FY20, down from $54,548 of uncollected assessments in FY19 down from $71,652 of uncollected assessments at end of FY2018 compared to $94,429 of uncollected assessments at end of FY2017 compared to $133,589 of uncollected assessments at end of FY16 compared to $13,421 at end of FY15. Pages 87-88. Sewer assessments seem to be most delinquent. It is obvious that the collection efforts of the Utility Commission, assisted by the Town Attorney, have been successful.

131. The unnumbered pages between pages 88 and 89 explain all of the Special Revenue Funds. These funds account for grants received by the town. Most of the grants were for Board of Education, Youth & Family Services, Senior Services, Planning, and Police.

132. Under the Capital Project Funds it would be clearer if the Fleet Management Fund Funding Source included an annual input from the Capital Improvement Fund. Same comment as in FY2020 review.

133. Water Fund had a balance of $632,093 in FY21 up from $622,193 in FY20 up from $617,287 in FY19 up from $604,153 in FY18 up from $578,846 in FY17 up from $554,977 in FY16, an increase from $544,450 at end of FY15. Page 93.

134. The following grants had no expenditures in FY21 – Youth Services Mini Grant (I suspect due to COVID restrictions), Community Foundation Grant for DEI study; Jordan Mill Pond Fishway, Small Cities Grant (just built up amount in Grant Fund), Open Doors Grant (I suspect because of COVID restrictions), Walmart Grant to Senior Services (I suspect because of COVID restrictions). Pages 94-96

135. Sewer Maintenance Fund had assets of $542,417 at end of FY21 up from $481,119 at end of FY20, up from $457,793 at end of FY19, down from $569,904 in FY18 and $534,403 at end of FY17 compared to $349,356 at end of FY16 compared to $422,888 at end of FY15. Page 92. Actual Cash Balance at end of FY21 was $514,384 up from $458,650 in, FY20 up from $365,123 at end of FY19 compared to an FY18 balance of $546,494 compared to FY17 balance of $506,685, up from FY16 balance of $356,303 down from FY15 actual cash balance of $554,907. Note that the Treasurer's Report for end of FY2020 showed a cash position of $478,022. Page 96

136. Animal Control Facility Fund showed a zero balance at end of FY21 since the project is finally complete. There was balance of $25,966 at end of FY20 compared to $212,801 at end of FY19, unchanged from FY18, equal to $212,801 at end of FY17 up from $212,504 at end of FY16 up from $201,104 at end of FY15. The construction of the Regional Animal Shelter in Bates Woods Park accounts for the change in the fund. Page 97.

137. Fiduciary Funds Section was new in the FY2019 Audit report. It changed slightly in the FY2021 report with Agency Funds being renamed Custodial Fund.

138. Pension fund position at end of FY21 was $639,050, compared to $540,447 at end of FY20 compared to $535,281 at end of FY19 compared to

$543,569 at end of FY18. OPEB Fund position at end of FY21 was $9,062,017 compared to $6,109,331 at end of FY20 compared to $5,056,972 at end of FY19 compared to $3,636,422 at end of FY18. Treasurer's report for end of FY21 stated the Pension Fund had a Cash Balance of $640,451 and the OPEB fund had a balance of $9,076,512 compared to FY2020 when the report stated that Pension Fund had a Cash Balance of $541,890 and the OPEB fund had a balance of $6,119,819. Page 99

139. Schedules of Capital Asset Values is not in FY2020, FY2019 or FY2018 report. There is a presentation in a different format on Page 6. For Historical purposes the information from FY2017 report follows. -Note the Capital Asset Value of $385,463,608 at end of FY17 up from $384,518,148 at end of FY16 up from $383,596,614 at end of FY15. Public Works and Board of Ed have highest Capital Asset values.

140. Statistical Section has returned in FY19, FY20 and FY21 after not been in the FY17 or FY18 reports. Note the categories of the Statistical Section information. This information is a requirement for a CAFR.

141. Note the Total General Fund Balance changes with FY21 at $23,782,000, FY20 at $20,113,000 and FY19 at $17,259,000. This compares to the recent Treasurer's Report cash value of the General Fund on June 30, 2021 of $30,868,499, June 30, 2020 of $21,350,290 and June 30,2019 of $21,482,646. Page 103

142. Debt Service starting in FY2019 as a percentage of noncapital expenditures is completely different than the percentage in previous audit reports. FY21 is 8.29%, FY20 is 8.2%, FY19 is 8.29%, FY18 is 8.49%, FY17 is 8.42%, FY16 is 8.77%. You may compare the different values with previous audit reports. The percentage in FY16 was 7.88% of noncapital expenditures up from 7.35% in FY15 (down from7.98% of noncapital expenditures in FY15 audit report), up from 5.92% of noncapital expenditures in FY14 up from 4.97 in FY13. (It was 4.36% of noncapital expenditures for FY13 in the FY13 report. Page 104.

143. Shift of tax burden is almost nonexistent between FY13 and FY14 due to revaluation. Note the large drop off for Industrial Real Estate in the 2017 Grand List. Page 105

144. Mill Rate for FY16 appears to be in error. My paperwork shows a mill rate of 25.85 in FY16, not 25.83. Page 105.

145. Millstone Power Station is still the largest taxpayer in town by a significant margin even though now only 30.32% in FY21 down from 33.80% in FY20 down from 34.28% of grand list in FY19. Page 106.

146. Note that the tax collection rate is still greater than 99%. Even in a COVID year. This is important when considering the new mill rate. Page 107

147. Note that debt per capita in FY21 is $3,730 down from $3,742 in FY20 , up from FY19 value of $3,655 which was down from FY18 value of $3,919 and FY17 value of 4,181. You may compare the FY16 and lower values in the Audit report with the FY16 values listed. FY16 is $4,412.16 down from FY15 debt per capita of $4,640.19 in FY15 down slightly from FY14 debt per capita of $4,863.90 compared to $4,182.25 in FY13. Page 108.

148. This is the third audit report where there is General Purpose Debt as well as the School Debt. On June 30, 2021 the School indebtedness was $66.407 million and the General Purpose debt was still $15 million. On June 30, 2020 the School indebtedness was $71.406 million and the General-Purpose debt was still $15 million. On June 30, 2019 the School indebtedness was $77.841 million and the General Purpose was $15 million. The Debt Limit for General Purpose is $193.546 million and for School $350.685 million compared to General Purpose of $190.268 million and for School $339.129 million in FY20 compared to General Purpose of $182.618 million and for Schools is $317.394 million in FY19. Page 109

149. The Percentage of Total net debt applicable to the limit as a percentage of the debt limit which was in the FY19 report does not appear in the FY21 or FY20 report. Page 110.

150. Waterford population decreased each year from 2013 until 2015. Did it really stay the same in FY16 and then stay constant from FY17 to FY19 at 19,007 and suddenly drop off to 18,746 in FY20? The FY21 figure of 19,519 is from the FY20 census report. Page 111

151. Although the source note numbers remained at the top of the columns, the sources that were listed in FY19 do not appear in FY21 or FY20. Page 111

152. What does it say when the Town Government is the town's number 2 employer? I thought the Dominion employment had decreased to around 1,300. Does the figure count contractors as employees? Page 112.

153. Note BOE employees increased between FY13 and FY14 and increased again between FY 16 and FY19. Page 113

154. Total Employee FTE sum is incorrect for FY2021. The Total should be 666.15. Page 113

155. It would be nice to separate false alarms from actual emergencies in the Fire Statistic. Page 114

156. Refuse collection increased from 2017 through 2020 as a result of the tightening of the recycling rules. It follows that there was a significant drop from 15 tons per day to 8 tons per day between FY19 and FY20. Not delighted to see the increase of refuse collection to 48 tons per day in FY16. Nice to see the drop in refuse collected in FY15 (27 tons/day) compared to FY14 (42 tons/day). Page 114

157. Thanks for adding a statistic on the amount of revenue collected by Rec and Parks and Senior Citizens from their fees for the past five years. Note the increase in Rec & Parks revenue in FY2013, FY2012, FY2011 and FY2010 with a drop in FY2014 (Is this related to lack of pool in that time frame?) Increase for FY15 does not indicate a total recovery. FY16 data is close to FY12. Good increase between FY18 and FY19. You can see the impact of COVID restrictions on the revenues in FY21 and FY20. Page 114

158. The impact of on line information and electronic readers is very visible in the drop in Volumes borrowed from the library between FY15 and FY20 and FY21. I suspect that COVID restrictions also played a part in the FY21 and FY20 decrease. Page 114

159. Water main breaks have increased significantly between FY17 and FY18. They then settled out in FY19 and FY20 and then increased again in FY21. Page 114

160. Should Street light statistics be added to the Capital Asset statistics? Page 115

Management Letters Comments

1. No observations or negative comments were in the FY2021 Management letter or Audit Check off list. Unlike the FY20 Audit letter, there were no recommendations for improved Internal Controls. 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

Comparing Unaudited EOY Report with Audited Report

1. The following revenues were different in the unaudited vs. the audited report:

Department	Audit	EOY Report
Recreation & Parks Commission	89,305	89,105
Recycling	58,502	48,622
Eugene O'Neill Gate/Lease Revenue	8,589	8,587
Versa Kart (not listed in audit)	0	9,880
Community Use of Schools (not in audit)	0	200
Total Revenue	97,673,070	97,673,066

2. The following department expenses were different in the unaudited vs. the audited report:

Department	Audit	EOY Report
Planning and Zoning	607,244	607,242
Fire Services	3,443,687	3,443,689
Police Department	6,298,532	6,298,528
Recreation & Parks	1,319,423	1,319,425
Total General Fund	93,822,148	93,822,142

Eighteen others were $1.00 difference which could be due to rounding differences.