FIFTEEN ROPE FERRY ROAD
WATERFORD, CT 06385-2886

Town of Waterford

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

Board of Finance
Regular Meeting Minutes

Wednesday, February 14, 2024
Town Hall Auditorium – 7:00 p.m.

Present: Glenn Patterson, Bill Sheehan, Ronald Fedor, Robert Tuneski, David Peabody, Michael Rocchetti

Absent: Joseph Filippetti

Elected: Rob Brule, First Selectman; Abbas Danesh, Treasurer; Paul Goldstein, RTM

Staff: Kimberly Allen, Director of Finance; Lieutenant David Ferland, Police Department; Linda Finnegan, Office Coordinator, Fire Services; Jonathan Mullen, Planning Director; Rebecca Hall, Admin 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 14, 2024.

2. **Approval and acceptance of minutes:**
   Regular Meeting on January 10, 2024

   Motion by Bill Sheehan and **seconded** by Dave Peabody to approve the minutes of the January 10, 2024 Regular Meeting.

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

3. Public Comment: none

4. Discussion to consider and act on the request by Marc Ballestracci, Chief of Police, for additional appropriation for one (1) employee payout that is required under the current collective bargaining agreement in the amount of **$34,063 to Line Item 10129-51420 (Patrol).**

   Motion by Bill Sheehan and **seconded** by Ronald Fedor to approve the transfer of **$34,063 from Contingency line 10121-59010 to Line Item 10129-51420.**

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

5. Discussion to consider and act on the request by Michael Howley, Director of Fire Services, for an Out-of-Series transfer for numerous unexpected repairs for the amount of **$18,595.** Ron Fedor noted he is voting against this request as there is insufficient detail to the request presented to the Board of Finance at the time of the meeting. He also noted that there seems to be frequent transfer requests for numerous equipment repairs from Fire Services monthly. Fedor, Bill Sheehan, Michael Rocchetti, and David Peabody all brought up questions regarding the fleet repair tracking and future maintenance to Linda Finnegan, Office Coordinator of Fire Services as the director was absent from the meeting. Kimberly Allen stated that we are ahead of the National Fire Standards for replacing most of our apparatus based on number of calls. Rob Brule shared that Director Howley has developed a spreadsheet for tracking all repairs and maintenance of fire service vehicles but the document was not shared with the board for this request. Robert Tuneski noted the value of that type of document for fire services to help project costs more accurately and capture history of repairs for each vehicle. Ron Fedor expressed concern regarding the number of repairs to vehicles instigating a necessity to create a separate document from the town's existing Fleet Plan. The board, overall, believes more detail from Director Howley that aligns with the current Fleet Plan will assist the board in making the best decisions on transfer requests in the future.

TOWN OF WATERFORD
TRANSFER REQUEST FORM
Out of Series Transfer Request

FIRE SERVICES 12/26/23
DEPARTMENT

Line No.	Org. Code	Object Code	Object Description	APPROVED Budget Amount	CURRENT Available Budget	ACCOUNT INCREASE	ACCOUNT DECREASE	REVISED Available Budget
1	10123	52375	Ladder Testing & Repairs	7,800	2,227		(2,227)	
2	10123	52379	Hose Testing & Repairs	9,825	763		(763)	
3	10123	52290	Public Safety Awareness	4,000	2,152		(2,152)	
4	10123	52371	Fire Police	1,250	1,250		(1,250)	
5	10123	54222	Rescue Truck	5,500	5,432		(5,432)	
6	10123	54226	Equipment	6,000	4,871		(4,871)	
7	10123	52387	Pump Testing	4,000	2,200		(1,900)	30
8	10123	53070	Auto Repairs	80,000	(972)	18,595		17,62
9								
10								
11								
					TOTAL	18,595	(18,595)	

Explanation

1-8 There have been numerous unexpected big ticket repairs this FY year

Motion by Bill Sheehan and **seconded** by Michael Rocchetti to decrease line items **#10123-52375, -52379, -52290, -52371, -54222, - 54226, -52387** and increase **line item # 10123-53070** by **$18,595.**

Vote: 5-1 (Fedor)-0 **Motion Passed.**

6. Discussion to consider and act on the request by Jonathan Mullen, Planning Director, for an Out-of-Series transfer for an increase of fuel usage for the amount of **$1000**.

TOWN OF WATERFORD
TRANSFER REQUEST FORM
Out of Series Transfer Request

Building
DEPARTMENT

Line No.	Org. Code	Object Code	Object Description	APPROVED Budget Amount	CURRENT Available Budget	ACCOUNT INCREASE	ACCOUNT DECREASE	REVISED Available Budget
1	10118	52030	Professional Fees	20,000.00	19,000.00		(1,000.00)	18,000.00
2	10118	53090	Fuels & Lubricants	858.00	225.81	1,000.00		1,225.81
3								0.00
4								0.00
5								0.00
6								0.00
7								0.00
8								0.00
9								0.00
10								0.00
								0.00
								0.00
					TOTAL	1,000.00	(1,000.00)	

Explanation

Due to Town vehicles being utilized by other departments, there has been an increase in the amount of fuel used.

Motion by Ron Fedor and **seconded** by Michael Rocchetti to decrease line item **#10118-52030 (Professional Fees)** and increase **line item # 10118-53090(Fuels & Lubricants)** by $1,000.

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

7. Discussion to consider and act on an additional appropriation request by Kimberly Allen, Director of Finance, for wage increases previously approved in the FY24 budget in the amount **of $2887 as follows: $330 to line 10107-51010 (Elected Officials), $2,394 to line 10107-51110 (Administration), $163 to line 10107-51920 (FICA).**

Motion by Bill Sheehan and **seconded** by Robert Tuneski to transfer $2887 from Contingency to line items as follows: **$330 to line 10107-51010 (Elected Officials), $2,394 to line 10107-51110 (Administration), $163 to line 10107-51920 (FICA).**

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

8. Discussion of FY23 Audit, including "Questions & Comments" by Bill Sheehan along with "Highlights" of the audit. Bill Sheehan brought up several highlights of the FY23 Audit (*see attached*).

9. Old Business:
Chairman, Glenn Patterson reminded the members of the board that they still have the Fund Balance percentage to consider while looking through Capital Improvement Budgets in the next month.

10. New Business:

Bill Sheehan asked Rob Brule if there are any plans for the Town of Waterford to establish a composting pickup like some other towns have already done. He suggested a potential town composting location could be the old landfill site. Some research would be needed for the types of bags used and frequency of pickup. Rob Brule stated he will discuss with Gary Schneider, Director of Public Works.

11. Liaison Reports

a. Oswegatchie **Fire House Building Committee**: Rob Tuneski reported that the committee is moving along well with the plans for the new facility. The funding for the architect was approved through all levels of the town. The next step will be signing a lease agreement with the volunteers which will likely be done by April 2024.

12. Correspondence

a. Abbas Danesh, Town Treasurer, Quarterly Treasurer's Report ending 12/31/2023. Chairman Glenn Patterson noted specific funds and investments and discussed the Hammond Fund.
b. Virginia Bielucki, Town Accountant, Periodic Financial Statements FY24 dated December 31, 2023.
c. Virginia Bielucki, Town Accountant, Status of General Fund Unassigned Balance dated January 12, 2024.
d. Virginia Bielucki, Town Accountant, Status of Contingency FY24 dated January 19, 2024.
e. December 2023 Special Revenue Reports
f. U.S. Treasury Quarterly Report
g. Cathryn Girard Letter, Electronic Enforcement of Traffic Violations, "Vision Zero". Bill Sheehan asked Rob Brule if the town had plans to consider "Vision Zero" to which Rob responded that Marc Ballestracci, Chief of Police, is looking into further.
h. Kimberly Allen, Director of Finance, FY24 Project Status Report for the Quarter Ending December 31, 2023. Glenn Patterson noted he would be sending questions about the Capital Project Status Report to the First Selectman and Finance Director and he would include all BOF members on distribution.

13. Adjournment

Motion by Bill Sheehan and **seconded** by Michael Rocchetti to adjourn the Regular Meeting of the Board of Finance at 8:24 p.m.

Vote: 6-0-0 **Motion passed.**

Respectfully submitted,

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

Rebecca L. Hall,
Board of Finance Recording Secretary

FY2023 Audit Highlights by Bill Sheehan

State and Federal Special Report Letters

1. Federal Single Audit Report was a clean report for FY2023. 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 FY2023 were $4,342,973. The largest single Department source was the Department of Education at $2,443,230. The next highest was Department of the Treasury at $966,080. Most of the Treasury funding as the from the ARPA. The Department of Agriculture provided $715,050 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 = $2,797,537 in FY23, down from $3,673,564 in FY2022 up from $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. FY2022 increase appeared to be from a LOTCIP grant of $1,580,345 to Public Works.

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. ($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 FY2023 Management Letter or Audit Check Off List. This was also true in the 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

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. A Comprehensive Financial Report (CAFR) provides additional statistical information that is very useful in understanding what a municipal government does for its municipality.
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 FY2022 report, the FY 2021 report, the FY2020 Report and the FY2019 report. Page iii
5. Note the Unassigned Fund Balance discussion. Page iii
6. The Organization Chart on Page iii does not reflect the titles of one of the Town Officials on page iv. 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 FY2022 audit report.
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 8-9
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 11.
9. 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 Expenses were $5 million less than the $111.5 million generated by taxes and other revenues for government programs. Page 12
10. In FY2023 expenses were $691 thousand more than the $125.7 million generated in tax and other revenues for governmental programs Page 12
11. Overall, in FY2023 the operating results increased the General Fund Balance by $3.4 million. Page 12.
12. Good explanation of town financial activities and categories of Town funds is found Pages 12, 13 and 14. This is highly recommended reading.
13. Note that the Board of Finance does not establish funds "..to help control and manage money..." as stated in the paragraph after "Fund Financial Statements". The RTM establishes the funds, generally as recommended by the Board of Finance. Page 13

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 13.
15. Town cannot use fiduciary net assets to finance operations. Page 14
16. Government activities revenue sources – 80.1% from property taxes, 14.5% form operating and capital grants and contributions, 3.0% from charges for services and 2.4% from investment and other general revenues in FY 2023 .
17. Note the factors affecting operations outlined on Pages 15 & 16
18. As usual, a good presentation of major factors affecting the FY23 operating budget. Pages 18 and 19.
19. There were $234.4 thousand of outstanding encumbrances at end of FY23. Encumbrances are reported as expenditures for budgetary purposes. Page 19
20. Town debt at end of FY23 was $61.7 million. Town debt rating is "AA" from Standard and Poor's in FY22 Page 20
21. The Unassigned Fund Balance increased by$3.1 million in FY23. Page 21
22. Total Cash, cash equivalents, and investments at end of FY23 was $68,298,427 in the Audit. The Treasurer's report for 06/30/2023 showed a value of $68,429,949. Page 23
23. Total Cash and Investments in the General Fund for FY23 was $36,277,279. The 06/30/2023 Treasurer's Report reported a total of $37,641,129 of Cash and Investments in the General Fund. Page 25.
24. Long Term Liabilities not reported in the funds at end of FY23 were $163,247,882. Page 26
25. Note that the Net Pension Liability is $37,159,387, Compensated absences is $$199,000 and Net OPEB liability is $19,564,900 in FY23. Page 26
26. General Fund Balance at end of FY23 was $26,468,631 ($37,641,129 in Treasurer's report), Capital and Nonrecurring Fund Balance at end of FY23 was $$10,252,907 ($10,912,060 cash in Treasurer's report). Page 27
27. Note the explanations for the differences in amounts reported for government activities on page28
28. The combined Retirement and OPEB Trust funds ended FY23 with a balance of $11,054,113. Unlike FY22, FY23 was a good year for investments. Page 33
29. It is important to understand the accounting policies discussed on pages 34-45.
30. 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
31. 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 36
32. Note the rules on interfund activity described on Page 37
33. Note the depreciation table on page 39 for all physical property and equipment.
34. The Section on Leases was new in FY22 due to GASB 87 Pages 39-41
35. Note discussion of Deferred Outflows/Inflows related to OPEB funds on Page 41-42.
36. Fund balance terms explained on pages 43-44. (GASB 54 implementation)
37. In budget discussion on page 46, the appeals process time lines are in the Town Charter, not Town Ordinances. This error was also in the FY22, FY21, FY20, FY19 and FY18 reports.
38. The Section on Leases was new in FY2022. What has been leased? Page 51
39. Membership in the Town Retirement Plan is down to 7 persons in FY23 and FY22. Page 60
40. The Audit says that the Town has recorded $0 as long-term liability to MERS at end of FY23. $536 was long-term liability to MERS at end of FY22Are those correct numbers? Page 69
41. Membership in the OPEB retirement plan is 486 as of July 1, 2022. Page 77
42. The Net OPEB liability that is recognized as of June 30, 2023 is $19,564,899. Note that because the total OPEB liability in FY23 is $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 only 35.02% in FY23 up from 32.45% in FY22. Page 78

43. 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".

44. Note discussion on Risk Management on Pages 89. Stop Loss is discussed on Page 89. This is important in funding Health Care Plans

45. The total returned funds for the Town and Board of Education was $1,302,293 at end of FY23. Page 98

46. Comparing expenditure total on Pages 99 with revenue total on page 93 Revenue was $2,622,475 greater than expenses in FY23

47. 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 99

48. 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 101-105

49. 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 114 and Page 145

50. Review the explanation of the Special Revenue funds on pages 118 to 120. Then see how the funds are expended. Pages 121-131

51. The Statistical Data on pages 137-153 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.