Board of Finance
Regular Meeting Minutes

Wednesday, February 12, 2020

Present: Chairman Ronald R. Fedor, Mark Geer, John Sheehan, Kevin Petchark, Kevin Reardon. Glenn Patterson, Tali Maidelis.

Absent:

Elected: Robert J. Brule, First Selectman

RTM: Thomas Dembek, RTM Moderator

Staff: Gary Schneider, Director of Public Works, Donald Gray, Interim Finance Director, Maryellen McConnell, Secretary

1. Establishment of a quorum and call to order:
A quorum was established and a call to order was established at 7:00 pm, February 12, 2020.

2. Public comment: no public comment

3. Approval and acceptance of minutes:
   a. Regular Meeting Minutes from January 8, 2020.

   Motion by Bill Sheehan and **seconded** by Mark Geer to approve the motion.

   Vote: Unanimous **Motion: Passed**

   b. Special Meeting Minutes from January 21, 2020.

   Motion by Bill Sheehan and **seconded** by Tali Maidelis to approve the motion.

   Vote: Unanimous **Motion: Passed**

4. Consider and act on a request from the Board of Selectmen, on behalf of Alan Wilenski, Tax Collector, Town of Waterford, for an **Out of Series Transfer** in the amount of **$500 from line #10106-51210 (Clerical/Technical) to 10106-54060 (Office Equipment)** – due to and expected over – expenditure in the Office Equipment line item and the anticipated under expenditure in the Clerical/Technical line item.

   Motion by Bill Sheehan and **seconded** by Mark Geer to approve the motion.

   Vote: Unanimous **Motion: Passed**

5. Gary Schneider, Director of Public Works, is addressing the Board of Finance and briefing them on the statue of projects and the new municipal complex.

Please see attached Public Works Project Status Report.

6. Review and approval of Board of Finance Budget for FY2021 currently at $61,700.

Motion by Bill Sheehan and **seconded** by Tali Maidelis to approve the motion.

A **Motion** was made by Bill Sheehan and seconded by Glenn Patterson to amend **line item 10103-52030 Professional Fees** to $59,300 from $55,000.

Vote: Unanimous **Motion: Passed**

Motion by Bill Sheehan and seconded by Tali Maidelis to approve new **52000 Series Sub Total** at $61,600.

Vote: Unanimous **Motion: Passed**

Motion by Glen Patterson and **seconded** by Tali Maidelis to approve new Board of Finance Budget Total for FY20021 of $66,000.

Vote: Unanimous **Motion: Passed**

7. Review and approval of Board of Finance Budget Hearing Schedule for FY2021.

Motion by Bill Sheehan and **seconded** by Mark Geer to approve the motion.

Vote: Unanimous **Motion: Passed**

8. Discussion on the FY2019 Audit Report.

Please see attached questions and comments on FY2019 Audit Report by Bill Sheehan.

9. Old Business: no old business

10. New Business: To consider and act to approve the FY2021 Contingency Budget of $265,000.

Motion by Bill Sheehan and **seconded** by Mark Geer to approve the motion.

Vote: Unanimous **Motion: Passed**

11. Liaison Reports:

a. **Fleet Management Ad Hoc Committee**: On February 11, 2020, the Committee met to consider the replacement purchase of three Police vehicles for Car1, Car 8 and Car 16. All three cars have been determined as total losses by CIRMA, the Town's insurance carrier. Cars 1 and 8 were involved in crashes where other vehicles ran into them and Car 16 had water damage due to faulty door seals. All vehicles will be replaced by a state bid with Chevy Tahoe SUV's. The costs are as follows:

	Estimated Cost	Insurance Settlement	Fleet Mgt Cost
Car #1	$50,504.75	$38,639.85	$11,864.90
Car #8	$55,223.75	$11,782.00	$43,441.75
Car #16	$52,846.50	$13,300.00	$39,546.50

The committee unanimously approved the purchases after a lengthy discussion.

b. **Municipal Complex Committee:** On February 11, 2020, the Committee met and the move in date has been moved out to the end of April. Once they are moved into the new building, offices and garage for the fleet, they are expecting to start taking down the old building around November. That is several months ahead of schedule.

12. Correspondence:

a. Board reviewed letter from Superintendent of Schools requesting a potential **Executive Session** when reviewing Board of Education Capital Request for Security Improvements. Chairman Fedor stated this should be in the Agenda for the Review of Capital request and Transfer to Capital Non Recurring Expenditure Fund.

b. Mr. Sheehan recommended that each Board of Finance member review the General Government Staffing Plan, by Joyce Sauchuk, Director of Human Resources, and use it for budget reviews.

13. *Adjournment:*

Motion by Bill Sheehan and **seconded** by Mark Geer to adjourn the Regular Meeting of the Board of Finance at 8:56 p.m.

Vote: Unanimous **Motion: Passed**

Respectfully submitted,

Mark Geer, Jr., Clerk

Maryellen McConnell, Secretary

PUBLIC WORKS PROJECT STATUS BOARD OF FINANCE

FEBRUARY 12, 2020

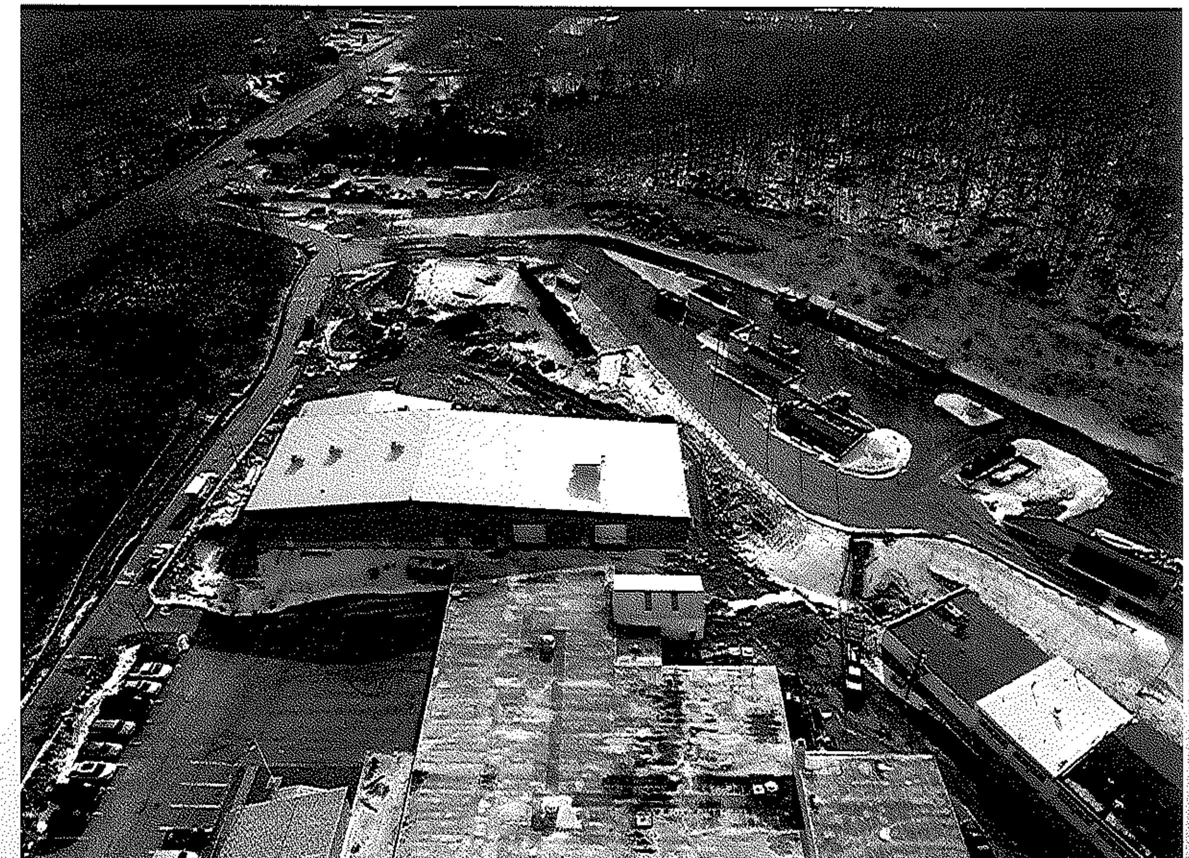
Municipal Complex

Funding: $15,810,000

O&G Contract:
$14,377,101
Spent to date:
$5,139,945.37

Anchor Engineering Contract:
$690,000
Spent to date:
$160,420.21

Misc. Expenses Total:
$76,126.25
Included Bond Costs:
$46,041.19



Work is on track with the construction schedule.

Phase I – expected to be complete by end of March, early April with the offices and mechanic shop moving in their new spaces.

Phase II will begin once the building is vacant. They expect to be finished by the end of 2020.

CROSS ROAD - LOTCIP
I-95 To RT-85

Funding Information:
FY19
Design - $70,000
VHB Contract - $65,586.00
Spent to date: $38,675.61

Construction funding – State of CT
$2.7 Million

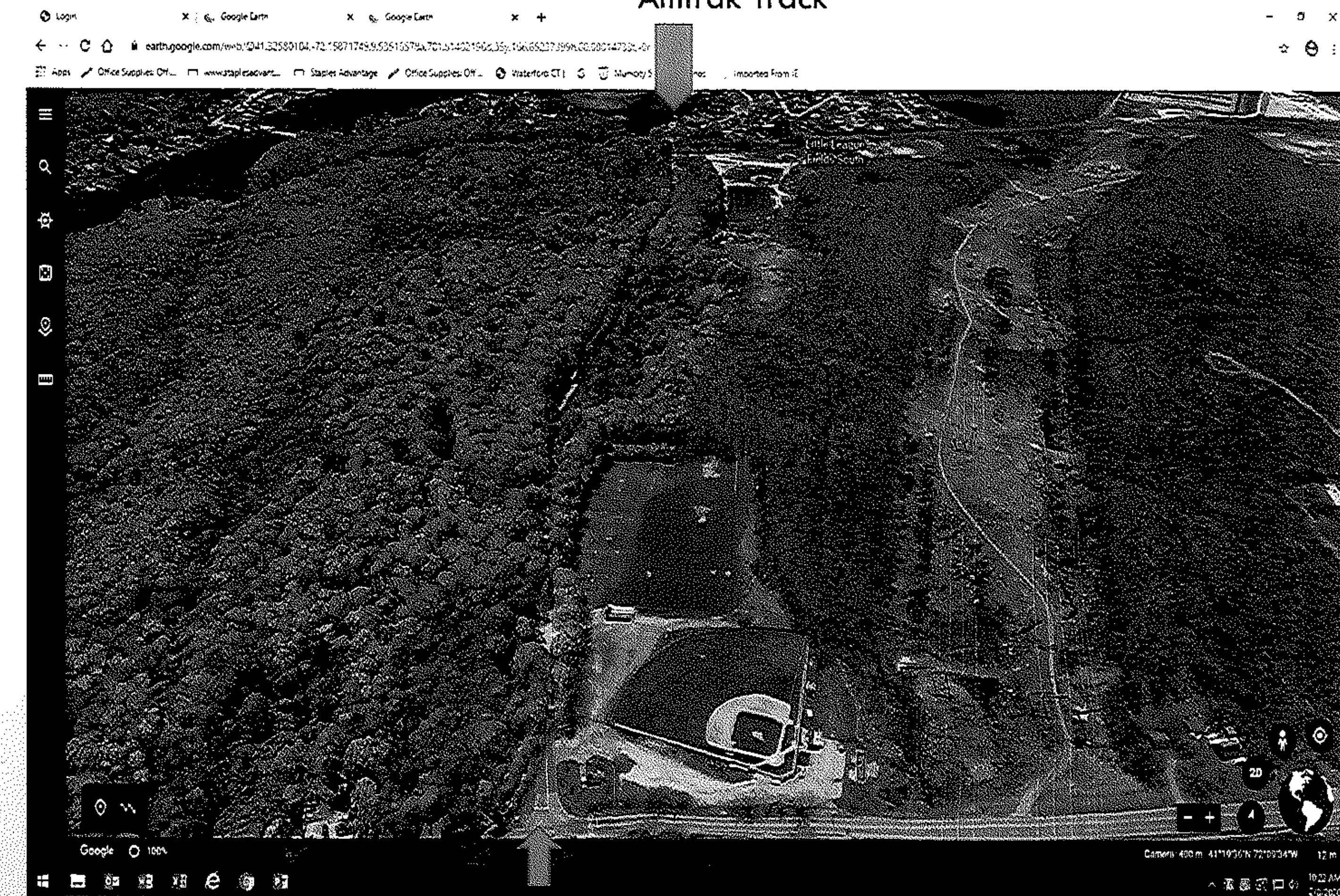
Project is expected to begin
May of 2020 with completion in
Sept 2020

Gardiner's Wood Rd
Reconstruction
The design of this project was funded in FY18

Funding - $212,000.00

Leonard Contract - $128,553.00
Spent to date - $100,999.98

Construction costs are expected to be 3 million +/-
Financing for this project is to be determined.



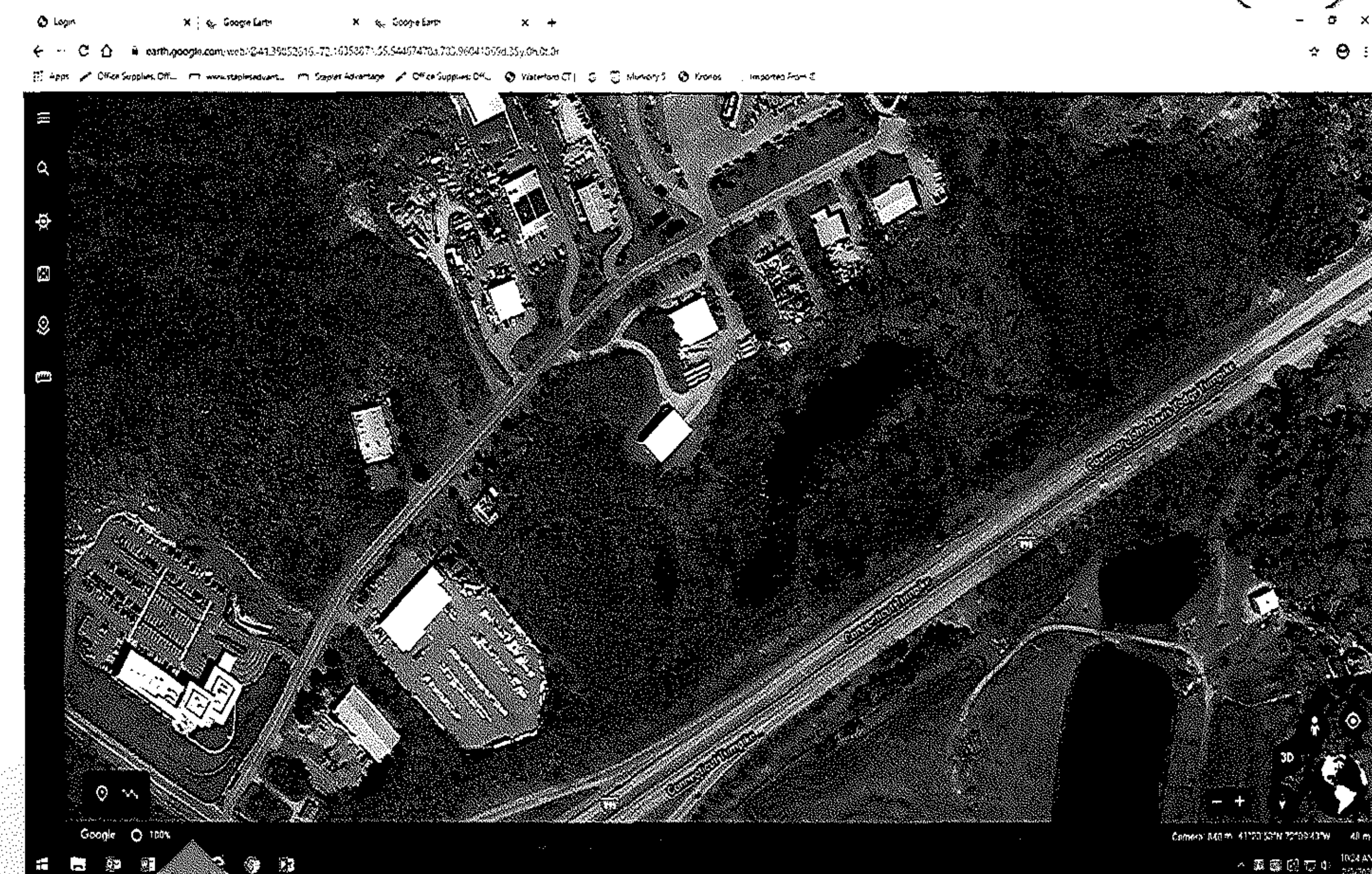
Industrial Drive
Current Year Capital

Budget - $264,280.00
DPW $ 62,373.00

Rafferty - $75,728.00
Pasteryak - $250,925.00

Estimated Total - $326,653.00

Work is expected to begin in late April – weather dependent.



Route 85

Chapman Ave / Pilgrim Road
Current Year Capital

Funding - $133,243.00

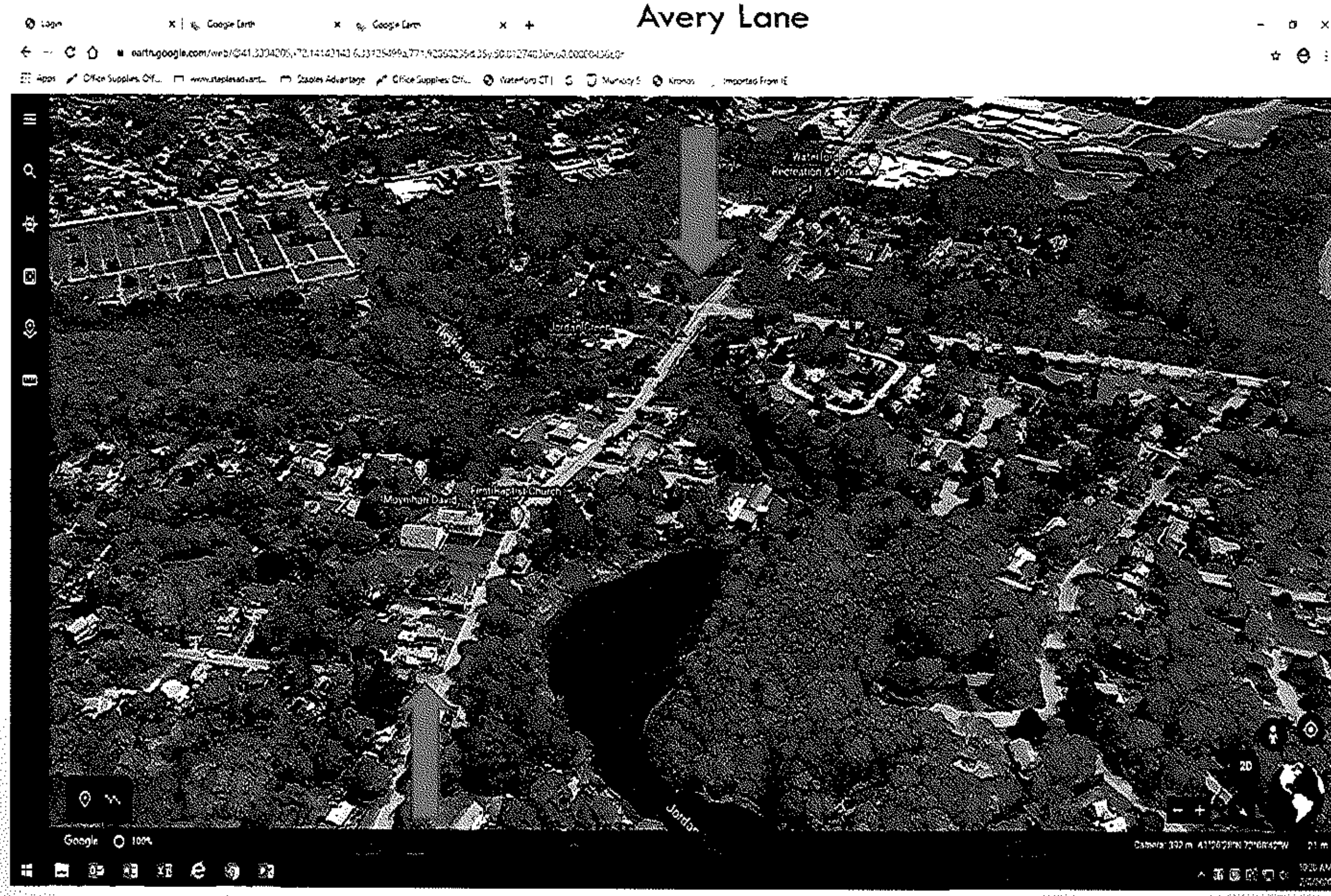
Work is expected to begin late April –
Weather dependent

Community Connectivity Grant
Rope Ferry Road Sidewalks
Avery Lane – B Lane

Leonard Contract - $24,500
Paid to date - $19,600.00
This funding is from DPW Professional Fees line item in FY19.

Total project $350,000
Grant Funding - $280,000
Request from Town - $100,000 in FY21 Budget

Avery Lane



B Lane

BOARD OF FINANCE
BUDGET HEARING SCHEDULE
FISCAL YEAR 2020/2021

Monday, March 2, 2020	Police Department Emergency Management Information Technology Contingency
Wednesday, March 4, 2020...........................	Library Ethics Commission Conservation of Health Public Health & Nursing Miscellaneous Social Grants Youth Services Senior Citizens Recreation and Parks Community Use of Schools
Monday, March 9, 2020	Fire Services Board of Education Insurance Retirement Debt Service Review Projected Revenue
Wednesday. March 11, 2020	Regular Meeting
Wednesday, March 11, 2020	Board of Selectmen Registrar of Voters Assessor Board of Assessment Appeals Board of Finance Tax Collector Town Clerk Representative Town Meeting Human Resources Finance Department Legal
Monday, March 16, 2020	Public Works Flood and Erosion Control Economic Development Conservation Commission and Zoning Planning and Zoning Zoning Board of Appeals Building Maintenance Building Department Capital Improvement Transfers to Capital and Non-Recurring
Monday, March 23, 2020	Board of Finance Public Hearing on Budget Followed by Special Meeting for Final Budgetary Action
Monday, May 4, 2020	**<u>RTM</u>** Annual Budget Meeting (anticipated to be conducted May 4th through May 7th)

All Board of Finance Meetings will be held at the Waterford Town Hall at 7:00 p.m. unless otherwise noted.

All budgets are due in the Finance Office on **<u>December 13, 2019</u> WITH NO EXCEPTIONS.**

BOF DRAFT Schedule FY2021 Budget Hearings REV-2/13/2020
S:\Finance\Board of Finance - grm\Meeting Schedules\FY21 BOF Budget Hearing Schedule DRAFT.docx

Questions and Comments on FY2019 Audit Report

State and Federal Special Report Letters

1. Total Federal revenues = $1,399,839 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 $511,895.
3. One Deficiency found noting that the BOE procurement standards did not include the essential elements as outlined in 2CFRsections 200.318 through 200.326.
4. Total State revenues = $2,446,421 down slightly from $2,489,647 in FY2018 which was down from $4,830,177 in FY2017 and down from $3,957,188 in FY2016 which was, down from $4,605,398 in FY2015 (-$648,210). Increase in FY2017 was in School Construction Grants.

Comprehensive Financial Report

1. Cover notes that the FY2019 Report is a Comprehensive Annual Financial Report (CAFR) unlike the FY2018 report, which like the FY2017Audit Report is 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. 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)
4. 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. Page 2.
5. 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. 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. This compares to an increase in FY15 when expenses were $1.0 million less than generated revenues. Resources available for appropriation in FY2019 were $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 compared to being $505 thousand more than anticipated in FY16. This compares to FY15 when resources were $2.5 million less than anticipated for the general fund. Page 4

6. Due to the managed spending by department heads, $963.0 thousand 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. This compares closely to the $599.3 thousand of unused appropriations that were returned to general fund balance in FY16. This compares to $251.1 thousand of unused appropriation that was returned to the general fund balance in FY15. Page 4
7. Good explanation of town financial activities and categories of Town funds is found Page 5.
8. 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.
9. Town cannot use fiduciary net assets to finance operations. Page 5
10. As noted above, the Town's assets were restated in FY2018 Audit Report due to GASB 75.In FY2019 the unrestricted net assets changed to ($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 $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.
11. Total Revenues were $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.
12. Government activities revenue sources – 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 increased slightly in percentage share (up by $611.0 Thousand in FY2019 over FY18. Page 7 & 8.

13. Note the factors affecting operations outlined on Pages 7 & 8.
14. Revenues from Sewer fees increased 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 decreased by $221 thousand (5.3%) 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. This compares to a decrease of $117,000 (3.0%) and capital contributions increased by $522,000 due to completion of Bolles Court Pump Station improvements in FY15. Page 8
15. Town Combined Fund Balance was $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 $2.5 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 compared to a decrease of $2.4 million in FY15. Page 8
16. The Internal Service Fund net assets decreased 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 adding to the $1.0 million increase in FY15. Fortunately in FY19 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 just as in FY15 the $11.9 million in contributions was greater than the $10.9 million in claim expenses. Page 9.
17. FY19 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. FY15 revenues were $2.2 million under expenditures. Page 9
18. As usual, a good presentation of major factors affecting the FY18 operating budget. Page 9 & 10.
19. There were $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 compared to $283,600 of outstanding encumbrances at the end of FY15. Encumbrances are reported as expenditures for budgetary purposes. Page 10

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 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
21. Capital assets decreased by $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 on top of decrease of $3 million in FY15. Page 11.
22. Town debt at end of FY19 was $69.5 million 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, down from $90.2 million in FY15. Page 12.
23. Town debt rating is "AA" from Standard and Poor's in FY19. This is no change from 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.
24. Note that the town debt limit in FY19 is $614.8 million, up from 603.2 million in FY18 , unchanged from FY17 but up from $572.3 million in FY16, up from $552.3 million in FY15. I hope we never get close to that figure. Page 12.
25. The unemployment rate in FY19 was 3.7% 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 3.8% and lower than the State average of 3.8% in FY19. Page 12
26. The Unassigned Fund Balance increased by $2.8 million 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. This is compared to the increase of $8.2 million in FY15 due to the disestablishment of the stabilization fund of $10.4 million. The negative operating results of $2.2 million caused the reduction to $8.2 million. The stabilization fund was established at the end of FY11 at $9.7 million 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
27. Total Net Assets for FY19 are $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, compared to an FY15 value of $227,004,185 Page 13.
28. Loss in the Business Type Activities (Utility Commission) in FY19 was $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 compared to the FY15 loss of $433,961. These losses are mostly due to depreciation of related capital equipment. Page 14.
29. Long Term Liabilities at end of FY19 was $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 compared to an FY15 value of $16,458,081. Page 15.

30. Long Term Liabilities not reported in the funds at end of FY19 are $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 second time the long term liabilities have been detailed in this part of the audit due to the new OPEB reporting requirements. Page 16.
31. Note that the Net Pension Liability is $29,879,877, Compensated absences liability is $7,258,446, the Net OPEB liability is $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
32. General Fund Balance at end of FY19 was $17,259,424 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
33. Capital and Nonrecurring Fund Balance at end of FY19 was $4,491,330 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.
34. Note that there was still a deficit of $2,941,645 related to the Waterford High School Building Project at the end of FY19. Real question is what is current status? Page 17
35. Note the explanations for the differences in amounts reported for government activities on page 18. There is more detail in FY19 audit 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
36. The change in net assets of government activities was ($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.
37. Enterprise Fund showed 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 plays a significant role in this paper loss. Page 20
38. Internal Service Fund for Health insurance showed 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
39. Internal Service Fund Investment income of $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.
40. Utility Commission Enterprise Fund ended 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.
41. Pension Fund lost $10,850 in FY17 adding to the $64,001 loss in FY16, adding on to the $74,007 loss in FY15. Not broken out in FY18or FY19 Page 23.
42. Trust Funds information was combined in the FY18 report rather than separating the Pension fund and the OPEB fund. This was repeated in FY19. I prefer

keeping the reporting of the two funds separate even though both are managed by the Retirement Commission. Page 22 & 23

43. The combined Trust funds ended FY19 with a 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.
44. The combined Retirement and OPEB Investment Income in FY19 was $297,336 up from $161,460 in FY18. The FY17 investment income was $48,277. Page 23
45. It is important to understand the accounting policies discussed on pages 24-35.
46. 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
47. 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
48. Note the rules on interfund activity described on Page 26
49. Note the depreciation table on page 27 for all physical property and equipment.
50. Note discussion of Deferred Outflows/Inflows related to OPEB funds on Pages 27-28.
51. Fund balance terms explained on pages 29-30. (GASB 54 implementation)
52. In budget discussion on page 31, the appeals processes time lines are in the Town Charter, not Town Ordinances. This error was also in the FY18 report.
53. Note the difference between GAAP and budgetary basis of accounting on Pages 31 and 32.
54. Funds with Deficit balances – Nuclear Safety Fund – I assume that the dollars are in the General Fund. High School Building Project – Why the $2,941,645 deficit in FY19 (down from $2,941,672 deficit in FY18) since that is bonded funding? Page 32. In FY19 and FY18 report the High School Building Project owed the General Fund $2,942,807 (Page 37).
55. Custodial Credit Risk Presentation different in FY19 and FY18 different from the FY17 discussion. 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 $2,859,979 in FY19, $633,815 in FY18 and $13,500,000 in FY17. Page 33
56. Be sure to review the Various Risk explanations. Pages 33-34
57. Net Receivables in FY19 were $3,669,623 in FY19 compared to $5,347,557 in FY18. Page 35
58. Note the decrease in net capital assets on page 36 due to depreciation. Page 36
59. Note the Depreciation expense of $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
60. Construction Commitments remaining at end of FY19 are $13,379,955 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 37

61. Note the Post Employment Benefits (OPEB) liability in FY19 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 $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 $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 39.
62. Note the Town's long term liability of $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 39.
63. The Due within one year is $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 39
64. Note the bond payment schedule. Final payment of bonds will be in 2034 (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 will move the final payment year. Page 40.
65. Total statutory debt limit of seven time annual receipts from taxation is $614,810,721 in FY19 The actual debt at end of FY19 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 40
66. Note the funds with deficits on June 30, 2019. Page 41
67. Tax Abatement discussion on page 42 first appeared in the FY18 audit report.
68. Description of Employee Retirement Systems and Pension Plans is much expanded from previous audit reports prior to FY17. Pages 42-55 (compared to Page 42-49 in FY14 audit report)
69. Membership in the town retirement plan on July 1, 2017 (date of last actuarial valuation) for FY19,same as FY18, is 13. This is down from 17 for FY17. This is down from 19 in previous actuarial valuation in FY15) Page 43
70. Note the annual required contribution to the town plan of $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 44
71. Although the pension liability as of June 30, 2019 was $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 $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 44

72. The net pension liability is very sensitive to the discount rate. See table of page 46.
73. Pension trust fund had a net position at end of FY19 of $535,281 down from $543,569 at end of FY18 and $564,520 at end of FY17
74. The MERS is fully explained on Pages 48-52
75. Town reported liability share in the MERS is $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 $4,931,098 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 49
76. The town has recorded $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 FY19 amount paid was $426,348. The FY18 amount paid was $431,519 compared to the FY17 amount paid of $431,516. Page 50.
77. Actuarial Assumptions noted on pages 50-51 greatly impact the Net Pension Liability, especially the discount rate. Page 51
78. The aggregated Pension information combines data from the PERS plan and the MERS plan to show the total pension liability for the Town. This table is new in the FY19 audit. Page 52
79. The Teachers' retirement system is fully explained on Pages 52-54
80. Employee contribution to the MERF is 2.25% if covered by Social Security and 5% if not covered by Social Security (Page 49) while the Teacher's Contribution is 7% as of January 1, 2018 (An increase from 6% effective on July 1, 1992) (Page 52).
81. 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.
82. Note membership in the OPEB retirement plan of 514 as of June 30, 2019 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 55
83. OPEB Liability Presentation in FY19 and FY18 audit is very different from presentation in previous audit reports due to GASB 75. Pages 55-60
84. The Net OPEB liability that is recognized as of June 30, 2019 is $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 56
85. Note that the Plan fiduciary net position percentage of total OPEB liability is only 21.47% in FY19 which is up from 14.93% in FY18. Page 56
86. For FY19 the Town recognized OPEB expense was $1,310,541 down slightly from the FY18 Town recognized OPEB expense of $1,539,938. Page 58

87. OPEB Trust Fund position at end of FY19 was $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 59
88. Teacher's OPEB explained although the Town makes no contributions to this fund Pages 60-64
89. Note discussion on Risk Management on Pages 64-65
90. Health Claim liability as of June 30, 2019 was $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 65
91. Miner Lane Landfill liability not claimed in FY19 or FY18. The Liability is listed as $295,000 in FY19 down from $309,000 for FY18 on Page 39. 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 64
92. Note that Dominion is 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 65
93. Note the difference in budgetary revenues compared to GAAP revenues. Page 67.
94. Public Works returned $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 70
95. Comparing expenditure total on Pages 71 with revenue total on page 67 Revenue was $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.
96. Town finished year FY19 with $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. BOE had an unexpended balance of $50,099 in FY19 compared to $114,988 in FY18 compared to $57,659 in FY17 compared to $44,165 in FY16 compared to an unexpended balance of $28,084 in FY15. Page 71.
97. 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 71
98. Pension liability for Pension Trust Fund is $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 $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 72

99. Regarding MERS, the Town's proportion of the net pension liability is 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 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 75

100. Town contributions to the MERS was 13.26% of the covered payroll compared to 13.21% in FY18, 14.91% in FY17 and 13.51% in FY16. Page 76

101. Although the town pays nothing to finance the Teacher's Retirement System, the System fiduciary net position is only 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 77.

102. Note that Net OPEB liability is 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 78

103. Note that for FY19 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 79

104. Investment return of 6.44% in FY19 was better than the 4.13% in FY18 was better than the 2.069% rate of return in FY17. Page 80

105. Note information of Teacher's Retirement System OPEB share for Town that is paid by the State on Page 81

106. 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 82. The balance sheet is actually on Page 15. This appears to be a difference in audit methods between auditors. Note the balance sheet total of $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.

107. Note the Unexpended balance of $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 82

108. Uncollected taxes for FY2019 are $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 FY19 was $1,180,222 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. Page 83

109. Utility Commission has about $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 84-85. 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.

110. The unnumbered pages between pages 85 and 86 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, and Police.

111. Water Fund had a balance of $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 86.

112. Sewer Maintenance Fund had balance of $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 89. Actual Cash Balance at end of FY19 was $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. Page 93

113. Animal Control Facility Fund had balance of $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. Page 93.

114. Fiduciary Funds Section is new in the FY2019 Audit report.

115. Pension fund position at end of FY19 was $535,281 compared to $543,569 at end of FY18. OPEB Fund position at end of FY19 was $5,056,972 compared to $3,636,422 at end of FY18. Page 95

116. Schedules of Capital Asset Values is not in 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.

117. Statistical Section has returned in FY19 after not been in the FY17 or FY18 reports. Note the categories of the Statistical Section information.

118. Note the Total General Fund Balance changes with FY19 at $17,259,000. This compares to the recent Treasurer's Report cash value of the General Fund on June 30,2019 of $21,482,646. Page 100

119. Debt Service as a percentage of noncapital expenditures is completely different than the percentage in previous audit reports. FY19 is 8.67%, FY18 is 8.14%, 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 101.

120. 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 102

121. Mill Rate for FY16 appears to be in error. My paperwork shows a mill rate of 25.85 in FY16, not 25.83. Page 102.

122. Millstone Power Station is still the largest taxpayer in town by a significant margin even though now only 34.28% of grand list. Page 103.

123. Note that the tax collection rate is still greater than 99%. This is important when considering the new mill rate. Page 104

124. Note that debt per capita in FY19 is down to $3,655 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 105.

125. This is the first audit report where there is General Purpose Debt as well as the School Debt. 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 $182.618 million and for Schools is $317.394 million Page 106

126. The impact of bonding for school construction may be seen in the increase followed by a decrease in years following FY11 in the Total net debt applicable to the limit as a percentage of debt limit on Page 107.

127. 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? Page 108

128. Has there been an update of the Bureau of Economic Analysis data from September 2007? Page 108

129. 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 109.

130. Note BOE employees increased between FY13 and FY14 and increased again between FY 17 and FY18. Page 110

131. It would be nice to separate false alarms from actual emergencies in the Fire Statistic. Page 111

132. 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). I still think recyclables should be higher (17 tons per day up from 13 tons/day in FY15 then a drop to 15 tons in FY19). Page 111

133. 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. Page 111

134. The impact of on line information and electronic readers is very visible in the drop in Volumes borrowed between FY15 and FY19. Page 111

135. Water main breaks have increased significantly between FY17 and FY18. Page 111

Management Letters Comments

1. No observations or negative comments in Management letter or Audit Check off list other than the one comment regarding BOE procurement standards previously noted under the Federal Single Audit Report.

Comparing Unaudited EOY Report with Audited Report

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

Department	Audit	EOY Report
Interest and lien fees	512,054	512,049
Pilot State Owned	143,074	143,075
Rent and Miscellaneous	6,559	6,533
Recreation & Parks Commission	231,907	211,867
Recycling	66,055	59,836
Transfers in	128,762	128,761
Versa Kart(not listed in audit)	0	6,220
Community Use of Schools (not in audit)	0	20,039
Total Revenue	95,826,411	95,826,378

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

Department	Audit	EOY Report
Board of Selectmen	242,551	242,549
Fire Services	2,951,962	2,951,959
Senior Citizens	562,410	562,412
Library	1,022,462	1,022,460
Total General Fund	92,983,504	92,983,499

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