



# Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

## Board of Finance Agenda

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July 16, 2020

Ericka Butler  
Town Clerk  
Simsbury, CT 06070

Dear Ms. Butler:

A **Regular Meeting** of the Board of Finance will be held at **5:45 PM** on **Tuesday, July 21, 2020**, and broadcast live and rebroadcast as noted above.

The Agenda is as follows:

1. Call to Order
2. Pledge of Allegiance
3. Approval of Minutes:
  - June 16, 2020
4. Finance Director's Report
5. Police Private Duty Fund Use of Proceeds Proposal
6. Defined Contribution and Deferred Compensation Pension Plan Record Keeper Services Selection (Potential Investment Changes)
7. Proposed Fund Balance Policy
8. Communications
  - May 2020 Building Department Report
  - June 2020 Building Department Report
  - BlumShapiro SAS114 Auditor Communication
9. Adjourn

Yours Truly,  
Robert Pomeroy  
Chairman

**Board of Finance Regular Meeting Schedule:**  
8/18/20, 9/15/20, 10/20/20, 11/17/20, 12/15/20, 1/19/21

**Board of Finance**  
**TOWN OF SIMSBURY, CONNECTICUT**  
**REGULAR MEETING MINUTES**  
**Tuesday, June 16, 2020 at 5:45 P.M.**  
**Zoom Meeting/Simsbury Community Television Live Stream**

**PRESENT:** Lisa Heavner, Arthur House, Derek Peterson, Robert Pomeroy, Kevin Prell, Linda Schofield

**ALSO PRESENT:** Maria Capriola, Town Manager; Amy Meriwether, Director of Finance/Treasurer; Tom Fitzgerald, Management Specialist

**1. Call to Order - Establish Quorum**

Mr. Pomeroy called the meeting to order at 5:46 P.M.

**2. Pledge of Allegiance**

All present stood for the Pledge of Allegiance.

**3. Approval of Minutes - May 19, 2020**

Mr. Prell moved to adopt the minutes of the May 19, 2020 Regular Meeting. The motion was seconded by Mr. Peterson. All were in favor and the motion passed unanimously.

**4. Finance Director's Report**

Ms. Meriwether updated the Board on the grants and donations received since the previous meeting. Ms. Meriwether stated that as of June 8 the town had 42 applications for the tax deferment program due to COVID and is equal to \$233,000 being deferred. Simsbury is eligible for \$55,800 in state relief through June 30 from the State. A 2<sup>nd</sup> round of funding may become available but currently it is not planned. In order to access any state funding the town must run through their Federal funding first. Ms. Meriwether stated that the town is on track for our estimated spending due to COVID. Items that have been purchased included PPE, Plexiglass screens to be placed at work stations, soap and hand sanitizer dispensers and more. Ms. Meriwether gave an update on the received bid for the Town's Stop Loss services, discussion between Board members and staff ensued about the Stop Loss service and the quote received. Ms. Meriwether gave an update on the Café Fund mentioned at a previous Board meeting. The \$90,000 decrease is due to a reduction in federal grant money and the Board of Ed still needing to purchase food even if not using it to satisfy the grant requirements. The food that was bought has been properly stored so it can be used during the next school year. In addition, there were no additional food sales since March and salary adjustments due to the minimum wage increase.

Ms. Meriwether deferred to Ms. Capriola for an update on the Police Pension Arbitration. Ms. Capriola gave an update on the outcome of the recent arbitration decision. The favorable outcome received for the Town will save an estimated \$1,000,000 in the first 15 years.

### **5. Approval of Tax Collector Suspense List**

Ms. Meriwether informed the board that this needs to be done to allow the Tax Collector to transfer these funds to the suspense list. Ms. Schofield made a motion, Mr. Prell seconded, all were in favor and the motion passed unanimously.

### **6. Special Revenue Funds Review**

The Board of Finance commended Ms. Meriwether's work on gathering all the data presented. This item was a follow up on a request from the last meeting. The Board discussed the 25 special revenue funds and what they are used for including what potential expenditures can come from each fund.

### **7. Retirement Plan Sub-Committee Quarterly Update (Oral Report)**

Mr. Prell gave an update on the previous Retirement Plan Sub-Committee meeting. At that meeting FIA presented about the DC Plan RFQ that the Town issued as well as a quarterly report on the Town's investments. It was noted that the values for the investments were as of the end of March when the market was at its worst during COVID. The Board discussed having FIA present at a July meeting. After discussing whether the Board needed to notify individuals or just the Union heads of potential investment changes the Board moved to table the item to next meeting to allow Town Manager Maria Capriola to notify the Unions of the item being discussed. Ms. Heavner motioned, Mr. House seconded. All were in favor and the item was tabled.

### **8. School Facilities Long Range Planning Update (Oral Report)**

Mr. Peterson gave an update about the School Facilities Long Range Planning Committee. The current focus of the group is on public outreach. The latest community and school staff survey showed a majority of responses favored a 6<sup>th</sup> grade added to Henry James. Mr. Peterson stated that Tecton will be coming to a July meeting to discuss their work.

### **9. Debt Planning: Capital Reserve & Fund Balance Discussion**

Ms. Meriwether request guidance from the Board in order for her to create forecasting models to assist in budget preparations for the future. After discussing the request more in depth with the Board, the members went around stating which level of General Fund Reserves should be used. The Board agreed on having the Finance Director use 15.5% as a target for the General Fund Reserves.

### **10. Communications**

- **April 2020 Building Department Report:** Report was attached for the Board to view.

### **11. Adjourn**

**MOTION:** Mr. Peterson made a motion to adjourn at 8:02 P.M. Ms. Schofield seconded the motion. All were in favor and the motion passed unanimously.

Respectfully submitted,

Thomas Fitzgerald

Simsbury Board of Finance  
May 19, 2020 Regular Meeting Minutes

Management Specialist



# Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

**To:** Board of Finance  
**From:** Amy Meriwether, Finance Director/Treasurer  
**CC:** Maria Capriola, Town Manager  
**Date:** July 21, 2020  
**Re:** Finance Director's Report

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## **Grants and Donations**

Below is a listing of donations and grant applications approved by the Board of Selectmen at their special meeting on July 1, 2020 and their regular meeting on July 13, 2020:

- Open Space and Watershed Land Acquisition Grant - \$1.3M to support the potential acquisition of the Meadowood parcels.
- Substance Abuse Prevention Grant – \$5,342 to support awareness and prevention of vaping. Funds will go towards: purchase and/or production of materials for distribution, facilitation of community meetings, and hosting a guest speaker.
- Peterson Family Donation – \$1,500 to be allocated as follows: \$500 for programs that support children's needs such as sports registration or purchase of equipment; the remaining balance of \$1,000 should be used at the discretion of the Director of Social Services for programs and matters where this a need for client assistance.
- Simsbury Volunteer Fire Company (SVFC) Donation – Services and materials to refurbish the existing brick paver walkway and plaza area located in front of Town Hall. There is no direct financial impact, contractor will be hired and paid by the SVFC. Estimated value of the work is \$15,000.

## **COVID-19 Related Items Update**

### **Tax Deferment Program**

On April 6, 2020, the Board of Selectmen approved the Property Tax Deferral Program and Low Interest Rate Program for the FY20/21 budget year as a way to assist residents in need during the COVID-19 pandemic. As of July 1, 2020, the Town has approved 93 applications and deferred an estimated \$850,000 in taxes. The application period for this program is now closed.

### **COVID Expenditures and Anticipated Savings Update**

Below is a breakdown of unbudgeted expenditures, unanticipated revenue losses and savings estimates associated with COVID-19:

<b>General Fund - COVID-19 Impact</b>		
		Actual @ 6/30/20 (1)
Library Revenue Loss	\$	(11,129.29)
Building Rent Revenue Loss		(6,750.00)
Materials & Supplies	*	(22,668.18)
Additional Staff/Overtime	*	(10,484.47)
Technology	*	(2,332.35)
Legal	*	(715.00)
Total Expenses & Loss in Revenues		(54,079.29)
Staff Savings		30,899.20
Conference & Education Savings		35,396.85
Cancelled Referendum Savings		6,432.88
Land Record Revenue Increase	**	12,976.00
Total Savings		85,704.93
Net General Fund Impact	\$	31,625.64
(1) The Town has not closed the fiscal year as of the date of this meeting and these balances are subject to change		
*Anticipated FEMA Reimbursement		
** Due to low interest rates		

<b>Board of Education - COVID-19 Impact</b>		
		Actual @ 6/30/20 (1)
Athletics Programs Revenue Loss	\$	(110,270.47)
Materials & Supplies		(178,859.95)
Food Programs		(55,000.00)
Technology		(26,221.48)
Additional Staff/Overtime		(1,768.81)
Total Expenses & Loss in Revenues		(372,120.71)
Transportation Savings		476,356.84
Substitute Teacher Savings		162,378.32
Instructional Supply Savings		113,690.24
Conference & Education Savings		53,642.30
Utilities Savings		126,842.23
Total Savings		932,909.93
Net Board of Education Impact	\$	560,789.22
(1) The Board of Education has not closed the fiscal year as of the date of this meeting and these balances are subject to change		

Note: Although the General Fund is expected to see net savings associated with the COVID-19 virus, this does not reflect anticipated year-end results.

The Board of Education is currently in the planning process to re-open schools in the fall. In accordance with State guidelines, the Board of Education has incurred additional costs in July to be in compliance with State guidance. As of July 13, 2020, \$140,000 in COVID related expenditures have been incurred by the Board of Education. These expenditures include the purchase of chromebooks, ipads, an internet upgrade, sanitizing supplies, masks and Plexiglas shields.

<b>Parks &amp; Recreation Revenue Overview</b>				
		FY20 Budget	FY20 Actual (1)	
Special Programs	\$	473,000	\$ 259,615	*
Simsbury Farms Complex		436,966	380,430	*
Golf		963,191	1,032,420	
Operating Transfers		180,000	180,000	
<b>Total</b>	<b>\$</b>	<b>2,053,157</b>	<b>\$ 1,852,465</b>	
* Includes estimate for deferred revenue				
(1) The Town has not closed the fiscal year as of the date of this meeting and these balances are subject to change				

### **Body Worn Cameras and Car Cameras**

At the Board of Selectmen meeting on June 22, 2020, staff requested an additional appropriation up to \$111,000 for the purchase of body worn cameras and replacement car cameras for the Police Department. This purchase was included in Year 2 (FY21/22) of the FY20/21 capital and non-recurring plan adopted during the budget process. However, given current national events, staff would like to move forward with this purchase as soon as possible. The Board of Selectmen reviewed, discussed and approved this request to be forwarded to the Board of Finance for approval.

Since the Board of Selectmen meeting on June 22, 2020, staff was notified by the Town's State elected officials that body cameras and police accountability will be a topic of discussion at their upcoming special session. It is likely that the State will follow through with mandating body cameras in all municipalities and State funding may potentially become available. Given the upcoming discussion on the State level, staff will hold off on requesting Town funding for the purchase of the body cameras.

### **CT Government Finance Officers Association (GFOA)**

The CT GFOA is an association of over 400 state and local government finance officers and others interested in public finance. The purpose of the Association is to promote the improvement of the methods of governmental financing. They are committed to helping broaden government finance skills and knowledge through seminars, education, meetings and a mentoring program. Effective July 1, 2020, I have been officially appointed to serve on the Board of Directors for this organization.



# Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

## Board of Finance Agenda Item Submission Form

1. **Title of Submission:** Police Private Duty Fund Use of Proceeds Proposal
2. **Date of Board Meeting:** July 21, 2020
3. **Individual or Entity Making the Submission:**  
Amy Meriwether, Finance Director; Maria Capriola, Town Manager; Nick Boulter, Police Chief

4. **Action Requested of the Board of Finance:**  
If the Board of Finance supports moving forward with the proposed change in use of the Private Duty Fund, the following motion is in order:

*Move, effective July 21, 2020, to eliminate the Police Vehicles Fund and amend the use of the Police Private Duty Fund to be utilized as a revenues source for funding Police Admin vehicles. Fund Balance will remain at \$100,000, or the cost of two Admin vehicles. Fund Balance in excess of \$100,000, or the cost of two Admin vehicles will be transferred to the Capital Reserve Fund for future capital needs.*

5. **Summary of Submission:**

The Police Private Duty Fund is used to record revenues and expenditures associated with private duty services provided by the Police Department. It was created in November 2001 to appropriately segregate revenue generating activity from the General Fund after experiencing inaccuracies in budgetary estimates due to the changes in requested services from year to year. Each year this fund's revenues exceed its expenditures resulting in increases to the fund balance. These excess revenues have been utilized over the last several years to fund various police equipment and capital needs.

Recent research on the creation of this fund has uncovered that the excess revenues in this fund were meant to be returned to the General Fund at the end of each fiscal year. Staff would like to amend the use of these excess revenues to fund the purchase of police capital needs such as but not limited to vehicles used by the Chief, Lieutenants and Detectives. Currently, these vehicles are replaced utilizing the Police Vehicles Fund.

The Police Vehicles Fund is utilized to hold funds received from the sale of police vehicles. After funds have built up to an appropriate level, Police administrative vehicles are purchased utilizing the available funds. This is currently their only source of funding for replacement of Admin vehicles. They are not budgeted within the general fund budget nor included in the capital plan. If an Admin vehicle is needed prior to funds being built up to the appropriate level, an additional General Fund appropriation would need to be requested. In the future, we will begin budgeting for police admin vehicles in our six-year CNR plan.

Staff is proposing the Police Vehicles Fund be eliminated and all Admin vehicle purchase comes from the Police Private Duty Fund revenue going forward, should sufficient funds permit. This would allow for a consistent and reliable revenue source for the Admin vehicles. Having a reliable revenue

source would enable the replacement of these vehicles on an interval schedule instead of waiting until the vehicles have surpassed their useful life. This would also save on vehicle repair costs during the year.

Staff would also like to utilize revenue from this fund for body armor replacement and active threat kit replacement. This equipment is purchased in large quantities every 5 years with smaller interval purchases each with a cost of an estimated \$3,000.

The average cost of an Admin vehicle is about \$50,000 and therefore, staff is recommending a fund balance of \$100,000, or the cost of two Admin vehicles, remain in this fund at the end of each fiscal year. This would allow for additional available funds in case not enough revenue is generate in any given year to replace needed vehicles. Below is a three year history of the Fund's revenues, expenditures and changes in fund balance:

<b>Three Year History of Revenues, Expenditures &amp; Fund Balance</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Revenues</b>				
Special Duty Charges	\$ 223,192	\$ 226,142	\$ 386,391	\$ 395,073
Transfer from DUI Grant Fund	-	-	-	33,142
Total Revenue	223,192	226,142	386,391	428,214
<b>Expenditures</b>				
Salaries & Wages	200,809	150,987	274,706	283,681
Small Equipment/Vehicle Maintenance	1,945	52,756	18,913	-
Transfer to Capital Fund (per Capital Budget)	-	-	-	51,520
Total Expenditures	202,753	203,743	293,619	335,201
<b>Fund Balance</b>				
Beginning Fund Balance	173,943	194,383	216,782	309,555
Net Increase (Decrease) to Fund Balance	20,439	22,399	92,773	93,013
Ending Fund Balance	\$ 194,383	\$ 216,782	\$ 309,555	\$ 402,568

Fund balance is excess of \$100,000 or the cost of two Admin vehicles is proposed to go into the Capital Reserve Fund for future capital needs.

Given the current value of the accumulated fund balance, management will prepare a request to the Board of Finance during the year end close out process for use of these funds.

**6. Financial Impact:**

None

**7. Description of Documents Included with Submission:**

None



# Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

## Board of Finance Agenda Item Submission Form

- Title of Submission:** Defined Contribution Pension Plan and Deferred Compensation Plan Request for Qualifications
- Date of Board Meeting:** July 21, 2020
- Individual or Entity Making the Submission:**  
Retirement Plan Sub-Committee

**Action Requested of the Board of Finance:**

If the Board of Finance supports moving forward with ICMA as the Town's defined contribution and deferred compensation record keeper, the following motion is in order:

*Move, effective July 21, 2020, to replace the Town of Simsbury's current defined contribution and deferred compensation record keeper, Mass Mutual, with ICMA.*

**Summary of Submission:**

At the regular meeting of the Board of Finance on September 17, 2019, members unanimously voted to have Fiduciary Investment Advisors (FIA) conduct an RFQ for recordkeeping services for the Town and Board of Education defined contribution and deferred compensation pension plans. The RFQ was posted for bid on December 13, 2019. All responses to the RFQ were received as of the January 8, 2020 deadline and presented to Town on March 23, 2020. Submissions have been narrowed down to three vendors and were interviewed on April 30, 2020 by the selection committee consisting of the Retirement Plan Sub-Committee Chair, FIA and staff. Based on the interviews conducted, reference checks and pricing analysis, the selection committee along with FIA is recommending the Town move forward with replacing our current recordkeeping service provider, Mass Mutual, with ICMA.

Tyler from FIA presented the selection committee's decision at the last meeting of the Retirement Plan Sub-Committee on June 9<sup>th</sup>. The Retirement Plan Sub-Committee concurred with the selection committee's decision and voted to recommend to the Board of Finance to move forward with replacing the Town's current recordkeeping services provider, Mass Mutual, with ICMA.

This item was originally discussed at the June 22, 2020 Board of Finance meeting. During this meeting it was requested that the Town Manager notify staff that this item was being discussed and there could be potential changes in available investments going forward if a new record keeper is selected (specifically the investment fund that guarantees a 4% return).

On July 7, 2020 the Town Manger sent a memo notifying union leadership of the pension discussion and possible changes to investments. To date, no union has come forward expressing concern related to the potential change. Labor counsel reviewed the matter and assisted with preparation of the memo.

**6. Financial Impact:**

There is no financial impact to the Town, however, there would be estimated savings of \$112/year to employees invested in the defined contribution plan and estimated savings of \$547/year to employees invested in the deferred compensation pension plans. (Note: These are costs for recordkeeping costs only. There could be potential investment savings as well. Investments will be reviewed at a later date. The Retirement Plan Sub-Committee is reviewing options at a special meeting on July 27<sup>th</sup>.)

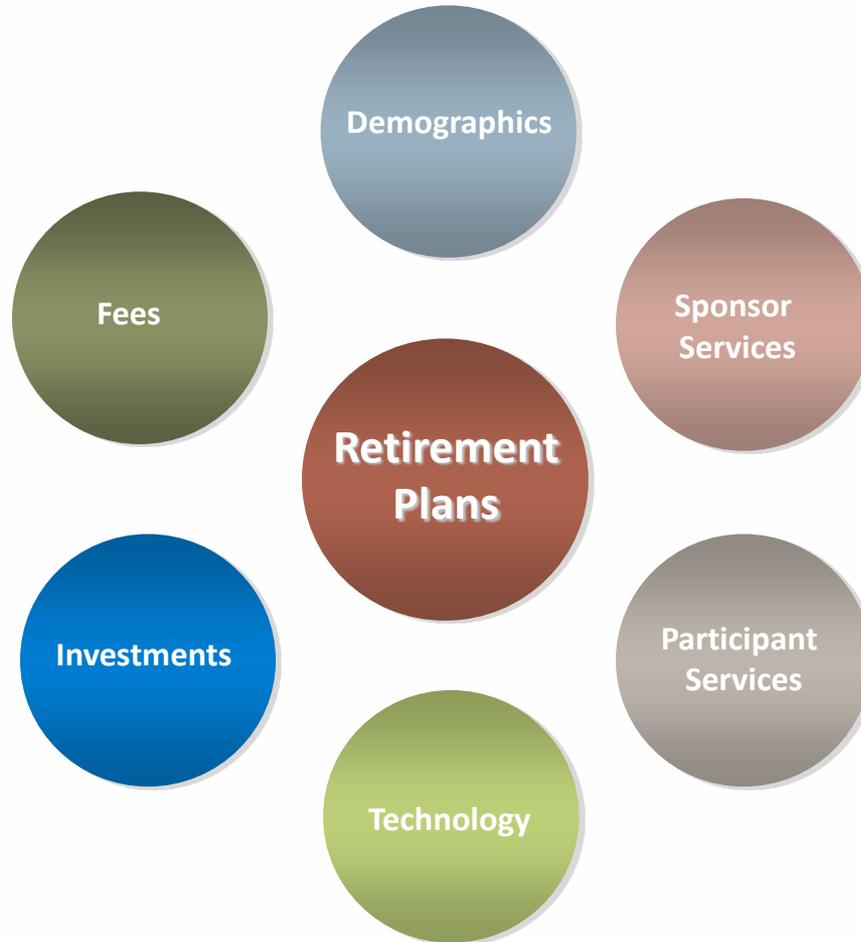
**7. Description of Documents Included with Submission:**

- Fiduciary Investment Advisor's Request for Qualifications Presentation Slides

## **Request For Qualification (RFQ)**

# Plan Provider Summary

Illustrated below are the criteria that was evaluated during the RFQ process. Of the eight responding vendors, The Town of Simsbury interviewed the three vendors (MassMutual, ICMA and Voya) that most closely align with the goals and objectives of the Plans.



## **Town of Simsbury – Estimated RFQ Implementation Timeline**

- I. September 2<sup>nd</sup>, 2020**
  - ✓ Investment lineup is finalized and approved by The Town
  
- II. October 1<sup>st</sup>, 2020**
  - ✓ Start of ICMA vendor implementation with The Town
  
- III. January 1<sup>st</sup>, 2021**
  - ✓ All Plans go live on the ICMA platform

## Plan Benchmarking

# Annual Fee Review

“The Employee Retirement Income Security Act of 1974, as amended (ERISA), requires employee benefit plan fiduciaries to act solely in the interests of, and for the exclusive benefit of, plan participants and beneficiaries. As part of that obligation, plan fiduciaries should consider cost, among other things, when choosing investment options for the plan and selecting plan service providers.”<sup>1</sup>

- The **Annual Fee Review** consists of the following:
  - Quantifying plan fees, both direct and indirect
  - Identifying all revenue sharing agreements between the fund companies and the recordkeeper of the plan
  - Illustrating the plan pricing model
  - Identifying the costs of the plan per participant
  - Benchmarking plan fees to determine reasonableness
  - Negotiating with the plan service providers, if needed, to improve the costs of the plan
- Plan related fees are compared in FIA’s **Institutional Consultant’s Plan Survey**, which consists of over 600 retirement plans and includes plans of varying size and type.
- In addition to improving participant outcomes by ensuring the plan cost structure remains reasonable, the **Annual Fee Review helps to mitigate fiduciary risk** by helping to create the Fiduciary Trail™.
- Annually, plan sponsors are required to distribute participant fee disclosure notices.<sup>2</sup>

<sup>1</sup> Source: Department of Labor 401(k) Plan Fee Disclosure Form

<sup>2</sup> Applies to ERISA covered plans only.

# Estimated Fee Review-457 Plan<sup>1</sup>

As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
General Account	\$2,826,658	0.00%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	\$0
BNY Mellon Bond Market Index Inv	\$111,733	0.40%	0.65%	1.05%	\$1,173	0.30%	0.65%	0.95%	\$1,061
Western Asset Core Plus Bond FI	\$246,112	0.81%	0.65%	1.46%	\$3,593	0.30%	0.65%	0.95%	\$2,338
Templeton Global Bond A	\$31,766	0.94%	0.65%	1.59%	\$505	0.77%	0.65%	1.42%	\$451
MFS Value Fund R3	\$871,972	0.82%	0.65%	1.47%	\$12,818	0.55%	0.65%	1.20%	\$10,464
BNY Mellon S&P 500 Index	\$3,396,998	0.50%	0.65%	1.15%	\$39,065	0.35%	0.65%	1.00%	\$33,970
T. Rowe Price Growth Stock Adv	\$2,037,544	0.92%	0.65%	1.57%	\$31,989	0.40%	0.65%	1.05%	\$21,394
AllianceBern Discovery Value A	\$333,614	1.10%	0.65%	1.75%	\$5,838	0.55%	0.65%	1.20%	\$4,003
BNY Mellon MidCap Index	\$54,456	0.50%	0.65%	1.15%	\$626	0.30%	0.65%	0.95%	\$517
Eaton Vance Atlanta Capital SMID-Cap A	\$578,914	1.16%	0.65%	1.81%	\$10,478	0.55%	0.65%	1.20%	\$6,947
BNY Mellon Small Cap Stock Index	\$114,429	0.50%	0.65%	1.15%	\$1,316	0.35%	0.65%	1.00%	\$1,144
Hartford International Opportunities HLS IA	\$241,064	0.73%	0.65%	1.38%	\$3,327	0.25%	0.65%	0.90%	\$2,170
T. Rowe Price Retirement Balanced R	\$0	1.06%	0.65%	1.71%	\$0	0.65%	0.65%	1.30%	\$0
T. Rowe Price Retirement 2010 R	\$0	1.09%	0.65%	1.74%	\$0	0.65%	0.65%	1.30%	\$0
T. Rowe Price Retirement 2020 R	\$80,152	1.09%	0.65%	1.74%	\$1,395	0.65%	0.65%	1.30%	\$1,042
T. Rowe Price Retirement 2030 R	\$642,696	1.16%	0.65%	1.81%	\$11,633	0.65%	0.65%	1.30%	\$8,355
T. Rowe Price Retirement 2040 R	\$145,038	1.20%	0.65%	1.85%	\$2,683	0.65%	0.65%	1.30%	\$1,885
T. Rowe Price Retirement 2050 R	\$439,846	1.21%	0.65%	1.86%	\$8,181	0.65%	0.65%	1.30%	\$5,718
<b>Total Assets</b>	<b>\$12,152,992</b>			<b>1.11%</b>	<b>\$134,622</b>			<b>0.83%</b>	<b>\$101,461</b>
<b># of participants=</b>	<b>150</b>								
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>1.11%</b>	<b>\$134,622</b>			<b>0.83%</b>	<b>\$101,461</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$81,020</b>								<b>\$676</b>

# Estimated Proposed Fee Review-457 Plan<sup>1</sup>

As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
VantageTrust PLUS Fund	\$2,826,658	0.54%	0.00%	0.00%	\$0	0.00%	0.00%	0.00%	\$0
BNY Mellon Bond Market Index Inv	\$111,733	0.40%	-0.30%	0.10%	\$112	0.30%	-0.30%	0.00%	\$0
Western Asset Core Plus Bond FI	\$246,112	0.81%	-0.30%	0.51%	\$1,255	0.30%	-0.30%	0.00%	\$0
Templeton Global Bond A	\$31,766	0.94%	-0.77%	0.17%	\$54	0.77%	-0.77%	0.00%	\$0
MFS Value Fund R3	\$871,972	0.82%	-0.55%	0.27%	\$2,354	0.55%	-0.55%	0.00%	\$0
BNY Mellon S&P 500 Index	\$3,396,998	0.50%	-0.35%	0.15%	\$5,095	0.35%	-0.35%	0.00%	\$0
T. Rowe Price Growth Stock Adv	\$2,037,544	0.92%	-0.40%	0.52%	\$10,595	0.40%	-0.40%	0.00%	\$0
AllianceBern Discovery Value A	\$333,614	1.10%	-0.55%	0.55%	\$1,835	0.55%	-0.55%	0.00%	\$0
BNY Mellon MidCap Index	\$54,456	0.50%	-0.30%	0.20%	\$109	0.30%	-0.30%	0.00%	\$0
Eaton Vance Atlanta Capital SMID-Cap A	\$578,914	1.16%	-0.55%	0.61%	\$3,531	0.55%	-0.55%	0.00%	\$0
BNY Mellon Small Cap Stock Index	\$114,429	0.50%	-0.35%	0.15%	\$172	0.35%	-0.35%	0.00%	\$0
Hartford International Opportunities HLS IA	\$241,064	0.73%	-0.25%	0.48%	\$1,157	0.25%	-0.25%	0.00%	\$0
T. Rowe Price Retirement Balanced R	\$0	1.06%	-0.65%	0.41%	\$0	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2010 R	\$0	1.09%	-0.65%	0.44%	\$0	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2020 R	\$80,152	1.09%	-0.65%	0.44%	\$353	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2030 R	\$642,696	1.16%	-0.65%	0.51%	\$3,278	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2040 R	\$145,038	1.20%	-0.65%	0.55%	\$798	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2050 R	\$439,846	1.21%	-0.65%	0.56%	\$2,463	0.65%	-0.65%	0.00%	\$0
<b>Total Assets</b>	<b>\$12,152,992</b>			<b>0.27%</b>	<b>\$33,161</b>			<b>0.00%</b>	<b>\$0</b>
<b># of participants=</b>	<b>150</b>								
Estimated Recordkeeping Fee				<b>0.159%</b>	<b>\$19,323</b>			<b>0.159%</b>	<b>\$19,323</b>
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>0.43%</b>	<b>\$52,484</b>			<b>0.159%</b>	<b>\$19,323</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$81,020</b>								<b>\$129</b>

Per the ICMA RFQ proposal, the required revenue would be 0.159%.

# Estimated Fee Review-401(a) Plan<sup>1</sup>

As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
General Account	\$95,983	0.00%	0.00%	0.00%	\$0	0.40%	0.00%	0.40%	\$384
Western Asset Core Plus Bond FI	\$0	0.80%	0.65%	1.45%	\$0	0.30%	0.65%	0.95%	\$0
Templeton Global Bond A	\$1,933	0.94%	0.65%	1.59%	\$31	0.97%	0.65%	1.62%	\$31
MFS Value R3	\$159	0.82%	0.65%	1.47%	\$2	0.55%	0.65%	1.20%	\$2
BNY Mellon S&P 500 Index	\$4,132	0.50%	0.65%	1.15%	\$48	0.35%	0.65%	1.00%	\$41
T. Rowe Price Growth Stock R	\$1,599	1.18%	0.65%	1.83%	\$29	0.65%	0.65%	1.30%	\$21
AllianceBern Discovery Value A	\$80	1.10%	0.65%	1.75%	\$1	0.55%	0.65%	1.20%	\$1
BNY Mellon MidCap Index	\$847	0.50%	0.65%	1.15%	\$10	0.30%	0.65%	0.95%	\$8
Eaton Vance Atlanta Capital SMID-Cap A	\$1,513	1.16%	0.65%	1.81%	\$27	0.55%	0.65%	1.20%	\$18
BNY Mellon Small Cap Stock Index	\$912	0.50%	0.65%	1.15%	\$10	0.35%	0.65%	1.00%	\$9
Hartford Intl Opportunities R4	\$1,861	1.12%	0.65%	1.77%	\$33	0.65%	0.65%	1.30%	\$24
T. Rowe Price Retirement 2020 R	\$9,780	1.09%	0.65%	1.74%	\$170	0.65%	0.65%	1.30%	\$127
T. Rowe Price Retirement 2030 R	\$15,454	1.16%	0.65%	1.81%	\$280	0.65%	0.65%	1.30%	\$201
T. Rowe Price Retirement 2040 R	\$50,407	1.20%	0.65%	1.85%	\$933	0.65%	0.65%	1.30%	\$655
T. Rowe Price Retirement 2050 R	\$147,119	1.21%	0.65%	1.86%	\$2,736	0.65%	0.65%	1.30%	\$1,913
<b>Total Assets</b>	<b>\$331,779</b>			<b>1.30%</b>	<b>\$4,311</b>			<b>1.04%</b>	<b>\$3,436</b>
<b># of participants=</b>	<b>26</b>								
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>1.30%</b>	<b>\$4,311</b>			<b>1.04%</b>	<b>\$3,436</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$12,761</b>								
									<b>\$132</b>

# Estimated Proposed Fee Review-401(a) Plan<sup>1</sup>

As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
VantageTrust Plus Fund	\$95,983	0.54%	0.00%	0.54%	\$518	0.00%	0.00%	0.00%	\$0
Western Asset Core Plus Bond FI	\$0	0.80%	-0.30%	0.50%	\$0	0.30%	-0.30%	0.00%	\$0
Templeton Global Bond A	\$1,933	0.94%	-0.97%	-0.03%	-\$1	0.97%	-0.97%	0.00%	\$0
MFS Value R3	\$159	0.82%	-0.55%	0.27%	\$0	0.55%	-0.55%	0.00%	\$0
BNY Mellon S&P 500 Index	\$4,132	0.50%	-0.35%	0.15%	\$6	0.35%	-0.35%	0.00%	\$0
T. Rowe Price Growth Stock R	\$1,599	1.18%	-0.65%	0.53%	\$8	0.65%	-0.65%	0.00%	\$0
AllianceBern Discovery Value A	\$80	1.10%	-0.55%	0.55%	\$0	0.55%	-0.55%	0.00%	\$0
BNY Mellon MidCap Index	\$847	0.50%	-0.30%	0.20%	\$2	0.30%	-0.30%	0.00%	\$0
Eaton Vance Atlanta Capital SMID-Cap A	\$1,513	1.16%	-0.55%	0.61%	\$9	0.55%	-0.55%	0.00%	\$0
BNY Mellon Small Cap Stock Index	\$912	0.50%	-0.35%	0.15%	\$1	0.35%	-0.35%	0.00%	\$0
Hartford Intl Opportunities R4	\$1,861	1.12%	-0.65%	0.47%	\$9	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2020 R	\$9,780	1.09%	-0.65%	0.44%	\$43	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2030 R	\$15,454	1.16%	-0.65%	0.51%	\$79	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2040 R	\$50,407	1.20%	-0.65%	0.55%	\$277	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2050 R	\$147,119	1.21%	-0.65%	0.56%	\$824	0.65%	-0.65%	0.00%	\$0
<b>Total Assets</b>	<b>\$331,779</b>			<b>0.54%</b>	<b>\$1,777</b>			<b>0.00%</b>	<b>\$0</b>
<b># of participants=</b>	<b>26</b>								
<b>Estimated Recordkeeping Fee</b>				<b>0.159%</b>	<b>\$528</b>			<b>0.159%</b>	<b>\$528</b>
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>0.54%</b>	<b>\$1,777</b>			<b>0.159%</b>	<b>\$528</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$12,761</b>								
									<b>\$20</b>

Per the ICMA RFQ proposal, the required revenue would be 0.159%.

# Estimated Fee Review-BOE Plan<sup>1</sup>

As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
General Account	\$308,704	0.00%	0.00%	0.00%	\$0	0.40%	0.00%	0.40%	\$1,235
BNY Mellon Bond Market Index Inv	\$4,475	0.40%	0.65%	1.05%	\$47	0.30%	0.65%	0.95%	\$43
Western Asset Core Plus Bond FI	\$797	0.81%	0.65%	1.46%	\$12	0.30%	0.65%	0.95%	\$8
Templeton Global Bond A	\$8,632	1.18%	0.65%	1.83%	\$158	0.94%	0.65%	1.59%	\$137
MFS Value Fund R3	\$18,562	0.82%	0.65%	1.47%	\$273	0.55%	0.65%	1.20%	\$223
BNY Mellon S&P 500 Index	\$62,048	0.50%	0.65%	1.15%	\$714	0.35%	0.65%	1.00%	\$620
T. Rowe Price Growth Stock R	\$31,291	1.18%	0.65%	1.83%	\$573	0.65%	0.65%	1.30%	\$407
AllianceBern Discovery Value A	\$11,193	1.10%	0.65%	1.75%	\$196	0.55%	0.65%	1.20%	\$134
BNY Mellon MidCap Index	\$23,469	0.50%	0.65%	1.15%	\$270	0.30%	0.65%	0.95%	\$223
Eaton Vance Atlanta Capital SMID-Cap A	\$17,068	1.16%	0.65%	1.81%	\$309	0.55%	0.65%	1.20%	\$205
BNY Mellon Small Cap Stock Index	\$12,265	0.50%	0.65%	1.15%	\$141	0.35%	0.65%	1.00%	\$123
Hartford Intl Opportunities R4	\$12,123	1.12%	0.65%	1.77%	\$215	0.65%	0.65%	1.30%	\$158
T. Rowe Price Retirement Balanced R	\$1,319	1.01%	0.65%	1.66%	\$22	0.65%	0.65%	1.30%	\$17
T. Rowe Price Retirement 2020 R	\$2,867	1.09%	0.65%	1.74%	\$50	0.65%	0.65%	1.30%	\$37
T. Rowe Price Retirement 2030 R	\$27,481	1.16%	0.65%	1.81%	\$497	0.65%	0.65%	1.30%	\$357
T. Rowe Price Retirement 2040 R	\$36,955	1.20%	0.65%	1.85%	\$684	0.65%	0.65%	1.30%	\$480
T. Rowe Price Retirement 2050 R	\$6,221	1.21%	0.65%	1.86%	\$116	0.65%	0.65%	1.30%	\$81
<b>Total Assets</b>	<b>\$585,470</b>			<b>0.73%</b>	<b>\$4,275</b>			<b>0.77%</b>	<b>\$4,487</b>
<b># of participants=</b>	<b>87</b>								
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>0.73%</b>	<b>\$4,275</b>			<b>0.77%</b>	<b>\$4,487</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$6,730</b>								<b>\$52</b>

# Estimated Proposed Fee Review-BOE Plan<sup>1</sup>

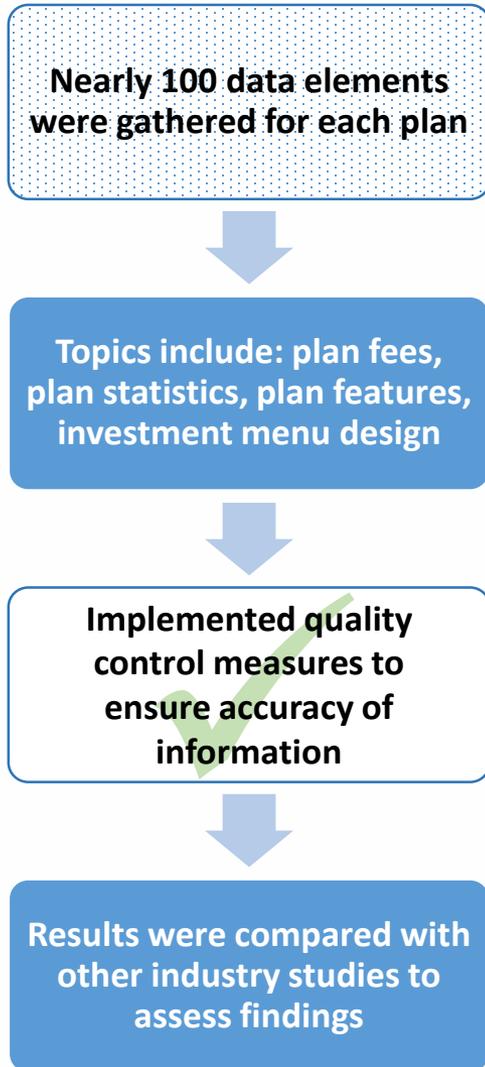
As of 12/31/19



Fund Name	12/31/2019 Assets	Fees (%)	Separate Account Fee (%)	Total Fees (%)	Total Fees (\$)	Estimated Recordkeeping Offset (%)	Separate Account Fee (%)	Total Estimated Recordkeeping Offset (%)	Total Estimated Recordkeeping Offset (\$)
VantageTrust Plus Fund	\$308,704	0.54%	0.00%	0.54%	\$1,667	0.00%	0.00%	0.00%	\$0
BNY Mellon Bond Market Index Inv	\$4,475	0.40%	-0.30%	0.10%	\$4	0.30%	-0.30%	0.00%	\$0
Western Asset Core Plus Bond FI	\$797	0.81%	-0.30%	0.51%	\$4	0.30%	-0.30%	0.00%	\$0
Templeton Global Bond A	\$8,632	1.18%	-0.94%	0.24%	\$21	0.94%	-0.94%	0.00%	\$0
MFS Value Fund R3	\$18,562	0.82%	-0.55%	0.27%	\$50	0.55%	-0.55%	0.00%	\$0
BNY Mellon S&P 500 Index	\$62,048	0.50%	-0.35%	0.15%	\$93	0.35%	-0.35%	0.00%	\$0
T. Rowe Price Growth Stock R	\$31,291	1.18%	-0.65%	0.53%	\$166	0.65%	-0.65%	0.00%	\$0
AllianceBern Discovery Value A	\$11,193	1.10%	-0.55%	0.55%	\$62	0.55%	-0.55%	0.00%	\$0
BNY Mellon MidCap Index	\$23,469	0.50%	-0.30%	0.20%	\$47	0.30%	-0.30%	0.00%	\$0
Eaton Vance Atlanta Capital SMID-Cap A	\$17,068	1.16%	-0.55%	0.61%	\$104	0.55%	-0.55%	0.00%	\$0
BNY Mellon Small Cap Stock Index	\$12,265	0.50%	-0.35%	0.15%	\$18	0.35%	-0.35%	0.00%	\$0
Hartford Intl Opportunities R4	\$12,123	1.12%	-0.65%	0.47%	\$57	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement Balanced R	\$1,319	1.01%	-0.65%	0.36%	\$5	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2020 R	\$2,867	1.09%	-0.65%	0.44%	\$13	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2030 R	\$27,481	1.16%	-0.65%	0.51%	\$140	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2040 R	\$36,955	1.20%	-0.65%	0.55%	\$203	0.65%	-0.65%	0.00%	\$0
T. Rowe Price Retirement 2050 R	\$6,221	1.21%	-0.65%	0.56%	\$35	0.65%	-0.65%	0.00%	\$0
<b>Total Assets</b>	<b>\$585,470</b>			<b>0.46%</b>	<b>\$2,689</b>			<b>0.00%</b>	<b>\$0</b>
<b># of participants=</b>	<b>87</b>								
<b>Estimated Recordkeeping Fee</b>				<b>0.159%</b>	<b>\$931</b>			<b>0.159%</b>	<b>\$931</b>
<b>Weighted Average Plan Cost/ Recordkeeping &amp; Admin Rev Rec'd</b>				<b>0.30%</b>	<b>\$1,758</b>			<b>0.159%</b>	<b>\$931</b>
<b>Average Account Balance / Total Per Participant Costs</b>	<b>\$6,730</b>								
									<b>\$11</b>

Per the ICMA RFQ proposal, the required revenue would be 0.159%.

# Benchmarking Survey Overview



## Survey Demographics<sup>1</sup>

618 Defined Contribution Plans  
\$126 billion in aggregate assets  
1.22 million participants  
21 recordkeepers

Average Plan:  
• \$205 million in assets  
• 1,970 participants

Median Plan:  
• \$65 million in assets  
• 640 participants



<sup>1</sup> Source: Institutional Consultant's Plan Survey. Actual services and other fees may vary by client. Data is inclusive of ERISA/PERA accounts.

# Benchmarking Summary<sup>1</sup>

	Benchmarking		Potential Pricing Factors		
	Weighted Average Plan Cost	Recordkeeping & Admin Revenue Received	Average Assets	Average Participant Count	Average Account Balance
<b>Simsbury 457 Plan</b>	<b>1.110%</b>	<b>0.83%</b>	<b>\$12,152,992</b>	<b>150</b>	<b>\$81,020</b>
<b>Simsbury 401(a) Plan</b>	<b>1.300%</b>	<b>1.04%</b>	<b>\$331,779</b>	<b>26</b>	<b>\$12,761</b>
<b>Simsbury BOE Plan</b>	<b>0.730%</b>	<b>0.77%</b>	<b>\$585,470</b>	<b>87</b>	<b>\$6,730</b>
\$1-\$20 Million Average	0.594%	0.278%	\$7,761,842	141	\$133,644
Total Plans Average	0.458%	0.182%	\$204,922,523	1,970	\$135,357
Total Plans Median	0.440%	0.150%	\$64,988,119	640	\$103,081

	Benchmarking		Potential Pricing Factors		
	Weighted Average Plan Cost	Recordkeeping & Admin Revenue Received	Average Assets	Average Participant Count	Average Account Balance
<b>Proposed Simsbury 457 Plan</b>	<b>0.430%</b>	<b>0.159%</b>	<b>\$12,152,992</b>	<b>150</b>	<b>\$81,020</b>
<b>Proposed Simsbury 401(a) Plan</b>	<b>0.540%</b>	<b>0.159%</b>	<b>\$331,779</b>	<b>26</b>	<b>\$12,761</b>
<b>Proposed Simsbury BOE Plan</b>	<b>0.300%</b>	<b>0.159%</b>	<b>\$585,470</b>	<b>87</b>	<b>\$6,730</b>
\$1-\$20 Million Average	0.594%	0.278%	\$7,761,842	141	\$133,644
Total Plans Average	0.458%	0.182%	\$204,922,523	1,970	\$135,357
Total Plans Median	0.440%	0.150%	\$64,988,119	640	\$103,081

It is important to consider certain plan services that may also have an impact on your plan's fees relative to the benchmarks shown above, i.e. additional education days, additional compliance testing, etc.

<sup>1</sup> Source: Institutional Consultant's Plan Survey. Actual services and other fees may vary by client. Data is inclusive of ERISA/PERA accounts.

# Transaction Fees<sup>1</sup>

Some recordkeepers use transaction fees (ex. loans, QDROs) as a way to lower overall plan level fees. Plan sponsors should understand what these fees are and who is paying them.

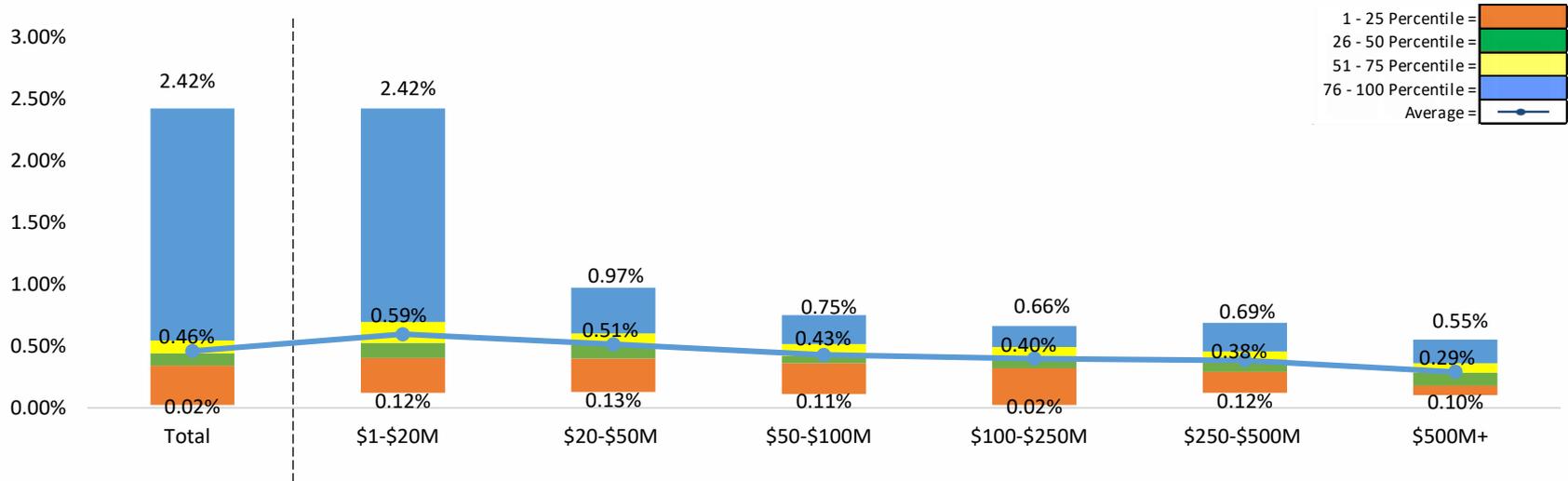
Fee Type	Fee <sup>2</sup>
Distribution Fee	\$0
Loan Origination Fee	457 Plan only, \$50
Loan Processing Fee	457 Plan only, \$0
Loan Maintenance Fee	457 Plan only, \$12.50 monthly fee
QDRO Qualification Fee	\$0
QDRO Processing Fee	\$0

<sup>1</sup>The data may not encompass all the transaction fees paid by participants or the plan sponsor.

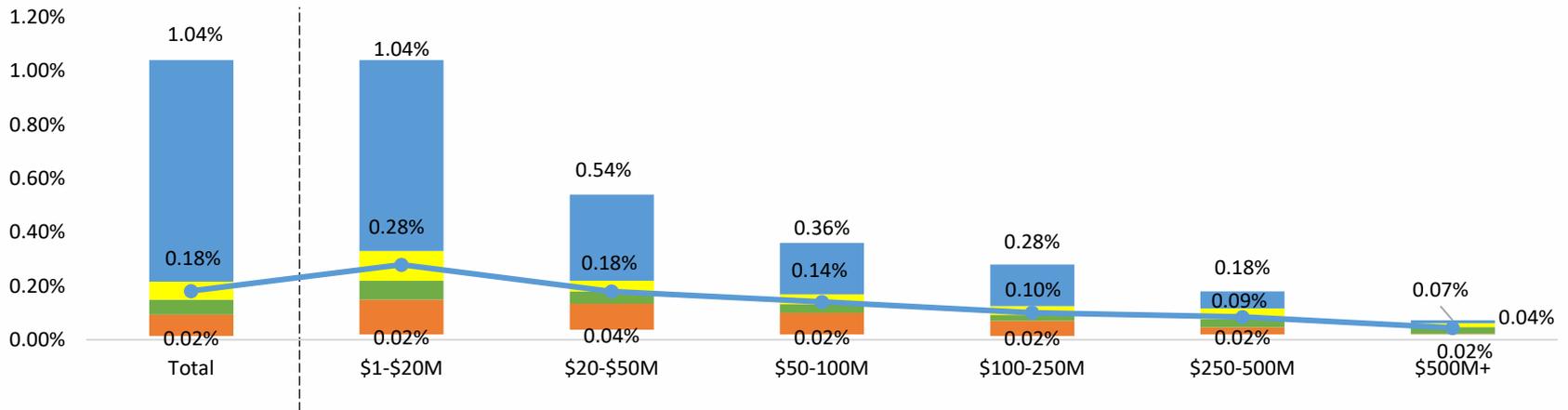
<sup>2</sup> Source: MassMutual

# Plan Benchmarking<sup>1</sup>

## Total Plan Fee



## Recordkeeping Fee – Asset Based

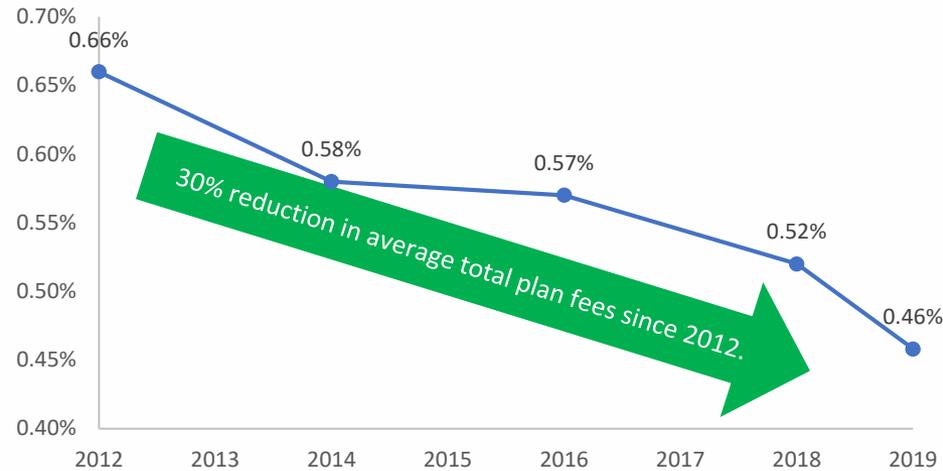


<sup>1</sup> Source: Institutional Consultant's Plan Survey. Actual services and other fees may vary by client. Data is inclusive of ERISA/PERA accounts.

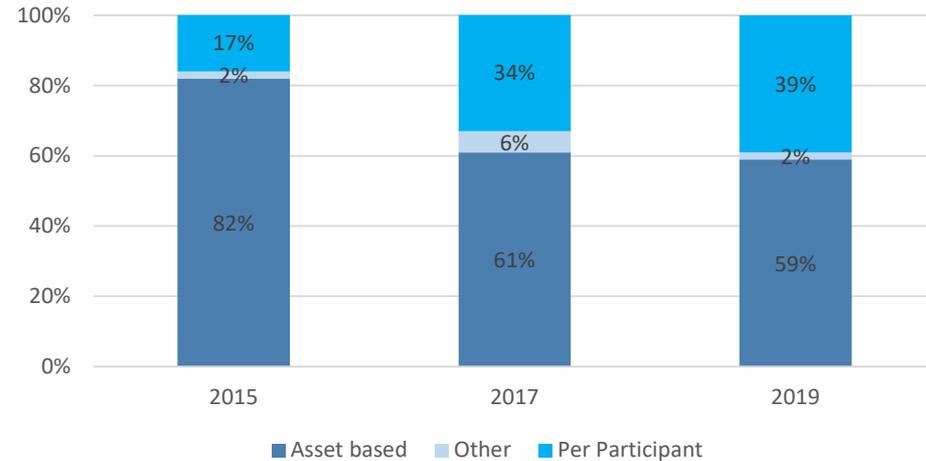
## Trends

# Trends<sup>1</sup>

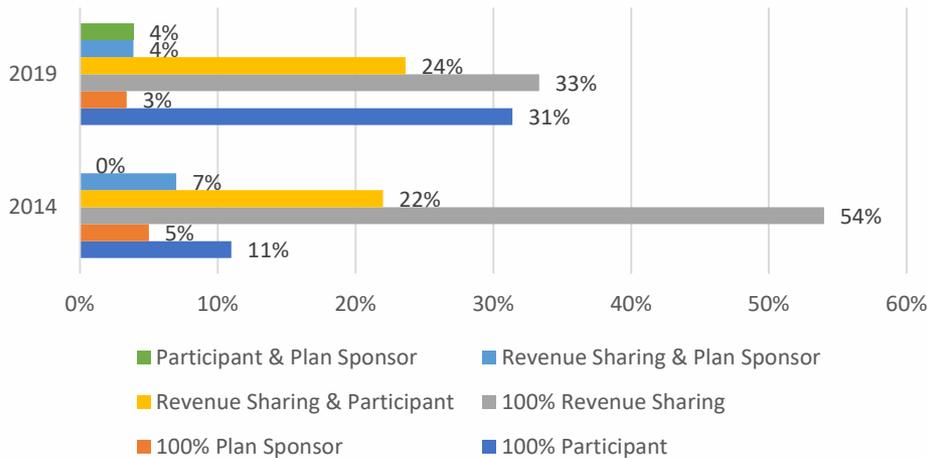
### Total Plan Fees



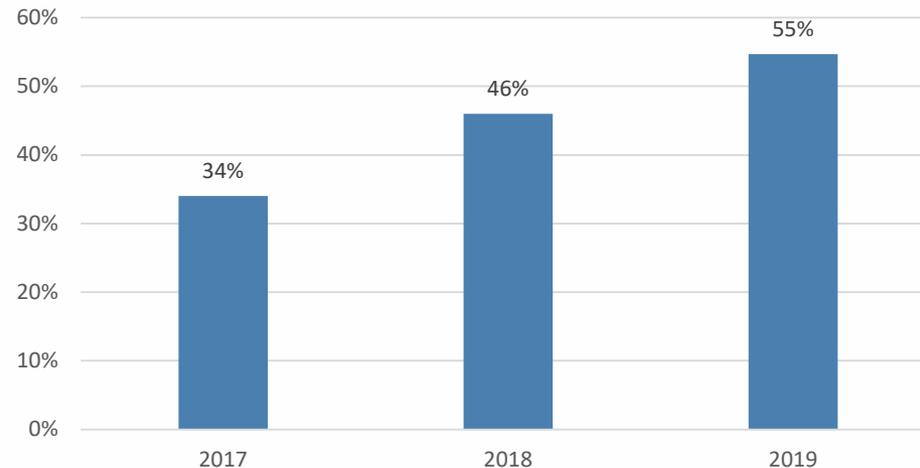
### Pricing Model



### How are Recordkeeping Fees Paid?



### % of Plans with Fee Leveling



<sup>1</sup> Source: Institutional Consultant's Plan Survey. Actual services and other fees may vary by client. Data is inclusive of ERISA/PERA accounts.

# Pricing Considerations

## Ways to Pay



Plan sponsors have a number of ways to pay for recordkeeping fees:

- ✓ Revenue sharing
- ✓ Level pricing
- ✓ Pro rata
- ✓ Per capita

## Proprietary Investment Options



Don't compromise on investment merit and fiduciary obligations when evaluating proprietary investments simply to save on fees. Understand there may be an impact to plan pricing should proprietary fund(s) be removed from the plan.

## Fee Compression



Over the last few years there has been a significant reduction in recordkeeping and administrative fees. It is important to ensure that recordkeeping services are not being compromised for better pricing. Some ways that recordkeepers are making up for the lost revenue include:

- ❖ Transaction Fees (Loans, Distributions, QDROs, etc.)
- ❖ Project and Service Fees (M&A, ERISA Consulting, etc.)
- ❖ Managed Accounts

## Request for Proposal



Lawsuits have been brought against plan fiduciaries for a variety of reasons, with the recent rise in litigation especially focused on fees. ERISA does not require a Plan Fiduciary to select the lowest fee, instead it requires that fees are reasonable and necessary based on the services provided. Plan Sponsors should benchmark fees regularly and may consider periodically conducting a Request for Proposal to determine if recordkeeping and administrative fees are reasonable.



# Town of Simsbury

933 Hopmeadow Street Simsbury, Connecticut 06070

## Board of Finance Agenda Item Submission Form

1. **Title of Submission:** Proposed Fund Balance Policy
2. **Date of Board Meeting:** July 21, 2020
3. **Individual or Entity Making the Submission:**  
Amy Meriwether, Finance Director
4. **Action Requested of the Board of Finance:**  
If the Board of Finance supports moving forward with the draft fund balance policy as presented, the following motion is in order:  
  
*Move, effective July 21, 2020, to adopt the Fund Balance Policy as presented.*
5. **Summary of Submission:**  
Policy review on a regular basis ensures the Town's policies remain effective and in compliance with best practice. Management is in the process of reviewing all town policies for appropriate update. The fund balance policy was last adopted by the Town on October 21, 2014.
6. **Financial Impact:**  
None
7. **Description of Documents Included with Submission:**
  - Proposed Draft Fund Balance Policy – Redlined Version
  - Proposed Draft Fund Balance Policy – Clean Version



# Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

## TOWN OF SIMSBURY GENERAL FUND BALANCE POLICY

*Updated for GASB54 Fund Balance Reporting and Governmental Type Definitions*

*Adopted by the Board of Finance on \_\_\_\_*

*Revised by the Simsbury Board of Selectmen on \_\_\_\_ and  
the Board of Finance on February \_\_\_\_*

### **I. Policy Statement**

Fund balance is an approximate measure of liquidity. Reserves are a cornerstone of financial flexibility and provide the Town of Simsbury with options to respond to unexpected issues and provide a buffer against fiscal challenges. This policy (the "Policy") is intended to provide for a fund balance which satisfies the cash flow and contingency needs of the Town while at the same time avoiding over taxation with an excessively large fund balance.

A positive fund balance serves three important functions:

1. Eliminates the need for short term borrowing to handle cash flow between the start of the fiscal year and receipt of revenue from taxes;
2. Serves as a contingency fund that enables the Town to respond to unanticipated emergencies or opportunities: and
3. Provides funds that can be used periodically to lower taxes to smooth out major fluctuations in the property tax rates.

Credit rating agencies determine the adequacy of the unreserved fund balance using a complex series of financial evaluations. The size of the fund balance is important but not the only consideration in the Town's rating. Fund balance reserve levels of AAA rated communities will be reviewed and taken into consideration for determining the appropriate fund balance reserve level for the Town of Simsbury. Other important factors include the reliability of a government's revenue sources, economic conditions, community wealth factors, cash position, debt ratios, management performance, and fiscal decisions made by the legislative body.

~~This policy (the "Policy") is intended to provide for a fund balance which satisfies the cash flow and contingency needs of the Town while at the same time avoiding over taxation with an excessively large fund balance.~~

### **II. Effective Date**

This policy shall remain in effect until revised or rescinded. The Town reserves the right to amend this policy as necessary.

### III. Governmental Fund Type Definitions

- General Fund (Operating budget, taxes, police, etc.)– All funds not reported in another fund.
- Special Revenue Funds (Parks and Recreation, etc.)– Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt and capital projects. Restricted or committed revenues are the foundation for a special revenue fund.
- ~~• Debt Service Funds— Used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, including resources being accumulated for principal and interest maturing in future years.~~
- Capital Project Funds (High School Renovations, etc.)– Used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Permanent Funds (Pension Funds ~~School Lunch~~, etc.)– Used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town’s programs – that is for the benefit of the government or its citizenry. Permanent funds do NOT include private purpose trust funds.

### IV. Fund Balance Definition

Fund Balance is the difference between the Town’s current assets (cash, short-term investments, receivables) expected to be available to finance operations in the immediate future and its current liabilities.

Fund balance is initially characterized as being restricted and unrestricted. Unrestricted Fund Balance is calculated as follows:

Total Fund Balance  
Less: Nonspendable fund balance  
Less: Restricted fund balance  
Unrestricted Fund Balance

#### 1. Restricted Fund Balance Categories:

Nonspendable fund balance– Amounts that cannot be spent because they are (a) not in spendable form (such as inventory, prepaid items, long term portions of notes receivables) or (b) legally or contractually required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

## 2. Unrestricted Fund Balance Categories:

- Committed fund balance– Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance– Amounts the Town intends to use for a specific purpose; intent can be expressed by the Town or by an official or body to which the Town delegates the authority. Appropriations of existing fund balances to future budgets are considered assigned fund balance. The Town shall not report an assignment that will result in deficit in Unassigned fund balance. Negative fund balances cannot be considered assigned. The body authorized to assign amounts to a specific purpose for purposes of this policy is the Board of Finance.
- Unassigned fund balance – Amounts that are available for any purpose; these amounts are reported only in the general fund. In other governmental funds, if expenditures incurred exceeded the amounts restricted, committed or assigned it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers the restricted fund balance amount to have been spent first until exhausted and then any available unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the Town considers the fund balance to be spent in the following order: committed, assigned, and then unassigned.

### V. Guidelines (Minimum Target Level of 10%) General Fund Guidelines

The Town Boards shall propose budgets that provide for an unrestricted general fund balance of a minimum of (10) percent of the total operating general fund expenditures.

In the event the fund balance is greater than ~~seventeen twelve~~(~~1712~~) percent at the end of any fiscal year, the excess may be used in one or a combination of the following ways:

- Transfer such excess to the Debt Service Fund for future debt payments.
- Transfer such excess to the Capital or the Capital Nonrecurring Fund for future capital projects.
- Transfer such excess to the Pension and/or OPEB trust funds
- Transfer such excess to Special Revenue funds to offset deficits or future costs

The following circumstances may justify maintaining a fund balance exceeding ~~1712~~%:

- Significant volatility in operating revenues or operating expenditures;
- Potential drain on resources from other funds facing financial difficulties;
- Exposure to natural disasters (e.g. hurricanes);

- Reliance on a single corporate taxpayer or upon a group of corporate taxpayers in the same industry;
- Rapidly growing budgets; or
- Disparities in timing between revenue collections and expenditures.

Exigent circumstances may justify a “spend down” of the fund balance to under 15~~10~~%. Examples of such circumstances include:

- Operating emergencies
- Unanticipated budgetary shortfalls

The Board of Finance shall monitor and modify the minimum fund balance requirements based on these criteria. If at the end of a fiscal year, the unrestricted general fund balance is below fifteen ~~ten~~ percent of the total operating general fund expenditures for reasons other than the timing of receipt of disaster recovery funds that have been approved by the federal or state government (provided the town’s receipt of such funds is reasonably expected to occur within three to six months), the Finance Director shall prepare and submit a plan for expenditure reductions and or revenue increases. The Board of Finance shall take action necessary to restore the unreserved, undesignated fund balance to acceptable levels within one year or the next budget cycle or a reasonable time period.

#### **VI. Capital Fund Guidelines**

It is the intent of the Town of Simsbury to set aside funds, when operations allow for large capital projects to help minimize the debt service needs for these projects. The Capital Fund Reserve shall be in accordance with the CNR and Capital Policy as adopted on February 19, 2019.

#### **VII. Internal Service Fund Guidelines**

Reserve targets established for internal service funds shall ensure that the fund continues to provide service without interruption including self-insurance. The Town of Simsbury currently maintains internal service funds for medical and dental activity. In accordance with best practice, the fund balance for these funds should always be at 20 – 25% of expected claims.

#### **~~VI. Investment Policy Adoption~~**

~~The Policy shall be adopted by the Town Board of Finance. The Policy shall be reviewed biannually by the Director of Finance and any modifications made thereto must be approved by the Town Board of Finance.~~



# Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

## **TOWN OF SIMSBURY GENERAL FUND BALANCE POLICY**

*Updated for GASB54 Fund Balance Reporting and Governmental Type Definitions*

*Adopted by the Board of Finance on \_\_\_\_*

*Revised by the Simsbury Board of Selectmen on \_\_\_\_ and  
the Board of Finance on February \_\_\_\_*

### **I. Policy Statement**

Fund balance is an approximate measure of liquidity. Reserves are a cornerstone of financial flexibility and provide the Town of Simsbury with options to respond to unexpected issues and provide a buffer against fiscal challenges. This policy (the “Policy”) is intended to provide for a fund balance which satisfies the cash flow and contingency needs of the Town while at the same time avoiding over taxation with an excessively large fund balance.

A positive fund balance serves three important functions:

1. Eliminates the need for short term borrowing to handle cash flow between the start of the fiscal year and receipt of revenue from taxes;
2. Serves as a contingency fund that enables the Town to respond to unanticipated emergencies or opportunities; and
3. Provides funds that can be used periodically to lower taxes to smooth out major fluctuations in the property tax rates.

Credit rating agencies determine the adequacy of the unreserved fund balance using a complex series of financial evaluations. The size of the fund balance is important but not the only consideration in the Town’s rating. Fund balance reserve levels of AAA rated communities will be reviewed and taken into consideration for determining the appropriate fund balance reserve level for the Town of Simsbury. Other important factors include the reliability of a government’s revenue sources, economic conditions, community wealth factors, cash position, debt ratios, management performance, and fiscal decisions made by the legislative body.

### **II. Effective Date**

This policy shall remain in effect until revised or rescinded. The Town reserves the right to amend this policy as necessary.

### **III. Governmental Fund Type Definitions**

- General Fund (Operating budget, taxes, police, etc.)– All funds not reported in another fund.
- Special Revenue Funds (Parks and Recreation, etc.)– Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt and capital projects. Restricted or committed revenues are the foundation for a special revenue fund.
- Capital Project Funds (High School Renovations, etc.)– Used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Permanent Funds (Pension Funds, etc.)– Used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town’s programs – that is for the benefit of the government or its citizenry. Permanent funds do NOT include private purpose trust funds.

#### IV. **Fund Balance Definition**

Fund Balance is the difference between the Town’s current assets (cash, short-term investments, receivables) expected to be available to finance operations in the immediate future and its current liabilities.

Fund balance is initially characterized as being restricted and unrestricted. Unrestricted Fund Balance is calculated as follows:

Total Fund Balance  
 Less: Nonspendable fund balance  
 Less: Restricted fund balance  
 Unrestricted Fund Balance

##### 1. Restricted Fund Balance Categories:

Nonspendable fund balance– Amounts that cannot be spent because they are (a) not in spendable form (such as inventory, prepaid items, long term portions of notes receivables) or (b) legally or contractually required to be maintained intact (such as the corpus of an endowment fund).

Restricted fund balance- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

##### 2. Unrestricted Fund Balance Categories:

- Committed fund balance– Amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority; to be reported as committed,

amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint.

- Assigned fund balance– Amounts the Town intends to use for a specific purpose; intent can be expressed by the Town or by an official or body to which the Town delegates the authority. Appropriations of existing fund balances to future budgets are considered assigned fund balance. The Town shall not report an assignment that will result in deficit in Unassigned fund balance. Negative fund balances cannot be considered assigned. The body authorized to assign amounts to a specific purpose for purposes of this policy is the Board of Finance.
- Unassigned fund balance – Amounts that are available for any purpose; these amounts are reported only in the general fund. In other governmental funds, if expenditures incurred exceeded the amounts restricted, committed or assigned it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers the restricted fund balance amount to have been spent first until exhausted and then any available unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts are available, the Town considers the fund balance to be spent in the following order: committed, assigned, and then unassigned.

## **V. General Fund Guidelines**

The Town Boards shall propose budgets that provide for an unrestricted general fund balance of a minimum of (15 - 17) percent of the total operating general fund expenditures.

In the event the fund balance is greater than seventeen (17) percent at the end of any fiscal year, the excess may be used in one or a combination of the following ways:

- Transfer such excess to the Debt Service Fund for future debt payments.
- Transfer such excess to the Capital or the Capital Nonrecurring Fund for future capital projects.
- Transfer such excess to the Pension and/or OPEB trust funds
- Transfer such excess to Special Revenue funds to offset deficits or future costs

The following circumstances may justify maintaining a fund balance exceeding 17%:

- Significant volatility in operating revenues or operating expenditures;
- Potential drain on resources from other funds facing financial difficulties;
- Exposure to natural disasters (e.g. hurricanes);
- Reliance on a single corporate taxpayer or upon a group of corporate taxpayers in the same industry;
- Rapidly growing budgets; or
- Disparities in timing between revenue collections and expenditures.

Exigent circumstances may justify a “spend down” of the fund balance to under 15%. Examples of such circumstances include:

- Operating emergencies
- Unanticipated budgetary shortfalls

The Board of Finance shall monitor and modify the minimum fund balance requirements based on these criteria. If at the end of a fiscal year, the unrestricted general fund balance is below fifteen percent of the total operating general fund expenditures for reasons other than the timing of receipt of disaster recovery funds that have been approved by the federal or state government (provided the town’s receipt of such funds is reasonably expected to occur within three to six months), the Finance Director shall prepare and submit a plan for expenditure reductions and or revenue increases. The Board of Finance shall take action necessary to restore the unreserved, undesignated fund balance to acceptable levels within one year or the next budget cycle or a reasonable time period.

#### **VI. Capital Fund Guidelines**

It is the intent of the Town of Simsbury to set aside funds, when operations allow for large capital projects to help minimize the debt service needs for these projects. The Capital Fund Reserve shall be in accordance with the CNR and Capital Policy as adopted on February 19, 2019.

#### **VII. Special Revenue Fund Guidelines**

Special Revenue Funds by their nature are funds used for specific purposes, and the corresponding fund balance will be used to solely support that purpose. Fund balances in special revenue funds will be monitored to stay consistent with the need and use of the specific purpose of that fund.

#### **VIII. Internal Service Fund Guidelines**

Reserve targets established for internal service funds shall ensure that the fund continues to provide service without interruption including self-insurance. The Town of Simsbury currently maintains internal service funds for medical and dental activity. In accordance with best practice, the fund balance for these funds should always be at 20 – 25% of expected claims.



State of Connecticut

# Town of Simsbury

933 Hopmeadow Street, Simsbury, CT 06070 PH: (860) 658-3234 FAX: (860) 658-3217



Building Department

From: 5/1/2020

## MONTHLY/ANNUAL REPORT

To: 5/30/2020

Building Permits

Type of Permit	Number of Permits	Fees Collected	Construction Cost
Chimney Liner/Rebuild	1	\$42.78	\$2,865.00
Addition	3	\$2,071.40	\$140,000.00
Sheds	1	\$139.08	\$8,000.00
New Construction	5	\$11,693.38	\$811,920.00
Roofing	41	\$11,735.98	\$809,649.00
Alteration/Renovation	15	\$3,122.94	\$217,826.00
Fencing	2	\$270.94	\$17,589.00
Swimming Pools	6	\$1,505.44	\$91,690.00
Windows	9	\$941.16	\$62,399.00
Vinyl Siding	3	\$869.29	\$60,376.00
Spa-Freestanding	2	\$349.46	\$20,700.00
Decks	3	\$292.42	\$16,000.00
Other	2	\$399.28	\$27,800.00
Solar Panel Installation	1	\$114.08	\$8,000.00
Alteration/RenovationComm	3	\$5,144.43	\$358,500.00
	97	\$38,692.06	\$2,653,314.00

### Issued Building & Mechanical Permits Summary May 2020

	Building		Mechanical		Totals				
	Permits Issued	Construction Value	Permits Issued	Construction Value	Total All Permits	Total All Construction Value	Total Actual Receipts	Total Insp	Total Zoning Compl
Commercial	5	\$398,500	3	\$16,700		\$415,200			
Residential	92	\$2,254,814	99	\$465,960		\$2,720,774			
<b>Totals</b>	<b>97</b>	<b>\$2,653,314</b>	<b>102</b>	<b>\$482,660</b>	<b>0</b>	<b>\$3,135,974</b>	<b>\$51,447</b>	<b>196</b>	<b>41</b>

FY2019-2020  
Annual Report/Actual Receipts  
Community Development/Land Use  
6/8/2020

		Building	St Educ	Ret Ck F	Planning	Zoning	ZBA	Wetlands	Engineer	LU State	TOT '19-'20	TOT '18-'19	TOT '17-'18
2019	JULY	51,790.80	1,801.48	0.00	0.00	957.00	0.00	182.00	50.00	116.00	54,897.28	30,793.39	31,097.60
	AUGUST	52,619.00	996.84	20.00	0.00	2,077.32	0.00	452.00	12.00	348.00	56,525.16	94,501.49	37,107.62
	SEPT	43,624.50	959.94	20.00	0.00	1,885.00	0.00	0.00	39.00	290.00	46,818.44	75,748.99	35,230.34
	<b>Subtotal</b>	<b>148,034.30</b>	<b>3,758.26</b>	<b>40.00</b>	<b>0.00</b>	<b>4,919.32</b>	<b>0.00</b>	<b>634.00</b>	<b>101.00</b>	<b>754.00</b>	<b>158,240.88</b>	<b>201,043.87</b>	<b>103,435.56</b>
	OCT	48,983.00	1,354.64	0.00	0.00	1,132.00	182.00	182.00	27.00	174.00	52,034.64	30,525.87	420,183.73
	NOV	93,021.50	2,262.44	0.00	0.00	1,354.00	0.00	0.00	18.00	116.00	96,771.94	121,790.42	73,053.70
	DEC	42,200.75	785.46	0.00	0.00	1,253.00	0.00	182.00	3.00	290.00	44,714.21	30,838.28	26,492.71
	<b>Subtotal</b>	<b>184,205.25</b>	<b>4,402.54</b>	<b>0.00</b>	<b>0.00</b>	<b>3,739.00</b>	<b>182.00</b>	<b>364.00</b>	<b>48.00</b>	<b>580.00</b>	<b>193,520.79</b>	<b>183,154.57</b>	<b>519,730.14</b>
2020	JAN	90,050.75	1,667.14	0.00	0.00	657.00	0.00	0.00	6.00	58.00	92,438.89	18,647.29	56,815.68
	FEB	52,573.75	985.66	0.00	0.00	557.00	0.00	0.00	6.00	58.00	54,180.41	16,282.37	85,605.34
	MARCH	36,218.50	672.36	0.00	0.00	2,165.00	0.00	132.00	0.00	232.00	39,419.86	29,907.91	120,040.68
	<b>Subtotal</b>	<b>178,843.00</b>	<b>3,325.16</b>	<b>0.00</b>	<b>0.00</b>	<b>3,379.00</b>	<b>0.00</b>	<b>132.00</b>	<b>12.00</b>	<b>348.00</b>	<b>186,039.16</b>	<b>64,837.57</b>	<b>262,461.70</b>
	APRIL	38,398.00	712.92	0.00	0.00	800.00	364.00	0.00	0.00	116.00	40,390.92	654,907.57	158,911.46
	MAY	51,447.00	958.36	0.00	0.00	1,025.00	436.00	396.00	0.00	348.00	54,610.36	55,368.11	86,938.75
	JUNE											119,646.65	88,907.58
	<b>Subtotal</b>	<b>89,845.00</b>	<b>1,671.28</b>	<b>0.00</b>	<b>0.00</b>	<b>1,825.00</b>	<b>800.00</b>	<b>396.00</b>	<b>0.00</b>	<b>464.00</b>	<b>95,001.28</b>	<b>829,922.33</b>	<b>334,757.79</b>
<b>TOTALS</b>		<b>600,927.55</b>	<b>13,157.24</b>	<b>40.00</b>	<b>0.00</b>	<b>13,862.32</b>	<b>982.00</b>	<b>1,526.00</b>	<b>161.00</b>	<b>2,146.00</b>	<b>632,802.11</b>	<b>1,278,958.34</b>	<b>1,220,385.19</b>



State of Connecticut

# Town of Simsbury

933 Hopmeadow Street, Simsbury, CT 06070 PH: (860) 658-3234 FAX: (860) 658-3217



Building Department

From: 6/1/2020

## MONTHLY/ANNUAL REPORT

To: 6/30/2020

### Building Permits

Type of Permit	Number of Permits	Fees Collected	Construction Cost
Garage - Freestanding	2	\$363.72	\$21,029.00
Alteration/Renovation	17	\$3,978.54	\$276,530.00
New Construction	3	\$8,958.98	\$622,700.00
Swimming Pools	15	\$3,554.98	\$219,066.00
Addition	4	\$4,096.32	\$281,500.00
Decks	8	\$1,148.20	\$68,900.00
Spa-Freestanding	1	\$39.26	\$850.00
Roofing	40	\$12,834.00	\$885,300.00
Vinyl Siding	3	\$1,012.46	\$70,400.00
Solar Panel Installation	2	\$1,240.62	\$86,530.00
Windows	10	\$2,595.32	\$176,829.00
Alteration/RenovationComm	3	\$1,451.00	\$99,500.00
Other	1	\$10.40	\$40,000.00
	109	\$41,283.80	\$2,849,134.00

### Issued Building & Mechanical Permits Summary July 2020

	Building		Mechanical		Totals				
	Permits Issued	Construction Value	Permits Issued	Construction Value	Total All Permits	Total All Construction Value	Total Actual Receipts	Total Insp	Total Zoning Compl
Commercial	6	\$387,266	5	\$14,400	11	\$401,666			
Residential	103	\$2,461,868	131	\$693,958	234	\$3,155,826			
<b>Totals</b>	<b>109</b>	<b>\$2,849,134</b>	<b>136</b>	<b>\$708,358</b>	<b>245</b>	<b>\$3,557,492</b>	<b>\$115,838</b>	<b>195</b>	<b>61</b>

FY2019-2020  
Annual Report/Actual Receipts  
Community Development/Land Use  
7/14/2020

		Building	St Educ	Ret Ck f	Planning	Zoning	ZBA	Wetlands	Engineer	LU State	TOT '19-'20	TOT '18-'19	TOT '17-'18
2019	JULY	51,790.80	1,801.48	0.00	0.00	957.00	0.00	182.00	50.00	116.00	54,897.28	30,793.39	31,097.60
	AUGUST	52,619.00	996.84	20.00	0.00	2,077.32	0.00	452.00	12.00	348.00	56,525.16	94,501.49	37,107.62
	SEPT	43,624.50	959.94	20.00	0.00	1,885.00	0.00	0.00	39.00	290.00	46,818.44	75,748.99	35,230.34
	<b>Subtotal</b>	<b>148,034.30</b>	<b>3,758.26</b>	<b>40.00</b>	<b>0.00</b>	<b>4,919.32</b>	<b>0.00</b>	<b>634.00</b>	<b>101.00</b>	<b>754.00</b>	<b>158,240.88</b>	<b>201,043.87</b>	<b>103,435.56</b>
	OCT	48,983.00	1,354.64	0.00	0.00	1,132.00	182.00	182.00	27.00	174.00	52,034.64	30,525.87	420,183.73
	NOV	93,021.50	2,262.44	0.00	0.00	1,354.00	0.00	0.00	18.00	116.00	96,771.94	121,790.42	73,053.70
	DEC	42,200.75	785.46	0.00	0.00	1,253.00	0.00	182.00	3.00	290.00	44,714.21	30,838.28	26,492.71
	<b>Subtotal</b>	<b>184,205.25</b>	<b>4,402.54</b>	<b>0.00</b>	<b>0.00</b>	<b>3,739.00</b>	<b>182.00</b>	<b>364.00</b>	<b>48.00</b>	<b>580.00</b>	<b>193,520.79</b>	<b>183,154.57</b>	<b>519,730.14</b>
2020	JAN	90,050.75	1,667.14	0.00	0.00	657.00	0.00	0.00	6.00	58.00	92,438.89	18,647.29	56,815.68
	FEB	52,573.75	985.66	0.00	0.00	557.00	0.00	0.00	6.00	58.00	54,180.41	16,282.37	85,605.34
	MARCH	36,218.50	672.36	0.00	0.00	2,165.00	0.00	132.00	0.00	232.00	39,419.86	29,907.91	120,040.68
	<b>Subtotal</b>	<b>178,843.00</b>	<b>3,325.16</b>	<b>0.00</b>	<b>0.00</b>	<b>3,379.00</b>	<b>0.00</b>	<b>132.00</b>	<b>12.00</b>	<b>348.00</b>	<b>186,039.16</b>	<b>64,837.57</b>	<b>262,461.70</b>
	APRIL	38,398.00	712.92	0.00	0.00	800.00	364.00	0.00	0.00	116.00	40,390.92	654,907.57	158,911.46
	MAY	51,447.00	958.36	0.00	0.00	1,025.00	436.00	396.00	0.00	348.00	54,610.36	55,368.11	86,938.75
	JUNE	115,838.00	2,162.58	0.00	0.00	1,989.00	456.00	132.00	0.00	348.00	120,925.58	119,646.65	88,907.58
	<b>Subtotal</b>	<b>205,683.00</b>	<b>3,833.86</b>	<b>0.00</b>	<b>0.00</b>	<b>3,814.00</b>	<b>1,256.00</b>	<b>528.00</b>	<b>0.00</b>	<b>812.00</b>	<b>215,926.86</b>	<b>829,922.33</b>	<b>334,757.79</b>
<b>TOTALS</b>		<b>716,765.55</b>	<b>15,319.82</b>	<b>40.00</b>	<b>0.00</b>	<b>15,851.32</b>	<b>1,438.00</b>	<b>1,658.00</b>	<b>161.00</b>	<b>2,494.00</b>	<b>753,727.69</b>	<b>1,278,958.34</b>	<b>1,220,385.19</b>

**MEMO - COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To: The Board of Finance, Town of Simsbury, Connecticut  
From: Nikoleta McTigue, CPA, Audit Partner  
Blum Shapiro & Company, P.C.  
Date: June 8, 2020  
Re: Auditing Standard No. 114, "The Auditor's Communication with Those Charged with Governance" regarding audit of Town of Simsbury, Connecticut

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We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Simsbury, Connecticut for the year ended June 30, 2020. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

**Our responsibilities under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, the Uniform Guidance and the Connecticut State Single Audit Act.**

As stated in our engagement letter dated April 13, 2020, our responsibility, as described by professional standards, is to express opinions as to whether the financial statements, prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve those charged with governance or management of their responsibilities.

In planning and performing our audit, we will consider the Town of Simsbury, Connecticut's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Connecticut State Single Audit Act.

As part of obtaining reasonable assurance about whether the Town of Simsbury, Connecticut's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance and the Connecticut State Single Audit Act, we will examine, on a test basis, evidence about the Town of Simsbury, Connecticut's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the State of Connecticut Compliance Supplement applicable to each of its major federal and state programs for the purpose of expressing an opinion on the Town of Simsbury, Connecticut's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Town of Simsbury, Connecticut's compliance with those requirements.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform an examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

### **Planned Scope, Timing of the Audit and Other**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of our audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### **Other Attest Services**

- Connecticut State Department of Education Agreed Upon Procedures

### **Nonattest Services**

In addition to above services, we will also assist in performing certain nonattest services. These services do not constitute an audit under *Government Auditing Standards*. The services are as follows:

- preparing a draft of the financial statements,
- preparing a draft of the schedule of expenditures of federal awards (SEFA),
- preparing a draft of the schedule of expenditures of state financial assistance (SESFA),
- preparing and submitting the federal data collection form,

Management agrees to oversee the nonattest services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Independence**

There are no relationships between any of our representatives and the Town of Simsbury, Connecticut that in our professional judgment impairs our independence.

### **Responsibilities under Auditing Standards Generally Accepted in the United States of America**

#### **Management's responsibilities include:**

- The selection and application of accounting principles, the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and all accompanying information
- Establishing and maintaining effective internal controls, including internal controls over compliance

- Making all financial records and related information available to us and for the accuracy and completeness of that information
- The design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the government
- Identifying government award programs and understanding and complying with the compliance requirements

**Auditor's responsibilities include:**

- Express opinions on the financial statements based on our audit
- Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement
- Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements
- Consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

**Audit Areas of Focus**

- Cash
- Investments
- Receivables and revenues
- Capital Assets
- Payables, accruals, expenditures
- Payroll expenditures
- Debt
- Insurance and Self Insurance
- Grants – Federal and State Single Audit

**Engagement Timing**

*NOTE: Due to COVID-19, we recognize that there has been disruption in your operations. We will communicate with management to ensure our fieldwork is conducted at mutually agreeable dates but due to the disruptions you have encountered, please recognize that we might not meet the exact dates outlined below. At this time, we do not anticipate any delays in issuance of the financial statements.*

Our initial planning for the year-end audit will be performed during June 2020. Our focus will be on documentation of the internal controls as required by auditing standards, fraud inquiry interviews with management and key personnel, preparation of certain confirmations some overall analytical procedures and audit fieldwork as applicable to the federal and state single audits and procedures performed relevant to the tax collector's and tax assessor's offices.

- Audit Timing:
 

Trial Balance Files to BlumShapiro	9/23/20
Commencement of Fieldwork	9/28/20
End of Fieldwork	10/9/20
Issuance of Draft Financial Statements	10/26/20
Client Approval of Draft Statements	11/2/20
MD+A Finalized	11/2/20
Issuance of Financial Statements	11/20/20
Issuance of Management Letter, if applicable	11/20/20
Post Audit Meeting with Management	TBD

## Engagement Team

The engagement team that will be responsible for audit, and other services, is as follows including contact information to reach us:

- Nikoleta McTigue, Audit Partner  
 Direct Line: 860-570-6377  
 Email: [nmctigue@blumshapiro.com](mailto:nmctigue@blumshapiro.com)
- Ron Nossek, Concurring Reviewer  
 Direct Line: 401-330-2743  
 Email: [rnossek@blumshapiro.com](mailto:rnossek@blumshapiro.com)
- Jessica Aniskoff, Audit Manager  
 Direct Line: 860-570-6451  
 Email: [janiskoff@blumshapiro.com](mailto:janiskoff@blumshapiro.com)

## Other Communications

At the completion of our audit we will communicate in writing the following information related to our audit:

- Management judgments and significant sensitive accounting estimates
- Significant accounting policies
- The adoption of new accounting principles or changes in accounting principles
- Significant audit adjustments (recorded and unrecorded)
- Disagreements with management about auditing, accounting or disclosure matters
- Difficulties encountered in performing the audit
- Irregularities and illegal acts
- Consultation by management with other auditors
- Matters affecting independence of auditors
- Material weaknesses, significant deficiencies and control deficiencies

## Knowledge of Fraud

- If management or those charged with governance has any knowledge of fraud or potential fraud, this information needs to be communicated to us. As part of the audit process, we will be meeting with management to discuss fraud risks and any further issues.

## **Best Practices and Industry Updates**

### **Fraud Risk Assessment**

- In the 2018 Report to the Nations, a survey of members conducted by the Association of Certified Fraud Examiners (ACFE), the median loss per fraud occurrence was \$130,000, with more than 22% of those cases resulting in losses exceeding \$1,000,000. Almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances. Municipalities are especially vulnerable due to the large amounts of cash collected in the tax collector's office in addition to decentralized cash collection points such as transfer stations, recreation programs, school activity accounts, etc. Also, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), through fraudulent cash disbursements.
- The objectives of a Fraud Risk Assessment are to gather perceptions of fraud risk and to promote fraud awareness and prevention across the entity. The Fraud Risk Assessment process starts with the gathering of information on the population of fraud risks that may apply to the entity. This includes consideration of various types of possible fraud schemes, scenarios and opportunities to commit fraud. This information is then used to assess the relative likelihood and potential significance of identified fraud risk based on historical information, known fraud schemes and interviews with staff and management. The fraud risk assessment can be formal – performed by an outside accounting or consulting firm; or informal - performed by a management-level individual who has extensive knowledge of the entity that might be used in the assessment. The fraud risk assessment process should consider the Entity's vulnerability to misappropriation of assets.

### **Cybersecurity Threats**

Cybersecurity has reached a new crossroads. Municipalities can no longer have a “wait and see” attitude toward securing operations and data. Proactively assessing and managing operations and IT environment(s) in anticipation of cyber threats is critical. Managing your organization's risk to cyber threats starts with a consideration of the following:

- Cybersecurity is now considered a key business risk by most boards.
- Global spending on cybersecurity is projected to increase each of the next 10 years.
- Nearly 70% of funds expended due to a cyber event are unrecoverable.
- Ransomware attacks force the majority of impacted businesses to pay to get their data back.
- The scale of data breaches and lost funds due to phishing and business email compromise is exponentially trending upward.
- Most companies do not know all locations where personal/confidential information is stored and/or how it is protected.
- With the most frequent cybersecurity attack vector migrating from the network perimeter, directly to the individual user, everyone who touches technology can be a point of exposure.

As such, cybersecurity strategies require a new approach to identify where critical information exists that needs to be protected, a new way of foreseeing and deterring the threats that could result in the theft of information or the loss of funds, and a new way to understand the overarching corporate risk associated with cyber-attacks.

Understanding your baseline exposure to cyber threats is a critical best practice. An annual security and vulnerability risk assessment should be performed that identifies and evaluates exposures, hazards and/or potential for breach that could negatively impact an organization's ability to conduct business. These assessments help to identify the inherent cyber risks and provide measures, processes and controls to reduce the impact of these risks to business operations. From this assessment you should identify and locate personal/confidential information and understand how this information is secured and gain a clear understanding of potential for exposure. Risk mitigation plans should be designed to tighten areas of exposure and establish stronger security protocols. Limited resources will be applied to the areas most in need of protection.

As a key component to building and maintaining a resilient culture of cybersecurity, strengthening employee cybersecurity awareness through focused training will be a critical component of an organization wide cybersecurity initiative. Progressive ways of assessing how employees respond to targeted threats through phishing simulation attacks can proactively identify areas of exposure, reinforce learning objectives, identify training opportunities, and help identify missing security protocols.

BlumShapiro offers a range of services to assess your company's cybersecurity strategy and develop a plan to mitigate risk. It can start with a short educational session for employees. We also offer a portfolio of Implementation services to help mitigate overall risks.

### **Future Accounting Standards and Industry Developments**

*NOTE: Due to COVID-19, the GASB has delayed the implementation dates of these standards by at least 12 months. The dates below reflect the new implementation date.*

#### **Industry Developments - Current Year - June 30, 2020 - Accounting Standards**

- **GASB Statement 95 – Postponement of the Effective Dates of Certain Authoritative Guidance**

#### **Industry Developments - Future Accounting Standards - June 30, 2021**

- **GASB Statement 84 – Fiduciary Activities** This statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- **GASB Statement 90 – Majority Equity Interests** This statement defines majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment, and measured using the equity method unless it is held by a special-purpose government engaged only in fiduciary activities and then would be measured at fair value.

- **GASB Statement 92 – Omnibus 2020** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

Effective upon issuance:

- Clarification of the effective date of GASB Statement 87, Implementation Guide 2019-3
- Risk financing and insurance-related activities of public entity risk pools reinsurance recoveries
- Terminology used to refer to derivative instruments

## Industry Developments - Future Accounting Standards - June 30, 2022

- **GASB Statement 87 – Leases** This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.
- **GASB Statement 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period** This statement requires interest cost incurred before the end of a construction period to be expensed in the period in which the cost is incurred.
- **GASB Statement 92 – Omnibus 2020** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
  - Intra-entity transfers of assets between a governmental employer or nonemployer contributing entity and a defined benefit pension plan or a defined benefit other postemployment benefit (OPEB) plan that are within the same financial reporting entity
  - Reporting assets accumulated for defined benefit postemployment benefits provided through plans that are not administered through trusts that meet specific criteria
  - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
  - Nonrecurring fair value measurements
- **GASB Statement 93 – Replacement of Interbank Offered Rates** This statement addresses the issued raised about how the London Interbank Offered Rate (LIBOR) was determined and its expected cessation by the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (June 30, 2022 or December 31, 2022). *This statement is also not included in the ED to delay implementation of various standards and implementation guides.*

## Industry Developments - Future Accounting Standards - June 30, 2023

- **GASB Statement 91 – Conduit Debt Obligations** - Conduit debt obligations are debt instruments issued by a state or local government to provide financing for a specific third party, which is primarily liable for repaying the debt instrument. The GASB's existing standards, Interpretation No. 2, Disclosure of Conduit Debt Obligations, allowed variation in practice among governments that issue conduit debt obligations, which adversely affects the comparability of financial statement information. The variation arose from the option for government issuers either to recognize conduit debt obligations as their own debt or to disclose them.

Statement 91 eliminates the option for government issuers to recognize conduit debt obligations, thereby providing a single method of reporting;

Although government issuers will no longer report conduit debt obligations as liabilities, they may need to recognize a liability related to commitments they make or voluntarily provide associated with that conduit debt. Statement 91 requires a government issuer to recognize a liability if qualitative factors indicate that it is more likely than not that it will support one or more debt service payments for a conduit debt obligation.

### Areas of Concerns

- If you have any concerns that you would like to discuss with Blum Shapiro, we will make ourselves available either by phone or in person to discuss such concerns.