



MINUTES AUDIT COMMITTEE

Thursday, June 13, 2019 – 10:00 AM
Authority Conference Room, 4th Floor, Suite 414
Dulles State Office Building

Committee Members Present:

Alfred Calligaris, Chairman
Thomas Hefferon
John Johnson, Jr.
Dennis Mastascusa

Staff Present:

James Wright, Executive Director
Carl Farone, Comptroller
Amy Austin, Director of Human Resources
Angela Marra, Executive Assistant

Committee Members Absent:

Alex MacKinnon
Brian McGrath

Guests:

Terrance Phillips, Partner, Bonadio Group
Michael Sims, Bonadio Group

Other Board Members Present:

Fredrick Carter, Board Chairman

1. The meeting was called to order by Chairman Calligaris at 9:56 am.
2. All committee members were present, except for A. MacKinnon and B. McGrath.
3. Chairman Calligaris stated the meeting's objective was to receive the audit report from the Bonadio Group and introduced Terrance Phillips from the Bonadio Group.

Mr. Phillips reviewed the Report with the Audit Committee, stating that the Bonadio Group will be issuing a clean audit and that Authority staff were very well prepared.

BOARD OF DIRECTORS SUMMARY

- The purpose of the meeting is to assist the Board in its governance responsibilities with respect to fiscal oversight.
- The books and records were maintained in a clear and orderly fashion that allowed us to complete our audit in an expeditious manner.
- In conjunction with the performance of our audit procedures, we did not identify any material weaknesses in internal controls.

- Pending your acceptance of these financial statements, we plan on issuing an unmodified (clean) opinion.

REQUIRED COMMUNICATIONS

- The big thing this year is GASB 75, which is how we account for post-employment benefits other than pension plans. Earlier there was GASB 45, which started this rolling toward GASB 75 and its full accrual basis of accounting, related to how we measure those liabilities. This liability is calculated by an actuary.
- There were no other new accounting policies that we adopted during the year leaving GASB 75 as the only one.
- We had no corrected or uncorrected misstatements in connection with our current year audits.

MANAGEMENT CONSIDERATIONS

- We did not identify any internal control deficiencies or material weaknesses during the course of our audit process.
- There were no "Audit Adjustments" required that relates to errors or omissions by the Authority accounting personnel.
- New accounting pronouncements to be considered by the Authority:
 - GASB Statement No. 87, Leases, requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard will be effective for fiscal year ended March 31, 2021.

T. Phillips stated that the net position of the organization increased by \$1.5 million.

M. Sims discussed the Key financial highlights as noted:

- Materials Management Facilities revenue increased by \$761,000 or 8.4%. This increase was a result of a rise in tonnage received at the facility from approximately 224,000 tons in 2018 to 277,000 tons in 2019.
- Water Quality revenue has decreased \$451,000 or 8.2%, mainly due to the result of a significant credit based reconciliation on the actual cost of the Army Water Line.

A Calligaris asked if this is a one year of change, or over several years. M. Sims replied that going forward the water cost should be less but more consistent as everyone has agreed to a methodology. C. Farone also stated that there is a minimum charged each month, and everything is reconciled to actual cost at the end of the fiscal year.

A Calligaris asked if it would make more sense to charge them the actual now. C. Farone replied that these terms are within their contract.

- Engineering revenue increased slightly by about \$169,000. This mostly relates to additional services provided to municipal customers.
- Grants from government sources revenue decreased \$411,000, or 15.4%. This was the result of \$200,000 being received in the prior year to close out the landfill gas grant, and a \$202,000 decrease in JLUS grant spending.
- Miscellaneous operating revenue decreased \$171,000 or 15.6%. This tends to go across all Authority funds. Most of this decrease comes from the gas to energy, due to the price on the open market.
- Depreciation and amortization decreased by \$1,900,000, or 17.5%, mostly due to the landfill fully depreciation two cells in the previous year.
- Salaries and Fringe benefits increased by \$334,000, or 4.2%. This may seem like a lot but it is only incorporated 2% between raises, plus there were a couple of additional new hires in engineering and telecom.
- Wastewater treatment expense decreased by \$443,000, or 27%. This is related to a reduction in flows and reconciliation between the City of Watertown and Fort Drum.

C. Farone stated that it is key information to note that the projection for the City of Watertown's rate per 1k gallon will be reduced because of the reduction in the utility rates to Fort Drum. The charge from the City will be less than it was in the past because the Authority will now be charged the appropriate rate for utilities.

- Community benefits expense increased by \$222,000, and Closure and Post Closure costs increased by \$397,000. Both of these are due to the rise in tonnage received at the Materials Management Facility. These increases are formula driven. The more tonnage received the greater the expense.
- Operating and Maintenance expenses decreased \$1,500,000, or 27.5%. These are all one-time occurrences that you cannot predict if they will happen again in the future.
- General Administrative costs increased by \$1.3 million. This relates to how costs were charged to programs. In previous years the administrative staff directly charged directly to each of the divisions. As per a

recommendation by the DCAA, these allocations have been changed to charge all to administration and then be allocated out to the correct program.

T. Phillips followed up with the Yellow Book portion of the report stating that there are no material weaknesses related to the audit of the financial statement and no instances of noncompliance. There is no findings of questionable costs. Lastly T. Phillips stated that the audit result of the Agreed upon Procedure (AUP) for the Regional Waterline and investment compliance. There were no findings in any of these areas. The Authority is in compliance with the investments policy of the State of New York.

4. Report to the Board of Directors –

T. Phillips and M. Sims reviewed the financial statements starting with Section 3, Page 4.

Total assets increased by \$7 million while liabilities increased by \$4.5 million.

A Calligaris asked why there was a big increase on restricted assets. C. Farone replied this was the Community Development Loan Fund (CDLF) which have been reclassified as restricted assets from New York State and moved into the proper account, as per the recommendation from the State Controllers.

The Statement of Net Position was done this year as a single year presentation. Next year, the information from GASB 75 will be available to process this as a comparative statement.

A Calligaris asked what the effect was on the Net Position. T. Phillips replied using the table at the top of page 19, showing an increase in restatement of the beginning balance and increases in liability, resulting in the net position being reduced by \$213,000. Changing GASB 75 was not a decision, but a requirement. M. Sims further stated this was not an actual dollar loss, but an estimate. The OPEB Liability is calculated by an actuary.

Under Communication of Matter Related to Internal Control Financial Reporting, there are no new findings, but these are required communications for management related terms.

A Calligaris asked if the state's discount rate and liability are 7% is \$3.2 billion. T. Phillips responded that it is at 7%. The portion shared by the authorities states 2019 is at 7%. Our liability is \$573,000.

F. Carter asked about the health insurance being at 5%. Carl stated that was the other post-employee benefit. This is an actuarial calculation. F. Carter further asked if this was thought to be low, or does it seem high, and further stated that he feels it is low. C. Farone stated that the Authority is doing well as far as managing costs because it has changed to an HRA. The Authority is doing well mitigating increased costs. C. Farone commented this is the standard based on the long term average. T. Phillips commented the cost has actually gone down, over time.

A Calligaris suggested they move into Executive Session to discuss the Audit findings.

F. Carter made the motion, seconded by D. Mastascusa. The committee moved into Executive Session at 10:38 AM.

The committee came out of Executive Session at 10:56 AM with F. Carter making a motion, and seconded by D. Mastascusa.

A Calligaris reported that no action had been taken.

T. Phillips and M. Sims left the meeting at 10:56 AM.

5. Internal Audit Work Plan – Human Resources Work Plan -

A. Austin presented on the Internal Audit Work Plan FY 2019-20. She stated this consists of the same audits as last year, with one new addition, the Electronic Signature Audit. E-signature business analysis and risk assessment forms will be reviewed. This review will help determine if any network changes would influence the likelihood or risk of those forms approved for E-signature. From this, it can be determined if past approved E-signature forms are still needed or if they can be archived.

A. Austin further stated that for the Internal Audit Work Plan for FY 2018-19, there were no significant findings to report.

Some updates on the audits worth noting are as follows:

Fixed Asset Audit – this was a new audit done this past year. It is to ensure all authority owned items within each division are authorized for purchase, identified and located, and are properly labeled and tracked in the asset tracking system (NexGen).

Scale Audit – With the new scale system the procedures and audit form needed to be updated. Hauler drivers are inputting all of the load information. The role of the

customer service personnel has changed in that that they pull weigh tickets for inspected trucks and provide them to the inspector. The Lead Operator or Assistant Landfill Superintendent rotate this duty.

Efficiencies have also improved for conducting Accounts Payable batch audits, Travel and Expense audits, VISA statement audits, and Procurement audits. All purchases and supporting documents are tracked in the Authority's electronic content management system (OnBase). Workflows have been implemented within OnBase that automatically forward transactions for approvals electronically. These selections are based on users entering all required information. The system does not allow for steps to be skipped. This has also resulted in a dramatic reduction of paper usage.

C. Farone stated that all the audit week plan has been discussed with the auditors regarding compliance. They review the plans, and make any suggestions. This year they didn't have any additional items to suggest, or recommendations.

A. Calligaris asked who approved the audit plan. J. Wright responded that the Executive Director, consults with the Comptroller, Human Resources Director, and the auditors. The plan is then presented to the Audit Committee.

C. Farone stated that since the first order of this meeting was to review the generic financial statement resolution, and the committee has completed their discussion with the auditors, the committee can move forward. The audit resolution will be presented to the full Board, providing the financial statement with the single audit and including procedures and investments.

6. C. Farone presented the next item of business, Resolution No. 2019-06-XX approving the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country, for the Fiscal Year 2019.

C. Farone further stated that New York State requires that we conduct an assessment of our internal controls. It is part of the Authority process each year to go through the audits, review any findings, note if there is anything that needs to be brought before the board for considerations, and then based on the results of these compliances and audits throughout the year, an assessment is conducted. This results in us having the appropriate internal controls in place to issue reliable financials statements.

Upon a motion by D. Mastascusa, and seconded by F. Carter, Resolution No. 2019-06-XX, Approving the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country for Fiscal Year 2019, was unanimously approved by the Audit Committee.

7. C. Farone presented Resolution No. 2018-06-XX, Approving Annual Bond Sales Report, for Fiscal Year Ending March 21, 2019

C. Farone stated that this is a requirement each year that the Authority issue an annual bond sale report to New York State. The Authority did not issue any bonds throughout the year. New York State requires that we document the outstanding balance as of March 31st. There is the series 2010 in the amount of \$395,000 which was paid off in April. The series 2015 is at \$7.8, next year there will be a new bond issued for 2019 for the expansion of the Materials Management Facility. This resolution is only approving this annual bond sales report, which will also be posted to the Authority website and to a public authority reporting system.

Upon a motion by T. Hefferon, and seconded by D. Mastascusa, Resolution No. 2019-06-XX, Approving the Annual Bond Sales Report for Fiscal Year Ending March 31, 2019, was unanimously approved by the Audit Committee.

8. Chairman Calligaris asked if there were any questions or comments.

9. Upon a motion by F. Carter, and seconded by T. Hefferon, the meeting was adjourned at 11:07 AM.

Respectfully submitted:



Alfred E. Calligaris
Chairman, Audit Committee

Attachment: Bonadio Handout