



MINUTES
AUDIT COMMITTEE
Wednesday, June 18, 2025 – 1:00 PM
Warneck Pump Stations
James W. Wright Conference Room
23557 NYS Rt. 37, Watertown, New York

Committee Members Present:

Mary Doheny, Chairperson
Dennis Mastascusa
Brian McGrath*
Nancy Henry

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Dawn Loudon, Comptroller
Regina Rybka-Lagattuta, Director of Human Resources
Angela Marra, Executive Assistant
Tonya Watson, Administrative Associate
Steve Bohmer, Director of Information Technology

Committee Members Absent:

Other Board Members Present:

Margaret Murray, Board Chairperson

Guests:

Thomas Smith, EFPR Group

*Attended via videoconferencing

1. The meeting was called to order by Committee Chair M. Doheny at 1:01 PM.
2. A roll call was completed, and a quorum of the committee was established. Board Chairperson Murray was also in attendance.
3. J. Staples began the meeting by explaining that March 31, 2025 marked the end of the Authority's fiscal year, in April the Finance team worked to close the year end and complete the audit work papers, and on May 6th the final trial balance and work papers were turned over to the EFPR group for auditing. The audit concluded in early June, and Thomas Smith, a partner at EFPR, is attending today's meeting to review the audit results and answer any questions the committee may have.
4. T. Smith began his presentation of the audit results by reviewing the engagement team and their specific duties within the process. The team began the audit on site in early May and issued the first draft of the financial statements on June 3rd. Following today's meeting with the Audit Committee, he will meet with the full Board on June 26th to have the final financial statements approved.

T. Smith explained within the audit results there are four reports being issued, and they are expecting to issue a clean or unmodified opinion on each one. The four reports are Basic Financial Statements, Federal Grant Compliance Audit or Single Audit, Investment Audit,

and Regional Waterline Capital and Operating Reserve Fund Analysis Agreed-Upon Procedure (AUP). All four reports will be issued next week with clean opinions, which is the highest level opinion you can receive. He further stated that all records they requested from J. Staples and D. Loudon were freely available with no delays or anything unexpected. As part of the government auditing standards, they are required to issue a report of the financial statements on the Authority internal controls citing any violations of laws or regulations. This report will also be issued with a clean opinion as they did not come across anything to be noted.

T. Smith reviewed the financial results, stating Total Assets increased over prior year by just over \$12 million, with a balance of \$253 million, due to capital asset additions this year. Deferred Inflows and Outflows are generated by the long-term pension from New York State, as well as Other Postemployment Benefits (OPEB) to estimate the long-term retirees' health insurance. This is how much it would cost the Authority to continue making retiree's health insurance payments if the Authority were to go out of business today. The chances of this happening are very low, but this calculation is still required and results in an increase of just under \$2 million to the assets and liabilities. Another large change is under Total Liabilities showing an increase by approximately \$5 million because of additional draws made against the Army Sewer Line short term note, which increased as that project continued throughout FY25. Overall, the Change in Net Position was the largest notable change with an increase of \$7.3 million for the year due to revenue exceeding expenses. Capital Assets increased by \$6.2 million, Restricted Net Position increased by \$3.4 million, and Unrestricted Net Position decreased by \$2.4 million. This results in a \$164 million fund balance, with approximately \$36 million in expenses meaning the Authority is in a healthy financial position. Operating revenue increased by almost \$12 million in the current year, mainly due to customer billings under Materials Management and Water Quality. Grant Income showed the largest change increasing by just under \$8 million, mostly because of the \$5 million received from the WIA Grant. Non-Operating Revenue Expenses increased by \$965,445, with the biggest change being under interest income because of better interest rates. Operating Expenses increased by just under \$3 million due to salaries and fringe benefits because of seven additional positions this current year and the GASB adjustment of just over \$400,000.

T. Smith continued with the Report to the Board which is a required communication to the Audit Committee, as well as the full Board. For this report significant accounting practices, policies and estimates were reviewed and have been deemed reasonable. They also provided an evaluation of management bias to ensure these estimates can be supported, and noted they had no difficulties in performing the audit. They will obtain the management letter next week, which will allow them to issue the financial statements that will be dated for June 26th as the date of the presentation to the Board. They had no significant changes to the audit process and no other matters have been communicated to the Board that the committee needs to be aware of such as violations of laws or regulations. They are also not aware of any consultations with other firms, there were no disagreements with management during the audit process, and there are no significant matters to be considered regarding the Authority's financial reporting process.

T. Smith continued by explaining three upcoming new Governmental Accounting Standards Board (GASB) standards; GASB 102 – Certain Risk Disclosures, effective for fiscal years

beginning after June 15, 2024 with the purpose to disclose concentrations and restraints, GASB 103 – Financial Reporting Model Improvements, effective for fiscal years beginning after June 15, 2025 with the purpose of improving key components for the financial reporting model, and GASB 104 – Disclosure of Certain Capital Assets, effective for fiscal years after June 15, 2025 with the purpose of addressing the financial statement disclosure requirements related to capital assets for state and local governments in the United States. Overall, the effects of these statements on the Authority's financial statements are currently unknown.

M. Doheny stated that she had spoken with Thomas Smith, and he shared with her that he had a very easy experience coming onsite to do this review.

J. Staples also added that it was a pleasure working with Thomas, and a very easy process.

M. Murray commented that it is a compliment to the staff that this is such a clean audit with absolutely no problems, and extended a thank you to all involved. J. Staples added that these results are also because of the hard work from the finance team and all the good employees that give a heads up for unusual situations so they can work through them.

M. Doheny stated that this audit is done in a very tight timeline. Both last year and this year it has been promised to be completed on time, not only have these expectations been met, but surpassed.

C. Farone expressed his appreciation for another good year.

5. Upon a motion by N. Henry, and seconded by M. Doheny at 1:15 PM, the Committee moved into Executive Session to discuss the audit.

Upon a motion by M. Doheny, and seconded by N. Henry at 1:17 PM, the Committee moved to come out of Executive Session.

Committee Chair Doheny stated that no action was taken during Executive Session.

6. Resolution No. 2025-06-XX accepts the Audited Financial Statements, Single Audit, Agreed Upon Procedures and Report on Investments as of and for the year ending March 31, 2025.

Upon a motion by N. Henry, and seconded by M. Doheny, Resolution No. 2025-06-XX, Approving Audited Financial Statements, Single Audit, Agreed Upon Procedures, and Report on Investments for Fiscal Year Ending March 31, 2025, was unanimously approved and recommended to the full Board for approval.

7. Internal Audit Work Plans – Human Resources (HR)

R. Lagattuta continued the meeting with a review of the internal audit results for FYE 25 and a review of the proposed FYE 26 internal audit plan. She reported that across the entire organization, 100% of the audits were completed by staff. She continued with an explanation of the work plan, as displayed during the meeting, and reported that a total of 17 audits were conducted with no significant findings, resulting in a strong and effective internal controls environment.

M. Doheny asked if changes had been made to this last year. C. Farone responded that this is reviewed by the audit committee each year and recommendations are made. It is then reviewed with the auditors for recommendations regarding additional internal audits that should be completed, and this year there were no additional recommendations. R. Lagattuta stated that it was recommended in 2023 – 2024 that the pension and repairs and maintenance be added.

C. Farone continued with an explanation of the FYE 2026 internal audit work plan. He explained that the employee expense audit is no longer listed because 100% of the employee expense reports are audited prior to payment. He further recommended the repair and maintenance audit be discontinued because this can be monitored through the AP batch audit process. There haven't been any issues and it is only one GL account resulting in the audit not being worth the effort. It is recommended that this audit be replaced by a uniform allowance audit to audit the reimbursement to staff for the uniform allowance that is provided to various field personnel in the water quality and materials management divisions.

M. Doheny asked if we do 100% audit, which would be a lot of work, or if it would be a sampling. C. Farone replied that on this audit it would be 100%. He further explained he recently did the first audit to see how it would flow and it wasn't too bad because it is done one at a time.

M. Doheny requested an explanation for the two audits already marked completed on the displayed plan. C. Farone explained that the telecom customer tax form audit consisted of all telecommunications customers annually being sent a request for various tax forms. This is usually done in December or January. It takes time for all the requested forms to be provided, but the audit of these has been completed with 100% of the required forms being received. R. Lagattuta responded regarding the employee pay rate audit, explaining that performance pay increases go into effect the first full pay period in April. An audit was completed reviewing the SL payroll reports versus the human resources reports with no findings. C. Farone further stated that a second audit will be done again in quarter three to ensure everyone is being paid what they should be.

Upon a motion by M. Doheny, and seconded by N. Henry, the Internal Audit Work Plan was unanimously approved for FY26.

8. Resolution No. 2025-06-XX approves the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country, for the fiscal year ending March 31, 2025, as attached to the resolution.

J. Staples explained the reason for internal controls is to reduce fraud and produce financial statements free of errors or misrepresentations. Internal controls are rolled out through the Authority accounting manual which documents principles, policies and procedures that govern the accounting practices that allow us to accurately reflect our financial results. She reviewed several examples; purchases are approved prior to encumbering the funds, payments, expense reports, and the monthly reconciliation, monthly review and approval of the Authority bank accounts by the comptroller. Internal controls are monitored by the comptroller and compliance reports any findings directly to C. Farone.

Upon a motion by N. Henry, and seconded by M. Doheny, Resolution No. 2025-06-XX, Approving the Assessment of the Effectiveness of Internal Controls, Development Authority of the North Country, Fiscal Year Ending March 31, 2025, was unanimously approved and recommended to the full Board for approval.


9. Resolution No. 2025-06-XX approves the Annual Bond Sales Report for the fiscal year ending March 31, 2025 as attached and incorporated in this resolution.

J. Staples explained that this resolution approves the annual bond sales report for fiscal year ending March 31, 2025. Within this report J. Staples explained a new bond was issued in Fiscal Year 2025 for the long-term financing of the Army Waterline Phase 1 pipeline replacement project. This project was originally funded through the short-term loan with Environmental Facilities Corporation (EFC). In February of 2025 the Authority turned the short-term financing into a 10-year bond with EFC. At that time the Authority also received the \$5 million grant from the WIIA through EFC and applied these funds against the project's costs, resulting in a bond in the amount of \$7.4 million. She also reviewed the outstanding bonds listed on the report; the 2019 Revenue Bonds with a balance of \$9,410,000 set to mature in 2044 and the 2015 Revenue Bonds with a balance of \$6,155,000 set to mature in 2040.

Upon a motion by M. Doheny, and seconded by N. Henry, Resolution No. 2025-06-XX, Approving Annual Bond Sales Report, Fiscal Year Ending March 31, 2025, was unanimously approved and recommended to the full Board for approval.

Upon a motion by N. Henry, and seconded by M. Doheny, the Audit Committee meeting was adjourned at 1:31 PM.

Respectfully submitted,


Mary Reidy Doheny
Chairperson, Audit Committee