Development Authority of the North Country

MINUTES
AUDIT COMMITTEE

Wednesday, June 18, 2026 – 10:30 AM
Warneck Pump Stations
James W. Wright Conference Room
23557 NYS Rt. 37, Watertown, New York

Committee Members Present:	**Staff Present:**
Mary Doheny, Chairperson	Carl Farone, Executive Director
Dennis Mastascusa	Jennifer Staples, Chief Financial Officer
Brian McGrath*	Dawn Louden, Comptroller
	Regina Rybka-Lagattuta, Director of Human Resources
	Angela Marra, Executive Assistant
Committee Members Absent:	Tonya Watson, Administrative Associate
	Eric Kruk, IT Network Analyst
Other Board Members Present:	**Guests:**
	Thomas Smith, EFPR Group

*Attended via videoconferencing

1. The meeting was called to order by Committee Chair M. Doheny at 10:31 AM.

2. A roll call was completed, and a quorum of the committee was established.

3. J. Staples began the meeting by explaining that March 31, 2026 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 the week of May 11th and issued the first draft of the financial statements on May 29th. Following today's meeting with the Audit Committee, he will meet with the full Board on June 25th to have the final financial statements approved. He explained that part of being a public authority, the financial statements are due to New York State within three months after year end and thanked J. Staples and D. Louden for making this deadline possible.

   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 are the highest level opinion that can be received. He further stated that all records they requested from J. Staples and D. Louden were freely available with no delays or any unexpected issues. As part of the government auditing standards, they are required to issue a report of the financial statements and the Authority internal controls, where they will be citing no violations of laws or regulations. This report will also be issued with a clean opinion as they did not have any findings.

T. Smith reviewed the financial results, stating Total Assets increased over the prior year by just under $17 million, with a balance of $269 million, due to capital asset additions. 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 a decrease of just over $900,000. Total Liabilities showed an increase by approximately $14 million because of an increase in unearned revenue related to telecommunications contracts with National Grid, while Deferred outflows of resources decreased by just over $1 million due to updated actuarial reports from the New York State pension plan.

M. Doheny asked if the actuarial numbers relating to the pension are given to us and if we have no control over these changes, but need to enter them into our accounting.
T. Smith replied this is correct, the number is calculated within the New York State pension system. OPEB gives us our number but is still based upon assumptions made by the actuary and are consistent industry wide based on timing and inflation.
M. Doheny asked if we then have anything allocated to us.
T. Smith replied that this is a straight forward calculation based upon the number of employees and covered payroll.

T. Smith continued with the Net Position which increased by $2.6 million to a total on March 31 of $166.9 million and shows the Authority is in a healthy financial position. Government auditing standards break Net Position down into three different categories; net investment in capital assets which increased by $19 million to $80 million, restricted which is funds set aside for future uses and decreased by $10 million to $74 million, and unrestricted which decreased by $6 million to $12 million in fiscal year 2026.

Operating revenue decreased by just over $2.1 million, with a total of $37.3 million. This decrease was due to grants received in 2025 that were not received in fiscal year 2026. Non-Operating revenue/expenses decreased by $861,000, mainly due to market adjustments and decreasing interest rates. Operating expenses increased by $1.6 million due to an increase in closure and post-closure costs and operation and maintenance expenses. This amount is very relative to inflation, and does not cause the auditors any concern.

T. Smith continued with the required communications to the Board. Significant accounting practices are disclosed in note 1 to the financial statements. Accounting estimates were reviewed to ensure management's assumptions are reasonable. Financial statement disclosures are neutral, consistent and clear. They found no difficulties in performing the audit, which they feel speaks to J. Staples, D. Louden, and their team. EFPR will obtain the management letter next week, which will allow them to issue the financial statements that will be dated for June 25th, the date of the presentation to the full Board. They found no instances of fraud, noted no significant changes to the audit plan, 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 upcoming new Governmental Accounting Standards Board (GASB) standards. GASB 103 – Financial Reporting Model Improvements, effective for fiscal years beginning after June 15, 2025 is the only one that will have a significant impact on the Authority going forward by making changes to the financial statement presentation. Current financial statements are presented in GASB 34, which was roughly 30 years old and needed to be updated. EFPR half implemented this because it cannot be early implemented, but went halfway while staying in compliance with the old standards so there will not be as significant of a change going forward. The following should not have a significant impact on the Authority; GASB 104 – Disclosure of Certain Capital Assets, effective for fiscal years beginning after June 15, 2025 with the purpose to address the financial statement disclosure of capital assets for state and local governments in the United States, and GASB 105 – Subsequent Events, effective for fiscal years beginning after June 15, 2026 with the purpose of improving consistency across the industry.

B. McGrath arrived at 10:40 AM.

M. Doheny stated that it was most important there were no findings and a completely clean audit, but the second most important item was that there is a good working relationship between the audit team and Authority staff.
D. Mastascusa concurred with M. Doheny's statement.
T. Smith appreciated this point being brought up because from their standpoint as external auditors their job is to report to the Board, but in his opinion, you cannot have a successful audit without a good working relationship with management.

5. Upon a motion by D. Mastascusa, and seconded by B. McGrath at 10:42 AM, the Committee moved into Executive Session to discuss the audit.

   Upon a motion by D. Mastascusa, and seconded by B. McGrath at 10:45 AM, the Committee moved to come out of Executive Session.

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

6. Resolution No. 2026-06-XX accepts the Audited Financial Statements, Single Audit, Agreed Upon Procedures and Report on Investments as of and for the year ending March 31, 2026.

   Upon a motion by B. McGrath, and seconded by D. Mastascusa, Resolution No. 2026-06-XX, Approving Audited Financial Statements, Single Audit, Agreed Upon Procedures, and Report on Investments for Fiscal Year Ending March 31, 2026, was unanimously approved and recommended to the full Board for approval.

7. Resolution No. 2026-06-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, 2026, 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, such as the purchasing process and approval, and the monthly review and approval of the Authority bank accounts by the senior accountant and comptroller as well as annual review by the comptroller and CFO. She shared that there are many checks and balances in place that are reviewed with our external auditors, and if discrepancies are discovered they then would dig into our internal controls.

   There is an internal audit process with the internal controls. Following this resolution Regina will review the internal controls for fiscal year 26, as well as what is planned for fiscal year 27.

   M. Doheny asked if the internal controls were updated recently. C. Farone stated that these internal controls have been in place for a while, but the Authority is always looking for ways to improve efficiencies.

   Upon a motion by D. Mastascusa, and seconded by B. McGrath, Resolution No. 2026-06-XX, Approving the Assessment of the Effectiveness of Internal Controls, Development Authority of the North Country, Fiscal Year Ending March 31, 2026, was unanimously approved and recommended to the full Board for approval.

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

   R. Lagattuta continued the meeting with a review of the internal audit results for FYE 26, reporting that across the entire organization 100% of the audits were completed for operations and human resources with no significant findings. This shows that we have strong internal controls and effective oversight internally, and is a reflection of our commitment and accountability to compliance and sound business practices. She continued with a review of the proposed fiscal year 27 internal audit work plan, with the only addition being under administration for quarter two as the New York State required Compliance Training Audit for Sexual Harassment, Workplace Violence and Domestic-Based Violence.

   C. Farone stated that 2027 is similar to the previous year because we wait for this meeting to bring new focus forward based on the Audit findings. Seeing there were no issues, this plan is being recommended by the Authority, not the auditors. He continued by stating that a review was completed of all audits and everything that was supposed to occur did with no anomalies. He continued with a brief explanation of several audits and how they are beneficial, such as the AP batch audits, VISA statement audits, water quality flow audit, telecom billing audit, and MMF scale audit. These audits give the Authority a good place to correct any findings. We can also substantiate all findings by implementing audits to verify data back to finance. These audits are time consuming, but also very valuable to be transparent and in compliance with all New York State regulations.

M. Doheny asked for clarification on the webcast audit. R. Rybka-Lagattuta explained that is an audit done quarterly to ensure all required items are posted to the Authority website following committee and Board meetings to ensure compliance for full transparency.

B. McGrath asked about the Board audits of compliance, if this was regarding training and disclosure forms, and if the Board members would be notified if they are not in compliance. Regina stated that she audits the ethics and ABO training monthly and reports the results to Carl separately. C. Farone responded that we are diligent in meeting these requirements and would reach out to any Board member if any were lacking.

Upon a motion by D. Mastascusa, and seconded by B. McGrath, the Internal Audit Work Plan was unanimously approved for FY27.

9. Resolution No. 2025-06-XX approves the Annual Bond Sales Report for the fiscal year ending March 31, 2026 as attached an incorporated in this resolution.

   J. Staples reviewed the Annual Bond Sales Report stating that there are no new bonds issued for fiscal year 26, and three outstanding bonds with the first two associated with the landfill and the third associated with the Army Water Line.

   B. McGrath asked if the plan was that these bonds would be paid by maturity, or re-amortized or reissued. J. Staples stated the plan would be these are paid by maturity.

   Upon a motion by B. McGrath, and seconded by D. Mastascusa, Resolution No. 2026-06-XX, Approving Annual Bond Sales Report, Fiscal Year Ending March 31, 2026, was unanimously approved and recommended to the full Board for approval.

   Upon a motion by D. Mastascusa, and seconded by B. McGrath, the Audit Committee meeting was adjourned at 11:00 AM.

Respectfully submitted,

Mary Doheny
Chairperson, Audit Committee