

PRESENT: Supervisor Broderick; Councilmembers Bax, Ceretto, Geiben and Morreale; Deputy Supervisor Conrad; Finance Officer Blazick; 2 Press; 3 Residents and Clerk Donna Garfinkel

The Supervisor opened the meeting followed by the Pledge of Allegiance.

Carl Widmer and Matthew Montalbo – Drescher & Malecki, were in attendance to review the result of the year-end audit of December 31, 2015.

Broderick requested an Executive Session at the end of the meeting to discuss a disciplinary issue involving a particular employee.

Geiben MOVED to amend the Agenda, Seconded by Ceretto and Carried 5 – 0.

Montalbo reviewed the report.

Products of our Audit - The final product or deliverables as a result of the audit.

Basic Financial Statements – This is the most important. It is the complete document or a complete financial statement which shows the Town has implemented all the required governmental accounting standards. It also provides additional information on the financial statements, final positions and disclosures.

Management Letter – This will be provided. It will include any identified findings that occurred during the audit, along with suggestions or ideas for improvement.

Auditor Communication Letter – This will have more significant items which need to be highlighted in the audit.

Departmental Financial Report – This is a cash basis financial statement on the Town Clerk, Tax Receiver and Justice Dept.

Blazick said this is a highlight of the power point in front of the Board today; the actual financials are still being drafted and finalized.

Montalbo said the final document is still being compiled and will go through the Town's review as well. The responsibility as the Town's auditors is to express an opinion on the financials. Do these financial statements, in the auditor's opinion, fairly represent the Town's financial position?

Bax questioned if there is a reason why there is only the three departments, Town Clerk/Tax Receiver/Justice Departments being reviewed. Montalbo said those are required under statute. If the Board requested additional departments could this be done? Montalbo said yes.

Auditor Communications - Management takes responsibility of the records, and the auditor's express their opinion.

Within the financial statement there are significant account policies and estimates, which are disclosed within the notes.

Independence – All staff of the auditing company are to be independent of the Town. That is what allows them to be objective and perform the audit.

Other Matters – Any significant other matters will be communicated within the report. For the most part, in dealing with the Town and its departments, Drescher & Malecki received full cooperation. Open access to the books and records, no disagreements that would have impeded them from performing the audit.

When going through each fund, the same format will be followed. First an Operations Trend, which compares the revenues, versus the expenditures over the last four years. Second, a Total Fund Balance and last a Fund Balance Trend.

Operations Trend – General Fund

For the most part, from 2012 on, the expenditures have exceeded the revenues. There is a steady decline in revenues. The main piece here to Montalbo is in non-property taxes.

In 2012, there was almost \$2 million in non-property tax items like Modern tipping fees and CWM revenues. There is a decline in this. In 2015, the Town was down \$1.5 million. This being a decrease of over \$400,000 in just this one revenue line.

The expenditure trend is favorable; a lot of work has been done to narrow the gap.

Total Fund Balance – General Fund

The gap in the operations trend has really depleted the fund balance. In 2012 the fund balance was \$1,226,289 and in 2015 the balance was \$257,015.

Fund Balance Trend – General Fund

This illustrates what makes up the fund balance. The unassigned fund balance is what is looked at by auditors and the State Comptroller.

In 2015 there was \$209,748. An indicator to help put this into context is what percentage of the operating expenditures does this represent, for next year's budget. Based on a 2016 budget of about \$2.5 million, this represents about 8% of the budget.

The Office of the State Comptroller does not necessarily commit to a percentage they want the Town to be in. They say the Town should establish a minimum fund balance policy that works for its government. The Government Finance Officer Association (GFOA) recommends a minimum two-month of operating expenditures. So that would be 17%.

Blazick said Moody's wants to see 30% or more. Nobody wants to tell you what the percent should be. The Board needs to decide what is needed to be comfortable to handle the emergencies that come up without causing a catastrophe and totally wiping out the fund balance. Blazick feels 17% is a bare-minimum.

Montalbo said where the policy comes into place is, once the Town finds a percentage it is comfortable with, what the Town does if it goes below that percent. Within the Town policy, there are specific actions to take if this happens.

Blazick said the Town never did this. When talking about capital plans, the Town has never looked ahead, just always at what the immediate needs are. Historically it is hard to get people to look beyond what is here today.

There has been some savings in retirement. Historically there have been big increases each year, but the last few there has been a bit of a decrease. Montalbo does not see this continuing.

Operations Trend – General – Town Outside Village Fund

This is a very favorable trend. The revenues and transfers are close to the expenditures. This shows a very balanced budget within the B Fund.

Total Fund Balance – General Town-Outside Village Fund

There is a small increase over the last four years to just over \$1.2 million at the end of 2015.

Fund Balance Trend – General Town-Outside Village Fund

This shows just over 31% of the \$3 million budget in this fund. Very stable fund.

Operations Trend – Highway Fund

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There is a consistent trend from 2012 to 2014; expenditures had increased, with the revenues keeping pace. In 2015 there was a little of savings on the expenditure side, due to winter conditions as well as the retirement. When looking at snow removal and repair costs in 2014 as compared to the lot more mild winter in 2015, this shows the decline.

Total Fund Balance – Highway Fund

In 2015 the revenue line went above expenditure, which generated about \$290,000 in fund balance.

Fund Balance Trend – Highway Fund

In 2015 there was \$316,010 in assigned use, showing 11% of the next year's budget.

Operations Trend – Water District Fund

This trend can be very vital because consumption is a big driver. Weather conditions can throw a wrench into budgeting and setting the rates.

2012 and 2013 looks more favorable. Then a reverse in 2014–2015, where revenues dipped below expenditures.

Total Fund Balance – Water District Fund

There was a decrease in 2014 to 2015 with a total fund balance of \$143,070.

Fund Balance Trend – Water District Fund

In 2015 available dollars were \$111,431. In a \$1.9 million budget that is about 6%. This is similar to the General Fund balance and will need to be monitored. Montalbo suggested possibly looking at adjusting water rates.

Hopefully in 2016, as far as consumption, it should be more favorable based on this summer. But looking long term volatility, the Town needs to make sure the rate structure can accommodate periods of low consumption.

Operations Trend – Sewer District Fund

This is similar to the water district. In the last couple years expenses have gone above revenues.

In looking at the fund balance the Town has maintained a pretty stable level. In 2015 there was \$2,297,892 in the fund.

Out of all the funds this is the one where the Town should hold a good amount of fund balance. There needs to be flexibility. There is always infrastructure needing updating and consent orders, which Towns can't get away from.

Fund Balance Trend – Sewer District Fund

In 2015 there was \$2,205,435 in the fund, being 55%.

Observations – These are things found during the audit.

Widmer said Drescher & Malecki conducted the field work at Town Hall for about two to three weeks. Based on discussions with department heads, the finance officer and reviewing the financial statements, the auditors come-up with findings. These findings can be observations and recommendations to help the Town improve their procedures.

Reportable Finding – Staffing – One individual performing general ledger transactions.

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The Town relies heavily on one individual to perform a majority of all the functions including the general ledger.

The journal entries being prepared and approved, handling of cash and checks, all these things in a perfect world, in a government accounting setting, a few individuals divide the responsibility and set up segregations of duties.

The message of the above finding, according to Drescher, is that a part-time or junior accountant is needed. Not just with the workload of Blazick's, but to divide up the responsibilities. One person should be preparing the entry and then handing it off to another, with accounting knowledge, to say yes this makes sense and I approve it also. There should be a second set of eyes.

Broderick said this has been addressed. Blazick said the Board really needs to make sure they are looking at the position and not the person filling it. There a lot of small towns that have one person doing their finances, but because of the number of transactions and amount Lewiston has, is why it becomes more of a concern.

Widmer commented that if Blazick becomes unavailable, and there is only one person in the office, it will take time to get back on your feet. There should be a backup, along with cross training. This way things are known in case there an event where they will need to perform.

Reportable Finding – Bank Reconciliations – total cash in banks reconciled to total cash balances in general ledger.

If the Town cuts a check, but the individual doesn't cash it for 6-months, the bank doesn't know but the Town knows it spent that money.

In looking at the bank reconciliations, they were performed all together. They were combined to say a total cash balance and then reconciled to a total cash balance on the general ledger. A more preferred method is: this bank account is set aside for this capital fund, and there is a certain general ledger account for that capital fund, let's separate them out. What this does is help identify the reconcilable items a lot easier.

When Blazick came into her position the bank reconciliations were a mammoth task to get through.

These reportable finds will be included in the financial statement.

There will also be a management letter. This will contain more "house cleaning" items and recommendations on best practices.

Department Procedures - As a result of the testing in the departments there will be recommendations to the Town Clerk, Tax Receiver and Justice Dept. Such items as segregation of duties, handling of cash receipt and issuing receipts.

IT Policies - The Town uses a third party for IT firm. They may be able to help set up some disaster recovery policies, password policies etc...

Capital Projects – Ice Rink Operations – The ice rink operations seems to be complete and active and there some activities that are being reported in the H-Fund. If the operations are up and running maybe evaluate moving them to an operating fund.

Purchasing Policy – There seems to be some insufficiencies or redundancy in the number of reviews and approvals included in the Town's purchasing policy.

Long-term Planning for Restricted Funds – Much of the revenue is received from outside parties, Greenway / Modern / CWM. These funds have certain restrictions on how they can be used. It is suggested something be set on paper, similar to a capital plan, which can identify how Lewiston can utilize the restricted funds on whatever capital needs they may have.

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Monthly Reporting – To set up a useful, informative report, to be provided to the Board on a monthly basis. This is a significant recommendation and best practice that the GFOA recommends. Blazick also feels this is missing. As the governing Board, to monitor the budget on a current basis is an important goal.

Blazick has addressed this with Harris (abstract system) to produce a report that is most current. Broderick would like the Board to discuss current funds/budget at each Work Session.

Minimum Fund Balance Policy – This policy needs to be created by fund. The Town will create the percentage necessary and what will happen if it goes below. This is a safeguard if the Comptroller's office asks, you have a policy/reason outlined to show support for the percentage.

Morreale said the Town is fortunate to have CWM and Modern tipping fees. He asked what Towns that don't have this, where revenue is generated from. Montalbo said from real property taxes.

Broderick asked Montalbo if he has ever seen another town rely so much on so many different entities other than taxes. Montalbo answered no.

Bax feels Lewiston needs to reinvent itself. Possibly focus on tourism in the Town. More and more properties are going off the tax rolls.

Morreale questioned if the Town's fees are in line with others. Montalbo said that would be difficult to compare because there are a number of factors.

Broderick said they did not analyze Towns fees. Drescher received no cooperation from the Town's previous auditor. This audit was to get things going and getting it done. Next year if the Town wants them to look into something specific they can.

Broderick thanked Montalbo and Widmer for attending today.

Bax said the Board has been facing the ominous prospects of a Town tax for a long, long time. The Board needs to consider what is a responsible way of addressing the fund balance percentage. Montalbo feels a three to five year goal would be reasonable to get where the Town needs to be.

Water Foreman Townsend contacted Broderick requesting the Board lift the voluntary water ban.

Geiben MOVED to lift the voluntary water ban, Seconded by Ceretto and Carried 5 – 0.

Geiben MOVED to enter into Executive Session to discuss a disciplinary issue involving a particular employee, Seconded by Ceretto and Carried 5 – 0. (4:02 pm)

PRESENT: Supervisor Broderick; Councilmembers Bax, Ceretto, Geiben and Morreale and Chief Previte

Discussion regarding a disciplinary issue involving a particular employee.

Geiben MOVED to exit Executive Session, Seconded by Morreale and Carried 5 – 0.

No action taken

Bax MOVED to adjourn the Audit Meeting, Seconded by Ceretto and Carried 5 – 0. (4:17 pm)

Transcribed and Respectfully Submitted by:

Donna R. Garfinkel
Town Clerk