MINUTES
AUDIT COMMITTEE MEETING
Tuesday, June 13, 2017 – 11:00 AM
Authority Conference Room, 4th Floor
Dulles State Office Building – Watertown, New York

Committee Members Present: John B. Johnson, Jr., Chairman
Alfred Calligaris
Alex MacKinnon
Dennis Mastascusa

Staff Present: James Wright, Executive Director
Carl Farone, Comptroller
Amy Austin, Director of Human Resources
Jo Anne Yaddow, Executive Assistant

Committee Members Absent: Brian McGrath

Other Board Members Present: Gary Turck, Chairman, BOD

Guests:
Terrance Phillips, Partner, Bonadio Group
Michael Yanklowski, Manager, Bonadio Group

1. The meeting was called to order by Chairman Johnson at 11:00 am.

2. Chairman Johnson requested a roll call. All Committee Members were present except for D. Mastascusa and B. McGrath.

3. Mr. Johnson stated the meeting was to discuss the results of the audit and turned the meeting over to Terrance Phillips.

4. T. Phillips introduced M. Yanklowski who is the day-to-day manager and led the audit team. Mr. Phillips noted that Fair Value of Investments would be added to the final Report with an added bullet on top of Page 2; other items remain the same.

D. Mastascusa entered the meeting at 11:05.

T. Phillips reviewed the Audit Report; highlights are:

- No difficulties in dealing with management.
- No disagreements
5. Significant Audit Findings -

- The Authority adopted GASB Statement No. 72 Fair Value Measurement and Application. The impact on the Authority was limited to additional footnote disclosure regarding the manner in which fair value for certain investments was determined. No other new accounting policies were adopted and application of existing policies was not changed during 2017. No transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- Summary of Operations and Change in Net Position
  - Operating revenues increased $4.1 million during 2017 due primarily to receipt of $2.2 million Public Emergency grant from NYS as well as increased tonnage received at the MMF. The MMF’s revenue increased by approximately $1 million due to the increased waste received at the facility.
  - Operating expenses increased $2.9 million during 2017 and are attributable to:
    - Effect of GASB 68 on retirement expenses which increased pension expense by approximately $516,000 from 2016 to 2017.
    - The Authority provided grants of $632,000 from the North Country Redevelopment Fund.
    - Salaries increased by $420,000 due to new positions authorized to support additional Authority contracts as well as internal Authority operations.
  - Decrease in net non-operating revenue is primarily due to a decrease in investment income of approximately $945,000 with current market conditions and the requirement for the Authority to record investments at market value. Investment income decreased from $1.2 million to $225,000 for 2016 and 2017 respectively.

- Summary of Operating Expenses by Division
  - MMF expenses increased $746,000 due to:
    1) An increase in Host Community Benefits paid to the Town of Rodman of $172,000 as waste volumes increased
    2) An increase in Closure and Post Closure Care costs of $102,000 due to an increase in waste volumes.
    3) An increase in Depreciation and Amortization cost in the amount of $220,000 with the construction of capital projects and purchase of capital equipment.
  - Water Quality expenses increased $475,000 as a result of purchasing additional water from the City of Watertown to meet the increased needs of Fort Drum while their wells were off line – resulting in an increase of water purchases of $300,000.
  - Housing and Economic Development expenses increased $815,000 as a result of the Authority providing $632,000 in grants from the North Country Redevelopment Fund.
  - Engineering expenses increased due to an increase in time allocation to support Engineering contracts as well as the addition of one full time staff position to support a new contract with the City of Ogdensburg.
T. Phillips noted that salaries and fringe benefits increased to approximately $7.2 million due to the effect of GASB 68 and 71 on retirement expenditures; additional staffing required supporting new third party contract as well as merit increases. T. Phillips also noted that operating and maintenance expenses increased $1.1 million in 2017 due primarily to the Redevelopment grant related expense of $632,000.

6. Investments and Fair Value – The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

7. Pension and Contributions – The System is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on our after January 1, 2010, who generally contribute 3% of their salary for their entire length of service. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were approximately:

   2017 - $659,000
   2016 - $721,000
   2015 - $828,000

T. Phillips stated there has been no change in the Authority’s Credit Rating and the Authority has a very favorable rating in Standard and Poor’s.

A. Calligaris asked if the pension liability is money that has been paid already. T. Phillips answered no it is money that will be paid out in the future.

A. Calligaris asked if the Authority is told how much to pay in pension funds. C. Farone stated the payments are calculated by the Authority and reconciled with the invoice from the state.

J. Johnson asked how employee contributions are paid to the state pay period to pay period. C. Farone stated they are paid monthly whereas the Authority payment is made once a year.

C. Farone stated that F. Carter had asked at the May Board Meeting about the state funding of the pension plan. The pension plan is 90.7% funded and we share in the underfunding.

8. Internal Control Over Financial Report – The results of the auditor’s tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
9. Summary of Auditor's Results:
   a. The independent auditor's report expresses an unmodified opinion on whether the financial statements of the Authority are prepared in accordance with GAAP.
   b. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting on Compliance and Other Matters Based on an Audit of financial Statements Performed in Accordance with Government Auditing Standards.
   c. No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported with Government Auditing Standards, were disclosed during the audit.
   d. No material weaknesses or significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.
   e. The auditor's report expresses an unmodified opinion on compliance for the major federal award program for the Authority.
   f. There were no audit findings relative to the major federal award program for the Authority.
   g. The program tested as a major program was Home Investment Partnerships Program, CFDA #14.239.
   h. The Authority was not determined to be a low-risk auditee (due to a Single Audit not being done last year).
   i. Findings – Financial Statement Audit – None
   j. Findings and Questioned Costs – Major Federal Award Program Audit – None
   k. Summary of Prior Year Findings – None

10. Summary Observations Regarding Internal Control Environment:
    • No internal control deficiencies or material weaknesses during the course of the audit.
    • No "Audit Adjustments" required that related to errors or omissions by the Authority accounting personnel.

11. Upon a motion by A. Calligaris, and seconded by F. Carter, the Committee went into Executive Session to discuss the audit.
    The Audit Committee left Executive Session and Chairman Johnson stated that no action was taken during Executive Session.
    T. Phillips and M. Yanklowski exited the meeting.

12. A. Austin distributed the Internal Audit Work Plan for FY 2017-2018. The following changes were noted:
   a. A/P Batch Audits – These have been changed from monthly to quarterly due to improvements that have been made over time and few errors have been found.
   b. Fixed Asset Audit – New audit added; all fixed assets are being transferred from Inform to NextGen (new fixed asset software). All fixed assets greater than $500 and items under $500 (such as cell phones, tablets, etc.) that need to be tracked.
   c. Combining Website and Webcast Audits – Combining these two audits allows time for the added Fixed Asset Audit.
d. Findings: No significant findings to report other than minor Water Quality Flow Audit findings which were minor mathematical errors involving incorrect meter information entry. All errors have been updated and corrected.

13. Resolution No. 2017-06-62 approves the Annual Bond Sales Report for Fiscal Year Ending March 31, 2017. This is an annual report that includes the results of any Bond Sales during the year, to include Underwriter’s Compensation, Net Interest Cost, and the Method of Sale. There are two outstanding Bonds: Series 2010c SWMF Revenue, maturing in 2019 and Series 2015 SWMF Revenue, maturing in 2040. No bonds were issued in 2017.

   Upon a motion by A. Calligaris, and seconded by G. Turck, Resolution No. 2017-06-62, Approving Annual Bond Sales Report for Fiscal Year Ending March 31, 2017, was unanimously approved and recommended to the full Board for approval.

14. Resolution No. 2017-06-61 approves the Assessment of the Effectiveness of Internal Controls of the Development Authority for FY 2017, which has been reviewed by Executive Management.

   Upon a motion by A. Calligaris, and seconded by G. Turck, Resolution No. 2017-06-61, Approving the Assessment of the Effectiveness of Internal Controls of the Development Authority of the North Country for Fiscal Year 2017, was unanimously approved and recommended to the full Board for approval.


   Upon a motion by A. Calligaris, and seconded by D. Mastascusa, Resolution No. 2017-06-60, Approving Audited Financial Statements, Single Audit Financial Statements, Single Audit, Agreed Upon Procedures, and Report on Investments for Fiscal Year Ending March 31, 2017, was unanimously approved and recommended to the full Board for approval.

16. Upon a motion by A. Calligaris, and seconded by D. Mastascusa, Chairman Johnson adjourned the meeting at 12:05.

Respectfully submitted:

[Signature]
John B. Johnson, Jr.
Chairman