September 29, 2016
Meeting of the Finance Committee

RE: review of the annual audit

Meeting called to order at 9:00 a.m.

Present were: Peter Otten, Chair, Robert Decker, Dianne Cornwell, and Dave Irwin, Auditor

Introductions were made.

Minutes of the Finance subcommittee of April 28, 2016 were approved by a motion of Dianne Cornwell, seconded by Robert Decker, unanimously approved.

The rest of the meeting was going over details of the audit. The final result of the discussion was a motion to accept the audit as printed. Moved by Dianne Cornwell, seconded by Robert Decker, voted unanimously.

Some points we went over:

- Noted that the audit is an opinion based on the financial statements presented by management to the auditors. They believe that the audit evidence was sufficient and appropriate to provide a basis for the audit opinion.
- Noted that the retirement system is audited by another independent organization. Our auditors will take that information as given. The auditors feel the information given was clean and clear.
- The statements of Net Positions show our cash assets $200,000 lower than the 2015 statement. This is because the Authority has borrowed $200,000 less this year than last year. The Authority borrows because the Authority is back funded by the government. It’s spend first, get reimbursed after.
- Borrowing rate for the Authority is less than 1%. However the bond counsel expense for this loan ($750,000 this year) cost approximately $4 to $6 thousand.
- Accounts receivables include Local and Federal money yet to be paid to the Authority.
- Local money, coming off the cherry sheets, are always paid after the fact, and always based on the year past, so, long story short, they will never actually catch up on the total payments. (see page 12 in the report)
- Accounts payable still shows the amount for the new bus to replace one that burned several years ago. This was paid shortly after the report was made and will be reflected in the next year’s report.
- Questions about where retired health insurance for drivers for towns come in. They are currently billed as expenses for services rendered by the town to the Authority. It was questioned where that bill would go if the town ever left the Authority. It was assumed that at that point the town would be responsible for the expense.
• The Authority can operate at a deficit, but cannot run a surplus. The surplus shown on page 6 of the report is offset by the pension liability, so there is no real surplus.
• Pages 9 – 11 simply state that according to the auditors there is nothing unusual with the record keeping of the Authority.
• Page 23 is all about federal contracts and shows no problems. The Section 5311 operating assistance is reimbursable at 50% or less of eligible expenses. The Authority has been able to seek less that the 50% to be able to cover the expenses.
• Page 24, Statement of Net Cost of Service simply shows that the Authority is fully funded, not running in a deficit or a surplus, as it should be.
• Management letter has three suggestions or concerns:
  o First the Authority’s reserve for extraordinary expenses is at a maximum. The Authority cannot add more money to this account. It is suggested that the Authority look for expenses not in the budget where some of this money might be spent. State approval is required for spending any of this money.
  o Second, the assistant administrator’s credit card expenses will now be reviewed by the administrator before being ok’d for payment. No problems were found in the past, but this would add a layer of protection.
  o Third, employees no longer employed should be removed from the payroll software so phantom employees do not get paid accidentally.