

DENNIS WATER DISTRICT

Board of Water Commissioners

Minutes of Meeting held

June 22, 2017

A meeting duly posted was held this date at the Dennis Police Station, 90 Bob Crowell Road, South Dennis. The meeting was called to order by Chairman Paul F. Prue at 6:00 PM. Commissioners Peter L. McDowell and Alan Tuttle were present. Also present was David Larkowski, Superintendent and Sheryl A McMahon, Treasurer.

The Pledge of Allegiance was recited.

Chairman Prue asked for a moment of silence in honor of Anthony Teixeira who passed away last weekend. He had worked as the part time back flow inspector for the District for fourteen years.

Public Information: None

FY 2015 & 2016 Audit Financial Statement follow up with Joseph McGee, CPA, Sanders, Walsh & Eaton.

Mr. McDowell invited Mr. McGee to share with the Board the audit and some of the specific findings and then they would follow up with questions. Mr. McGee said that firm issued a “clean opinion” which basically means to the outside world represents is that the financial statements fairly represents its contents and its presentation in conforming with the general accepted accounting principles. Each audit is about 30 pages long and contains essentially two documents rendering an opinion on financial statements the second relates to the internal controls. The audits are filed with the Division of Local Services (DLS) a subdivision under the Department of Revenue. Every year, management files financial information to the DLS. The auditor is contacted independently by DLS and asked to file the completed audit.

In regards to findings, there were none regarding material weaknesses or significant deficiencies inside the system of internal controls that would indicate any fraud, waste or abuse. Also issued by the audit is the “Management Letter” or as Mr. McGee explained a letter to those in charge (meaning the Board) that basically identifies any issues they may have had with management, if we had any disagreements with management, any significant accounting policies that were adopted during the year and any comments and recommendations. The point that is made inside that letter and what is important and what is reflected is the recording of the net pension liability. A little over \$4 million recorded in liability. Although the District is “pay-as-you-go” for both the pension liability and OPEB (Other Post-Employment Benefits) the accounting regulations that govern in US are requiring the recognition of future liability for pension and health care benefits on their financial statements. It is important to bring it to the Board’s attention as it sheds light on funding policy and plays into the bonding agencies ratings. Also included is a comment on the policies and procedures. Mr. McGee noted that they are important in the case of absences of key personnel or staff and in order to provide guidance. It was Mr. McGee’s opinion that management was about 25-30% along in the development of a policies and procedures manual. It was the auditor’s opinion

that the organization is perpetual but people are finite and this should be a document on file and updated regularly.

Mr. Tuttle asked why two years were done at the same time. Ms. McMahon said that the audits were behind schedule and it seemed efficient to do the 2015 and 2016 at the same time. She anticipated that the FY 2017 audit may be undertaken as early as late September.

Mr. Tuttle asked why it is signed with company stamp. Mr. McGee explained that the firm signature is done domestically across the country as opposed to an individual's signature. He explained that although he is the "face" of the firm in this engagement, there are multiple people in the firm that work on the audit in addition to having an outside CPA firm vet the financial statements as part of their quality control.

Mr. McDowell asked about the procurement process for audits. Mr. McGee stated that the firm does not work for management, the firm works for the Board. His reporting is independent and made to the Board as the governing body of the organization. Management solicits for the audit on your behalf. Management representation letter is from the management to the auditor to tell them they had access to the books and records and that they are not aware of any fraudulent behavior, pending litigation; essentially everything has been disclosed to the auditor.

Mr. McGee explained that there are three components to the audit package that is delivered. The financial statements, the so-called "governance letter" and the representation letter. The representation letter is to be signed and returned to the firm. In terms of policies and procedures that is a working document which belongs to the organization. It is an important resource for successors to be able to step in and understand how the different procedures and methodologies are executed. Ms. McMahon advised that there is not a bound copy of all policies and procedures currently in place. She has periodically submitted drafts to the Board which are used today even in their draft form. In this meeting's packet she had included drafts on Cash Management. While conducting the audit Mr. McGee reviewed some of the draft policies for payroll, etc. When asked, Ms. McMahon said that it could take another year or two to complete a set of policies and procedures. She focuses on more of the policies and procedures that present a higher risk while deferring those regarding the water billing system because it will likely be replaced in another year or so.

Mr. McDowell asked if Mr. McGee was aware of any municipalities that have developed the true cost for employees, including OPEB, on a per-hour basis. Mr. McGee said he was not aware of that type of calculation. Mr. McDowell said that when you add all the pensions and true costs and then the OPEB costs after they have left and divide that by the total hours they served it makes "out-sourcing" attractive, it would seem to be.

Mr. McDowell asked what a compliance audit for applicable law. He asked if Mr. McGee knew what the additional annual cost would be to include an audit of legal compliance of the laws governing the District. Mr. McGee said that they do compliance audits as required by the Single Audit Act. That requires compliance auditing when federal funds have been received, it is to ensure compliance with the federal requirements of the funding. In regards to the cost, Mr. McGee said that it would be necessary to define, in order to receive competitive bids, what compliance requirements need to be tested. He said it starts with the fact that Massachusetts General Laws which has many chapters that apply to municipal finance. Mr. McGee suggested obtaining a copy of the DLS's municipal finance manual to ascertain any specific

areas that would be checked for compliance. Mr. McDowell asked if the Bureau of Accounts or any other entity be able to assist in such a thing or does no one do this? Mr. McGee said he could look to what his firm delivered in terms of the audits. He said that they evaluate the District's internal controls and looking at different laws and testing for them that could have a material impact on the financials. For example payroll; if tax deposits are not made timely, or people are not paid properly, that could have a material impact on the District. He further stated that during the audit they observe that transactions are compliant. Mr. McDowell asked who the first person Mr. McGee would contact in the Bureau of Accounts. Ms. McMahon advised that she could provide the name of the contact, that being Jared Curtis. Ms. McMahon said that to seek a "compliance audit" would result in an astronomical quote and may not provide the answers Mr. McDowell is seeking. She suggested that if he could identify the specific area, then it would be possible to request an audit for that purpose. He said he was exclusively on the financial component of compliance. He said he had no concerns about obeying the law for water. He said each time he asks if we are handling our accounts consistent with the requirements of law, everyone gets bent out of shape and gets carried away. Mr. McGee stated his answer was "yes". As the District's outside independent auditing firm, you are consistent in your application of the GAAP financial and the application of Mass general statutes that govern your environment as it pertains to the Dennis Water District. Mr. McGee said that the District is consistent with law. His firm is rendering an opinion that as they go through the process, as they observe management and their internal controls that they have defined and adhered to which is the accumulation of the buildup of the difference between revenue and expenditures and assets and liabilities, nothing has come to their attention that would warrant a finding that would require corrective action.

Chairman Prue asked if the bottom line is that we are in compliance and that there are no irregularities. Mr. McGee said that he cannot give an opinion on compliance but, what they do is give a "negative assurance" that as they have gone through the auditing process there is nothing in violation of law or anything that governs your environment that needs to be brought to the Board's attention. Ms. McMahon noted that several years ago, as a result of an audit, it was pointed out that as Treasurer she had investments that were in violation of the statute that limits the length of terms of certain investments. This was correct by letting those maturities expire and re-purchasing within the limits. Chairman Prue thanked Mr. McGee for attending tonight.

Consider a policy change that will require the Clerk to issue the same information & data to all 3 commissioners relative to district matters.

Mr. McDowell stated that the Board members do not all get the same information. He said that he gets emails to him and they are not to anyone else. He wanted to make sure that through whatever medium information and data is distributed that it is delivered the same to all members. He said he was convinced he was not getting that information. Ms. McMahon said that if she had not provided information to all she was unaware of it and it was not intentional. Mr. McDowell moved that the Treasurer/Clerk Job Description adopted by BOWC on 8/26/2010 as revised on 7/25/2013 be further amended by striking all of the words, after the paragraph heading entitled, "CLERK" and prior to the subsection entitled "RISK MANAGEMENT" and inserting the following new wording:

"Shall be responsible for keeping the Board of Water Commissioners uniformly informed of all information as may be necessary for the setting of policy for the District. Such information

shall be provided or conveyed identically in the same fashion to each commissioner. The minimum duties of the Clerk shall include the proper posting of meeting notices and the recording of minutes of all regular and special meetings of the District and the Board of Water Commissioners., submitting draft minutes of regular Board meetings for review at the Board's next regular meeting, for preparing and uniformly providing supporting materials for agenda items, ensures compliance with all statutory requirements incumbent upon the position of District Clerk and serves as a Notary Public.” The motion was seconded by Mr. Tuttle.

Ms. McMahon asked for clarification in that Board's *Policy on Uniform Flow of Communications* under item 6, it states that materials are provided to Board members in a manner prescribed by them. She noted that the *Policy* is part of her job description as well as that of the Superintendent. Mr. McDowell said that the *Policy* has not been happening in his view and is intending with this motion to striking it and having it removed in its entirety from the job description. Chairman Prue said that he would set up an email address to receive information that way. Ms. McMahon noted, again, that the *Policy* is a part of the Superintendent's job description. Mr. McDowell stated that he had no intention of altering anything to do with the Superintendent. Mr. McDowell stated he had no problem with the Superintendent continuing to deliver materials the way he always had. He wanted to be comfortable that whatever materials come from the Clerk are given to all three members. She stated that the *Policy* was included in the packet for this meeting. Ms. McMahon stated that when she sent the email last week to say there was no warrants to be signed she said that the meeting packets would be ready at 2:00. Mr. McDowell said that he knows that he has not received all of the same information for every meeting that others received. Mr. Larkowski asked that Board to respond to the emails. Mr. McDowell provided an example by saying in November 2009, although there was a general item on the agenda about wastewater. He said it was basically intended for the District to withdraw from the transfer of the statutory authority of the Town of Dennis to the Dennis Water District. He said he did not know anything about that coming. He said that the Chairman knew about it because he had a typed written document that he read from during that meeting. He said it was a two-to-one vote and he didn't know anything about that. He said that that was just one example. The Chairman called for the vote. The motion was adopted unanimously.

Consider Accepting Gift of Land from Peter J. Nyberg as authorized by Article 8 of the Annual District Meeting held April 25, 2017.

Mr. Larkowski advised that the Department of Environmental Protection has conducted their hearing on the acquisition of land. Abutters were notified properly. He spoke to a number of abutters who were pleased with what was intended. Because the written decision has not been issued, Mr. McDowell recommended that the vote be further delayed until it is confirmed.

West Dennis Tank Project Update – Select Color.

Mr. Larkowski reviewed the status of the tank construction. The foundation is done and the cap is on the 106 piles that were installed. Beginning Monday the inspector, himself and the engineer will meet to review how the project will proceed. The pours will be done in four-foot increments. The completion of the 140 pedestal by about mid-August. On a motion made by Peter L. McDowell, and duly seconded, the Board UNANIMOUSLY VOTED: to select the color 59BL Sea Spray for the bowl of the tank.

Water Management Act Permit Update –

The Superintendent distributed an outline of his discussions regarding the Permit. He proceeded to give a history of the water permit issue and that the District has a permit for 3.26 MGD or 1.189 gallons per year. If we want to be able to withdraw more water we will have to go through the entire permit process again. That process would include being reviewed by outside environmental agencies. He has consulted with our engineers and it was not advised to seek an addition to the current limit. Mr. Larkowski believes we should stay with and work to maintain the current limit. He advised that the permit will be for twenty years and renewable at five-year increments.

Superintendent's Report –

Mr. Larkowski advised that he had hoped to do more flushing but, there was insufficient time to complete but, it would resume in the fall. He further noted that the District is also in the process of reading meters and that people will see the readers out and about town.

Treasurer's Report -

In the packet, Ms. McMahon had distributed a recap of the Solar Revenue which was in excess of \$105,000 dollars. She said the estimate was for \$100,000 compared to the initial projections of \$125,000 annually. She noted that the last payment received covered through February. Ms. McMahon noted that the amount received from the net metering credits covers approximately 33% of the District's electrical expenditure.

She stated that she has provided the Board with policies and procedures for internal controls for Cash Management.

Ms. McMahon said that she still has a vacancy that

Minutes:

The minutes of April 13 and June 1, 2017 were deferred.

Elect Chair and Vice Chair

Mr. Tuttle said that last week he was not prepared to vote as the meeting he had had with administration bothered him. Mr. Tuttle moved to nominate Paul Prue as Chair. The nomination was seconded by Mr. McDowell. The Board elected Paul Prue as Chair. Mr. Tuttle nominated Peter McDowell as Vice Chair. Mr. Prue seconded. The Board unanimously elected Peter L. McDowell as Vice Chair.

EXECUTIVE SESSION: MGL Ch. 30A §21A:

At approximately 7:24 PM, Peter L. McDowell moved that the Board go into Executive Session in accordance with MGL Ch. 30A Sec. 21A, Reason #3; to discuss strategy with respect to litigation as the Chair has declared that an open meeting may have a detrimental effect on the bargaining or litigating position of the public body on a case filed with the Massachusetts Commission Against

Discrimination and not to return to open session. Alan Tuttle seconded the motion. The Chair then called for a roll call vote which was as follows:

Paul F. Prue “aye”

Peter L. McDowell “aye”

Alan Tuttle “aye”

Respectfully submitted,

Sheryl A McMahon, Clerk