

Cotuit Fire District
Prudential Committee
22 February 2016

Fran: Good evening, I am going to call to order the February 22nd, 2016 Prudential Committee meeting, Cotuit Fire District.

Could I have introductions first?

Michael: Michael Daily, Treasurer.

Laurie: Laurie Hadley, Prudential Committee.

Fran: Fran Parks, Prudential Committee.

Stan: Stan Goldstein, Prudential Committee.

Charlie: Charlie, The Clerk.

Fran: Thank you. Is there any public comment?

Seeing no public comment, we will go to the auditor's report. Oh, is anybody recording? Amy Kates is recording.

Rob: Good evening, I'm Rob Lynch with Lynch, Malloy, Marini, the audit firm for the district, and we have tonight - we were able to get some draft report's put together. We still have to finalize, and do some internal review on a few loose ends. Including the letter of representation, which I realized driving down here that I forgot to bring with me. It's an email to Mike. Oh, he did get it - okay. The wonders of technology, so he does have that with him, great!

Mike has just passed out the draft reports, and I have gone through and - we've done in the past, provided an overview as well. Just the objectives of the auditor, we expressed an opinion on the district's financial statements. The audit's conduct an importance with government auditing standards. We also issue, what's called the Yellow Book Report, it's a report on internal control and compliance.

On our audit opinion, it was an unmodified opinion on the district's financial statements that they are presented fairly, and all its material respects in accordance with generally accepted accounting principles.

The government wide financial statement's present that the district's financial results on an operation's on a full accrual basis, so all assets have been accrued. Receivables', capital assets have been recorded as well as all liabilities of the district that have been recorded.

New this year was the implementation of GASB 68, which is the recording of the net pension liability, and that was required for all municipalities, so the district had to pick up that liability. That liability for the district was 1.9 million dollars, and that's your allocable share of the pension system's unfunded liability.

Your net position at June 30th, was 1.3 million dollars, which was a decrease of 2.5 million dollars from the prior year, directly as a result of picking up the liability of the - pension liability, as well as the OPEB obligation, which is now at 1.5 million dollars for the district.

Net position as of June 30th, 2015, on a government wide full accrual basis was in a deficit of 1.9 million, but the overall - that position was 1.3 million dollars.

On a modified accrual basis, the total fund balance was 1.8 million dollars, and that was a decrease of 367 thousand dollars. But that fund balance was unassigned. That decrease was planned for because you had voted to use it, and it was approximately 700 thousand dollars of free cash, to help fund your FY15 budget.

We do have attached to the handout, the budgetary schedule. Which compares the budgets of the actual results of operations, and you did have an excess collection of 77 thousand from what you budgeted, and you didn't spend 274 thousand of your appropriations, so that resulted in a variance on your budget of 351 thousand dollars.

As we have had in the past, just due to the organizational structure of the district's, we did identify material weakness, just through the lack of segregation of duties, and the district is aware of that. That's providing cost effective services, financial services to the district.

Also, in the management letter that's in its draft for final review, but there are no surprises, no real big significant changes from the prior year. The issues that we do bring up are being addressed, from a practical manner.

We have a good team in place, and we appreciate being able to do the audit. If anything has any questions, I will try to answer them.

Stan: Tell me a little more about the unfunded pension liability.

Rob: Got your attention, huh?

Stan: I have seen it before, but ...

Rob: This was a new accounting statement issued by GASB, the Governmental Accounting Standards Board, which sets the financial, accounting policies and practices for the municipalities. The liability has existed for years, it's just that now you have to show you have to show it on your financial statements.

The liability has been there, and through the Barnstable county retirement system, as part of your annual assessment that you receive, part of that is going to help to fund that unfunded liability, and I think the target is sometime in 2030, 32, 34 that they expect to be fully funded.

Your share of that liability has now been reflected in here, the 2.5 million dollars is now reflected.

Stan: The ongoing, the other question is the ongoing - I want to say conflict, but it's not conflict, there's a problem with the audit, as far as we have a person that's sending out the bills, and also doing the receivables for those bills, and that's a possible conflict that should be separated.

Rob: Yes, and the big one - not to pick on Mike, but since he's here. The big one is here with Mike, and that he does the treasury functions, as well as the account. It's kind of the organization, not just Cotuit, but how fire districts are set up in Massachusetts.

The alternative is that you hire another person to segregate those duties, but that's something there - the books have been in order, that we found in the year's we've done the audit, we haven't had any significant problems, but it's just something inherent.

Stan: It hasn't seemed to affect our rating, the bond rating.

Rob: That's correct, to my knowledge.

Stan: Will the unfunded liability, pension liability coming forward affect the bond rating?

Rob: Probably not immediately, because this is something that everybody has had to do, and we've been doing - I think since 2009 or so, where you can book in the OPEB with the other post appointed benefits liability.

I had some discussions with people from standard [scores 00:07:53] about what they're looking at now. Because again, everybody is booking this liability. Their main concern is, they understand it's there and that you are doing something to address the liability. You have an OPEB trust fund setup, you're putting money into that each year. For that, down the road if, obviously you do nothing, or don't continue to continually address it. That will probably be in I think, a few years from now. With pension, I think that will be - that is being addressed through the retirement system.

Stan: Have other district's - how have other district's gotten rid of the conflict between the treasurer doing dual jobs?

Rob: They haven't really, other than they may hire an additional person to segregate some of the treasury duties from the accounting, but a lot of them still continue to operate as it is, with that conflict.

Stan: Thank you.

Rob: You're welcome.

Fran: Any further questions? Ms. Hadley?

Laurie: I have none.

Fran: Mr. Daily?

Michael: No, thank you.

Fran: Thank you very much.

Rob: Okay, thank you. We will - I will work with Mike to get these wrapped up and get the final reports.

Michael: Madam Chair.

Fran: Yes?

Michael: You are here, could you sign this document for me and date it?

Fran: Sure.

Rob: Could you do the same?

Michael: Yes, sir.

That's about a 40 clause list of things that we did, or are supposed to do.

Fran: For the audit?

Michael: Yes.

We will get the rest, Chris Wiseman, myself and Tony tomorrow. We will get this in the mail, because they need this to take the order draft off this thing.

Thank you so much.

Rob: Thank you.

Michael: We need the actual finished drafts, real thing in time for the disclosure, so the SEC, that we do by March 31, we'll have that - we should have that within a year, maybe the month - I'm sorry.

Fran: Next is the USDA grant loan application.

Michael: I have been, I can only tell you that they're working on it.

Fran: Okay.

Michael: That's all we have at the moment. There was an issue where the application went in with town's dunce number, and we fixed that. That was the only thing that came up during the past 2 or 3 weeks, all we know is that they're working on it.

Laurie: You are dealing with the federal government.

Fran: You sent me the information about doing some internal borrowing?

Michael: I don't have those forms, I think you have that further down. The next, we're on the next item right?

Fran: Yes.

Michael: What I have done is, everybody is still telling me not to go out to the market to borrow, until we heard from USDA. Meanwhile, I need you to take a vote as a board to sign a piece of paper for me, so that if Christopher comes in particular, he has tanked out. You noticed obviously.

Fran: Didn't save the letter's.

Michael: There's a bill coming

Laurie: I thought we were having an awful lot of funding?

Michael: In anticipation that we are going to get invoices on that project, I would like to be able to process the invoice. The first one I have for each of you to sign is 3 places where Prudential Committee is.

We have a 2.1 million dollar contract, for that tank - most tanks, the invoice to tear down I think is around, somewhere between 65 to 75 thousand dollars. We have a total of unappropriated free cash is 682, 626. In affect that's our liquid equity, certified by the bureau.

We have that basically in our money market earning.

20 basis points, or whatever yield design, but it's still bringing us a return that's contributing to our general fund.

The bureau lets us borrow against that internally, in effect we put money out to vendors that we don't have borrowing, and use that equity up to that limit. What that does is drain our treasury, our liquid cash, and diminishes our investment returns.

It mitigates our ability to go to a district and vote to use our free cash, we can't encumber the stabilization fund because we pretty much blew that out at the end of the meeting.

Fran: Right.

Michael: Of our 682 thousand, we're encumbering 225 for the land restriction to make, and we're going to encumber the remaining amount for the 2.1 million dollars for 457. I'm just rounding it to 457. I'm asking you to sign this one authorizing up to 450 in free cash for the tank project, when we run out of money we'll have to deal with that, but I think we can live through this - next couple of months while we wait for the application to be approved or denied.

Then with this one, have us authorize and ready to process a payment of the restriction for 225.

We had the authority to borrow 235 for the restriction, 10 - I think it was 10 thousand was in mind for legal.

Fran: Correct.

Michael: We have already paid out of budget, we only need to worry about the money we're going to need to pay to the owners.

Stan: Do we have any what if's in case we don't - if the agriculture loan doesn't come through, then we need to go to the market.

Michael: Yes, we do our normal short term borrowing every April, regardless of what happens with the grant and loan application, we will be at your next meeting processing notes, because we have notes to pay down that are existing, and we have notes to renew that are existing. We will be doing notes next month at your meeting.

If we don't get the grant and loan, then we will issue notes at that time, and that's always been the plan. If they don't give us an answer by late March, then we will have to play it by ear. We will be doing notes regardless of whether we do new notes for these projects, or we keep holding it off until either we get told "yes" or "no."

The plan A, if you will - would be to do notes in April. Plan B would be to do the regular notes in April, and then do something else at some point in time.

Stan: So we have options, we're not going to get stuck. Okay.

Michael: We're ahead of the curve. With these signed document's, we have the authority to use our own funds to meet the needs of our cash flows. That will suffice for the time until we do our notes, and then we will see what happens with the USDA. We are all set with those.

Fran: The next item is the Bi-Law Committee and the Policy Advisory Committee member changes. Ms. Hadley, do you want to address that?

Laurie: Yes, Stan made a big mistake the other night. He showed up at a Policy Advisory Committee meeting, and I think he does a much better job with that group than I do. I have suggested that we switch chairmanship's, I am much more comfortable with Bi-Law's. I don't think you have had a meeting yet, have you on the bi-law's?

Stan: No.

Laurie: We do have to get going on that. I would like to purpose that change if it's agreeable to everyone?

Fran: Agreeable to me.

Stan: It's fine with me.

Laurie: Okay. Do you know who the other 2 members of the Bi-Law Committee are?

Stan: I have an email from Ken Malloy, but I haven't looked at it recently. I will send it to you, as soon as I get home.

Laurie: Okay, great.

Stan: There's at least one person, maybe 2.

Laurie: There should be 2.

Fran: The next item on the agenda I that we need to start thinking about replacing the treasurer.

Laurie: Yes, I know.

Fran: I just took this off of the requirements off of the last search that we did for the treasurer. I am sure at what time frame we should go about advertising this, and then starting to make - do interview's and bring this person on board.

Laurie: I think Mike is finished the end of June actually, but you did indicate that if necessary you could stay on at least?

Michael: Yes, contract runs as it sits right now, through the end of this physical year.

Fran: Yes.

Michael: Depending on that timing, we have the ownership of closing the books and preparing the financials for the auditor. It will take us all until at least September to get that all, pretty much in order.

Laurie: We certainly should address it, I think.

Stan: I think we should have somebody on board hitting the road on the first of July.

Laurie: I think maybe before that.

Stan: Before that?

Laurie: Yes.

Fran: Maybe June 1st.

Laurie: Does that sound responsible to you if we hire the next person?

Michael: However you work it out, that will ...

Laurie: So he or she will be there to start the next ...

Michael: However you want to do it.

Stan: I think that in the last contract, your contract - there was a clause in it that said that there would be at least a 90 day overlap, between the time you ...

Michael: That's because I'm going to close, I'm required to close the books. You're holding back 15% of the total contract for that process. I walk out the door June 30th, your department's have to get their bills in, get all their encumbering done; get their duck's in order for a fiscal 16, so that I can prepare all the schedule's and close the books, but your business commences on July 1, for 17. Those warrant's and payroll's, and all of that processing technically goes to somebody else.

Stan: Okay.

Michael: I wouldn't call it a lag, or overlap. I would call it, me sitting home waiting for you all to get your duck's in order so that I could pull some schedule's and hand them out to people.

Laurie: I would think, not later than the 1st of June.

Fran: To have somebody in place.

Stan: It sounds like a, maybe even earlier than that after listening to Mike. It took us a while, listen we only had 1 or 2 bidder's last time, right?

Laurie: That's right.

Fran: But this is a different process, this would be just going out and advertising to hire someone, as opposed to the contractual process that we have now.

Stan: So we're going to have an employee?

Fran: Yes.

Laurie: Yes.

Stan: While you're doing that, would you sign me a second set of those, please?

Laurie: Sure.

Stan: The employee would be part time?

Fran: Yes.

Stan: 20 hours a week or more?

Fran: I don't know, that would be something that we would have to decide.

Laurie: I think we would have to have a little less loose with the previous employee that we had.

Stan: Isn't 20 hours a week or more, benefit's pop up, or is it 30 hours? There's a cut off, I forget what it is.

Michael: Yes, there is a statute that allows to pay that over 18 hours, 20 hours. Somewhere in that range, but you would have your own - as long as you have one, but you shouldn't plan document that defines that.

Fran: Yes, we probably don't.

I have a question, for that position - does the new healthcare, accrued time for Massachusetts, would that affect us? That we're required, everybody is required to accrue time off for health problems, up to 7 days?

Michael: I'm not a personnel.

Fran: Okay.

Michael: I'm not going there. Whatever your employee's have now, this employee would have too.

Laurie: But a part time employee, with the library is handled quite differently.

Stan: Is it? I think with the library, it was 20 hours. There was an employee there that affected.

Laurie: Yes, but I'm saying if you were an employee. As far as, I'm talking about the sick policy.

Stan: Yes.

Laurie: You just didn't get paid, or I don't get paid for the day's I don't work.

Stan: But if we hire somebody that works 20 hours or more, then we are responsible for providing them the benefit's. Insurance benefits,

Laurie: But we don't want to cut it back to the point where they can't accomplish the job.

Stan: That's true too, right.

Laurie: I did it for a few months, many, many, many years ago when it was not even as complicated as it is now, and I found that it was - I couldn't handle it.

Stan: Mike, how many hours do you put it roughly on average, do you know?

Michael: It's probably in the range of 40 a month.

Stan: A month?

Michael: Yes, and then some. You have Tony, at 15 hours a week. She's doing all the warrant's. She's doing all the payroll's. In fact, what Rob was talking about, unofficially - we call her the accounting staff. She post's cash receipts, she post's warrant's. She's doing the payable and the receivables. The problem you spoke of is in the water department, where they have the same employee doing the billing and they're posting the payment's on the receivables.

That's probably the most egregious violation of the district. Because Tony is preparing warrant's and payroll's, and posting them to the general ledger. I am then taking the bank statement's and wrecking them back the general ledger. The segregation of duties that normally exist in the town or cities of the common wealth, is you have a full time treasurer and you have a full time accounting. The duties are segregated, treasurer manages the cash, and the accounting does the GL, the book keeping. Here Tony does the GL, and I wrack the cash. We get that segregation of duties, that's what Rob was saying.

The cost savings of having 2 employee's, you're getting everything except that problem within the water department, and they can solve that by going 2 part times, or converging some of those duties into the treasurer's office, for that matter.

You have a lot of issues as it relates to how you run your business, this one isn't the most critical I don't think - the fact that there are multiple boards, and everybody's running around having meeting's, and nobody quite understands who's got what authority over what. Result's in a lot of not good stuff. Planned document's don't exist, manual's don't exist, and employee's should get them. Employee manual when they walk in with policies and procedures, what they're entitled to, and what is expected of them.

You have nothing of that. You can spend all you want on somebody, but if you shop for the right person, then you get somebody that's going to help you with, particularly HR - there's more reporting under the healthcare act. We're doing that this month, as it relates to just telling employees and the government what they're getting, in the form of insurance costs.

It's just getting exponentially more challenging. As it is, you got 18 hours of book keeping services going on in there now, plus my services - which is the high end, the cash, it's the ledger, it's the pre cash, it's the FCC, it's the borrowed, it's all the executive side of the treasury. The clerk will side on a treasury there, so you're shopping for an executive. Whether it's a district executive that's taking on personal matter's, organizing the executive branch, coordinating the department's and that they're doing.

That would seem to be the way you need to go, if you're going to get an employee. If you're going to outsource what I'm doing into a contractor, you could still do that too. But if you go employee, you should looking at defining the duties, and you're really looking at hiring a district executive, and adding some of the financial side. I do the budget. A lot of the executive side is handled by my contract, the clerical sides handled by the employee. You will just to 2 employee's, one executive, and one clerical.

How many hours? It's definitely not a full time job, not if you're going to keep Tony.

Fran: Do we want to mull this over, and make a decision about when we're going to go out - start looking.

Laurie: I think you know that I've been in favor, I don't know what kind of title you would want to give, but just exactly what he was saying - some type of an executive position.

Fran: Yes.

Laurie: It's just gotten too big, there's too many law's and too many regulation's, and half the time we overlook things.

Stan: I think this is something we need to look at going forward, but I'm not sure that we have the time to define what we actually want, and hire that person by the 1st of June. I think it all ties in with the policies and the by-laws, how the district is organized. You have a separate water board, separate fire board, Prudential Committee, and for all intents and purposes - except when it comes to budget time, they all operate independently.

Laurie: Exactly. Yes.

Stan: So should we just go ahead with this the way it is, but start looking at down the road - hiring an executive, a person that does this.

Laurie: We can create, with the vote of the district, any kind of position we want to create - some of the other thing's that we've discussed, involve a change to the Enabling Act, and that's a legislature.

Stan: It's going to take several year's.

Laurie: No, it doesn't take years

Stan: I mean, you got to think - we need to be sensitive to, not only the efficiency of how the fire district is run, but the course of a ...

Laurie: Oh, I know. I pay my taxes, I know. I know that part of it's the district tax. A lot of people don't.

Fran: I don't think there's enough time between now, and when we're going to need a treasurer.

Laurie: No, I think we have to go ahead with the treasurer.

Fran: I think we need to go ahead, look for a treasurer for now, and then work on either looking at - certainly an HR person, which would make the fire chief's life easier I think, and possibly the water department also. But for now, I think we need to just stick with just looking for a treasurer.

Stan: We want to - I mean, we can go on looking for a treasurer, because it would be a barrier to do that, but if we wanted to hire another position, would we want to come up with some eye level description of what we think we need, and the course involved and bring it to the annual meeting.

Laurie: I suspect we're going to have to have a special district meeting down the line, because of the fire fighter's contract. I don't think we're going to see any action on that before the end of May.

Stan: Okay.

Fran: Mrs. Hadley, can you work on wording an advertisement for the next meeting, for the treasurer's position?

Laurie: Sure.

Fran: Thank you. 56 High Street, Mrs. Hadley. Just before, before you bring up - I just want to say, I have spent the last 4 or 5 day's searching through, trying to find records of some of the information we need for the negotiations. Basically, I have to talk to people who are in their house, you know - what do they have in their house's. Did they keep it, did they shred it? The information I need is elusive to say best.

I really think that we need to an office.

Laurie: Oh, yes, yes, yes.

Fran: All of this information is not in people's home's, in their office's. It's all in one place, readily accessible to the district when it needs it. So go ahead.

Laurie: Structural evaluation, how do we go about finding that type of person?

Fran: I think, we will probably need to just get some bid's from some structural engineers.

Laurie: Okay.

Fran: Ask them to look at the building.

Laurie: Okay.

Fran: That would be the place to start, whether it's even worth rehabilitating that building, or just tearing it down. I can look into that if you would like?

Laurie: Okay.

Fran: All right. The water rates. These are just some comparisons.

Did you want to ...

Michael: It goes back to the last budget process we went through, and I had some of the budget number's here. But I can't find it right now, can't lay my hands on the income that, that board of department receives, versus its expenses.

For every member that, talking about it last year - and we talked about this a little at the policy committee. There's a difference, there's a significant difference between the income from the water rate's, and the expenses of the water department. In this very hall, commissioner Kiley indicated that was done on purpose, because he felt that because of the potential on improved properties there are, and some build out's there might be available. That the people that aren't currently using the water, should

be part of the funding and expenses. Their taxes, their general taxes would fund part of the water department. I think that's, when you run a business - your income and your expenses, you need to be at least equal. You're running a business, it may be government, maybe a private - this case, it's government. You're running your business, and that the water rates should cover the expenses, the operational expenses of the department. Number 1, number 2 - in charging people less in their water rate's to actually encourage the expenses, it doesn't encourage them to conserve.

My feeling is, and there was also a discussion at the Policy Advisory Committee meeting, that some of the amortization of the bond's, was included in the expenses, but I couldn't find that in the expenses. My understanding, the amortization of the bond's on a yearly basis come out of capital expenses - I mean, the budget for.

Stan: Right, the water department's budget doesn't contain any cost of that.

Michael: My suggestion is, that going forward, the water in developing their budget, really needs to look at increasing their rates. If you did it all of a sudden, there would be a big hue and cry from the people of the town to, "what are you doing to us"?

Laurie: I'm not sure about that, I - all of the women I work with can't believe how low her water rates are. There's a certain comparison with where she lived before.

Michael: Yes, I see some of the rates and also, at the Policy Advisory Committee, said that our rates are lower.

I would suggest strongly to the water department, that you look into increasing your rate's over a 5 year period, so that your income comes up to your expenses. As that happens, all other thing's being equal from the general tax rate, those monies would be deducted out of the fire district. The general fire district tax rates. If there were no other need for increasing the rate over 5 years, the actual tax rate would go down because you wouldn't have to carry that part of the fire district expenses that are not being covered by their income.

Laurie: I know the question of the interest has bothered me for years, because until this year when we started buying property, and one thing and another - practically every penny of interest has been as a result of water improvement's and tank's.

Michael: That comes out of separate account, where you budget per - covering the issuing, covering the amortization of the principal, and the interest over the life of the note's that were issued. But it comes out of a separate budget.

That's just my recommendation, I would like to have that discussion with the water department, so that they increase their rate's over a period - say 5 year's.

Fran: Would you include in there, department in the water rate, building a new tank?

Michael: No, that's capital.

Fran: All right, so this would be just for interest?

Michael: No, this is just for operational expenses. We have the account's here, I have just the operational expenses, and there are account number's here. But it's just the water department expenses, which are - they're 891 thousand dollar's last year. Like I said, I was looking for what the income was, I don't have that. But I know it was a lot less, like 2 or 3 hundred thousand dollars less.

Fran: Ted. Just introduce yourself please.

Ted: Ted Barnacle, Chairman of Water Commissioner. I have no problem pursuing a rate survey, that's not an issue. I would be more than happy to go out and take a look at what the rates are around are. I have them, I have looked at them myself - we're not the lowest, and we're not the highest. There are many different factor's that come into it, and we can do it. Put our rate's together and decide what's best for the town.

Michael: You're willing to do that. I'm wondering what Fran and Laurie feel about that recommendation to the water department.

Laurie: I thoroughly agree, especially for the excessive high end user's. They are certainly getting a mega bargain.

Ted: At what, 2.90? They're at 2.70 and 3 dollar's.

Laurie: 3 dollar's, yes.

Ted: Over 200 thousand, next to us it comes 3.95. I have no issue looking at it, honestly.

Michael: Along with that, we need to educate the tax payers and the water rate payer's what's coming down the road, and why we're doing this and they understand that, so they don't get blindsided by the rate increases.

Ted: Yeah, I will. It's fine.

Fran: I was checking the various departments, and Barnstable is raising their rate's.

Ted: You have Barnstable fire district in your hand?

Fran: Yes.

Ted: It's a nightmare.

Fran: Over 3 year's.

Ted: Barnstable is not really a good one to compare yourself to.

Fran: Oh, what in terms of a rate?

Ted: That's not good, they got a lot of issue's going on there.

Fran: Oh okay.

Ted: Yes, one of the reasons why you have to make some serious consideration's on whether you join all the district's, is whether you want to handle Barnstable's problems, and Hyannis problems.

Fran: Yes.

Ted: Thank you.

Fran: Yes. No, but I was just looking at the way they're doing it. They're going for the lowest rate is currently 3 dollar's at 16, it will be 3.15, and then 17 3.40, 18 3.45, and 19 3.50.

Ted: They're 7 dollar's over 201 thousand.

Fran: Right, yes.

Ted: I think we would get a few people in the annual meeting for that one, don't you?

Fran: Yes.

Ted: At 7 bucks.

Fran: I don't think it needs to be 7 bucks, but I think that if somebody is using over a million gallons as one user, and their bill's less than 4 thousand dollars. I think that's a gift.

Ted: Yes, we should look at it. I have no problem with that, I really don't.

Fran: Great.

Ted: We will take a look at it. Seems to be all falling right into 3 dollar's, and 2.90 right in that area around us.

Fran: Mike, has the COMM come up with new rate's?

Michael: I did their rate's about a year, year and a half ago. That first full year with the new rate's was, I think fiscal 15.

Fran: Okay, because what they posted on their website is 14. The rate's for 14.

Ted: 14 thousand dollars.

Michael: In 14, they implemented the new rate's about half way through. July 1 of 14, their fiscal 15 would have been the first year of the full new rate's. The rate's we set.

Fran: Okay.

Michael: We set their rate's with them about once every 5 year's.

Fran: Okay.

Ted: Oh, every 5 year's Mike?

Michael: That's about when I've done it with them, yes. I did one here I think in 2 thousand. I don't think there's been one since.

Ted: It was just before I got there.

Michael: Oh, Jack and ...

Ted: Yeah, Jack, Rick and John.

Michael: I remembered the guys first name, I don't remember his last name. He was on the board.

Ted: Right, right.

Michael: It's quite a while.

Ted: I think that's the last one we did. That's fine, we can do that. We will get somebody to do it, and then we will let you know what's going on. All right.

Fran: Thanks.

We should probably setup some extra meeting date's for March and April.

Michael: Can I get you to confirm all these date's on this schedule that we looked at last week.

Fran: Sure.

Michael: I think the first one's good. Monday, March 28 is your next meeting, and then depending - will drop in when you have your discussion on the top you're at. I just want to make sure Charlie was okay with these other date's.

Charlie: Actually, I got April 5th.

Michael: April 5th, where it says April 14?

Charlie: The Town Clerk.

Michael: Yep.

Charlie: And the 20th back to me.

Michael: Okay. We change those 2, and then I think your April 25th date is good, and the warrant closes that night, we vote the warrant to close it.

I know the Chairman was in touch with the association.

Fran: I'm going to their April meeting, and I talked to the president and suggested either flip flopping. Having the candidate's night first, and the budget night second so the budget's actually done. Or maybe just doing both thing's in one night.

Michael: More likely, their April meeting they would be looking for us to do something?

Fran: Yes.

Michael: Do you know what day of the month?

Fran: I think it's the second Tuesday.

Michael: Okay, I will chase that down. Would you send me the date? Okay.

Charlie, are you going to post the warrant on date's certain, or you will have it done as of that Tuesday morning after they finish their board meeting? Somewhere along that line, you post it. Do you want to just leave that pending for now?

Charlie: Yes.

Michael: Then your last meeting would be the May 23rd meeting, that's prior to the district meeting.

I didn't look at the calendar for that. I think it is too.

Fran: Right, yes.

Charlie: The election will be in one day

Michael: I think your absolute drop dead would be that May 18th date for posting?

Charlie: Yes.

Michael: Then the election is Tuesday, May 24th from 4 to 8?

Fran: 4 to 8.

Michael: Yes. Then the district meeting's at 7:30 on Wednesday, May 25th. I have all the date's, except Charlie with his pending posting date. You're going to give me the association's date, and now you're going to discuss your other meeting's. We will drop those in on the second line there, once you finish your discussion.

Fran: I was thinking, we have a meeting on the 14th in March, or would be back from her cruise.

Michael: Well, March 28th is when you get the budget's.

Fran: Right, okay.

Michael: It would be post that, and prior to the May annual meeting date. I'm looking for you to do meeting's on the water budget, the fire budget, all the other budget's to come to that night at your 28th March meeting's.

Fran: April 11th?

Michael: Why is that, for the 11th is what?

Fran: Budget meeting, or other budget's.

Michael: That a Monday, at 5?

Fran: Then we need a warrant meeting.

Michael: You would have that at your regular April meeting, that's when you're going to close the warrant, and then Charlie can post it any time after that. Articles could arrive right up until, petition article's - it's open, so ...

Fran: Yes.

Michael: You can do the fire budget, water budget. I can take you through all the others, and you might be able to do that all on the 11th, and then if you needed more time - you could drop another one in, or you can finish it up at your regular April meeting, because you will have all the final article's in hand by that night anyway.

Fran: Okay.

Michael: So put 1 budget meeting down for April 11th?

Fran: Right.

Michael: You let the fire board know, and the water board know that this is ...

So drop your budget's off on the last day of March, and then that April, we will do a workshop.

All right, so I think this list is good. I will initiate version 3, and circulate that tomorrow.

Fran: Okay.

Stan: Will you send that out in an email?

Michael: Yeah, once I get the date's I need. I need a date from Laurie, and I have your date. Other than that, I think we are good to go. Hopefully tomorrow, I will send that out.

Fran: Yes, he didn't. He said the reason that they had the budget meeting first, was that they thought they did that in case anybody in the public wanted to have any input into the creation of the budget's. It wasn't a problem switching them, and I think it should probably just be all in one night. The 2 would be easier.

Get the district business all out of the way for them.

The 11th.

Michael: No, the 28th.

Laurie: The 28th. March the 28th.

Michael: 4th Monday at 5. That's just to drop them off.

Stan: We will take them in, then we will make 2 weeks later, go through them.

Fran: The minutes of the January 25th meeting, any corrections

Stan: They look good to me.

Fran: Okay, can I have a motion to accept the minutes of the January 25th, 2016 Prudential Committee meeting?

Stan: Second.

Fran: All in favor, I. Okay, any other business?

Stan: The Civic Association budget meeting, that was here you were talking about, right?

Fran: Right, yes. I have to make a decision at their April Executive Committee meeting, which is the 1st Tuesday in April I believe.

Stan: Should we have the budget meeting with the Civic Association, would that be a good time to alert them to the fact about what we're doing to the water budget, so they understand where it's going and why?

Ted: Ted Barnacle, Chairman of Water Commissioner. You mentioned something about Jen this evening, and check's coming into the - or payment being done to the water department. I don't really think I know what's happening there.

Can you fill me in as to what that is? Thanks Mike.

Michael: The rules of internal controls is, you don't have the same person issuing bills, and then posting payment's. My brother comes in, I mock his bill paid in the books. He doesn't give me any money, he's not on the outstanding list. That's the major defect that the district has, in that the same person who is processing the payment's. Puts in data, creates the master list - commitment if you will, then takes all the checks and posts them paid.

That's the flaw, that's the fatal flaw in internal controls. If you had 2 employees, one who prepared and issued the bills and the other who got the checks at the post office, or wherever they come in - processed them, put the money in the bank, and posted the accounts receivable paid. You would have the segregation of duties that they are looking for.

Ted: Okay. I see, so we can have it - go ahead, I'm sorry.

Michael: When the last employee left, the key to it was to split the job into 2 pieces. You still had the day to day admin and all that processing, you have the bill paying, you have the board record keeping. Clearly, 2 people could do half the loaf, and you would retrieve the segregation of duties in the office that they are looking for.

Ted: Okay.

Michael: Alternative would be to reduce the one employee in the offload, the receipt side, the payment side that are posting to the receivable side, maybe to the treasurer's office.

Ted: I see, the payment could go to another office?

Michael: Yes, or somehow break up the fact that the same person's sending you the bill, and posting paid. That's really where the defect is.

Ted: You guys are talking about that now, is that where we're going?

Michael: The auditor has exposed it, they expose it every year.

Fran: Yes.

Michael: There's sort of a historical, self-insurance kind of mentality here. We understand we have exposure to risk of fraud, but it's so cheap - we're willing to take that risk for the saving's that we have.

Ted: Okay.

Michael: They say it every year.

Michael: Read your audit report, we will send you - you see how thick it is?

It's in the managerial letter actually, when they talk about the segregation of duties, but that's been always their complaint about the water operations, that the same person is doing both duties.

Laurie: If they sent the checks to the treasurer, it would take care of it.

Michael: Well, you would have to provide the resources to receive and process that, but you break up as much as you can in that.

Fran: Microphone.

Michael: Yes, that would be like the Buzzards Bay water [crosstalk 00:53:56].

Ted: You have Buzzards Bay, North Sagamore, you got Barnstable, they're all doing it.

Michael: The DOI call's me on every one of them.

Ted: They do? Yes.

Michael: They ask me to go in and clean them up. I'm aware of it ...

Ted: I see those operations on a regular basis, they are all just like this.

Michael: It's very sad. It's nice to be retired.

Fran: All entertain a motion to adjourn? All in favor? I

Stan: I

Fran: We are adjourned.