

**New Shoreham Town Council
Exit Interview with Auditor
Town Hall, Old Town Road, Block Island
Tuesday, October 27, 2009
4:30 p.m.**

Present: First Warden Kimberley H. Gaffett, Town Councilor Peter B. Baute, Town Councilor Kenneth C. Lacoste, Town Councilor Richard P. Martin. Absent was Second Warden Raymond J. Torrey. Also present were Town Manager Nancy O. Dodge and Water and Sewer Commission members Rally Migliaccio and Frank Leslie, and Water Commission member Wayne Battey. Town Clerk Fiona Fitzpatrick was present to take the minutes of the meeting.

Auditor Frank Champi from Lefkowitz, Garfinkel, Champi and DeRienzo P.C. stated that this was the last year of a three year contract extended for two years, and he hoped to do business with the Town in the future. He went on to explain that the audit was completed in accordance with governmental standards and general accounting standards and was based upon financial highlights brought forward by the Town's management. He stated that the audit offered an unqualified opinion and there were no material weaknesses and no compliance issues. He noted that the Management's Discussion and Analysis was prepared by Nancy Dodge and Amy Land.

Mr. Champi presented the draft audit for year ending June 30, 2009 and discussed the following items:

- The Town's proprietary funds (enterprise funds), the Water and Sewer funds are expected to break even and provide money for future capital improvements. Over the past two or three years, revenues (rates and customer numbers) have stayed the same, while expenses (salaries and benefits) increased. Salaries and benefits for the enterprise funds increased 7.8% this year, while salaries townwide increased 2.2%. The funds are not covering their full debt service costs, and have used cash reserves to cover operating costs. They must contain costs or increase revenues. Mr. Champi suggested the Commissions consider rate increases.
- The net assets of the Town are \$29,720,593, excluding Block Island Land Trust assets. The number represents a \$719,721 decrease over last year.
- For the current year, governmental activities show a loss of \$207,105, on net assets of \$22,051,498, while the enterprise funds (Water and Sewer) lost \$512,616 on net assets of \$7,669,095.
- Government Funds Balance Sheet detail: general fund assets: \$5,193,846; liabilities: \$1,041,423
- The tax collection rate was very good, at 97.7%.
- Other receivables were down, as expected.
- Liabilities were also kept down, notably a \$200,000 decrease in legal expenses.

The General fund balance decreased during the year, as expected. Funds had been appropriated to meet expenditures. The Town's unreserved, undesignated fund balance ('surplus') is about 13% of budget expenditures. Mr. Champi says a safe range is 8 – 17%, but he recommends New Shoreham retain a fund balance on the higher side due to the Town's isolation from mutual support. The Town's bond rating was raised to AA, one of the highest in the state.

The year's financial highlights were the acquisition of property at Plat 6, Lot 146 (in front of the National) and a bond floated for the purchase, and the anticipated close of capital projects (North Light and Old Harbor construction). The enterprise funds also completed projects this year.

LGC&D did not audit the school. The school's auditor provided the figure for the School's cumulative excess funding over expenditures of \$144,000 (this figure may have been subsequently revised by the school's auditor to \$130,000). A new state ruling finds any surplus remaining in the school department is theirs to spend; any deficit must be made up by the town. The Town is obligated to fund the school at maintenance of effort rate.

Because the Town had federal funds in excess of \$500,000, a single audit was also performed. Two programs received federal funding, the CDBG grant for the 'West Side 20' and the North Light construction project. Neither was a type-A program, so LGC&D audited the North Light fund, where no compliance issues were found.

Ms. Gaffett moved to approve the audit as presented this evening for fiscal year 2009. The motion was seconded by Mr. Lacoste.

Ayes: 5 (Gaffett, Baute, Lacoste, Martin) Absent: 1 (Torrey) Nays: 0

Act on Warrant for November 4, 2000 Special Financial Town Meeting

Town Manager Dodge and Finance Director Land recommended a figure of \$1,095,000 for the Old Harbor Dock project. The Warrant includes a second question for \$50,000 to fund the completion of the North Light. In discussion, Ms. Land said she would recommend that the voters reject funding North Light project at this time if the Old Harbor Dock funding is not approved at the meeting. A bond issuance for only \$50,000 is not economical.

Ms. Gaffett moved to approve the Warrant for Special Financial Town Meeting, seconded by Mr. Lacoste.

Ayes: 5 (Gaffett, Baute, Lacoste, Martin) Absent: 1 (Torrey) Nays: 0

At 5:50, Dr. Baute moved to adjourn. Motion was seconded by Mr. Martin.

Ayes: 5 (Gaffett, Baute, Lacoste, Martin) Absent: 1 (Torrey) Nays: 0

Minutes approved: November 2, 2009

Fiona Fitzpatrick
Town Clerk