

## Minutes of City of Dunkirk Finance Committee held on July 8th, 2013

**Present:** Councilman Mike Michalski, Chairperson

Councilwoman Stacy Szukala, Member

Councilwoman-at-Large Stephanie Kiyak, Member

Councilman Andy Gonzalez

Mark Woods, Treasurer

Rich Halas, FAO

Ron Szot, City Attorney

Guests: Gib Snyder- Observer, Kevin Wystup - Johnson & Mackowiak Auditors

**Opening:** Chairman Michalski opened the meeting at 4:17pm.

### **Meeting Content:**

Michalski introduced Kevin Wystup for his comments regarding the 2012 City audit.

Wystup explained all three funds finished the year with operating surpluses. Fund I was \$400,000+, Fund II \$156,000+ and Fund III \$663,000+, totaling a \$1.2million surplus balance.

There is a deficit of \$4.2 million in capital projects (water improvements), BAN's (bond anticipation notes) will offset this deficit when city goes to long term financing three years from now.

Michalski inquired as the cumulative deficit balances in all three funds. Wystup reported Fund I was + \$6.1M, Water Fund -\$505.5K, Wastewater Fund -\$396.5K. The combined deficit of the City (all funds) is -\$2,031,001.

### **Schedule of Findings & Questioned Costs (pg. 59 of audit) –**

Payroll Reconciliations - currently being addressed – was not at end of 2012.

Receivable Reconciliations (water bills) – loss of staff in Treasury Dept. has caused problems in checks & balances and timing issues.

Inadequate internal controls over CDBG Grant Compliance – currently headed in right direction with paid CDBG consultant according to Wystup.

## **Management Letter –**

Reconcile Bank Accounts on a timely basis – understaffed position in Fiscal Affairs Office. Wystup reported it is difficult to staff that department on a part time basis and needed someone there on a day to day basis. Halas reported no statements were reconciled in 2012.

Formalize Accounts Receivable Procedures –Reconciliations – Halas questioned “eliminate the need for large audit adjustments at the end of the fiscal year” statement in report. Wystup responded the batching of receivables to the general ledger is not always done on a timely manner. Michalski questioned if KVS addresses this problem? Halas was not certain until after KVS training was completed.

Discussion turned to staffing issues in Wood’s department and if there were plans to address replacement of transferred employee out of that department. There is a waiting period to replacing employee; however that period of time has expired.

Improve timing of budget modifications - Wystup reported the city should be addressing a line shortage **prior** to the actual spending of money if the proper way to address line shortages (deficits). Budget modification should be made during the year, prior to being over drawn. The adjustment column in the budget reports should show any prior adjustments made during the year.

Repay Interfund Loans – currently at \$4 million after adjustments made by Fiscal Affairs department. Woods will be meeting with Halas & Wystup to address capital project lines and clean up before the 2014 budget process begins. Szukala questioned the payback process and how exactly it would happen. Wystup stated transfers are not “spendable” monies. The repayment is not revenue to be later spent on other items/projects.

Deficit in Unrestricted Fund Balance – Kiyak questioned repayment process. Funds II & III must be in a positive fund balance before they could pay back Fund I. Currently, funds II & III are cumulatively both at deficit balances. Water/Sewer rates should be examined for increases to offset the deficit balances in these two funds. Smaller or incremental increases should be enacted on a yearly basis.

Identify and Close Completed Capital Projects – Completed capital projects (example: Board Walk) need to be closed out and absorbed by the general fund because project is closed. Assets of the capital project need to be added to the general assets of the city.

**Meeting adjourned at 5:27pm.**

