**Town of Lake Santeetlah**

**Special Meeting Minutes (Zoom)**

**October 26, 2021**

Mayor Hager called the meeting to order at 8:30AM. Councilmembers Predmore, Simon, and Carlton were present for the meeting. Town Administrator Matheson, Town Clerk Emily Hooper and Auditor Joe Turchetti were also present. Councilmember Haag was not present.

**New Business:**

1. **Review of the FY 20-21 Draft Audit for the Town of Lake Santeetlah:**  All Councilmembers have reviewed the draft audit. After reading the audit Carlton sent several questions to Auditor Turchetti, all which were answered quickly by email. Carlton asked for further clarification on specific audit entries. Carlton stated that the audit does not reflect the budget that was adopted by the Town Council and the sources of revenue approved for paying for the loan. The audit moves the debt and repayment of the loan over to the general fund and not the water.

Carlton stated that could be an appropriate thing to do if approved by the Council, however it was not. Carlton asked Turchetti, during an audit process how can a journal entry of this magnitude and that change in outcome of water system operations be done without appropriate authorizing action without the approval of the Town Council.

Turchetti explained that the proposed entries were provided. Carlton agreed and stated that the entries showed a $240,000 swing from the information given to the ultimate audit outcome. Carlton asked Turchetti to explain how moving an approved debt service to the water system over to the general fund is acceptable. Is this simply an adjustment or should this be discussed an approved by the Town Council.

Turchetti explained the adjustments are submitted as proposals to the Town Council and if there are questions or the Council does not approve the adjustments can be further discussed. Turchetti

Turchetti explained, The Town has the authority from LGC to obtain this loan to improve the water system therefore those capitalized costs belonged to the water. Turchetti understands from the audit that the general fund purchased the land for $95,000.

Carlton explained the breakdown from the approved budget amendment. $40,000 came from the UCB money market account. $30,000 will come from the remaining loan funds and the rest come from the general savings account. Carlton stressed that should be what the audit reflects unless the Town Council approved. Carlton stated he did not see the authorization from the Town Council to move this debt over to the general fund in the magnitude the audit reflects.

Turchetti pointed out the entire loan balance is shown on the water fund. Page 16 of the audit report. The entire debt is in the liability section of the water fund. Carlton is interested in the cash flow not a balance sheet item. Turchetti asked Carlton to refer to page 23. Cash flow statement from the water fund. The entire debt service is shown as principal repayments in the water fund. The $156,000 in brackets is the capitalized improvements to the water system.

Carlton asked if the audit reflects that the entire $200,000 is in the balance sheet of the water system. Turchetti stated, yes that is correct. Does the audit reflect this budget amendment?

Turchetti stated that $95,000 came from the general fund to pay for the land.

Matheson pointed out that transfers were made from the accounts stated in the budget amendment then one check wrote from the general account.

Carlton confirmed that the transfers completed according to Matheson did not interfere/impact the operating income of the water fund.

Turchetti stated that as of June 30, 2021 the audit represents that the water fund and general did not owe one another. All due-to-due-from had been settled.

Carlton referred to the $240,000 in journal entries in the audit report and asked for a detailed explanation of those funds.

Turchetti explained the two large items were the water funds capitalization of $156,000 for improvements to the tank and distribution center and the land purchase of $95,000 was part of the expenses that were capitalized as a capital asset.

Carlton asked Turchetti his thoughts of QuickBooks as accounting software for the Town. Turchetti explained that other programs would cost an estimated $5,000-$10,000 and would not seem as a value add. Approximately 97% of Turchetti’s client’s the size of the Town of Lake Santeetlah use QuickBooks.

Predmore made a motion to approve the proposed FY20-21 audit as written. Simon seconded. All others approved. The motion passed unanimously.

**Motion for Closed Session – Attorney Client Privilege:**  Predmore made a motion to move into Closed Session. The Town Council will move into Closed Session at 9:30. Simon seconded. All others approved.

The Town Council returned to open session.

**Motion to Adjourn.**

Councilmember Predmore made a motion to adjourn the meeting. Simon seconded. The meeting was adjourned at 10:04AM.

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Jim Hager, Mayor Emily Hooper, Town Clerk