

The special meeting of the Village of Arcade (VOA) Board of Trustees, Wyoming County, New York was held on Friday, July 28, 2017 at 7:00 am there were:

**PRESENT**

Mayor Jay May, Trustee Ken Rule, Trustee Jim McGarvey, Trustee Donna Schiener Trustee Andrew Koerner, Clerk/Treasurer Jennifer Kraft, Deputy Clerk/Treasurer Michelle Karpinski.

**ABSENT**

Police Chief Anthony Biscaro, Superintendent of Public Works Kilburn

**ALSO PRESENT**

William Freitag, BST

**PLEDGE OF ALLEGIANCE**

Mayor May opened the meeting with the Pledge of Allegiance.

The purpose of the special meeting was to discuss the financial situation of the Village after the close of the 2016-2017 fiscal year. The representatives from BST assisted in preparing the Annual Update Document that is sent to the Office of the State Comptroller and the Public Service Utilities report. A Section 4-408 audit was performed. This audit reviews our accounting system and processes, i.e. Payroll, Accounts Payable, electric work orders. William Freitag offered the following presentation.

**ELECTRIC**

The electric fund is struggling which is the reason we have filed for a rate increase. The fund generated a net loss of \$405,000 for the fiscal year ended May 31, 2017. The two non-cash expenses that resulted in this loss are a depreciation expense of \$650,000 as well as the GASB 68 expense of \$98,000. Given that information the "cash basis" net income was \$343,000. Gross revenues increased, customer consumption was slightly lower, operating costs increased. Purchase power, salaries and benefits and depreciation expense make up 95% of the operating expenses. This is typical of most municipal electrics with the average across the state being 92-96%. In addition to the electric operating costs, the electric fund also paid \$243,000 in the acquisition of operating property, \$130,000 pay down of an existing bond and \$92,00 in interest expense relating to the existing bond payable, the former outstanding BAN and the new bond. The average cents per kWh across all rate classes is 4.8. Amongst all municipal electrics in NYS the average cents per kWh range from 4.8 – 8 cents.

The PSC Rate Study was filed in February 2017. It continues to be reviewed. The process has been comprehensive as well as tedious at times. Mr. Freitag stated the Village staff has done an admirable job in responding to the many inquiries for information by the PSC.

**GENERAL**

The General Fund had a net income of \$216,000 due to an increase in taxes and a decrease in equipment purchases as well as personnel costs. The surplus has been reserved. If the Village had adhered to the tax cap the year would have ended in a deficit. Healthcare costs continue to increase. The pension contribution has decreased due to more Tier 6 employees. Mr. Freitag's recommendation was to target 5-10% of the annual expenditures for unrestricted fund balance annually.

**WATER**

The Water Fund saw an increase in revenues of \$33,000 which is attributed to an increase in water rates. The expenditures increased \$54,000 which is attributed in part to the payment of principal and interest on the BAN. Overall the fund balance decreased by \$11,000 for a balance of \$329,000.

**SEWER**

The Sewer Fund had a total net income of \$189,000. The total fund balance is \$527,000 of which only \$23,000 is reserved. Revenues decreased by \$9,700 due to a decrease in state aid from the DEC. Expenditures decreased due to changes in employees.

**SECTION 4-408 AUDIT RESULTS**

The reviewed bank reconciliation process, accounts payable, billings to customers, not only utility but taxes as well and followed it through to the cash receipts process, payroll, processes for the electric fund work order system and materials and supplies inventory. All cycles work very well here. We do not have any recommendations from an operational standpoint. You have good internal controls in place. It is of his opinion that any financial reports

distributed by the Treasurer's office are accurate and can be relied on for information. Fraud assessment, through the testing of various journal entries, showed no irregularities.

In conclusion the employees were friendly as well as organized and knowledgeable. They were cooperative and responsive to our inquiries. The General Fund continues to make progress in improving its financial condition, increasing its fund balance over the last two years. Water and Sewer Funds appear strong.

**ADJOURN**

There being no further business to come before the Board the meeting duly adjourned at 8:13 am upon motion by Trustee McGarvey and seconded by Trustee Schiener.

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Clerk/Treasurer