

MINUTES

On Thursday, March 14, 2013 at 8:03 PM the Mayor called to order a Mid –Month NYS Audit Meeting of the Board of Trustees of the Village of Brightwaters, following proper posting and notification. Present was Mayor McNulty, Trustees Fischer, Gibson, Riordan, Cox and Village Clerk O'Shea. Village Attorney Finnerty was not in attendance. Approximately 26 residents were in attendance.

Mayor McNulty read his response letter to the NYS Audit aloud
February 6, 2013

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Bldg. Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

I thank the Office of the Comptroller for their carefully considered audit of our village's operations.

I have read the auditor's report and in general, I concur with your findings and recommendations.

As of July 1, 2012, many of the recommendations in your audit were already implemented. The other recommendations are presently under review.

The Board of Trustees and I are working diligently on many of the report's recommendations and I look forward to implementing them as a general practice in our Village's operations.

I wish to submit this response to your draft report with comments where appropriate to correct a few items which we feel merit further explanation and correction within your report.

We are working on our formal Corrective Action Plan, which will be submitted within the allotted time.

The Village of Brightwaters is, we believe, the only village in the State of New York that has no bonds or other public indebtedness. This is one part of a great legacy a governmental body can leave to its future residents. This legacy comes

at a cost, however. We have a very lean governmental structure with minimal overhead and low recurring costs. All elected officials serve with no compensation. All of our boards are staffed with volunteers of exceptional dedication and experience. We plan major capital expenditures carefully based on our known cash flows, and we only authorize projects that can be afforded with the assets available at the time. We are very proud of this legacy, and of our village. Your report will help us to fine-tune and modernize our policies and procedures so they will serve us well into the future.

Detailed Discussion:

- We agree that the Board will ensure that policies and procedures required by GML and sound business practices will be used.
- We agree that structurally balanced budgets with tighter monitoring of monthly adjustments is desirable. We take issue with your claim that the Village relies on non-recurring revenue sources. Please refer to our expansion on this topic, below.
- We take issue with the topic of a deficit in our general fund balance. Please refer to our expansion on this topic, below.
- Auditing of claims has been expanded to include all Trustees and more documentation of each claim.
- Our Clerk-Treasurer is overseen by the Mayor, a Trustee with direct responsibility over the office, and indirectly through a professional relationship with our accountants, Sheehan & Company. The Board will attempt to develop formalized procedures that will further enhance the security and efficiency of a small office environment. Please note that this village has only 2 full time office staff: the Clerk-Treasurer, and the Deputy Clerk.
- The Board has begun to monitor the activities of the Clerk-Treasurer more closely.
- The use of signature stamps will cease, and a secure check signing method will be procured. For the time being, all check related equipment is kept under lock and key.
- We disagree with the findings of a conflict of interest regarding the summer camp. Please refer to our expansion on this topic, below.
- The Board will create written policies to cover cases of possible conflict of interest.
- The Board will review the Code of Ethics and update it as needed.
- The Village Code of Ethics is contained in the Village Code Book, which is distributed to each Trustee at the beginning of service, to volunteer board members such as the Planning Board and Board of Appeals, and to our office employees. Your claim to the contrary is wrong. We also have already expanded this policy to include our six highway yard employees, and our Code Enforcement Officers.
- The Board will document and expand upon the existing computer operations policy.
- The Board will create a formalized system for administering user rights, and assign formal control of those rights to a formal system administrator.

- The Board will document and formalize our existing policies concerning remote access to our computers, and require the system administrator to periodically review remote usage logs.
- The Board will create an information breach policy. We wish to note that no such breach has ever occurred nor been attempted, and that no restricted or sensitive data pertaining to any resident is kept on our computers. The village has the means to distribute information quickly to our residents by digital, automated telephone, and physical delivery.
- The Board will document and enhance our existing data backup policies, and require backups to be kept offsite, and tested periodically.
- The Board is in the process of creating a formal disaster recovery plan. It will be available to our clerical and technical staff in the event of an emergency.
- Concerning the confidential information in your audit, we understand those findings and wholeheartedly agree with their merit. These matters will be addressed shortly.

Item 2 Comments:

We take issue with your claim of reliance on non-recurring funding. We can easily understand how one could come to that conclusion by looking at a narrow window of accounting periods with no historical perspective, and without the benefit of more precise accounting techniques on our side. We take full responsibility for the lack of accounting precision that leads to this misunderstanding, and welcome this opportunity to improve those standards in the light of this audit.

Brightwaters' income is derived from taxes and other revenue sources. Taxes comprise roughly half of income. Our other sources of income are varied and disparate, but they are generally recurring items such as State grants for roads, etc. When we do roadwork, we use funds saved for the purpose in the NYS CHIPS program. We often partner with utility companies who must do roadwork on their own behalf, and are obligated to restore our roads to our satisfaction. This strategy, which was developed by Mayor McNulty, has been extraordinarily successful in getting many of our roadways rebuilt at a fraction of the out-of-pocket costs normally associated with this work. We plan an expansion of the utilities work in order to rebuild larger sections of road than originally planned. We take responsibility for the finishing-off of the roadways, allowing the utility companies to pay us for their portion of the work. This provides the Village with a very reliable source of revenue, since the timing and scope and cost of the work is well known.

Such was the case in this issue. The Village contracted for a large amount of roadwork to be done in conjunction with several utility roadwork jobs. Many of the costs were borne during one fiscal year. Repayment for that work was expected to occur in the same year, but was delayed for several months, causing it to be received in the following fiscal year. Our accountants, Sheehan & Company noted this disparity during their normal auditing cycle and called a meeting with the Mayor immediately. By the time the meeting occurred, the monies had been received and banked. When the situation was explained, and the current balances examined, Sheehan agreed that there was not a problem.

Again, we take full responsibility for the lack of accounting precision that led to this misunderstanding. We will ensure that our accounting standards and budgeting processes are improved in order to eliminate similar misunderstandings in the future. We welcome this opportunity to improve those standards in the light of this audit. The Village of Brightwaters does not rely on non-recurring funding. In fact we are very careful in taking on only those expenses that have already been budgeted and sources of funding secured.

Item 3 Comments:

We acknowledge that our year-end fund balances have deteriorated over the years and will require further improvement. Our certified results filed with the OSC containing our balance of 5/31/12 shows a small yet clear surplus. Your preliminary report on page 9, table 1 was based on preliminary findings, and should be corrected. Your report also correctly shows an operating surplus for the FY 2010-2011 and FY 2011-2012 periods.

Item 8 comments:

Your characterization of the situation with our village summer camp as a conflict of interest is misplaced, and fails to grasp the essential nature and communal value of a small village.

Brightwaters has run a short summer camp for very young children since the 1950's. In recent times, it is run for about one month, and is widely lauded as one of the best of its kind. Often in the history of this camp a local teacher has been in charge. This is not a short term arrangement: once tasked with the job, the people who run this camp understand this is a long term commitment to the youngsters and parents of Brightwaters. For the past ten years or so, that job has been done by one family, the Coxes. The Cox family has a long, distinguished history here. The senior Cox was Mayor in the 1990's, and a well respected teacher and coach. Tim and his wife Eileen are well respected teachers, Tim having been a successful coach and administrator at our local high school for many years. We would not be able to find a better respected couple to be involved with our village children. When Tim ran for Trustee, everyone understood the issue with the camp. It was a subject of discussion among the Trustees at the time, and discussed at public meetings with a complete acceptance of the situation among the community.

We acknowledge the possible appearance of conflict to an independent observer, and we recognize the solution to this can be easily accommodated by asking Trustee Cox to refrain from voting on the one yearly abstract that covers summer camp expenses. We also agree that we will create formal policies to ensure that any possible appearance of a future conflict of interest is handled in a way that satisfies our fiduciary obligations, and ensures complete transparency to all of our residents. Respectfully,

Joseph A. McNulty, Mayor
Inc. Village of Brightwaters

Open meeting to public

Mayor McNulty opened the floor to the audience for any questions and/or comments, and several issues were discussed.

- Sheehan & Co. auditors should be changed every 5 years or so
- Did all trustees agree to everything that was in letter
- What is CHIPS
- We have implemented some recommendations and others are in progress
- I have no problem with Tim Cox working day camp
- Budget figures are being more realistic
- Public notice must be posted for public meetings
- Where are the positive comments in the audit
- Why wasn't documentation provided
- Inaccuracy's in audit report
- Their job is to find things wrong
- No capital plan to do roads; need to develop plan. Is there a long term plan
- Policies and procedures need to be updated and that is the only big thing wrong with audit findings
- Does Town of Islip or Suffolk Co. have plans for roads
- NYS auditors always criticize; never compliments
- I don't agree to a reserve fund
- Would like books to be able to be downloaded so residents can review on computer
- Judge Pittman has paid health insurance * See footnote below
- Run ten years and get free health insurance – NO
- Homeowner insurance has a conditional renewal coming; part of coastal waters (lives north of the tracks); NYS mandates; hurricane wind storm deductible; will cost \$2000 more
- Mayor to look into flood plan and insurance increases
- Budget – please don't use the same numbers

* Footnote: Because of the Separation of Powers Doctrine among Exec, Legis & Judiciary Branches, Legis can't unduly influence Judiciary by having something over its head, such as length of term, compensation, etc. Thus B/T could not take away Judge Pittman's health ins during his present term, which I believe is up this June. Whether Pittman or another, the next Judge in the new term will have no health ins and no Judge will have lifetime health ins. The B/T "gaveth and taketh away" lifetime benefits for all, including the Judge as of the end of this term, as is its sole right - it just had to wait until June for that reversal to take

effect for the Judge, while for all others it took effect immediately.
(Written by Village Attorney, Mr. John P. Finnerty)

At 9:21 PM, following a motion by Fischer to adjourn, seconded by Gibson, and a unanimous vote in favor, the Mayor declared the meeting adjourned.

Respectfully submitted,
Christine O'Shea
Village Clerk Treasurer