

MINUTES OF MEETING

DAGSBORO TOWN COUNCIL

MONDAY - FEBRUARY 22, 2010

The meeting was called to order by Mayor Patti Adams at 7:03 p.m. on Monday, February 22, 2010. Council members present were Councilwoman Flowers, Councilman Terry Hearn; Stacey Long, Town Clerk; Kyle Gulbranson, Town Planner, and others listed on the sign in sheet.

The first item of business is Presentation of Building Permits which were issued: Stacey Long said that on January 29, 2010, there was a 10 x 16 shed was issued to Cale Esham on Piney Neck Road. That was it for the building permits for the month of January and February.

Correspondence: There was no correspondence received for the month.

Planning and Zoning Report and Town Council Vote on the following:

Mayor Adams asked Mr. Disheroon if he was going to present this report. Mr. Disheroon said he did not feel there was anything to report. They held the meeting; however, there was no official business transaction whatsoever. There was just the conversation on the two items listed on the Agenda. The Council was advised that there was a copy of the P & Z Minutes in front of them.

New Business: At this time Mayor Adams stated the PKS & Co., our Auditors of Record, will be giving a presentation of audited financial statements from FY 2008 & FY 2009. She asked the auditors to introduce themselves as they speak. They were introduced as: Lee McCabe, Leslie Agullion, and Andrew Haynie. Mr. McCabe passed their cards around to the Council. They are with PKS & Co. Mr. McCabe stated that he and Leslie had conducted the bulk of the field work on the engagement. Mr. Haynie is the audit manager over the review process..the final project which you see. We wanted to come out this evening to briefly discuss some of the financial highlights, and we will do that very casually. We are open to any questions that you might have. We had issued a draft before your last meeting and final version for your review last week. PKS noted that if Council

has any questions, please feel free to ask and they will do their best to answer or get back to you. This is our first year doing your audit and we did two years simultaneously. We did 2008 and 2009. Mr. Haynie will hit on some of the highlights. He stated that basically he is going to report on 2009, and he may refer to something in 2008 for comparison. Next year's goal is to present the 2010 financial report hopefully in the summer or early fall as opposed to this late report. If you compare these statements to prior statements you have noticed a couple different things called the management discussion and analysis, which is required for government financial statements (which yours are). Basically, that is your comments on the statements and with Stacey's help we put that together. It is not really our responsibility; however, we helped Stacey with it as it is supposed to be in there. There are also some more detailed budget comparisons toward the back of this statement in the required supplemental information. Mr. Haynie said he would be just going thru things he felt were highlight very briefly. He started on Page 9...called Statement Net Assets. Basically, there is a summary of everything Page 9 back and various schedules. Beginning on Page 9 the first thing I am pointing out at the end of this year, you had \$231,000 as of June 30, 2009. It is split \$81,000 regular government operations and \$150,000 between business activities (basically the water fund). There is also some additional cash further down - of \$400,000 (basically this is cash that is restricted for various things and c.d.'s restricted for various things - mostly impact fees, transfer taxes, a bunch of site plan review escrow accounts, things like that which have all been restricted and be only used for specific items and not just for general purposes. For the most part your assets were pretty much in line with the previous year. They decreased by about \$30,000 over all. There was not anything major which we say any issues with as far as the assets go. Below what is called Current Assets are the Capital Assets - this is all of your assets such as Town Hall, infrastructure for your water system, pipes, everything like that running through the Town. Anything that has a useful life of more than a year, we are required to the latest accounting standards to actually capitalize and depreciate over their lives and then take a portion of the expenses instead of taking the entire amount. There is a detail of that on Page 29. There is more explanation in the footnotes. It gives you more breakout of what that is made up of. Actually it might be Page 24. You will see there is a portion of land, buildings, equipment, vehicles owned by the Town and infrastructure and all assets of the water department. He mentioned about the infrastructure. There was something in the final review process that we noticed back in 2002-2003 there

was a huge switch in the government accounting to what is called Gasby 34 module. In that you are supposed to account for infrastructure. Towns and cities had never done that before, unless it was a for profit department (such as your water department). Therefore, no one had any idea as to what their infrastructure was...what streets they were responsible for or that they owned. There was a calculation that they were to have been through by each of the governments at some point, kind of staggered he thought. You would have probably fell under 05, so next year we would like to evaluate that and it may change when some of your infrastructure may have to be added to your present. We will look at this more closely next year and there may be some additions. He asked if there were any questions so far. No questions were asked. He left Page 9 and started on the Liabilities Section. Again there is nothing major here when compared to the two previous years or the year before. One thing he would like to point out is the large amount of debt on the Water Fund. This was basically for upgrades that were done. That total decreased from the prior years based on your payments. There is a little more detailed breakdown of that on Page 26. You will see in this current fiscal year, you basically have about \$103,000 for you split between principle and interest. It stays about the same amount through the life of loans. You will see on Page 26 that it is broken between three different loans. That is about all I have on the statement of non-assets. Now I will talk about Revenues and Expenditures of the Town for the year. He stated he will begin on Page 13. This is basically a Statement of Revenues and Expenditures for your governmental fund --- your taxes and everyday operation of the Town, Public Safety, Police Department, etc. Again, in going through these there was nothing that jumped out as too unusual. The Revenue was pretty much in line with the prior year and expenditures were pretty much in line. If you will flip toward the back while we have a Budget to Actual Comparison to see where you were in line with the Budget. If you look at Page 30 there is a detailed list: This gives a breakdown of the Revenue vs. Budget and the long and short of it is the Revenues were about \$86,000 more than you budgeted for Fiscal Year 2008 - a large portion of that \$20,000 and \$40,000 had to do with some grants and municipal street aid and some other police grants. Along with that on the next two pages are the Expenditures that were related to those grants which offset that. The expenditures are also above budget for the year. Most of which had to do with the expense of those grants. There was not anything here again majorly out of line here...we did make note on the Public Safety that the utilities were kind of out of line with the budget. In looking back to prior years, they were

right in line with each other. It appears that in doing the budget for the Utilities, not quite enough had been allocated to the Public Safety Utilities. The actual amount went down. It was \$23,000 in 2008 and it was \$22,000 in 2009. Vice Mayor Truitt said we had a bump in energy prices. You may have to look at this item on the Budget a little more closely. The major variances had to do with expenditures related to the grants. Page 15 - Water Fund. He briefly ran thru expenditures and revenues on the Water Fund. As compared to other years it wasn't anything major that we saw here. You will probably take note in some of the reports you saw we did have some issues kind of satisfying the revenue in this fund basically trying to get some reports from Artesian. We couldn't satisfy ourselves with the reports we were receiving from Artesian that we could support the number in total. That was an issue we discussed in length in our reports. Did Council have any questions or comments? We are open to any right now. Vice Mayor Truitt said ...join the club in trying to get information from Artesian. Lee said he guessed the Town's plan is to purchase meters, etc. and take over billing itself. Mayor Adams stated that was correct. He said he did not know how far along in the process you are. Stacey answered. We begin in June. If they cannot give you reports in a timely manner so you can make decisions, it does not matter how good they are doing, as you can't make decisions. Council stated that hopefully next fiscal year we will be doing better. Lee stated that on the flip side the other difficulty is they tried to test from how much water was used. On that side is the issue of where our water supply comes from. We could not get an accurate reading. Stacey and Lee had looked in detail as to what Millsboro charged as far as that goes. It was a challenge. The water fund is maintained on a day to day basis. The cash basis of accounting...if you are looking at it month to month, you are looking at the cash that came in. We did not have issues on this...the amount collected went into your bank account. That was great. We do not have any way to qualify the dollar amount. We do not think it is a big dollar amount. The problem is if you take a snapshot in time, you need to know how much money is due to you. We must present the statements showing that receivable amount in your revenue is adjusted based upon that receivable amount. That is the part we had issue with, and the part that we did not feel comfortable about tying down and issuing an audit report on it. It added time to the audit...making requests and reviewing the information. Vice Mayor Truitt asked if the \$22,000 roughly was what you considered receivable. To the best you could get to "yes". That was the best we could figure. Lee said they had taken a listing of receivables and looked at it with Stacey and the previous Mayor

and said there were ones which looked O.K. or ones that they felt definitely could not be the right amount. We backed that amount out and went another angle and said the normal billings are this and that. We normally have this many delinquent every month. It is around this amount...the receivables number probably isn't very far off, but there is no way to issue an audit opinion on that number. We cannot issue an audit opinion on that number. Is it your opinion that the numbers you were receiving from Artesian were accurate? Lee said he received multiple reports off of various requests and in the first reports, I could clearly tell they were incorrect. So I talked and e mailed Artesian and stated what they had given could not be correct, so they submitted something for 2008. Then we got 2009. I thought this was going to work as we had done it for 2008...but once again the reports did not tie back and forth with the financial statement for various obvious reasons. They could explain further if Council would like. Lee said he thinks he went back and forth with Artesian and got another report which might have looked a little better. At that point in time, I could not rely on a third party statement that I have gotten different information from across multiple years. He could not issue an audit report on a statement where he is sort of telling them what he needs to see. Then they give me what I need to see. I am not saying they are not giving an accurate report. Artesian is a very large company. He believes their system has to have the ability to give the information you want. He has had no previous dealings with Artesian so he can't say, they can't provide that information. What he can say is timely accurate information was not given when requested. It drug out our audit and we gave up. Councilman Hearn asked if it could be summed up as inaccurate information. Lee said if you want to put it that way. Incomplete at least. He felt they should have one person who knows how to get that information...if that person could be found. Stacey said she has not been able to find them yet. It was felt by the accountants that the time they were putting into trying to resolve that and get a good number and at the end of the day...it was not cost efficient for the Town. Eventually, we have to stop and say, look...do you want us to pursue this further and we will have to start billing at an hourly rate as opposed to the bid quote, or do you want to cut your losses now and say we are far enough along. This is the information we have. That was what was agreed to. Vice Mayor Truitt asked if there were no deficiencies on our end as how we were handling it. The water fund was maintained on a cash basis so Stacey was properly accounting for Cash in and Cash Out. It was accurate. Stacey interjected...time for that raise. Mr. Haynie said there wasn't anything else they had to present, but they were open to any

questions. Councilman Hearn mentioned the advantage of having more than one person dealing with the accounts. Since we are such a small organization, especially in the Town Hall, what do other towns of a similar size do to rectify that? Lee said you would have to evaluate the cost of hiring other individuals as compared to the controls which are already in place presently that could be added. He felt that adequate monitoring by the Council is probably not necessary to incur further expense. If Stacey feels she can handle what she has been doing. The fact that two signatures are required on the checks and the Council comes and signs all of the checks is a very good control. It helps offset the need for segregation of duties. We are required to report deficiencies that we see. We fully expected that deficiency would be in your report when we began the audit because you are a small town in size. Lee said he felt most if not all towns he does of this size have this same deficiency. Lee stated he would not look at that part of this letter as a slap on the wrist. Some things we are just required to communicate and that is where this part comes in. There are things that can be done to strengthen the monitoring process... as they mentioned in their management letter, possibly having a board member review the bank statement and bank reconciliation. It does not have to be on a monthly basis...just randomly stop by and say we want to see what has cleared the bank after we signed the checks. We want to see what is going on after the reconciliation as opposed to what has cleared the bank. You may want to compare what you see on the cancelled checks to what you see in your Quickbooks reports in your general ledger. Who has been authorized to be paid and if all of that is showing up in Quickbooks correctly. It is just another set of eyes. Lee did not feel he had put it in Council's letter but another option would be to request of our bank to mail a duplicate copy of the statement directly to the Town Treasurer. That way Stacey knows that someone else is seeing it. Somebody else is monitoring it as well. Basically, you are doing a very good job of managing the risk of lack of segregation of duties with your monitoring processes that are in place. There are things which could be done to have greater monitoring as he has mentioned. Vice Mayor Truitt felt the double statement might be a good idea. Most banks can provide this. We recommend that as opposed to one statement going to a Council member because the member sits on it a week and then Stacey do her job reconciling the bank statements. Along with that you can check the operating statements (the ones that more money goes through). Possibly check the ones which do not change and check them every six months or so. The auditors felt that doing the operating account where the checks go through would be adequate. Also,

periodically look at the other statements to see if there are any other things going on. You should have those controls in place in case something happens so that the person who comes in behind is able to follow. Lee mentioned that another thing that could be considered is (not that we believe any bank account or any bank activity occurred without approval. During our audit we saw where situations that occurred that cleared the bank and where we (as auditors) could not go an lay our hands on or see where authorization was given to do that (such as closing of bank accounts). Presumably, everyone knows the bank account is closed, but when we come in to do our audit...if money is transferred between accounts or accounts are closed and we ask what happened. Stacey reported that she had been authorized to close that account and transfer the funds, but he does not have anything to look at. Possibly that should be approved in minutes of meetings or a form that is signed. Also, if there are approved expenditures that can be paid in the minutes as well. You have the dual signing of the checks, which is very strong, so don't know if that is as much of an issue or not. This is not a problem with what we saw happening. A lot of that will serve as a protection to Stacey or whoever is in that position, because no one can come back and say...we did not tell you to do that. She can say...yes you did, it is here in writing. The auditors asked if there were any questions or concerns of the Council. We will be happy to respond, just give us a call or drop us an e-mail. Lee stated that before you start doing billing and collections on the Water Fund if you have questions or would like some opinions before beginning the water fund. He stated it would be much better in having confidence in the system when you are setting up in the accounting procedures than to try to fix it after the fact. Mayor Adams thanked PKS & Co. for their presentation.

Old Business:

Under old business was the matter of the extension of Highlands of Pepper's Creek Public Hearing which was moved to March 22, 2010.

Presentation of Treasurer's Report:

Stacey gave the Treasurer's Report - information attached to the minutes on file in the Minute Book. In the General Checking Account we have a balance \$154,323.85; Our Money Market Account is \$76,869.88; Property transfer \$65,158.91; 2 CD's of

\$85,256.46 and \$100,000.00. A few months ago there was a lot less but the error has been corrected and these are the correct figures. The previous record showed \$7,000 or \$8,000. She said this error had been corrected. Checking and Savings in Municipal Street Aid Account totals \$17,988.69; Prince George's Cemetery Checking is \$2,360.07, Savings \$2,176.32 and we have 3 CD's of \$42,693.52, \$44,672.84 and \$30,365.23. In the Water Fund the Cash Account had \$374.88 the Savings Account \$82,202.38 and the Reserve Account of \$35,511.04. The checking account was obviously a little lower as two of our loan payments came due. This was printed on the 18th and a couple of deposits have been made and increased that account. Stacey asked if there were any questions. There were no questions. Stacey asked if the Public Hearing be held on March 22 for the Highlands of Pepper's Creek. She stated that it should be recorded in the minutes as to the date it was to be held...she realized Council stated it should be extended, but it should be a motion. A motion to set the Public Hearing for the Highlands of Pepper's Creek for the March 22, 2010 meeting was made by Councilwoman Flowers, seconded by Vice Mayor Truitt and unanimously approved.

Councilman Hearn made a motion to accept the Treasurer's Report as read, seconded by Vice Mayor Truitt, and unanimously approved.

Approval of Minutes: January 25, 2010

Stacey mentioned that she had been made aware of a correction or addition to the last page of the Minutes. After the Council came back into regular session.....the paragraph where it states Vice Mayor Truitt made a motion to increase the pay rate of \$13.50 per hour...will say to increase the pay rate for Bob Flowers, Maintenance, at a rate of \$13.50. Councilman Hearn seconded the motion. Councilwoman Flowers abstained from voting and the remaining members of the Council were in favor. (For Bob Flowers, Maintenance, at \$13.50 per hour needed to be inserted). Mayor Adams asked if there were any additions or corrections to the Minutes. Councilman Hearn made a motion to accept the Minutes with the stated correction, Councilwoman Flowers seconded the motion and unanimously approved.

Standing Committee Reports:

Police Department: Chief Toomey apologized for being late as he was on a Complaint. As he told Council last month, the police have been getting slammed with serious criminal activities that have taken a lot of time for investigation; however, he has some good news. We only had 20 traffic arrests for the entire month, but they had 23 criminal arrests. There were more criminal arrests than traffic. The good news is that Sgt. Litten has recovered the 4 firearms which were taken in the burglary and the computers. They have been returned to the owner. We are waiting to locate the suspect to get an arrest in the case. We had several shopliftings (primarily at Bodie's Market). Last month he was able to get a resolution to the theft which resulted in a \$200,000 loss to Mediacom. Chief Toomey made an arrest and made 14 felony charges out of that. All of these things are going to Canada (the cable boxes from the second party)... the middle man had contacts in Canada and he shipped them all to Canada and they keep popping up on the grid. Every time someone tries to put one on the Canadian system it flags it and they recovered one...or they recovered eight. That is the gist of the main things they are dealing with now. A couple of things he would like to bring up that are not on the monthly. Chief Toomey just found out yesterday from his Guard Meeting, there is a good chance he will be gone for a month again. April 2 to 17 currently ...confirmed to Ft. Knox, Ky. The seat has not been confirmed yet but further duty will run to May 1. It will be an entire month again. He did not want to alarm anyone, but there is a new unit in the Maryland guard called the 29th Military Police Battalion. They are standing them up to ship to Iraq. They are pulling people from everywhere to send that unit. There are only 3 units to pull from and one just got back from Iraq. His unit and the other unit will probably be the feeder units into this 29th MP's. That is in September when they are going to leave. He just wanted you to have a heads up. He has not been told anything definite. You may want to look for a part timer just in case. Secondly, Chief Toomey had mentioned to the Mayor, we just received a notice that President Obama requested that the cops grant be reinitiated. Quick Overview - the copy grant is where you apply for the grant, they would provide \$32,000 a year for salary and benefits not to exceed 75% of the salary and benefits. A bill is being put before the Senate or Legislature to get funds. They are trying to get 600 million dollars into it. If these grant funds become available and it becomes reality we might want to be looking at a third officer and maybe a fourth. I just want to make you aware and

it is something you want to be thinking about because when these funds become available and it is going to go quick. These cities will jump on it. They have full time people and writing grants is all that they do. With the economic environment which we have now, the cities are suffering and laying off cops as it is. They will try to suck these monies dry. Historically, now Vice President Biden has always tried to take care of Delaware. He has always set funds aside for us. You might start thinking about it...keeping it in the back of your mind. You might want to have a preliminary vote as to what you wish to do, if the funds break loose. Vice Mayor Truitt asked if this was yearly or what? Chief Toomey said when he previously did it in 2005-2006, it was a three year grant and the municipality (the agency that accepted the grant was required to maintain that officer for one year beyond the grant. That was the initial program 4 years ago. You pay $\frac{1}{4}$ for three years and you have to pick up all of the expenses for year four. That was the original commitment. They started the grant at \$25,000. By 2001 that is when it ended and it had gone to \$32,000 then. I was told that the new universal hiring program they will give you one month to have the grant completed and on their desk. That was still \$32,000 he has been told. Does anyone have any questions between the snow and the criminal activity that we have to investigate? Vice Mayor Truitt mentioned some vandalism with his car. He took it to the car wash. No one has complained Chief Toomey said. Much of this stuff happened in December and it is continuing on. Mr. Townsend stated, unfortunately it is across the whole country. Chief Toomey said he does not buy into that ...it is because of the economy and the hard times. The people they have arrested would have done it at any time.....drug addicts or whatever. Many have moved into the area. He gave an example of someone who let a relative move in and when they moved out, his bank kept sending statements. Many cases happened in Maryland, and we are going with identity theft in this case.

Mayor Adams thanked Chief Toomey for his report. There were no questions for Chief Toomey.

Hazard Inspection Committee:

Nothing to report.

Town Property/Town Improvement:

Nothing to report, yet.

Prince George's Chapel Cemetery: Mayor Adams said there was nothing to report except there are tree limbs down and they are to be cleared as soon as the weather permits.

Mr. Cox mentioned the street light at the end of Warrington Street and everyone agreed that it made a huge difference.

Mayor Adams asked for a motion to adjourn. The motion was made by Vice Mayor Truitt, seconded by Councilman Hearn and unanimously approved at 8:00 p.m.

There was no Executive session this evening.

Respectfully submitted,

Rae Long, Administrative Asst.

These minutes summarize Agenda Items and other issues discussed at this Council Meeting. Votes are recorded accurately. The recording of this meeting will be available at Town Hall for a period of two years from the date these minutes are approved. The recording may be reviewed at Town Hall by appointment and in accordance with the Freedom of Information Act.

