

Call to Order

A quorum was present and the meeting had been duly posted in accordance with the Open Meeting Law. Chairman Paul Dow called the regular meeting of the Audit Committee to order at 8:00a.m. in the third floor Selectmen's Conference Room at the Town Offices. The meeting was videotaped but not live cablecast.

Members in Attendance: Chairman Paul Dow, Steven Sintros and Kathleen Sherman. Absent were Robert Finneran and Steven Caron. Also in attendance were Board of Selectmen Liaison Mary O'Donoghue, School Committee Liaison Joel Blumenstein, Finance Committee Liaison Bojay Taylor, Selectman Robert Landry, Town Manager Andrew Flanagan, Director of Finance and Budget Donna Walsh, Town Accountant /Assistant Finance Director Theo Moccia, Assistant Town Accountant/Town Auditor Hayley Green, Town Treasurer David Reilly and Sheldon Berman School Superintendent. Also present were James Powers, Frank Serreti and Kyle Warne of Powers & Sullivan.

Approval of Minutes – May 20, 2015

Upon motion duly made by Ms. Sherman and seconded by Mr. Sintros, it was unanimously voted to approve the above minutes. Motion passed 3-0.

Remarks by Powers & Sullivan and Discussion of the FY2015 Audit Plan

The chairman welcomed Mr. Powers and Mr. Serreti in their roles as Engagement Partners as well as Mr. Warne, Supervisor of the FY2015 Audit.

Mr. Powers reported that the audit went well and thanked town and school staff for their cooperation. He reviewed GASB rules for municipalities which are unique from private corporations, i.e. Massachusetts law requires that municipalities are exempt from bankruptcy status. New GASB rules also require municipalities to provide pension and OPEB, and also to reflect unfunded pension liability on their balance sheets. OPEB unfunded liability will also be reflected on balance sheets in 2018.

He listed and distributed the three reports (see attached) to be reviewed: a) Comprehensive Annual Financial Report; b) Management Letter; and c) Report of Federal Awards.

Report of Federal Awards

Compliance audit of federal monies resulted in a clean opinion (no findings.) Out of \$2.4M, \$2.2M related to school programs.

Management Letter

Analysis of design and operation of internal controls revealed that there were no material weaknesses or significant deficiencies. School and town management have a good working relationship with a mature staff.

In an audit of the Senior Center, however, there were some security issues raised with regard to point of sale systems, user profiles, etc., and recommendations were made to strengthen controls. Ms. Moccia confirmed that she and Ms. Green did their due diligence and had already followed up and reviewed these issues with management and rectified and implemented them with staff.

Issues raised last year with regard to Munis have been addressed and rectified. He also noted that the procurement process has been implemented in eight departments, leaving twelve to be implemented.

Ms. Walsh confirmed that key financial policies and procedures will be reviewed and formalized and then presented to the Board of Selectmen for approval and adoption.

Mr. Powers reviewed the law as it relates to pension funds. The law requires that the pension plan will be fully funded by 2040; Andover voted to fund by 2032.

OPEB on the other hand is also required by law but is a pay-as-you-go system. However, as of 2018 this liability will need to be recorded on balance sheets. Voluntary contributions are being made to fund this liability. Mr. Powers suggested that the new GASB standard discount rate as a base be used on the next actuarial report, even though this valuation is not required until 2018.

Comprehensive Annual Financial Report

Included in this 126-page report is an unaudited transmittal letter containing a narrative of the town and financial objectives, accomplishments, and future goals etc.

He reported that the town received an unmodified opinion, and the best report a municipality could get. There are no funds in deficit, monies in stabilization fund, etc. He added that the biggest change from last year was the pension fund. The discount rate selected by the town at 7.75%, although at the high end, is a reasonable rate and within the “sensitivity” range. The history of the PRIT investment was reviewed and the risk tolerance involved in each category. He added that the state is currently using a discount rate of 8.0%. He also endorsed PRIT as an investment vehicle for his clients. There are 104 Retirement Systems in MA, 94 retirement systems currently invest in the PRIT Fund; 55 systems are fully invested; and 39 systems are partial investors.

He added that the sensitivity analysis form allows for a change in assumptions over a ten-year trend. With PRIT’s goal of an 8.0% return, he reiterated his support of the town’s discount rate of 7.75% with most towns within the range of 7.0-8.0%.

Mr. Powers left the meeting at 9:00 a.m. and Mr. Seretti continued with the standard unsigned management letter. He reiterated that the audit went very smoothly and had great cooperation from the staff.

Discount Rate Vote

Chairman Dow asked for a motion to accept the discount rate of 7.75% as selected. Discussion ensued. The rate was supported by Ms. Moccia, Ms. Walsh and Mr. Flanagan with a notation that it could be lowered after the actuarial report in January, 2016.

Following discussion and upon motion duly made by Mr. Sintros and seconded by Ms. Sherman, it was unanimously voted to accept the three reports as presented with the recommendation that the town view these numbers as being in the upper range of what is acceptable and give close attention going forward.

Interview of Independent Auditor

Chairman Dow then asked members of management to leave the meeting at 9:27 a.m. Chairman Dow asked Mr. Seretti if there was any undue influence by management at any time during the auditing process. Mr. Seretti responded there was not at any time any undue influence by management. Information was provided on a timely basis, with 90% of data being provided on the portal resulting in a timely start of the audit onsite and a clean opinion (no findings.)

Reconvening of Regular Meeting

The regular meeting reconvened at 9:30 a.m.

Reorganization of the Audit Committee

Chairman Dow announced his retirement as Chairman. Following discussion and upon motion duly made and seconded, Mr. Sintros was elected as Chairman and Kathy Sherman as Vice-Chair.

Next Meetings

The next meetings of the Audit Committee is May 18, 2016 and December 7, 2016.

Annual Report

Chairman Dow will prepare the annual report and will distribute in early January.

Adjournment

Upon motion duly made and seconded, the meeting was adjourned at 9:43 a.m.

Respectfully submitted,

Christine Martin Barraford
Recording Secretary

Attachments:

*Comprehensive Financial Annual Report
Management Letter
Report of Federal Awards*