

**Town of Wellesley
Audit Committee
Meeting Minutes
Thursday, November 4, 2019
Wellesley Town Hall, Great Room**

Attendees: Members of the Audit Committee - Laura Ann McDonnell (Chair) Colette Aufranc (Secretary), Stephen St. Thomas (member) and Susan O'Shea (member) Frank Manguso (member). Renee Davis (partner), Jim Powers (consulting partner) and Kyle Warner (manager) of Powers & Sullivan LLC. Sheryl Strother (Finance Director/CFO, Town of Wellesley), Mark Waldman (Treasurer, Town of Wellesley), Meghan Jop (Executive Director of General Government Services, Town of Wellesley), Mark Kaplan (Moderator, Town of Wellesley).

Call to order and introductions

Ms. McDonnell called the meeting to order at 4.04 p.m. and introductions were made.

Citizen Speak

Ms. McDonnell opened the Citizen Speak portion of the meeting and noted that there were no citizens present.

Review and approval of minutes

Ms. McDonnell asked if there were comments on the previously circulated draft minutes of the October 17, 2019 meeting of the Audit Committee, prepared by Ms. Aufranc. No amendments were noted. A motion to approve the minutes, as modified, was approved unanimously.

Discussion of draft 2019 Financial Statements

Ms. Davis noted that at our last meeting the financial Statements of the Wellesley Municipal Light Plant (WMLP) were approved subject to minor edits to the MD&A and footnotes. Ms. Davis noted that the transmission discussion in the Management Discussion & Analysis was reviewed and discussed with legal counsel and compared with other similar financial statements are deemed to be sufficient for the purpose and no further expansion was made. Ms. Davis further noted that the final WMLP report was filed shortly following out meeting within applicable filing deadlines.

Ms. Davis noted that the preliminary draft Comprehensive Annual Financial Report (CAFR) received on October 17th, 2019 had been subjected to a detailed review and no significant changes were made in preparing the revised draft financial statements distributed at the meeting.

Ms. McDonnell asked Ms. Davis to provide a general overview of the draft CAFR for the year ended June 30, 2019. Ms. Davis proceeded to discuss the main financial statements, the significant funds, the three bases of accounting used and the required supplementary financial information. Ms. O'Shea asked a question on how free cash reserves are used and on the expected funding date of the Other Post Employment Benefits (OPEB) liability. Mr. Manguso asked a question on how staff turnover was factored into budgeting salaries. Ms. O'Shea opened a discussion on examples of charges for services. The Committee discussed authorized and unissued debt and the mechanics of eliminating unissued debt at Town Meeting.

Ms. Davis continued to walk the Committee through the notes to the financial statements with a discussion of the GASB 74 and 75 footnote with respect to Pension and OPEB liabilities and what this may look like in the future should the retirement system measurement date change to 12/31.

Mr. Powers walked the Committee through some important schedules regarding the changes in net pension liability and OPEB liability.

Ms. McDonnell opened a discussion on the Management Discussion & Analysis section with suggestions for changes to some graphics that were generally agreed would make easier visual comprehension by the reader of overall revenues, expenses and governmental debt service. Several members of the Committee discussed other suggested minor changes throughout the draft CAFR.

Motion to Approve the Town of Wellesley Financial Statements

The Committee deliberated whether to approve the draft financial statements pending edits as discussed. Ms. Aufranc noted the changes were not material in nature and the Committee noted the positive track record of appropriately making changes to draft financial statements. The Committee was advised the open audit matter was the Management's Letter of Representation which is expected to be received. The Committee moved unanimously to approve the audited financial statements pending the changes as discussed.

Discussion of the Management Letter

Ms. Davis discussed the Management Letter noting that the first two comments on *Documentation of Internal Controls* and *Formalization of Cash Handling Policies and Procedures* were considered partially resolved due to the fact that while the appropriate work has been conducted and manuals/procedures have been drafted the formal end product documents have yet to be finalized and this is expected in due course.

Ms. Davis discussed the current years management letter point with respect to the *Council on Aging - Documentation of Financial Policies and Procedures*. Ms. Davis discussed the current status of the Council on Aging (COA) management. Ms. Davis noted that there was an interim director and an experienced consultant in place who were reviewing the existing approach and methodology with a fresh set of eyes who are flagging issues and changing the approach where necessary. The COA interim director and consultant have been in place for 4 weeks already and in the next 5-6 months will be looking at policies and procedures. With the change in the location and increased activity of the COA, there is more administrative and financial work to be done as opposed to the previous balance leaning more toward social work.

Discussion of the Report on Federal Awards Programs

Ms. Davis walked the Committee through the report and noted no findings in the course of their work. Ms. Davis noted that in similar communities the typical findings surrounded procurement procedures but that was not identified in Wellesley.

Mr. St. Thomas opened a discussion of special education funding with respect to Wellesley Students outside of public schools.

Discuss topics to be presented at the December 16th Selectmen Meeting

Ms. Davis asked if there were further matters to present to the Board of Selectmen at our upcoming meeting. Ms. Aufranc suggested we follow up on our letter to the Board of Selectmen on cyber security and the Committee agreed unanimously.

Other Business & Adjournment

There being no other business raised, Ms. McDonnell made a motion to adjourn the meeting at 6.40 p.m., which was approved unanimously.

Respectfully submitted, Colette Aufranc