

**Financial Audit Advisory Committee
Minutes of Meeting on April 4, 2018**

The Financial Audit Advisory Committee (FAAC) met at 8:30 AM in the Town House Select Board Room, Concord, Massachusetts. Notice of the meeting was duly filed with the Town Clerk, Town of Concord, Massachusetts.

Members present: Carol Wilson, citizen representative; Wally Johnston, School Committee designee; Thomas Piper, citizen representative; Wendy Rovelli, Light Board designee; and Arthur Fulman, citizen representative.

Members absent: Michael Lawson, Select Board designee.

Others present: Mary Barrett, Town Accountant and Malyssa Simard, Finance Assistant.

In Chairman Lawson's absence, committee member Carol Wilson called the meeting to order at 8:32 AM.

Item 1: Approval of minutes, meeting of March 21, 2018

In response to Carol Wilson's request for comments or corrections to the draft minutes, Thomas Piper said that he was not proposing a change to the minutes, but he was interested in any follow-up to questions that had been raised during the March 21st meeting with respect to calculation of the CMLP's rate of return. Wendy Rovelli explained that the calculation can properly be done two ways. With the first, which is used in the Town's budget book and also agrees with the DPU rate of return calculation, the figure is calculated prior to the adjustments to factor the PILOT in the net margin. For the Municipal Light Plant Financial Statement, the rate of return is the net margin after the PILOT. It is CMLP's strategy to maintain a 3 to 5% return based on the latter formula, and this is considered to be sustainable over the long term. While the results of the two methods of course vary, the auditors have determined upon review that the Town is using the correct calculation and is in compliance.

Upon a motion by Ms. Rovelli and seconded by Arthur Fulman, the Committee voted to approve the minutes.

Item 2: Review/Approve Draft FAAC Letter to Select Board

A draft letter to the Select Board had been prepared by Chairman Michael Lawson and distributed to the Committee prior to the meeting. Ms. Wilson noted minor typographical and grammatical errors and suggested appropriate revisions.

Discussion moved to considering whether a topic discussed at prior meetings, but not referenced in the Auditor's report or management Letter for the Town of Concord, should be noted in the Committee's

Report to the Select Board. Wally Johnston reviewed the School Committee's actions to date regarding vacation accrual procedure and policy for school staff not covered by collective bargaining agreements. As this is an issue for the School Department under the direction of the Superintendent and School Committees, it was agreed not to include in this report.

On a motion made by Ms. Rovelli and seconded by Mr. Fulman, it was also agreed to simplify a statement describing the contents of the report to read, "Our report contains comments on the audit process and Management Letter for the Town."

The Committee next took up a suggestion by Mr. Piper that the report include an additional excerpt from the Management Letter that defines a "material weakness". This would follow and support a reader's understanding of the statement indicating that no material weaknesses were identified in the course of the audit. There being general agreement to this addition, Mr. Piper's motion to add the definition of "material weakness", as stated in the Melanson Heath Audit Report, is approved unanimously.

Item 3: Citizen comments

There were no citizen comments.

Committee members were reminded that a meeting has been scheduled for May 2nd to undertake planning for the next audit cycle.* Mary Barrett reported that representatives of Melanson Heath have confirmed their availability to attend this meeting as well as presentations to the Select Board on April 23rd and to the School Committee on April 24th.

Item 4: Adjourn

There being no further business, the meeting adjourns at 9:10am.

Documents distributed or referred to during this meeting:

- Draft Minutes of March 21, 2018
- Draft FAAC Letter to Select Board
- Proposed addition to Draft Letter

*The meeting scheduled for May 2nd was later removed due to a meeting already being scheduled on May 16th.

