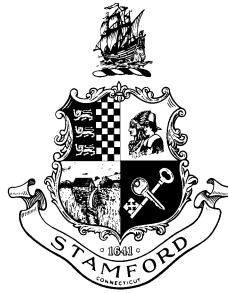


Minutes: January 12, 2017

DAVID R. MARTIN
MAYOR



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REPORT OF AUDIT COMMITTEE MEETING OF THE BOARD OF FINANCE

JANUARY 12, 2017

ATTENDEES: COMMITTEE CHAIR RICHARD FREEDMAN; BOARD OF FINANCE MEMBERS MARY LOU RINALDI, DUDLEY WILLIAMS AND SHELLEY MICHELSON. AUDIT COMMITTEE MEMBER SAL GABRIELE WAS NOT PRESENT. ALSO IN ATTENDANCE WERE: CONTROLLER DAVID YANIK, DIRECTOR OF ADMINISTRATION MICHAEL HANDLER, INTERIM DIRECTOR OF OPM JAY FOUNTAIN, MANAGEMENT ANALYST ANTHONY ROMANO, AND BLUM SHAPIRO AUDITORS, GERALD PARADIS AND NIKOLETA MCTIGUE

Chairman Freedman opened the meeting at 6:05 p.m. stating its purpose as a review of the final draft of the CAFR for the Fiscal Year Ended June 30, 2016.

Controller David Yanik introduced Gerald Paradis and Nikoleta McTigue of the Blum Shapiro accounting firm who worked on the audit and who are present to answer any questions. He said the *original* draft of the CAFR was presented by Blum Shapiro at the Audit Committee meeting on November 10, 2016. He added that there were not a lot of changes at the fund level but there were changes as far as the government-wide financial reporting goes (as noted during the November meeting), we were waiting for final information regarding the pension and OPEB obligations. There were also adjustments related to the URC, the Director of Administration's proposed surplus designation, and valuation issues with respect to certain pension assets under GASB 72 the new fair value guidance. He added that we were fortunate it was limited to these issues and was more at the government-wide level than the general fund or fund level. He explained those changes and spoke briefly on the most significant differences between the government-wide level reporting and fund level reporting.

Mr. Yanik then reviewed the various governmental funds financial results including budget versus actual (including significant additional appropriations), revenues, transfers, expenditures, the fund balance summary and the elements of fund balance; assigned fund balance; encumbrances; future obligations of the City; Rainy Day purposes' set asides; and the Board of Education energy reserves.

He also summarized operating results, cash balances and liquidity, debt service (less than 10% of expenditures), accounts payable and capital spending (i.e. use of bond proceeds), and covered business-type activities, pensions and OPEB. He discussed the government funds balance sheet, fund balance - \$41.6 million - and the efforts being made to collect grants receivable from the State for various capital projects – currently at \$27 million, which is a number we want to see drop.

With regard to business-type activities, it was noted that WPCA continues to improve financially in both cash reserves and its results of operations, and has been well-managed financially. Pensions and OPEB funding percentages, however, are mixed from the prior year. Pension funding percentages drop around 5% from the prior year while the OPEB funding ratio rise to around 19% from last year's 16%.

Following Mr. Yanik's presentation, questions posed included the Old Town Hall Redevelopment Agency, property tax collection percentages, and how Stamford's pension funding percentages compares with other cities in the state.

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Ms. McTigue was asked to comment on her internal control findings from the audit review and responded that there were no significant deficiencies or material weaknesses, so it is going to be a "clean" report. In addition she noted her firm's *Communications to those Charged with Governance* where they are required to report to the City on certain items, a 2-page report that we should have received. She added that we have identified the estimates that were used in the preparation of this year's CAFR. They did not find any issues with these estimates. They did not have any difficulties performing the audit, there were no uncorrected misstatements and they did not have any disagreements with management.

Management signed a management representation letter taking responsibility for all information provided to Blum Shapiro. There were no consultations with other firms. They did not have any other findings and issues. Eventually they will issue a Management Advisory Letter where they have some comments on areas for improvement. Included in those comments is one topic, grants management and how the grants receivable for capital projects amount has increased from the prior year. They believe there is not a timely review of those grants receivable, because, from their experience in the past few years, summary schedules are not updated until late in the audit and always seem to get included in their internal control comments. She added that there does not seem to be enough being done to prepare the reimbursement applications and realize that money.

Ms. McTigue again addressed the delay in receiving necessary financial items from City entities which, in turn, delayed the completion of the audit. She said there was improvement compared to last year, but reinforced the need to have financial information in on a more timely basis to complete the audits and submit the filings to the State.

Please refer to the video tape of this meeting for further details.

The 2015-16 CAFR is accessible by clicking on the following link:

<http://www.stamfordct.gov/office-of-administration/pages/annual-reports-and-budgets>

The Audit Committee of the Board of Finance conducted a meeting for the above-stated purpose at the Stamford Government Center, Board of Finance Meeting Room, 4th Floor, 888 Washington Boulevard on:

Thursday, January 12, 2017, at 6:00 P.M.

Richard Freedman, Audit Committee Chair

Sal Gabriele, Member

cc: Mayor David Martin
Michael Handler, Director of Administration
Kathryn Emmett, Director of Legal Affairs
Ernie Orgera, Director of Operations
Jay Fountain, Interim Director of OPM
Lee Berta, Assistant Director of OPM

David Yanik, Controller
Karen Vitale, Assistant Controller
Lou Casolo, City Engineer
Beverly Aveni, City Purchasing Agent
Donna Loglisci, City and Town Clerk
Randall Skigen, President, Board of Representatives