

**Finance Committee Minutes
Joint with School Finance Committee
Thursday, October 29, 2009**

Attendees: Finance Committee & Councilors: Chairman Nick Mavodones, Councilor Anton, and Councilor. City Staff: Joe Gray, Anita LaChance, Ellen Sanborn, Suzanne Knight, Paul Colpitts. Auditors from Runyon Kersteen Ouellette: Kathy Tyson, Greg Chabot and Roger Lebreux. Financial Advisor, Joe Cuetera from Moors & Cabot. School Committee members: Peter Eglinton, Jaimey Caron, Kathleen Snyder, and Robert O'Brien. School staff: James Morse, Herb Hopkins and Bobi Gorman.

Chairman Mavodones opened up the meeting and introductions were made. The purpose of this meeting was for the auditors to present preliminary FY09 year end results.

Preliminary FY09 Audit Results

Greg Chabot explained that the audit field work has been completed. It was a clean opinion without any journal adjustments and no major issues.

Roger performed other sections of the audit. He explained that the Jetport enplanements (PFC) budget is \$19 million and is in compliance with the City in the process of collecting revenues for projects. The City has \$25 million annually in grants and those over \$650,000 are audited. There was only one finding with the Fire Department for the boat, which they are not taking care of. The School stabilization grant was tested and there were no findings. Kathy said grant auditing is a substantial part of the City's auditing, she explained they rotate over a three year period.

Kathy provided a draft of the management letter and explained that there was only one significant deficiency to report. This was on the School Department accounting system reconciliation which is being updated from a 2008 management letter. She explained that up until 2008-09 the school maintained and expenditure only one accounting system. The School set up additional accounts and funds in their accounting system to accommodate a full self balancing double entry system. However, the City's system is relied on for accounting in compliance with accounting principles and the School's system is a subsidiary ledger for State DOE reporting. Because the School and City have separate software systems, a consistent system should be implemented on reconciliation. Kathy said they have recommended that the School and City work together in the reconciliation process.

This year the School Department set up all revenue accounts which are also required by the State. In doing that it brought their system up to date. Kathy said the reconciliation still seems to be delayed. Jim said they have been aggressive in putting their financial house in order and feels fortunate to have Bobbi on board as an accountant to help Herb. He is comfortable that this finding will not be a significant deficiency next year. Chairman Mavodones felt it important to note that there have been significant strides since last year. Jim said his relationship with Ellen has been great and she has been very helpful. He feels that now that they have the skill set in

place this should no longer be an issue. Jim said that the City and State both have specific ways they want information.

Councilor Anton asked about consolidating software. Jaimey said that last night the School Committee discussed moving to new software that would handle accounting and payroll. He asked Ellen if it mattered what type of software is used. She said that as long as it can be reconciled there shouldn't be a problem. She cautioned Jaimey to make sure that the system they have currently in place is good and reconciled before migrating to a new system.

Discussion was held on the School Department not being in compliance with City Charter and the City Council will need to take action to ratify the use of excess revenues to satisfy excess spending.

Joe said the City made a \$1.2 million adjustment in expenditures in January when revenues were sliding. Ellen provided a fund balance status report.

Kathy thanked the City and School with assistance in the audit. She said that overall, it was a very clean audit. Ellen has been talking with rating agencies this week about School finances and they are happy that fund balance is being increased. They are concerned with State revenues for the School. Ellen said that the agencies are pleased that we did what we said we were going to do.

Chairman Mavondones thanked auditors for their presentation and agrees that the City and School have great staff. He was pleased with the progress made with items being clean up, in particular on the School side and wanted the diligent efforts of the School Committee to be noted. Councilor Anton agreed and feels the School Committee has put in a lot of hard work being assertive and aggressive with clear goals. He asked for an update on curtailments. Jim said that the School Committee took a very bold \$2.7 million curtailment due to a significant loss of revenue. He said the committee has passed a resolution and has been working aggressively. He will be making recommendations to identify where this curtailment will come from.

Adjournment.