

Chair: Christopher Etori

Other committee members present: Aldermen Humphrey, Reveal, Whitcomb

Other Aldermen present: President Davis, Alderman Mattis

Others present:

Mayor Allaire

Treasurer Mary Markowski

Assistant City Treasurer Lynne Holmquist

Fred Duplessis, CPA, Sullivan Powers & Company

John Coffin, City Internal Auditor,

The meeting convened at 5:30 pm to review the FY18 audit report with Fred Duplessis who led the auditing team from Sullivan Powers & Company in their second year conducting Rutland City's audit. Fred reported the city has a clean unmodified opinion and is in full compliance with Government Auditing Standards. Those present then proceeded to walk through the report highlighting important components.

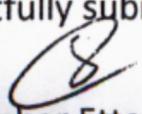
Of particular importance is the management discussion and analysis on pages 4 – 15. This section is the Treasurer's narrative of the FY18 financial statements and helps to explain the numbers found in the financial statements, which follow on pages 16 – 25. The supporting footnotes for the financial statements that detail the origin of the numbers follow and make up the bulk of the audit report. Fred pointed out a few things in these sections. The most important is that city now needs to record Other Post-Employment Benefits as a liability on the balance sheet. Along with the unfunded portion of the pension, this is a significant impact on the bottom line, and might have an impact on our bond rating for future borrowing. As the mayor pointed out, this is not a new issue but rather a new reporting requirement. Fred pointed out that the city used a 3.58% discount rate (based on the 20-year Bond Buyer index) to calculate the liability of \$9.3M, but a 1% change in that would impact the liability +/- \$600K. Likewise, if the five-year healthcare cost trend rate had a 1% change, the impact on the liability would be +/- \$7-800K. Secondly, Fred pointed out that we are on a "Pay as you go" system, meaning that the annual department budgets carry this burden for current retirees but those who retire within the budget year are unbudgeted expenses. This could create a significant deficit in those budgets, such as we might see in the FY19 Fire Department budget given the high number of retirements this year.

Other important sections Fred wanted to bring to our attention:

- On page 65 there is a description of the sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. This indicates that while the actuaries use 7.5% as the rate, a 1% change in that rate changes our liability very significantly:
  - 1% decrease to 6.5% - \$28,662,285
  - 7.5% - \$20,624,903
  - 1% increase to 8.5% - \$13,790,132
- On pages 75 – 76 there is a comparison of actuals to budget for revenues and expenditures.
- Lastly, starting on page 109 is the summary of findings and material weaknesses identified by the auditor. Also included is the management's response to the findings. These findings are generally accounting changes and developing new controls that this auditing firm believes are of value. There is no action from the board required for any of these changes.

The meeting adjourned at 6:15 pm. This report was for information only.

Respectfully submitted,

  
Christopher Etori, Chair