

TOWN OF BELMONT PERMANENT AUDIT COMMITTEE

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BELMONT, MA

Minutes: Wednesday, January 7, 2015, Town Hall Conference Room 4, 9:00 AM
Present: Members Ernest E. Fay, James Finn, Robert Keefe, ex-officio member Town
Accountant Chitra Subramanian, ex-officio member Town Treasurer Floyd
Carman and ex-officio member Chairman of the Board of Selectmen Mark
Paolillo
Absent: Member Frank Caruso
Also Present: Dick Sullivan, Craig Peacock and Lizz Montes from Powers and Sullivan

2015 FEB 10 AM 9:05

Chairman Ernest Fay called the meeting to order at 9:00 AM.

Craig Peacock presented reports on the FY14 Town-wide Audit results:

Three Reports

- Financial Statements Review
- Report on Federal Awards
- Management Letter

Financial Statements Review

1. Audit Schedule
 - a. Preliminary – Retirement; Cash and Receivables; GASB 54; Budget; LTD; Internal Control (JE's and transactions); Single Audit; Planning;
 - b. Year end – completed preliminary work; trial balance; year end balance sheet; perform flux analysis; compiled statements.
2. Overall Results
 - a. Unmodified Opinion.
 - b. Information received was accurate, with the exception of fixed assets.
 - c. Responses to audit inquiries were timely.
 - d. No major internal control issues, no material weaknesses, or significant deficiencies.
3. Major Balance sheet classifications;
 - a. Cash & Investments Town – \$72.4 mil
 - b. Cash & Investments Pension - \$78.9 mil
 - c. Cash & Investments OPEB - \$1.7 mil
 - d. OPEB – Total Liability \$71.6 mil – \$14.0 mil increase
 - e. Landfill – Total liability \$3.1 mil – \$100 k decrease
 - f. Capital Assets –
 - Town – Net increase \$1.3 mil (depreciation exceeded new adds)
 - Water Fund – Net increase \$819 k (Mainly Infrastructure projects)
 - Sewer Fund – Net increase \$2.5 mil (Mainly Infrastructure projects)
 - Light Fund – Net increase \$2.4 mil (Mainly plant upgrades)

- Debt – Issued \$500 k of LT Debt (MWRA Water), issued \$2.3 GOB Governmental (Harris Field and various fire equipment) \$482 k various water projects.
 - Governmental outstanding \$40.7 mil
 - Water outstanding \$4.2 mil
 - Sewer outstanding \$9.8 mil

g. OTHER TESTING

- Expenditures
- Revenues
- Journal Entries

4. Financial Highlights:

- a. GASB 65 implemented – Changed previously reported assets and liabilities to deferred inflows or inflows (loss on refunding, advanced collections, deferred revenues).
- b. 6th year of GASB 45 Other Postemployment Benefits - resulted in recognition of \$71.6 mil OPEB Liability, up \$14.0 mil.
- c. General Fund
 - Net budgetary increase of \$1.9 mil, 2.1% of budget, as a result free cash did not have to be used.
 - Revenues exceeded budget 3.3% (\$2.9 mil)
 - Expenditures came in lower by 1.4% (\$1.3 mil)
 - Unassigned fund balance 13.5% of budget up from 11.1% in PY
- d. Structurally operations are sound
 - Debt service is 5.9% of budget
 - RE & PPT collections continue to be 99% of levy
- e. Enterprise Funds
 - Water Fund net assets increased \$443 k
 - Flat water fee revenue
 - Increase in operating costs resulted in less operating income
 - Sewer Fund net assets increased \$253 k
 - Flat sewer fee revenue
 - Increase in operating costs resulted in less operating income
 - Light Fund net assets increased by \$1.1 mil
 - Increase in rates designed to cover costs
 - Increase in kilowatt hours sold
- f. Pension Fund Total Net Assets – \$82.3 mil
 - \$10.6 mil increase in net assets.
 - Much better investment return in 2013
- g. OPEB Fund Total Net Assets – \$1.7 mil
 - \$265 k transferred in FY15
- h. Stabilization Funds
 - General Stab Fund - \$7.2 mil at fiscal year end
 - Ash Landfill Stab - \$3.4 mil at fiscal year end
 - SPED Stab Fund - \$252 k at fiscal year end

Reports on Federal Awards

1. Unmodified opinions
2. \$1.6 mil of expenditures of federal awards
 - a. Tested – A total of \$949 k or 59% of federal grant expenditures
 - b. SPED Cluster - IDEA
3. Test results
 - a. No findings or question costs.

Management Letter

1. Prior year comments (8)
 - a. Resolved – 1
 - Old Outstanding Motor Vehicle Excise Taxes, \$18,500 abated by Board of Assessors.
 - b. Unresolved – 7
 - Insurance Proceeds in Excess of \$20,000 needs to be closed out if unappropriated to the General Fund.
 - Withholding Liabilities need to be reconciled.
 - General Ledger Journal Entries – most Department entries are now reviewed. Need to implement procedures so accounting personnel entries are reviewed.
 - Debt Exclusion Premium reported incorrectly on the recap.
 - Chapter 90 Fund - \$13 k surplus – Town has petitioned the State to determine if the \$13 k can be spent on future projects.
 - Automation of Compensated Absences Information should reflect the buyback provisions of the Town and Union Contracts.
 - Fixed Asset Accounting – Timely procedures to account for need to be implemented.
2. New Comments – 4
 - a. Other Postemployment Benefit Trust Contributions – Be sure General Fund appropriation is voted net of other contributions (enterprise funds).
 - b. Fixed Asset Capitalization Policy – Recommend increasing the threshold to \$50k.
 - c. Other Postemployment Benefit Actuarial – New valuation required for FY15 and FY16.
 - d. Future GASB's – implementation of GASB 67 and 68 Accounting and Financial Reporting for Pensions.

The members of the committee ask various questions during the presentation which were responded to by Powers and Sullivan.

Follow up question:

- The level of audit materiality.

Post PAC meeting 1/7/15 question answered (see attached)

Respectfully submitted,

Floyd S Carman