

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE**

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Minutes: Wednesday, January 16, 2019, Town Hall Conference Room 1, 9:00 AM
Present: Members Robert Forrester, Glenn Logan, Robert Keefe, ex-officio member Town Accountant Chitra Subramanian, ex-officio member Town Treasurer Floyd Carman, ex-officio member Board of Selectmen Thomas Caputo
Absent: Frank Caruso
Also Present: Craig Peacock from Powers and Sullivan

Chairman Robert Keefe called the meeting to order at 9:00 AM.

Frank Caruso had previously reviewed the draft reports and provided comments to Floyd Carman and Robert Keefe prior to the meeting.

Frank Caruso called in to listen.

Craig Peacock presented reports on the FY18 Town-wide Audit results:

Three Reports

- Basic Financial Statements
- Federal Awards Program
- 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; compile statements
2. Overall Results:
 - a. Unmodified Opinion
 - b. Information received was accurate
 - c. Responses to our 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 – \$93.2 mil
 - b. Cash & Investments Pension - \$104.9 mil
 - c. Cash & Investments OPEB - \$3.5 mil
 - d. Landfill – Total liability \$7.9 mil – increase \$600 k
 - e. Capital Assets:
 - Town – Net increase \$2.3 mil (infrastructure, machinery & equipment, buildings)
 - Water Fund – Net increase \$1.3 mil (Mainly Infrastructure projects)
 - Sewer Fund – Net decrease \$85 k (Depreciation exceeded current year adds)
 - Light Fund – Net increase \$1.8 mil (Mainly substation sale)

- f. OTHER TESTING:
 - Expenditures (30)
 - Revenues (30)
 - Journal Entries (30)
 - Payroll (25)
 - OPEB & PENSION Census Data

4. Financial Highlights:

- a. GASB 75 Implemented - Recorded deferred outflows, inflows and the net OPEB liability
 - \$97.3 million total liability recorded
 - Additional notes and RSI
 - See page 60
 - Assumption changes:
 - Discount rate used is blended at 5.9%
 - Changes to prescription drug coverages to premium based for retirees in Medicare
 - Cost method changed from Projected Unit Credit to Entry Age Normal
- b. GASB 68 – Recorded deferred outflows, inflows and the net pension liability page 55
 - 72.3 million liability
 - \$29.8 million of investment earnings helped lower the liability
- c. General Fund
 - Net budgetary decrease of \$144 k
 - Only \$144 k of \$4.7 million of free cash needed to be used
 - Revenues exceeded budget 1.9% (\$2.1 mil)
 - Expenditures came in lower by 1.7% (\$2.5 mil)
 - Unassigned fund balance – 16.6% of budget
- d. Structurally operations are sound
 - Debt service is 4.0% of budget
 - RE & PPT collections continue to be excellent – 99% of levy
- e. Enterprise Funds
 - Water Fund net assets increased \$1.5 million
 - Funding of capital assets with current revenues
 - Decrease in OPEB
 - Sewer Fund net assets increased \$1.3 million
 - Funding of capital assets with current revenues
 - Principal exceeds depreciation
 - Decrease in OPEB
 - Light Fund net assets increased by \$2.2 million
 - Decrease in operating costs
 - Increase in sale of electricity
- f. Pension Fund Total Net Assets – \$109.0 mil
 - \$13.2 million increase in net assets, mostly investment income offset with benefit payments
 - Contributions, Investment income less benefits and administrative
 - Audit went much more smoothly this time
 - Small hiccups with reports
 - Information was more readily available

- g. OPEB Fund Total Net Assets – \$3.5 mil
 - \$385 k of contributions
 - \$6 k of investment earnings
 - \$572 to be transferred in 2019
- h. Stabilization Funds
 - General Stab Fund - \$4.0 at fiscal year end
 - \$1.0 transferred in in 2018
 - \$28.9 k of investment earnings
 - Ash Landfill Stab - \$3.5 mil at fiscal year end
 - SPED Stab Fund - \$3,241 at fiscal year end

Reports on Federal Awards

1. Unmodified opinions
2. \$1.7 mil of expenditures of federal awards:
 - Tested – A total of \$1.1 mil or 66% of federal grant expenditures
 - SPED Cluster - IDEA
3. Test results
 - a. No findings or question costs

Management Letter

1. Prior year comments (2)
 - a. Unresolved or Partially Resolved – 2
 - Automation of Compensated Absences – Working to automate the accounting process and account for buy back provisions
 - Documentation of internal controls over federal awards
2. New Comments – 3
 - a. Police Detail Negative Cash
 - b. Fund Balance Reserves – most updated needed to record entry to true up encumbrances and articles
 - c. Maintaining Investments at Market Value

The members of the committee asked various questions during the presentation which were responded to by Powers and Sullivan. After discussion, language was added to clarify the changes impacting the OPEB presentation and current valuation as well as adding disclosure of the Belmont High School project and related costs and debt exclusion.

The Meeting adjourned at 11:50AM.

Respectfully submitted,

Floyd S Carman