

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE**

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Minutes: Wednesday, January 15, 2020, Town Hall Conference Room 1, 9:00 AM
Present: Members Frank Caruso, Robert Forrester, Glenn Logan, Robert Keefe, ex-officio member Town Accountant Chitra Subramanian, ex-officio member Town Treasurer Floyd Carman, ex-officio member of Select Board Roy Epstein
Also Present: Craig Peacock from Powers and Sullivan, John Marshall and Glen Castro

Chairman Robert Keefe called the meeting to order at 9:00 AM.
Frank Caruso left at 10:15 AM.

Craig Peacock presented reports on the FY19 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 – \$197.8 mil, High School financing added \$100.0 mil
 - b. Cash & Investments Pension - \$106.0 mil
 - c. Cash & Investments OPEB - \$4.5 mil
 - d. Landfill – Total liability \$7.6 mil – increase \$300 k
 - e. Capital Assets:
 - Town – Net increase \$14.6 mil (infrastructure, machinery & equipment, buildings high school construction)
 - Water Fund – Net increase \$2.6 mil (Mainly Infrastructure projects and new equipment)
 - Sewer Fund – Net decrease \$779 k (Machinery, vehicles, infrastructure)
 - Light Fund – Net increase \$1.6 mil (Mainly distribution plant)
 - f. OTHER TESTING:
 - Expenditures (30)
 - Revenues (30)
 - Journal Entries (30)
 - Payroll (25)

- OPEB & PENSION Census Data
- 4. Financial Highlights:
 - a. GASB 75
 - \$100.9 million total liability recorded as well as deferred outflows and inflows
 - \$96.7 mil Town
 - \$4.2 mil Light
 - b. GASB 68 – Recorded deferred outflows, inflows and the net pension liability page 55
 - \$80.7 mil liability
 - \$73.8 mil Town
 - \$6.9 mil light
 - \$8.4 mil increase over PY
 - Poor investment performance
 - c. General Fund
 - Net budgetary increase of \$2.7 mil
 - None of the \$3.5 mil of free cash and overlay needed to be used
 - Revenues exceeded budget 3.1% (\$3.4 mil)
 - Investment income
 - Tax title
 - Expenditures came in lower by 2.1% (\$2.4 mil) after carryforwards
 - Unassigned fund balance – 13.0% of budget
 - d. Structurally operations are sound
 - Debt service is 4.1% of budget
 - RE & PPT collections continue to be excellent – 99% of levy
 - e. Enterprise Funds
 - Water Fund net assets increased \$1.2 million
 - Increase in current user fee revenues
 - Decrease in overall operating costs
 - Sewer Fund net assets increased \$1.4 mil
 - Funding of capital assets with current revenues
 - Rates are designed to cover all costs
 - Light Fund net assets increased by \$2.2 mil
 - Decrease in operating costs
 - Increase in sale of electricity
 - f. Pension Fund Total Net Assets – \$106.0 mil
 - \$2.9 mil decrease in net assets, mostly investment loss
 - Audit went smoothly, Robert Soohoo, Director of Belmont Retirement System had another year of experience
 - g. OPEB Fund Total Net Assets – \$4.5 mil
 - \$571 k of contributions
 - \$408 k of investment earnings
 - \$553 k to be transferred in 2020
 - h. Stabilization Funds
 - General Stab Fund - \$2.7 mil at fiscal year end
 - \$1.3 mil transferred out in 2019
 - \$92 k of investment earnings
 - Ash Landfill Stab - \$2.8 mil at fiscal year end
 - \$770 k transferred out in FY19
 - SPED Stab Fund – Spent in FY19

Reports on Federal Awards

1. Unmodified opinions
2. \$1.5 mil of expenditures of federal awards:
 - Tested – A total of \$867 k or 59% of federal grant expenditures
 - SPED Cluster - IDEA
3. Test results
 - a. No findings or question costs

Management Letter

1. Prior year comments (4)
 - a. Unresolved or Partially Resolved – 2
 - Automation of Compensated Absences – Working to automate the accounting process and account for various union contract provisions
 - Documentation of internal controls over federal awards – Draft has been completed, waiting on final approval to become a final document
 - Police Detail Agency – Town is comfortable with the cash deficit, represents timing based on monthly reconciliations.
 - Maintaining Investments at Market Value – Either maintain all at market or all at cost.
2. New Comments – None

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 expense and current valuation as well as adding MDA disclosure of the borrowing related to the Belmont High School project.

The Meeting adjourned at 12:15PM.

Respectfully submitted,

Floyd S Carman