

## TOWN OF BELMONT PERMANENT AUDIT COMMITTEE MEETING

Minutes: Wednesday, November 18, 2020, Zoom Meeting, 9:00AM  
Present: Robert Keefe, ex-officio member of the Select Board Roy Epstein, Robert Forrester, Frank Caruso, ex-officio member Town Accountant Glen Castro  
Also Present: Craig Spinale and Maria Makar-Limanov from the Belmont Municipal Light Department, Heather Isaacs and Adam Borbone from Goulet, Salvidio and Associates  
Absent: ex-officio member Town Treasurer Floyd Carman, Glenn Logan

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Chairman Robert Keefe called the meeting to order at 9:05 AM.

Heather Isaac and Adam Barbone reviewed the Audit Plan of the BMLD for the calendar year ended 2020 which is included as an attachment. Permanent Audit Committee Members asked various questions which were responded to by Ms. Isaacs, Adam Barbone and members of the BMLD. Discussion included the planned changes in the PILOT payments with the Town which would need to be finalized and disclosed in the 12/31/20 financial statements. Ms. Makar-Limanov also gave an update on the ongoing issue of overdue accounts receivable payments.

Follow up:

- Glen Castro to ensure that Heather Isaacs from Goulet, Salvidio & Associates, P.C. has the GASB75 OPEB information from Segal Consulting and Belmont Retirement Board Audit Report from Robert Sohoo.
- Scheduled audit status follow-up on reports during the week of 1/13/2021 via email between Town, BMLD, Goulet, Salvidio & Associates, P.C.
- Scheduled 2020 BMLD Final Audit Meeting to be held in April 28, 2021, Zoom meeting.

The meeting was adjourned at 10:10 am.

Respectfully submitted,

Glen Castro



**Goulet, Salvidio & Associates, P.C.**  
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2020 Audit Plan  
Belmont Light  
November 2020



# Scope of the Audit

- \* Role of the Auditor and Management
- \* Concept of Materiality
- \* Reports to be Issued:
  - \* Independent Auditors' Report on the Financial Statements
  - \* Report on Internal Control
  - \* DPU Compilation Report



# Timing of the Audit

- \* Interim procedures
  - \* Audit planning procedures are in progress
  - \* We will conduct preliminary audit work prior to December 31, 2020.
  - \* Quantity of Inventory Testing to be conducted in November 2020
  - \* Audit confirmation for Accounts Receivable to be conducted in January 2021.
- \* Audit fieldwork is scheduled for February 2021.
- \* We plan to issue our audit reports by April 2021.
- \* DPU report is required to be filed by September 30, 2021.
- \* Presentation to the Board is scheduled for April 28, 2021.
  - \* Required communications will be made.
  - \* Review of Internal Control Report, Financial Statements, and DPU report.



# Phases of the Audit

- \* Audit Planning (October - December 2020)
  - \* Obtain signed engagement letter.
  - \* Develop initial audit plan based on information obtained from management and prior year experience.
  - \* Prepare the “Provided By Client” (PBC) listing of schedules to request for audit fieldwork.
  - \* Complete fraud brainstorming session with GSA audit staff
  - \* GASB - Review new pronouncements and applicability



# Phases of the Audit

- \* Audit Fieldwork

- \* Preliminary Audit Work (November 2020)

- \* Materiality based on annualized figures
    - \* Revenues - Inquire of rate changes made during the year. Recalculate bills and review billing histories for employees and board members who live in Town. Cash receipts testing.
    - \* Fixed Assets – Vouch additions/bid testing
    - \* Review minutes/legal invoices – prepare legal confirmations if necessary
    - \* Discuss recent changes with management (employment status, electric rates, power contracts, etc.). Update narratives and organization chart based on inquiries.
    - \* Vouch purchased power invoices and tie out purchase power schedule to general ledger



# Phases of the Audit

- \* Audit Fieldwork (continued)
  - \* Quantity of inventory testing to be conducted in November 2020.
  - \* Audit confirmation for Accounts Receivable to be conducted in January 2021.
  - \* Audit Final Fieldwork
    - \* Analytical review & tests (A/R, A/P, purchased power, variance analysis to prior year, etc.)
    - \* Review of data required to prepare the DPU report.
    - \* Drafting of footnote disclosures.
    - \* Review of MD&A and notes to the financial statements.
- \* Report Preparation, Issuance & Presentation to the Board



# Areas of Audit Effort

- \* Cash and Investments
  - \* Confirm with the Bank/Town
- \* Accounts and Other Receivable
  - \* Reconcile Accounts Receivable Aging to the Trial Balance and conduct analytical work.
  - \* Analysis of Allowance
  - \* Analysis of Miscellaneous Accounts Receivable
  - \* Subsequent cash receipt testing for non responsive A/R confirmations
  - \* Review Billing Adjustments
  - \* Analysis of Major Customers
- \* Inventory
  - \* Physical count analysis to final year-end inventory valuation
  - \* Price Testing
- \* Fixed Assets
  - \* Utility Plant Assets
  - \* Depreciation
  - \* Construction Work In Process
  - \* Disposals/Retirements





# Areas of Audit Effort

- \* Prepaid
  - \* Insurance
  - \* Purchased Power
- \* Notes Payable/Bonds
- \* Accounts Payable
  - \* Reconcile Open A/P Listing to Trial Balance and conduct analytical work
  - \* Search for Unrecorded Liabilities
- \* Accruals
  - \* Payroll
  - \* Rate Stabilization
  - \* OPEB Liability
  - \* Net Pension Liability
  - \* Customer Deposits



# Areas of Audit Effort

- \* Revenue
  - \* Sales of Electricity
  - \* Grants
- \* Purchased Power Expenses
  - \* MMWEC
  - \* ISO
  - \* Energy New England
- \* Payroll
  - \* Payroll and Benefits Testing
  - \* Reasonability Testing
  - \* Capitalized Payroll
- \* Expenses
- \* Surplus/PILOT



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# GASB

## Pronouncements

Summary of Statement No. 92-97



Statement No. 92

## Omnibus 2020

Effective Date: The requirements of this Statement are effective as follows

This statement addresses a variety of topics which include specific provisions for reporting in order to improve the consistency of authoritative literature.

### Topic applicable to the Light Department:

- \* Statement 87, Leases, and Implementation Guide No. 2019-3:
  - \* This statements states GASB No. 87 is effective for periods beginning after December 15, 2019, and if GASB No. 87 has been implemented, the implementation guide 2019-3 is also effective.
  - \* NOTE: GASB 87 was postponed by 18 months, see GASB 95.
- \* Applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements.
  - \* Clarifies guidance for reporting fiduciary activities for assets accumulated for purposes of providing OPEB through defined benefit OPEB plans not administered through a Trust. Guidance refers to applying specific paragraphs of GASB 84.



Statement No. 93

## Replacement of Interbank Offered Rates

Effective Date: For periods beginning after June 15, 2020

- \* Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.
- \* Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

**NOTE: GASB Statement No. 93- N/A for our Light Departments**

Statement No. 94



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# Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective Date: For periods beginning after June 15, 2022

- \* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.
- \* This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

**NOTE: GASB Statement No. 93- N/A for our Light Departments**

Statement No. 95



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# Postponement of the Effective Dates of Certain Authoritative Guidance

Effective Date: Requirements effective immediately

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides.

The effective dates of certain provisions contained in the following are postponed by one year:

- \* Statement No. 83, *Certain Asset Retirement Obligations* (*Effective for periods beginning after 6/15/2019*)
- \* Statement No. 84 and Implementation Guide No. 2019-2, *Fiduciary Activities* (*Effective for periods beginning after 12/15/2019*)
- \* Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (*Effective for periods beginning after 6/15/2019*)
- \* Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (*Effective for periods beginning after 12/15/2020*)
- \* Statement No. 90, *Majority Equity Interests* (*Effective for periods beginning after 12/15/2019*)
- \* Statement No. 91, *Conduit Debt Obligations* (*Effective for periods beginning after 12/15/2021*)
- \* Statement No. 92, *Omnibus 2020* (*Effective for periods beginning after 6/15/2021*)
- \* Statement No. 93, *Replacement of Interbank Offered Rates* (*Effective for periods beginning after 6/15/2021*)



- \* Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)* (Effective for periods beginning after 6/15/2019)
- \* Implementation Guide No. 2018-1, *Implementation Guidance Update—2018* (Effective for periods beginning after 6/15/2019)
- \* Implementation Guide No. 2019-1, *Implementation Guidance Update—2019* (Effective for periods beginning after 12/15/2020)

The effective dates of the following pronouncements are postponed by 18 months:

- \* Statement No. 87 and Implementation Guide No. 2019-3, *Leases* (Effective for periods beginning after 6/15/2021)

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.





Statement No. 96

# Subscription-Based Information Technology Arrangements

Effective Date: For periods beginning after June 15, 2022

- \* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.
- \* A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Statement No. 97



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# Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No.14 and No.84, and a supersession of GASB Statement No. 32

Effective Date: For periods beginning after June 15, 2021

The primary objectives of this statement are:

1. Increase consistency and comparability related to the reporting of financial component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform;
2. Mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements;
3. Enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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