

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE MEETING**

DATE: November 2, 2021

TIME: 9:44 AM

Minutes: Wednesday, January 20, 2021, Zoom Meeting, 9:00AM

Present: Robert Keefe, Robert Forrester, Frank Caruso, ex-officio member Town Accountant Glen Castro, ex-officio member Town Treasurer, Floyd Carman, ex-officio member of the Select Board Roy Epstein, Glenn Logan

Also Present: Craig Peacock from Powers and Sullivan.

Absent:

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

Craig Peacock presented reports on the FY20 Town-wide Audit results:

Three Reports

- a. Basic Financial Statements
- b. Federal Awards Program
- c. Management Letter

Financial Audit

1. Audit Team – Craig, Mike and Kevin were the core team members
 - a. Prelim – 06.01.20 - including retirement
 - b. Year end – 10.12.20 - two weeks
2. Audit Schedule
 - a. Prelim – Retirement; Cash and Receivables; GASB 54; Budget; LTD; Internal Control (JE's and transactions); Single Audit; Planning;
 - b. Year end – complete prelim work; trial balance; year-end balance sheet; perform flux analysis; compile statements
3. Overall Results
 - a. Unmodified Opinion.
 - b. Thanks to all for staying flexible to get us the information required in different ways. Scanning, email, phone calls etc.
 - c. Information received was accurate.
 - d. Responses to our audit inquiries were timely.
 - e. No major internal control issues, no material weaknesses, or significant deficiencies.
4. Financial Highlights
 - a. GASB 75 – OPEB liability, deferred inflows and outflows see page 57
 - i. \$108.5 million total liability recorded as well as deferred outflows and inflows. \$8 mil decrease in 2020
 - ii. Restated for measurement date
 1. 104.4 Town
 2. 4.1 Light

- b. GASB 68 – Recorded deferred outflows, inflows and the net pension liability page 55
 - i. \$75.8 mil liability
 - 1. \$68.0 mil Town
 - 2. \$7.8 mil light
 - ii. \$4.9 mil decrease over PY
 - 1. Great investment performance

c. General Fund

- i. Net budgetary increase of \$2.8 mil
 - 1. None of the \$2.6 mil of free cash and overlay needed to be used
 - 2. Revenues exceeded budget 1.5% (\$1.8 mil)
 - a. Inv income
 - b. Tax liens
 - 3. Expenditures came in lower by 4.3% (\$5.4 mil) after carryforwards
 - 4. Unassigned fund balance – 12.6% of budget
 - 5. Unassigned fund balance – 12.1% of revenues

ii. RANGE OF UNASSIGNED FUND BALANCE AS A % OF REVENUES

iii. Based on FY18 figures

iv. 5% - 26.5% (Arlington)

v. 14.6 for Belmont

d. TOTAL FUND BALANCE % OF REVENUE

e. 10.4 – 36.88

f. 22.1% for Belmont

g. Other attributes comparing Mass AAA Communities

h. Debt per capita 691 – 11,548

i. Belmont 2,792

j. Excess Levy Capacity – 5.75% range 2.5 - 31.3%

k. Unfunded Pension as % of revenue 65.67 range 32.44 – 89.2

l. Unfunded OPEB as % of revenue 184.9 range 5.6 – 184.9

m. Per capita income

n. Unemployment rate

o. Total bonded debt o/s and per capita

p. Residential vs commercial base

q. Stabilization Balances

- 5. Funding a large projection maintains budgetary flexibility for the community
- 6. No need to reduce services for the exclusion
- 7. Not a permanent increase in levy – just for years that debt service is due
- 8. Maintain AAA by maintaining reserves, budget flexibility

a. Structurally operations are sound

i. Debt service is 8.1% of budget

ii. Increase due to substantial debt issued over last couple years mostly high school project

iii. RE & PPT collections continue to be excellent – 99% of levy

- b. Enterprise Funds
 - 1. Water Fund net assets increased \$670 k
 - a. Increase in depreciation
 - b. Increase in overall operating costs
 - 2. Sewer Fund net assets increased \$1.6 mil
 - a. Funding of capital assets with current revenues
 - b. Rates are designed to cover all costs
 - 3. Light Fund net assets increased by \$1.7 mil
 - a. Decrease in operating costs
 - b. 2% Increase in rate structure
- c. Pension Fund Total Net Assets – \$124.1 mil
 - 1. \$18 mil increase in net assets, mostly investments
 - 2. Audit goes smoothly now Robert on top of the office
- d. OPEB Fund Total Net Assets – \$5.1 mil
 - 1. \$593 k of contributions
 - 2. \$76 k of inv earnings
- e. Stabilization Funds
 - i. General Stab Fund - \$1.9 at fiscal year end
 - 1. \$2.4 transferred out in 2020
 - 2. \$1.5 transferred in
 - 3. \$63 k of investment earnings
 - ii. Ash Landfill Stab - \$2.9 mil at fiscal year end
 - 1. \$70 k investment earnings

9. Major Balance sheet classifications:

- a. Cash & Investments Town – \$283.8 mil
 - i. High school bond issue
- b. Cash & Investments Pension - \$119.0 mil
- c. Cash & Investments OPEB - \$5.1 mil
- d. Landfill – Total liability \$6.9 mil – decrease \$800 k
- e. Capital Assets –
 - i. Town – Net increase \$61 mil (infrastructure, machinery & equipment, buildings high school construction)
 - ii. Water Fund – Net increase \$710 k (Mainly Infrastructure projects and new equipment)
 - iii. Sewer Fund – Net decrease \$72 k Depreciation exceeded adds (Machinery, infrastructure)
 - iv. Light Fund – Net increase \$916.9 k (Mainly distribution plant)
- f. OTHER TESTING
 - i. Expenditures (30)

- ii. Revenues (30)
- iii. Journal Entries (30)
- iv. Payroll (25)
- v. OPEB & PENSION Census Data

Reports on Federal Awards

1. Unmodified opinions
2. \$1.7 mil of expenditures of federal awards
 - a. Tested – A total of \$702 k or 42% of federal grant expenditures
 - b. SPED Cluster - IDEA
3. Received COVID related grants for child nutrition cluster, Corona Virus Relief Fund and the MEMA Disaster Grant Public Assistance. Total \$180,796 spent
4. Test results
 - a. No findings or question costs.

Management Letter

1. Prior year comments (2)
 - a. Unresolved or Partially – 2
 - i. Automation of Compensated Absences – Working to automate the accounting process and account for various union contract provisions
 - ii. Maintaining Investment at Market Value – All but trust funds have been brought up to market
 - b. New Comments
 - ◆ Indirect Cost Allocation Plan
 - ◆ Review current plan methodology and assure that assumptions still make sense and do not require updating
 - ◆ Purchase order dates and invoice approval
 - Assure that PO's are produced prior to goods or services being ordered
 - Implement policy that an invoice does not get paid without proper department head approval
 - ◆ Retirement Enrollment Forms
 - ◆ Implement policy that employees are not enrolled in System until all required paperwork has been completed – seems to be a school issue

The members of the committee asked various questions during the presentation which were responded to by Powers & Sullivan. After discussion regarding MD&A, language was added to clarify the disclosures about the High School and Police/DPW construction projects debt and authorized borrowings as well as future use of the Coronavirus Pandemic funding received in 2020. In addition, a prior year management letter comment was clarified related to documentation of internal controls. Approvals of the documentation of the policy and procedures manual for federal awards are needed from the Select Board and School Committee and are now expected in 2021

The meeting was adjourned at 11:30 am.

Respectfully submitted,

Glen Castro

