

DATE: May 31, 2022
TIME: 9:11 AM

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE MEETING**

Minutes: Wednesday, April 27, 2022, Zoom Meeting, 9:00AM
Present: Robert Keefe, Robert Forrester, Frank Caruso, ex-officio member Town Accountant, Glen Castro, Glenn Logan, ex-officio member Town Treasurer, Floyd Carman, ex-officio member of the Select Board, Roy Epstein
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:

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

Heather Isaac reviewed the 2021 Draft Financial Statements, Letter of Required Auditor Communications, and Internal Control Report. Committee Members asked various questions which were responded to by Ms. Isaacs and members of the BMLD.

Considerable discussion was held regarding revenues, power costs and operating expenses in comparing the results of 2021 versus 2020 which reflected the impact of the Covid-19 pandemic as well as the \$800,000 increase in the Rate Stabilization Reserve in 2020. The MD&A disclosures were revised to reflect the discussion.

The financial statements were subsequently updated through May 4, 2022 to reflect various changes after discussion and review.

Overall Results:

- Unmodified Opinion
- Information received was accurate.
- Responses to audit inquiries were timely.
- Discussed required auditor communications
- No material control weaknesses but significant control deficiencies were noted as described below.

Internal Control Comments

There were no new comments to report.

Drafting of Financial Statements

As noted in prior years, the same internal control comment on the preparation of the financial statements and the related financial statement disclosures was reported for 2021 and is expected to be a recurring comment reflecting the small size and related staffing.

Significant Accounts and Processes:

Accounts Receivable Collections - Belmont Light should evaluate the outstanding balance of protected customer accounts on a periodic basis to determine the appropriate action for collections.

BMLD made significant progress in 2021 on collecting non-medically protected overdue accounts resulting in a 43 percent reduction in past due balances. The Light Department is taking several actions in 2022 on the medically protected accounts which should help reduce the related overdue balances.

A copy of the BMLD financial statements for the year ended 2021 are on file with the Department.

The next BMLD Pre-Audit meeting will be on November 16, 2022 at 9:00am.

The meeting was adjourned at 11:00 am.

Respectfully submitted,

Glen Castro

GOULET, SALVIDIO
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

April 28, 2022

To the Belmont Municipal Light Board
Belmont Light
Belmont, Massachusetts 02478

We have audited the financial statements of the Operating Fund and OPEB Trust Fund of Belmont Light for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belmont Light are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Belmont Light during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Belmont Light's financial statements were:

Management's Estimate of the Allowance for Uncollectible Accounts

The estimate is based on a historical analysis of receivable collections. We have evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts related to the receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

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Management's Estimate of Depreciation Expense

The estimate is calculated on a straight-line basis, systematically over the life of the Plant. We have evaluated the key factors and assumptions used to develop the depreciation method used and the estimates of useful lives of the assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's Estimate of Other Postemployment Benefits Liability

The estimate is calculated based upon information provided to actuaries contracted by the Department. We have evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's Estimate of Net Pension Liability

The estimate is calculated based upon information provided to actuaries contracted by the Belmont Contributory Retirement System. We have evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Material misstatements detected as a result of audit procedures and corrected by management related to the adjustment of OPEB and pension liabilities.

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. Those misstatements resulted from a potential understatement of interest income in the amount of \$40,753 related to investments, and an understatement of electric revenues in the amount of \$21,985 related to billing errors in the fourth quarter of 2021.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Belmont Light’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Belmont Light’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, Other Postemployment Benefits Liability and Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedules of Sales of Electricity and Schedules of Operations and Maintenance Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Belmont Municipal Light Board and management of Belmont Light and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Goulet, Salvidio & Associates, P.C.

Goulet, Salvidio & Associates, PC
Certified Public Accountants