

TOWN OF BELMONT

PERMANENT AUDIT COMMITTEE

Minutes: Wednesday, January 8, 2014, Town Hall Conference Room 4, 9:00 AM
Present: Members Ernest E. Fay, James Finn, Robert Keefe, ex-officio member Town Accountant Chitra Subramanian and ex-officio member Town Treasurer Floyd Carman
Absent: Member Frank Caruso and ex-officio member Chairman of the Board of Selectmen Mark Paolillo
Also Present: Dick Sullivan, Craig Peacock and Lizz Montes from Powers and Sullivan

Chairman Ernest Fay called the meeting to order at 9:00 AM.

Craig Peacock presented reports on the FY13 Town-wide Audit results:

Audit Committee Letter (attached)

Three Reports

- Financial Statements Review
- Report on Federal Awards
- Management Letter

Financial Statements Review

1. Audit Schedule

- a. Prelim (5/20/13 - one week) Retirement; Cash and Receivables; GASB 54; Budget; LTD; Internal Control (JE's and transactions); Single Audit; Planning;
- b. Year end (11/4/13 - two weeks) complete prelim work; trial balance; year end balance sheet; perform flux analysis; compile statements

2. Overall Results

- a. Unmodified Opinion.
- b. Information received was accurate, with the exception of fixed assets and compensated absences.
- 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 – \$67.0 mil
- b. Cash & Investments Pension - \$68.5 mil
- c. Cash & Investments OPEB - \$1.4 mil
- d. OPEB – Total Liability \$57.6 mil – \$13.7 mil increase
- e. Landfill – Total liability \$3.0 mil – \$800 k decrease
- f. Capital Assets –
 - i. Town – Net increase \$5.1 mil (mainly school and infrastructure)
 - ii. Water Fund – Net increase \$1.5 mil (Mainly Infrastructure projects)
 - iii. Sewer Fund – Net increase \$1.1 mil (Mainly Infrastructure projects)
 - iv. Light Fund – Net increase \$5.9 mil (Mainly plant upgrades)

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v. Debt – Only Issued \$500 k of LT Debt (MWRA Sewer)

1. Governmental O/S 41.7 mil
2. Water O/S 3.8 mil
3. Sewer O/S 10.4 mil

4. Financial Highlights:

- a. GASB 63 implemented – change SOA to SONP. Added information on deferred inflows/outflows to the notes
- b. Third Year of implementation of GASB 54
- c. 5th year of GASB 45 - resulted in recognition of \$57.6 mil liability, (up \$13.7 mil).
- d. General Fund
 - i. Net budgetary increase of \$980, 1.1% of budget, as a result free cash did not have to be used
 1. Revenues exceeded budget 2.1% (\$1.9 mil)
 2. Expenditures came in lower by 1.9% (\$1.7 mil)
 3. Unassigned fund balance – 11.1% of budget (down from 11.9% in PY)
- e. Structurally operations are sound
 - i. Debt service is 5.9% of budget
 - ii. RE & PPT collections continue to be excellent – 99% of levy
- f. Enterprise Funds
 1. Water Fund net assets increased \$1.0 mil
 - a. Slight increase in water rates
 - b. Ability to control costs in time of decreased usage
 2. Sewer Fund net assets increased \$618 k
 - a. Slight increase in rates designed to cover costs
 3. Light Fund net assets increased by \$741 k
 - a. Essentially a break even
 - b. Rates designed to cover costs
- g. Pension Fund Total Net Assets – \$71.7 mil
 - i. \$6.8 mil increase in net assets.
 - ii. Much better investment return in 2012
- h. OPEB Fund Total Net Assets – \$1.4 mil
 1. \$12 k of Light contributions
 2. \$242 to be transferred in FY14
- i. Stabilization Funds
 - i. General Stab Fund - \$6,915 at fiscal year end
 - ii. Ash Landfill Stab - \$3.4 mil at fiscal year end
 - iii. SPED Stab Fund - \$251 k at fiscal year end

Reports on Federal Awards

1. Unmodified opinions
2. \$1.7 mil of expenditures of federal awards
 - a. Tested – A total of \$1.0 million or 61% of federal grant expenditures
 - b. SPED Cluster - IDEA
3. Test results
 - a. No findings or question costs.

Management Letter

1. Prior year comments (6)
 - a. Resolved – 3
 - i. Monitoring of Employee Benefit Plan Documentation
 - ii. Tax Rate Recapitulation – Indirect Costs
 - iii. Other Postemployment Benefit Trust
 - b. Unresolved – 3
 - i. Insurance Proceeds in Excess of \$20,000 – need to close out balance if unappropriated to the GF
 - ii. Withholding Liabilities (Appears to be BB issues)
 - iii. Old Outstanding Motor Vehicle Excise Taxes (Write-off old accounts)
2. New Comments – 5
 - a. Debt Exclusion Premium – incorrect figures being reported on the recap
 - b. Chapter 90 Fund - \$13,700 surplus – need to determine why and where it belongs
 - c. Automation of Compensated Absences – Excel spreadsheets can lead to errors, and information should reflect the buyback provisions of the Town and Union Contracts
 - d. Fixed Asset Accounting – Timely procedures to account for need to be implemented
 - e. General Ledger Journal Entries – Town Accountant should be responsible for reviewing and approving all journal entries posted

The members of the committee ask various questions during the presentation which were responded to by Powers and Sullivan.

Follow up questions:

- The level of audit materiality.
- The increase in claim payments 2013/2012 on Note 11, page 50.

Post PAC meeting 1/8/14 both questions answered (see attached)

Respectfully submitted,

Floyd S Carman

Carman, Floyd

From: Carman, Floyd
Sent: Thursday, January 09, 2014 8:35 AM
To: Ernie Fay (ErnieFay@aol.com); 'Frank Caruso'; 'James Finn'; Paolillo, Mark; 'Robert A. Keefe'; Subramanian, Chitra
Subject: FW: Questions from Audit Committee Meeting

FYI

Floyd S. Carman, CMMT, CMMC
Town Treasurer and Tax Collector
Town of Belmont
19 Moore Street
Belmont, Massachusetts 02478-0900
617-993-2782

E-Mail Address: fcarman@belmont-ma.gov

From: Peacock, Craig [mailto:craigpeacock@powersandsullivan.com]
Sent: Wednesday, January 08, 2014 1:50 PM
To: Carman, Floyd
Subject: Questions from Audit Committee Meeting

Good Afternoon Floyd,

A question was raised regarding the materiality levels in the aggregate for the various Town fund types. The following is a breakdown of the aggregate planning materiality for fiscal year 2013:

Entity Wide Statements:

Governmental Funds - \$520,000
Business Type - \$310,000

Fund Based –

General Fund - \$350,000
Sewer Enterprise Fund - \$150,000
Water Enterprise Fund - \$110,000

These are the maximum values used to determine material misstatement at the financial statement level. While these figures influence our level of testing, and materiality levels used would never exceed these values, quite often lower values are used to allow for a stratified sample while choosing various transaction class types for testing.

AS far as the reason the OPEB contribution is lower, I can see the assumptions in the valuation but have a call into the actuary to get a black and white answer to help explain. I will respond with this information as soon as I hear back.

Thanks Floyd

Regards,

1/13/2014

Craig

Craig R. Peacock, CPA MST
Partner
Powers & Sullivan, LLC
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1/13/2014

Carman, Floyd

From: Carman, Floyd
Sent: Monday, January 13, 2014 12:07 PM
To: Ernie Fay (ErnieFay@aol.com); 'Frank Caruso'; 'James Finn'; Paolillo, Mark; 'Robert A. Keefe'; Subramanian, Chitra
Subject: FW: Audit committee question regarding increase in claims - Stop Loss Revenue
Attachments: SKMBT_42314011312190.pdf

This is in response to the question on Note 11 pg. 50 increased claim payments 2013/2012.

On pg.21 the Town received \$1,109,808 in stop loss revenue.

We had significant claim expense but offset by the stop loss revenue.

Thanks,

Floyd S. Carman, CMMT, CMMC
Town Treasurer and Tax Collector
Town of Belmont
19 Moore Street
Belmont, Massachusetts 02478-0900
617-993-2782

E-Mail Address: fcarman@belmont-ma.gov

From: Subramanian, Chitra
Sent: Monday, January 13, 2014 11:24 AM
To: Carman, Floyd
Subject: Re: Audit committee question regarding claims - Stop Loss revenue

Floyd,

I have scanned in page 21 of the draft audit report. The \$1,109,808 in the "Other " Category is Stop Loss Revenue from reinsurance companies.

Chitra

From: scan@belmont-ma.gov [mailto:scan@belmont-ma.gov]
Sent: Monday, January 13, 2014 12:19 PM
To: Subramanian, Chitra
Subject: Message from KMBT_423

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Light (as of December 31, 2012)	Total	
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ -	\$ -	\$ 3,026,805
Employer contributions	-	-	-	-	9,588,778
Charges for services	5,488,717	7,709,487	20,235,029	33,433,233	-
Other	1,808	-	421,417	423,025	1,109,808
TOTAL OPERATING REVENUES	5,490,325	7,709,487	20,656,446	33,856,258	13,725,491
OPERATING EXPENSES:					
Cost of services and administration	3,960,458	6,173,312	18,022,821	28,156,391	-
Depreciation	387,462	543,334	1,247,924	2,168,720	-
Employee benefits	-	-	-	-	13,784,244
TOTAL OPERATING EXPENSES	4,327,920	6,716,646	19,270,545	30,315,111	13,784,244
OPERATING INCOME (LOSS)	1,162,405	992,841	1,385,901	3,541,147	(58,753)
NONOPERATING REVENUES (EXPENSES):					
Investment income	8,215	5,177	4,257	18,049	15,888
Interest expense	-	(258,058)	(5)	(258,003)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	8,215	(249,881)	4,252	(239,414)	15,888
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,168,820	742,960	1,390,153	3,301,733	(42,865)
TRANSFERS:					
Transfers out	(157,873)	(125,000)	(650,000)	(932,873)	-
CHANGE IN NET POSITION	1,010,747	617,960	740,153	2,368,860	(42,865)
NET POSITION AT BEGINNING OF YEAR	10,824,558	14,373,109	13,231,529	38,429,196	5,738,788
NET POSITION AT END OF YEAR	\$ 11,835,305	\$ 14,991,069	\$ 13,971,682	\$ 40,798,056	\$ 5,693,921

See notes to basic financial statements.

★★ \$1,109,808 = Stop Loss Revenue received in FY13.
and credited to the Health Trust Fund

Chitra / Subramaniam
1/13/14