

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE**

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Minutes: Tuesday, March 22, 2016, Town Hall Conference Room 4, 9:00 AM
Present: Members Frank Caruso, James Finn, Robert Forrester, Robert Keefe, ex-officio member Town Accountant Chitra Subramanian, ex-officio member Town Treasurer Floyd Carman and ex-officio member Board of Selectmen Jim Williams
Also Present: Craig Peacock and Lizz Montes from Powers and Sullivan

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

Craig Peacock presented reports on the FY15 Town-wide Audit results:

Three Reports

- o Basic Financial Statements
- o Federal Awards Program
- o 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, with the exception of compensated absences.
 - c. Responses to our audit inquiries were timely.
 - d. No major internal control issues, no material weaknesses, or significant deficiencies.
 - e. Discussed required communications.
3. Major Balance Sheet classifications:
 - a. Cash & Investments Town – \$77.6 mil
 - b. Cash & Investments Pension - \$84.1 mil
 - c. Cash & Investments OPEB - \$2.0 mil
 - d. Net Pension Liability \$61.0 mil
 - e. OPEB – Total Liability \$82.6 mil – \$11.0 mil increase
 - f. Landfill – Total Liability \$7.3 mil – \$4.2 mil increase
 - g. Capital Assets:
 - Town – Net increase \$4.5 mil (infrastructure, vehicles, underwood pool)
 - Water Fund – Net increase \$824 k (infrastructure projects)
 - Sewer Fund – Net increase \$252 k (infrastructure projects)
 - Light Fund – Net increase \$6.0 mil (mainly plant upgrades)
 - Debt – Issued \$30.4 mil Water, Sewer and Light, issued \$5.7 mil GOB Governmental (Fire Station, Town Center, Underwood Pool and \$1.3 mil of refunding)

Issued:

- BMLD substation short term \$26.4 mil
- Town GOB's 7.2 mil
- MWRA water bond .5 mil

h. OTHER TESTING:

- Expenditures (30)
- Revenues (30)
- Journal Entries (30)
- Payroll (25)

4. Financial Highlights:

- a. GASB 68 + 71 implemented - Recorded deferred outflows and the net pension liability
- b. General Fund
 - Net budgetary increase of \$693 k, 7% of budget, as a result free cash did not have to be used.
 - Revenues exceeded budget 3.4% (\$3.1 mil)
 - Expenditures came in lower by .65% (\$631 k)
 - Unassigned fund balance - 13.1% of budget (down from 13.5% in PY)
- c. Structurally operations are sound
 - Debt service is 5.3% of budget
 - RE & PPT collections continue to be excellent - 99% of levy
- d. Enterprise Funds
 - Water Fund net assets increased \$1.5 mil
 - Slight increase in user fees
 - Flat overall operating costs
 - Sewer Fund net assets increased \$1.5 mil
 - Increase in user fees
 - Flat overall operating costs
 - Light Fund net assets increased by \$2.1 mil
 - Increase in rates designed to cover costs
 - Increase in kilowatt hours sold
 - Controlling costs
- e. Pension Fund Total Net Assets – \$87.7mil
 - \$5.4 mil increase in net assets
 - Investment income less benefits and administrative
- f. OPEB Fund Total Net Assets – \$2.0 mil
 - \$265 k of contributions
 - 45 k of investment earnings
 - \$367 k to be transferred in 2016
- g. Stabilization Funds:
 - Ash Landfill Stab - \$3.4 mil at fiscal year end
 - SPED Stab Fund - \$3,236 at fiscal year end

Reports on Federal Awards

1. Unmodified opinions
2. \$1.4 mil of expenditures of federal awards:
 - Tested – A total of \$931 k or 69% of federal grant expenditures
3. Test results
 - a. No findings

Management Letter

1. Prior year comments (10)
 - a. Resolved – 1
 - OPEB Trust Contributions – voting by Fund
 - b. Unresolved or Partially Resolved – 9
 - Insurance Proceeds in Excess of \$20,000 - need to close out balance if unappropriated to the General Fund
 - Withholding Liabilities (Activity reconciled)
 - General Ledger Journal Entries – Develop standardized journal entry request form that would have authorizing signature on it
 - Debt Exclusion Premium – not being accounted for on the tax recap
 - Chapter 90 Fund - \$13,700 surplus – Town has petitioned the State to determine if the \$13,700 can be spent on future projects – still waiting
 - Automation of Compensated Absences Information should reflect the buyback provisions of the Town and Union Contracts
 - Fixed Asset Accounting – Reconciliation procedures from the detail to the general ledger
 - Fixed Asset Capitalization Policy - Recommend increasing the threshold to \$50 k
 - OPEB Actuarial Valuation
2. New Comments – 2
 - a. Retirement System Financial Reporting – activity for 2014 not posted in a timely manner
 - b. Future GASB's - implementation of GASB 74 + 75

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

Respectfully submitted,

Floyd S Carman