

**TOWN OF BELMONT
PERMANENT AUDIT COMMITTEE**

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Minutes: Wednesday, December 7, 2011, Town Hall Conference Room 4, 5:00 p.m.
Present: Members Frank Caruso, Ernest E. Fay, James Finn, Robert Keefe, ex-officio member Town Accountant Chitra Subramanian, ex-officio member Town Treasurer Floyd Carman, and ex-officio member Chairman of the Board of Selectmen, Mark Paolillo
Also Present: Dick Sullivan, Craig Peacock and Babita Sherchan from Powers and Sullivan and Barbara Hagg previous Belmont Town Accountant

Chairman Ernest Fay called the meeting to order at 5:00 p.m.

Dick Sullivan presented reports on the FY11 Town-wide Audit results:

Audit Committee Letter (attached)

Three Reports

- Financial Statements
- Management Letter
- Report on Federal Awards

1. Financial Statement

- a. Opinion - Unqualified
- b. Powers and Sullivan opine on the financials and do not on the MD&A or Federal Awards Program.
- c. **AUDIT – third year of GASB 45 implementation** and creating a \$10.5M expense and increase in the liability on the books to a total of \$33.4M:
 - It was responsible for most of the net assets decrease in FY2011.
 - It was noted in the MD&A that the Town has accumulated a balance of \$1.2M in the OPEB trust fund.
- d. **OVERALL GENERAL FUND BUDGETARY**- Operations came in better than anticipated. This resulted in a surplus from operations and no use of reserves.
 - Revenues came in slightly better than budgeted (1.7%, or \$1.4M)
 - Expenditures came in slightly lower than budgeted (2.6% or \$1.9M)
 - Free cash budgeted \$1.8M included overlay
 - Approximate 6% increase in FY11 budget from PY
- e. **CHANGE IN NET ASSETS** – Although OPEB increased \$9.5M in the Governmental net assets, the Town had an increase of \$2.9M due to the following:
 - \$6.6M of MSBA Capital Grants related to the Wellington & Chenery Schools
 - \$665K of Capital Grants related to Ch 90 and the Senior Center Project
 - General Fund Budgetary Surplus \$1.4 mil
 - The Town earmarked \$2.2 mil from CY revenues for capital expenditures

- \$1.2M surplus in the Internal Service Fund
 - Slight decrease in expenses
 - No change in IBNR (Cook & Co)
- f. **CAPITAL ADDITIONS** – There was \$31.5M in capital additions in FY2011.
 - \$1.7M in paving (Ch 90)
 - \$18.9M for the Wellington School Construction
 - \$1.8M for water infrastructure
 - \$6.2M for sewer infrastructure
 - \$2.9M for various Town and Public Safety Building, Vehicles and Equipment
- g. **LONG TERM DEBT** – The Town issued the following debt:
 - \$7.2M MWPAT Sewer Debt which had included \$959k of loan forgiveness.
 - \$989K MWRA Water Bonds
- h. **SHORT-TERM DEBT** – None in the current year
- i. **Disclosures** – Note 9 Governmental Fund Balance Classifications
 - Helps to explain the new fund balance classifications and the detail to the groupings per the balance sheet

2. Management Letter

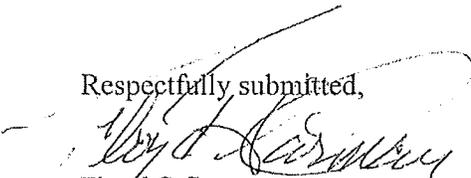
- a. **PRIOR YEAR COMMENTS**
 - GASB 54 implemented in FY2011 financial statement
 - OPEB tax exempt status from IRS open
 - Reconciliation of detail fixes asset data to summery schedules still in progress
- b. **CURRENT YEAR COMMENTS**
 - Establish town wide travel expenditure policy
 - Implement periodic reconciliation process to review employees benefit data for accuracy and completeness

3. Federal Reports

- a. Tested SPED
- b. No current year findings and prior year finding considered resolved

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

Respectfully submitted,


Floyd S Carman

Report of the Chair, Permanent Audit Committee

On December 17, 2011, Craig Peacock of Powers & Sullivan and I had our "after Audit Presentation telephone conversation" as agreed by the committee several years ago. The conversation centered on three main points.

1. I asked Craig if there were any suggestions, corrections for the committee and/or for the Treasurer or Accounting Departments. He stated if the Auditors had questions or comments to be answered the Town of Belmont handled 99% of the questions/comments within one hour and that the Town has a very smooth operating team. Also, the management letter speaks for itself, the Town's financial team takes pride in their work and always calls if there are any questions on non-routine transactions throughout the fiscal year. This helps to keep the management letter to a minimum.
2. He stated that it is always a pleasure to work with our Audit Team. He also told me that during 2012 there may be different areas to be worked on (i.e., budget operations, transition, timely presentations, and the policy toward cash/receivables). This is mainly the result of a new Town Accountant. We will need to document any new policies and procedures implemented, and/or any changes to existing policies/procedures.
3. We also discussed the Basic Financial Statements. He stated that the most sensitive disclosures affecting the financial statements are contained in Footnote 10 – Landfill Closure (page 50) and Footnote 13 – Post Employment Benefits (page 52). This is due to the fact that these represent the largest moving liabilities of the Town.

Respectfully submitted, Ernest E. Fay, Chair

Powers & Sullivan, LLC

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December 7, 2011

To the Audit Committee of the
Town of Belmont, Massachusetts

We have audited the financial statements of Town of Belmont, Massachusetts for the year ended June 30, 2011 and have issued our report thereon dated December 7, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Town's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Town's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Town of Belmont, Massachusetts 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 2011.

We noted no transactions entered into by the Town during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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 estimate(s) affecting the financial statements were the calculation of postemployment benefits, compensated absences, depreciation of fixed assets and landfill closure.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements is contained in Footnote 10 – Landfill Closure; and Footnote 13 – Postemployment Benefits.

Difficulties Encountered in Performing the Audit

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Belmont, Massachusetts' financial reporting process (that is, cause future financial statements to be materially misstated).

In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Town of Belmont, Massachusetts, either individually or in the aggregate, indicate matters that could have a significant effect on the Town of Belmont, Massachusetts' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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's 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 the governmental unit'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.

Issues Discussed Prior to Retention of Independent Auditors

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

This information is intended solely for the use of Audit Committee of the Town of Belmont, Massachusetts, and management of Town of Belmont, Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Powers & Sullivan LLC