

TOWN OF BELMONT

PERMANENT AUDIT COMMITTEE MEETING

Minutes: Wednesday, January 19, 2022, 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, Glenn Logan
Also Present: Craig Peacock from Powers and Sullivan.
Absent: ex-officio member of the Select Board Mark Paolillo

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

Craig Peacock presented reports on the FY21 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 – 06.07.21 -
 - b. Year end – 10.12.21 - 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. More of a hybrid this year. In field and also received info electronically.
 - 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. NEW ARPA American Rescue Plan Act Town received \$1.3 mil
 - b. Total local and county portions
 - c. None spent in 2021
 - d. New rules now allow for up to \$10 mil of revenue loss

5. GASB 84 implemented moved agency to special revenue
6. Factor does Town have administrative control over assets
7. Who benefits from the assets

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DATE: February 14, 2022
TIME: 6:25 PM

8. GASB 75 – OPEB liability, deferred inflows and outflows see page 57
 - i. \$113.4 million total liability recorded as well as deferred outflows and inflows. \$4.6 mil increase in 2021
 - ii. Less \$ put into trust in 2021
 - iii. Assumption changes at the beg. of this two year cycle

- b. GASB 68 – Recorded deferred outflows, inflows and the net pension liability page 52
 - i. \$69.5 mil liability
 1. \$61.6 mil Town
 2. \$7.9 mil light
 - ii. \$6.3 mil decrease over PY
 1. Great investment performance

- c. General Fund
 - i. Net budgetary increase of \$6.9 mil
 1. None of the \$3.7 mil of free cash needed to be used
 2. Revenues exceeded budget 3.5% (\$4.4 mil)
 - a. Strong revenue collections across all categories
 3. Expenditures came in lower by 6.1% (\$8.1 mil) after carryforwards
 4. Unassigned fund balance – 16.2% of budget
 5. Unassigned fund balance – 14.8% of revenues

- d. Structurally operations are sound
 - i. Debt service is 10.9% 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

- e. Enterprise Funds
 1. Water Fund net assets increased \$532 k
 - a. Decrease in consumption
 - b. Increase in overall operating costs
 2. Sewer Fund net assets increased \$1.1 mil
 - c. Funding of capital assets with current revenues
 - d. Rates are designed to cover all costs
 - e. Very similar results as PY
 - f. Less MWRA grant revenue received 200k
 3. Light Fund net assets increased by \$577 k
 - g. Increase in operating costs – covid idle linemen
 - h. Increase in KWH of electricity sold

- f. Pension Fund Total Net Assets – \$137.9 mil
 1. \$13.9 mil increase in net assets, mostly investments

2. Audit goes smoothly now Robert on top of the office
3. Made some changes to page 37 broke out investments in more detail

g. OPEB Fund Total Net Assets – \$6.2 mil

1. \$78 k of contributions
2. \$967 k of inv earnings

h. Stabilization Funds

i. General Stab Fund - \$1.9 mil at fiscal year end

1. \$(4919) investment loss
2. No other activity

ii. Ash Landfill Stab - \$2.9 mil at fiscal year end

1. \$(5227) k investment loss
2. No other activity

9. Major Balance sheet classifications;

a. Cash & Investments Town – \$203.2 mil

- i. High school bond issue being spent down

b. Cash & Investments Pension - \$137.9 mil

c. Cash & Investments OPEB - \$6.2 mil

d. Capital Assets –

- i. Town – Net increase \$108.6 mil (infrastructure, machinery & equipment, buildings, high school construction)
- ii. Water Fund – Net increase \$307 k (Mainly Infrastructure projects and new equipment, and buildings)
- iii. Sewer Fund – Net increase \$796 k (Machinery, infrastructure)
- iv. Light Fund – Net increase \$275 k (Mainly distribution plant)

e. 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. \$7.1 mil of expenditures of federal awards
 - a. Tested – A total of \$5.0 mil or 70% of federal grant expenditures
 - b. School Lunch Cluster
 - c. Corona Virus Relief Fund
3. Received COVID related grants for child nutrition cluster, Corona Virus Relief Fund and the MEMA Disaster Grant Public Assistance, ESSER (Elementary and Secondary School Emergency Relief).
4. Test results
 - a. No findings or question costs.

Management Letter

1. Prior year comments (6)
 - a. Unresolved or Partially – 2
 - i. Documentation of Internal Controls – Document written, best practice to have Town and School approve and adopt policies
 - ii. Automation of Compensated Absences – Working to automate the accounting process and account for various union contract provisions. Goal to ultimately have the balances reported on paystubs.
 - iii. Maintaining Investment at Market Value – All but trust funds have been brought up to market
 - iv. Purchase Order Dates – Roughly 30% of expenditures selected for testing the PO was dated after the invoice.
 - v. PARTIALLY – resolved
 - vi. Belmont Contributory Retirement System - School was still deficient during the FY, during calendar year 2021 and the start of the new school year, the new hire packet now includes the required forms and Robert feels the information is being received much more timely.
 - b. RESOLVED –
 - c. Indirect Cost Allocation Plan – Town worked to formulate a plan that is supported by underlying methodology to assure the EF's are their fair share of indirect costs.
 - d. New Comments
 - ◆ General Ledger Maintenance – Town and School should periodically review stagnant funds with balances and determine if they can be closed out, need to be sent back to the grantor. Housekeeping.
 - ◆ Encumbrance Controls – Some PO's are being carried over without double checking that a commitment for goods or services exist.
 - ◆ Document and Cross Train Significant Operational Processes – Mainly the result of School Lunch Cluster but important across the board.
 - ◆ Bond Premiums – No longer allowed to be recorded in the General Fund. Needs to either hit a special revenue (receipts reserved) or voted to be allocated to the project to reduce debt required to be borrowed.

The members of the committee asked various questions during the presentation which were responded to by Powers & Sullivan and Town management. Town management described the process largely based on State guidance by which the Town decided how to spend the Covid - 19 funding. After discussion regarding MD&A, language was added as well as in Note 17 to expand the description of the accounting and future usage of Covid - 19 funding and expenditures. The disclosure in Note 5 regarding Interfund Transfers was also expanded regarding amounts received with the Light Department in fiscal year 2021. The Committee inquired to confirm that the disclosures regarding the High School project remained current for the financial statements. In addition, after the review of the management letter, several current year observations and the status of prior year comments were clarified.

The meeting was adjourned at 11:29 am.

Respectfully submitted,

Glen Castro

