

TOWN OF BELMONT PERMANENT AUDIT COMMITTEE MEETING

January 18, 2023 – 9 AM

Permanent Audit Committee Meeting

Minutes: January 18, 2023, 9:00 AM

Present: Robert Keefe, Robert Forrester, Glenn Logan, Frank Caruso, ex-officio member of the Select board Roy Epstein, ex-officio member Town Treasurer, Floyd Carman, ex-officio member Acting Town Accountant Donna Tuccinardi

Also Present: Director of Finance/Assistant Town Administrator Jennifer Hewitt, Craig Peacock from Powers and Sullivan.

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

Floyds' last meeting – Robert Keefe thanked him for service and commitment.

Craig Peacock presented report on the FY22 Town wide Audit results. Craig Peacock also presented the SAS No. 114 letter of required auditor communications.

Three Reports

- a. Basic Financial Statements
- b. Federal Awards Program
- c. Management Letter

Financial Audit

1. Audit Team – Craig, Dan and Steve were the core team members
 - a. Prelim – 06.06.22 – one week
 - b. Year end – 10.10.22 - 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 time spent in field this year 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
5. GASB 87 Leases – no new material leases noted. No impact to the FS.
6. GASB 75 – OPEB liability see page 59

- a. \$99.3 million total liability recorded as well as deferred outflows and inflows.
\$14.1 mil decrease in the liability Town. \$1 mil decrease Light.
- b. Town put \$79 k into the trust in 2022
- c. Assumption changes at the beg. of this two-year cycle
- 7. GASB 68 – Recorded deferred outflows, inflows and the net pension liability page 52
 - a. \$49.4 mil liability
 - 1. \$42.3 mil Town
 - 2. \$7.1 mil light
 - b. \$20.1 mil decrease over PY
 - 1. Great investment performance \$22.8 mil after expenses
 - c. General Fund
 - 1. Net budgetary increase of \$286,000
 - a. Revenues exceeded budget 2.1% (\$2.8 mil)
 - i. Strong revenue collections across all categories
 - b. Expenditures came in lower by 3.3% (\$4.6 mil) after carryforwards
 - c. Unassigned fund balance – increased to 15.7% compared to PY of 14.8% of revenues
 - d. Structurally operations are sound
 - 1. Debt service is 10.3% of budget
 - 2. Increase due to substantial debt issued over last couple years mostly high & middle school project
 - 3. RE & PPT collections continue to be excellent – 99% of levy
 - e. Enterprise Funds
 - 1. Water Fund net assets decreased \$10 k
 - a. Decrease in consumption
 - b. Increase in overall operating costs
 - 2. Sewer Fund net assets increased \$65 k
 - a. Decrease in consumption
 - b. Rates are designed to cover all costs
 - c. Less MWRA grant revenue received 636 k
 - 3. Light Fund net assets increased by \$1.5 mil
 - a. Increase in KWH of electricity sold
 - b. Less \$ transferred to Town than in PY
 - f. Pension Fund Total Net Assets – \$161.8 mil
 - 1. \$23.9 mil increase in net assets, mostly investments
 - 2. Audit goes smoothly now Robert on top of the office
 - g. OPEB Fund Total Net Assets – \$6.4 mil
 - 1. \$79 k of contributions
 - 2. \$193 k of inv earnings
 - h. Stabilization Funds
 - 1. General Stab Fund - \$1.8 at fiscal year end
 - a. \$(45k) investment loss
 - b. No other activity
 - 2. Ash Landfill Stab - \$2.8 mil at fiscal year end
 - a. \$(73k) k investment loss

b. No other activity

7. Major Balance sheet classifications;

- a. Cash & Investments Town – \$181.0 mil
 - i. High school bond issue being spent down
- b. Cash & Investments Pension - \$162.0 mil
- c. Cash & Investments OPEB - \$6.4 mil
- d. Capital Assets –
 - i. Town – Net increase \$65.2 mil (infrastructure, machinery & equipment, vehicles, buildings, high school construction)
 - ii. Water Fund – Net increase \$608 k (Mainly Infrastructure projects)
 - iii. Sewer Fund – Net increase \$341 k (Machinery, infrastructure)
 - iv. Light Fund – Net increase \$491 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. \$5.4 mil of expenditures of federal awards – decrease due to reduction in COVID grant expenditures.
 - a. Tested – A total of \$3.8 mil or 72% of federal grant expenditures
 - b. Child Nutrition Cluster
 - c. Education Stabilization Fund
- 3. Received COVID related grants for child nutrition cluster, Special Education, Preschool Grants, Corona Virus Relief Fund and the MEMA Disaster Grant Public Assistance
- 4. Test results
 - a. No findings or question costs.

Management Letter

- 1. Prior year comments (7)
 - a. Unresolved or Partially – 2
 - i. Document and Cross Train Significant Operational Processes – Was mainly the result of School Lunch Cluster but important across the board.
 - ii. Documentation of Internal Controls – Document written, needs to incorporate the COSO framework. Best practice to have Town and School approve and adopt policies
 - iii. Maintaining Investment at Market Value – All but trust funds have been brought up to market
 - iv. PARTIALLY –
 - v. Purchase Order Dates – New procedures related to the use of PO's were put in place. No expenditure below \$2,500 requires the use of a PO. However, our testing found expenditures where the PO was dated after the invoice. The frequency of this has diminished greatly.

vi. Belmont Contributory Retirement System - School was still deficient during the FY, the new hire packet now includes the required forms, however, the System is receiving many calls to setup meetings to go through the enrollment process which takes much of the Systems time.

b. RESOLVED –

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 were being carried over without double checking that a commitment for goods or services exist.

c. New Comments

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.

Capital Asset Accounting – Develop procedures for the timely accounting of fixed asset activity and update the MUNIS module at least on an annual basis.

General Long-Term Debt Account Group – The fund was not updated for new long-term debt issuances.

The members of the PAC asked various questions from their review of the audit reports as well as during the presentation which were responded to by Powers & Sullivan and Town management. The change in Covid related disclosures was discussed and Craig Peacock explained the rationale and current practices. The Committee noted the decrease in the Landfill reserve which Craig explained the rationale was based on an updated estimate from the Town's engineering consultant and reflected lower expected remediation and monitoring costs. The status and disclosures of the HS project were discussed. The timing of project completion as it specifically related to the HS being placed in service was also considered. Powers & Sullivan and Town management explained that the project for both the High School and Middle School was considered as one building and as a result would be classified as complete in 2023 to begin depreciation. The disclosures in MD&A and Note 1 for the HS project were expanded to reflect the discussions.

Given the pending change in the Treasurer's position as well as the recent resignation of the Town Accountant, the PAC expressed its concern regarding the existing level of Town financial resources and discussed the current plan to fill the open accountant role.

After Powers & Sullivan left the meeting, the PAC discussed with Town management the performance of Powers & Sullivan. The Town remained satisfied with the auditors work and

support. No changes were suggested especially in light of the changes in Town financial personnel in 2023 and with Powers & Sullivan's experience with the Town.

The PAC again discussed the recommendations and observations in the Collins Report as it related specifically to the Committee. The next step was that Chairman Keefe would present to the Select Board the various observations of the PAC in early 2023.

The meeting was adjourned at approximately 11:30 am.

Respectively submitted

Donna Tuccinardi