BARNSTABLE COUNTY ASSEMBLY OF DELEGATES
Standing Committee on Finance
DRAFT Minutes
May 15, 2013

The Standing Committee on Finance met to review the FY 2012 financial statements with the County's auditing firm of Sullivan, Rogers & Company on May 15, 2013 beginning at 3:00 p.m.

Committee members present: John Ohman, Chair, Leo Cakounes, Christopher Kanaga, James Killion and Julia Taylor.

Chair Ohman invited Daniel Sullivan and Matthew Hunt from Sullivan, Rogers & Company to participate in the exit conference for the annual audit dated June 30, 2012.

General Financial Statements

Matthew Hunt summarized the information contained in the financial reports that the committee (and all Assembly Delegates) received. The audited financial statements for FY12 and an additional power point handout provided to the committee will be considered an addendum to these minutes and available in the Clerk's Office for review.

Matthew Hunt stated that the County received an unqualified opinion of its financial statements for FY12 and that is the best type of opinion to receive. It means that the County's financial statements are free from any materials errors or misstatements. Daniel Sullivan stated this means that the County is in compliance with generally accepted accounting principles (GAAP).

General Fund

The general fund has a fund balance of 4.8 million dollars. It is made up of a restricted fund balance of 552 thousand dollars, a committed fund balance of 2.02 million dollars, an assigned fund balance for encumbrances of 1.1 million dollars, and an unassigned fund balance of 1.23 million dollars.

The general fund balance as compared to appropriations for expenditures has a ratio of about 8%. The previous year was about 13%. It was noted that the unassigned fund balance has been depleting over the past several years. A few possible reasons for the decrease could be attributed to depleting deeds revenues due to a decline in the economy, and initiatives undertaken by the County and the choice not to borrow fund

Other Major Governmental Funds

Cape Cod Commission Fund had 4.0 million dollars in expenditures and finished the year with a fund balance of 1.95 million dollars.

Septic Loan Program Fund had 1.3 million dollars in expenditures and finished the year with a fund balance of 21.6 million dollars.

Dredge Enterprise Fund had net assets of about 1.7 million dollars of which 1.2 million dollars are unrestricted. Revenue went up due to additional dredging projects in FY12.

Other Outstanding Debt represents long term debt totaling 21.7 million dollars all related to Septic Loan Program backed by loan paybacks.

OBEB (Other Post-Employment Benefits) increased by 2.3 million dollars bringing the total net OPEB obligation to 8.2 million dollars. The actuarial study that is used to compute these numbers is done every two years.

Federal Awards Report

Matt Hunt stated that the County needed to have this report done because they are required to do so if it spent more than 500 thousand dollars on federal grants in FY12. The County actually spent 2.4 million dollars in federal grants in FY 2012 and three different programs were selected and audited for compliance.

- HOME Investment Partnerships Program
- Highway Planning and Construction
- AmeriCorps and AmeriCorps – ARRA

Matt Hunt reported there were no findings on these programs and all were in compliance.

Management Letter:

Matthew Hunt reported there were no deficiencies or material weaknesses in financial controls. A comment related to encumbrances from FY11 was resolved in FY12. In FY12 there were two new comments and were informative in nature related to the use of third party service providers and new reporting requirements (GASB Statement #68) related to pension benefits.

The meeting adjourned at 4:05 p.m.

Respectfully submitted by:
Janice O'Connell, Assembly Clerk

County of Barnstable, Massachusetts

Exit Conference for the Annual Audit
June 30, 2012

Presented by: Sullivan, Rogers & Company, LLC
Date: May 15, 2013

Introduction

- Today's process
  - Financial Statements
    - Opinion
    - Financial Summary
  - Federal Awards Programs
  - Management letter
- Feel free to ask questions as we go

Opinion

- OPINION (P.2) – UNQUALIFIED
  - Best opinion available
  - Means the financial statements are free of material errors

General Fund

- Balance sheet (p.18)
  - FY 12 – GF Fund Balance - $4.8M (GAAP)
    - Restricted – Statutory Reserve - $290k (2.5% > FY 11)
    - Restricted – Life insurance - $262k
    - Committed – Continuing appropriations - $1.9M
    - Committed – Employee benefits - $121k
    - Assigned – Encumbrances - $1.1M
    - Unassigned - $1.23M
  - FY 12 – GF Undesignated F/B is 8.0% of exp's
  - FY 11 – GF Undesignated F/B is 12.9% of exp's

Net Change in G/F Balance

- Budgetary Rev/Exp (p.54-55)
  - Anticipated change in fund balance - ($3.4M)
    - Carry forward articles and encumbrances - $2.9M
- Actual change in fund balance = ($586k)
  - Revenue deficit of $1.3M
    - Deeds excise and ROD ($1.15M)
  - Expenditure surplus (prior to encumbrances) - $4.2M
    - $2.9M of this surplus was encumbered

Cape Cod Commission

- Fund Balance (p.18)
  - FY 12 - $1.95M
  - FY 11 - $1.6M
- Revenue & Exp (p.20)
  - Environmental protection taxes $2.96M
  - Intergovernmental $1.14M
  - Departmental $150k
  - Transfers in $68k (overhead reimbursements)
  - $4.0M expenditures

Septic Loan Program

- Fund Balance (p.19)
  - $21.6M
    - Nonspendable (Loans Receivable) - $14.9M
    - Restricted - $6.8M
- Revenue & Exp (p.21)
  - Loan Interest Revenue = $751k
  - Debt Principal Expense = $614k
  - Debt Interest Expense = $714k (100% subsidized)
  - Proceeds of bonds and notes = $3.2M
  - Transfers out = $724k (transfers to admin fund)

Dredge Enterprise Fund

- Net Assets (p.24)
  - $1.7M
    - Capital assets, net of related debt - $480k
    - Unrestricted - $1.2M
- Rev/Exp & Change in Net Assets (p.25)
  - Change in Net Assets = $35k (FY 11 = ($154k))
    - Revenue up $190k due to more projects in FY 12 versus FY 11

O/S Debt

- Long-Term Debt (Note 9, p. 43-45)
  - Outstanding debt totals $21.7M
  - All relates to MWPAT debt for the Septic Loan program
  - Debt to be funded by septic loan paybacks

OPEB

- Note 10 (p 45-47)
  - Actuarial Valuation dated 06/30/10 was used as the basis
  - OPEB activity
    - Beginning liability - $5.9M (3 years of OPEB liabilities)
    - FY 12 Annual Required Contribution = $3.0M
    - $891k contributed (pay-as-you-go basis)
    - Increase to Net OPEB Obligation - $2.3M
    - Net OPEB Obligation - $8.2M
    - Total Unfunded Liability (06/30/10) - $34.4M
      - This liability decreased by more than 50% from the previous valuation as a reflection of the transfer of Sheriff's department to the State

Reports on IC over FR, Compliance and FAP's

- Total Federal Expenditures – $2.4M
- Programs tested as major programs
  - HOME Investment Partnerships Program
  - Highway Planning and Construction
  - AmeriCorps

Reports on IC over FR, Compliance and FAP's

- NO FY 12 FINDINGS

- FY 11 Findings – All FY 11 findings related to the Energy Efficiency grant, which ended in FY 11, therefore there is no "status" updates in FY 12

Management Letter

- No significant deficiencies or material weaknesses in financial controls
- FY 11 comment related to encumbrances was resolved in FY 12
- 2 new comments and recommendation
  - Informative in nature

Management Letter

- Service Organization Controls
  - County should evaluate its third-party service providers that process financial transactions and/or maintain confidential/private information
  - Service organization controls impact the County's controls over financial reporting and privacy/protection of sensitive employee/customer information
  - County should obtain SOC reports:
    - SOC 1
    - SOC 2
  - Recommendation
    - Identify service organizations and request annual SOC report
    - Include contractual requirement to obtain SOC report

Management Letter

- Pension Accounting and Financial Reporting
  - GASB 68 revises/establishes new financial reporting requirements related to pension benefits
  - Required to recognize long-term obligation for pension benefits in the full accrual financial statements
  - Statement 68 will also:
    - More comprehensively measure annual pension costs
    - Place conditions on use of actuarial discount rate
    - Expand disclosures (footnotes, etc.)
  - Recommendation
    - Management familiarize itself with 68 and prepare for implementation