

County of Barnstable, Massachusetts Exit Conference – FY 15 Audit



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Introduction

- Today's process
 - Financial Statements
 - ◇ Opinion
 - ◇ Financial Summary
 - Federal Awards Programs (GAO and OMB Reports)
 - Management letter
- Feel free to ask questions as we go

Opinion

- Auditors' Opinion (p.2) – Unmodified
 - Best opinion available

Government-Wide (Full Accrual)

- Government-Wide Financial Statements (p.13-15)
 - Statement of Net Position – Governmental Activities
 - ◇ Assets - \$51.9M
 - Cash and Investments - \$25.1M
 - Loans Receivable - \$16.9M
 - ◇ Liabilities - \$86.8M
 - Net Pension Liability - \$42.6M
 - Long-Term Debt - \$25.0M
 - OPEB - \$11.5M
 - ◇ Net Position – (\$34.8M)
 - Overall deficit and deficit in Unrestricted (\$56.3M) is the result of GASB 68 implementation and the reporting of the net pension liability (as well as the OPEB liability)
 - Change in Net Position (p. 15)
 - ◇ Decrease in net position of \$1.4M is largely caused by increases to the net pension liability (\$355k) and OPEB (\$866k)

General Fund

- Balance sheet (p.16)
 - CY - GF Fund Balance - \$6.9M (GAAP)
 - ◇ Restricted - Statutory Reserve - \$305k
 - ◇ Restricted - Life insurance - \$468k
 - ◇ Committed - SY expenditures - \$2.3M
 - ◇ Committed - Continuing appropriations - \$947k
 - ◇ Committed - Employee benefits - \$121k
 - ◇ Assigned - Encumbrances - \$637k
 - ◇ Unassigned - \$2.2M (slight decrease from PY)
 - CY - GF Unassigned F/B is 12.9% of exp-T/O
 - PY - GF Unassigned F/B is 13.5% of exp-T/O

Net Change in G/F Balance

- Budgetary Rev/Exp (p.56-57)
 - Anticipated CY change in F/B - (\$1.7M)
 - ◇ Carry forward articles and encumbrances - \$2.7M
- Actual CY change in F/B = \$1.1M
 - Revenues less than budget - \$1.4M
 - ◇ Mainly Registry of Deeds
 - Expenditure surplus (prior to enc/cfd) - \$4.2M
 - ◇ \$1.6M CY encumbrances/cfd's

Cape Cod Commission

- Fund Balance (p.16)
 - CY - \$3.2M
 - PY - \$2.8M

- Revenue & Exp (p.18)
 - Environmental protection taxes - \$3.2M
 - Intergovernmental - \$724k
 - Transfers in - \$461k (overhead reimbursements)
 - Expenditures - \$3.9M

Septic Loan Program

- Fund Balance (p.17)
 - CY - \$25.0M
- Revenue & Exp (p.19)
 - Loan Interest - \$816k
 - Debt Principal - \$1.2M
 - Debt Interest (subsidized) - \$894k
 - Proceeds of bonds and notes - \$200k
 - Transfers out - \$796k (transfers to admin fund)

Dredge Enterprise Fund

- Net Position (p.22)
 - CY Total - \$1.1M
 - ◇ Capital assets, net of related debt - \$305k
 - ◇ CY Unrestricted - \$810k

- Rev/Exp & Change in Net Position (p.23)
 - Change in Net Position - \$39k
 - ◇ Consistent with prior year

Fund Deficits

- Fund Deficits (Note 2, p. 36)
 - Fund deficits are approximately \$8.0M as of June 30
 - Deficits are expected to be funded by LT debt and/or reimbursements
 - Approximately \$2.3M of the deficits are currently funded with ST notes

O/S Debt

- LT Debt (Note 9, p. 42)
 - O/S LT Debt totals \$25.0M
 - All relates to MCWT debt for the Septic Loan program
 - Debt to be funded by septic loan paybacks

OPEB

- Note 10 (p 44)
 - AV dated 06/30/14 was used as the basis
 - OPEB activity
 - ◇ Beginning liability - \$11.0M
 - ◇ FY 15 ARC = \$2.1M
 - ◇ \$896K contributed (pay-as-you-go basis)
 - ◇ Increase to Net OPEB Obligation - \$892k
 - ◇ Net OPEB Obligation - \$11.9M
 - ◇ Total UAAL (06/30/14) - \$29.6M

Pension

- Note 14 (p 49)
 - 1st year of implementation of GASB 68
 - Impact:
 - ◇ Liability - \$43.2M
 - Represents 7.65% of the total pension liability of BCRA
 - ◇ Deferred Outflows of Resources - \$74k
 - Difference between projected and actual investment earnings of the BCRA
 - ◇ Sensitivity to Discount Rate (7.75%)
 - -1% (6.75%) - \$55.7M
 - +1% (8.75%) - \$32.6M

GAO and OMB Reports

- Total Federal Expenditures – \$2.6M
- Programs tested as major programs
 - HOME Investment Partnerships Program
 - Public Health Emergency Preparedness
- No findings for 2nd year in a row

Management Letter

- No significant deficiencies or material weaknesses in financial controls
- 3 comments and recommendations
 - One (1) is informative in nature

Management Letter

- Bank Reconciliations

- Some June 30 reconciliations contained small, miscellaneous reconciling items for which cause was known, but was not resolved prior to completing the reconciliation
- June 30 vendor account reconciliation contained a small unidentified variance
- While immaterial to the audit, best practice is to only have reconciling items that relate to timing (for example, outstanding checks)

Management Letter

- Monitoring Inactive Funds
 - County utilizes fund accounting with separate funds for each activity with a unique revenue source
 - At June 30, there were several funds with balances at year-end, but no revenue or expense activity during the year
 - Procedures to monitor such inactive funds are in place, but could be strengthened and formalized to, at a minimum, address the timing and frequency of monitoring such funds and to document the approach(es) taken to resolve the status of such funds

Management Letter

- OPEB Accounting and Reporting
 - GASB 74 and 75 are new pronouncements related to OPEB accounting and reporting
 - Primary impact will most likely be an increase to the OPEB liability
 - Implementation dates of FY 17 and 18