

TOWN OF OAK BLUFFS, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2016

Powers & Sullivan, LLC

Certified Public Accountants



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

To the Honorable Board of Selectmen
Town of Oak Bluffs, Massachusetts:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oak Bluffs, Massachusetts ("the Town") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we became aware of matters that are opportunities for strengthening internal controls and enhancing operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

March 30, 2017

TOWN OF OAK BLUFFS, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2016

TABLE OF CONTENTS

	PAGE
PRIOR YEAR COMMENTS RESOLVED	1
Police Detail Fund	2
Cash Reconciliations	2
Reconciling the CPA Fund to Bank Statements	3
PRIOR YEAR COMMENTS PARTIALLY RESOLVED	4
Indirect Cost Rate Allocation	5
Control of MUNIS Access and User Rights	6
Lack of Formal Policies and Procedures Manuals	6
Fraud Risk Assessment	7
UNRESOLVED COMMENTS OF THE PRIOR YEAR	9
Enterprise Fund Reporting	10
Tailings	11
Use of Credit Cards	12
CURRENT YEAR COMMENT	13
Documentation of Internal Controls	14
INFORMATIONAL COMMENT	16
Future Government Accounting Standards Board (GASB) Statements for Other Postemployment Benefits and Tax Abatement Disclosures	17

PRIOR YEAR COMMENTS RESOLVED

In Fiscal Year 2016 the Town was able to address and rectify the matters noted below. Although these matters were not items that, together or in part, indicated major breakdown in internal controls it appears that management treated these with the utmost importance. During 2016, management devoted additional resources that enabled it to address these matters so that its ability to monitor operations and make better informed financial decisions can be improved.

POLICE DETAIL FUND

Comment

An analysis of the general ledger indicates that the police detail fund is in a cash deficit. Police detail fund deficits represents amounts owed to the Town for detail work paid to officers but not collected by the Town. For the past few years efforts to reconcile the fund to determine the true deficit had not occurred.

As of June 30, 2015, the Town had identified a deficit of \$118,000 and efforts by management had identified the following: 1) active accounts that the Department is pursuing collection totaling \$55,000; 2) \$20,000 of receipts posted to incorrect grant or revolving funds that were ultimately closed out to the General Fund; and 3) \$16,000 of prior detail billings that will need to be written off. The Town is in the process of identifying the remaining \$27,000 negative balance.

Status

As of June 30, 2016, the Town has identified the following a deficit of \$69,000 which is made up of the following categories: 1) Collections on active accounts totaling \$33,000 for which the Town recognized cash receipts in early FY17; 2) \$20,000 of receipts posted to incorrect grant or revolving funds that were ultimately closed out to the General Fund; and 3) \$16,000 of prior detail billings that will need to be written off.

The amounts to be written off will need to be funded from the General Fund and the intention is to fund this at an upcoming Town Meeting.

We will continue to monitor this account as part of future audit procedures but for purposes of this management letter we consider this matter to be resolved.

CASH RECONCILIATIONS

Comment

Bank to cashbook reconciliations were performed at intermittent intervals during fiscal year 2014 and in some instances were not completed until well after year end. Delays in the reconciliation of any account can allow for mistakes and omissions to exist without being detected. An example of this occurred when a warrant that was processed and paid during June 2014 was underfunded; however, the underfunding was not realized, and corrected, by the Treasurer until the account was reconciled in September 2014. The delay in reconciling the Treasurer's cash as a whole delayed the Town Accountant's ability to reconcile cash per the general ledger (MUNIS) to the Treasurer's records on a timely basis throughout the year.

When the Town completed the year-end cash reconciliation the Treasurer's cashbook was higher to the ledger. Our review of the reconciliation indicates that there was an unknown variance in cash. Discussions with management, nor review of the cash reconciliations, did not indicate the cause of the variance.

Our own audit analysis resulted in identification of roughly a third of the cash variance between MUNIS and the Treasurers cashbook; however, the remaining difference was not identified as of the date of this letter.

During 2015, the Town engaged the services of a consultant to develop a comprehensive cash reconciliation plan and to develop policies and procedures to ensure that all reconciliations are completed timely and accurately. The cash reconciliation was completed timely and this appears to have helped the Town close its ledger in a timelier manner as compared to prior years. As part of their reconciliation the consultants have identified certain adjusting entries that should be made to MUNIS.

The development of policies and procedures has been purposely delayed so that the Town can implement the new Treasurer's module in MUNIS. Once the design and implementation of the new system nears the completion point the consultant will continue with efforts to develop policies and procedures around the new system.

Status

During 2016, the Town recorded the entries proposed by the consultant in 2015 and was able to document and complete cash reconciliations for the 2016 year end. Efforts to complete the policies and procedures document relative to cash reconciliations as the implementation of the new Treasurer's module was still put on hold. We have addressed the lack of a policies and procedures document in another comment; however, for the purposes of completing the cash reconciliation, we consider this matter to be resolved.

RECONCILING THE CPA FUND TO BANK STATEMENTS

Comment

The Town maintains, within MUNIS, a segregated fund to account for activity associated with the Community Preservation Fund Act. In accordance with the enabling legislation the Town has also established a segregated bank account that is supposed to mirror activity within MUNIS. At June 30, 2014, the cash balance of the Fund, per MUNIS, was approximately \$2.4 million while the Treasurer's cashbook balance was approximately \$2.5 million. Since a specific reconciliation of the MUNIS balance to the cashbook and bank statement has not occurred management was not able to document the nature of the difference.

Status

This matter was addressed as part of the overall "Cash Reconciliations" comment above.

PRIOR YEAR COMMENTS PARTIALLY RESOLVED

INDIRECT COST RATE ALLOCATION

Comment

Included in the General Fund budget are amounts paid by the General Fund on behalf of the Wastewater Enterprise Fund. The Town has historically referred to these charges as "indirect costs"; however, the majority of these charges are direct in nature (debt service, pension assessment, health insurance, and MWPAT fees) and represents direct costs of the enterprise fund. The most accurate way to charge an enterprise fund is to budget and pay for as many direct expenses in that fund and not rely on an allocation.

Indirect costs by definition represent total costs (salaries, telephone costs, health insurance, electric, heating and other utility costs, pension expense and other similar costs) that are borne by an overhead department not related to the Enterprise Fund (the Treasurer's office for instance) and then reasonably and systematically allocated to the enterprise fund. A small percentage of the current allocation does include a percentage of the collector's office salary; however, the method of determining this allocation is based on an estimate that was developed prior to the commencement of the FY 2010 budget cycle.

The use of the simple allocation method of the percentage of the total expenditure budget may not be the most accurate methodology to use for the allocation of cost for each department. Some costs may be better allocated using a different basis. For example, the normal allocation basis for building expenses is determined by the square feet occupied by a department in relation to the total occupied square feet of the building.

Status

Although the Town was not able to address this matter during fiscal year 2016 management has started to explore ways in which to address this matter in a manner that will not drastically disrupt the Town's budgeting process and in a manner that will not cause undue stress on the ratepayers of the wastewater system. Over the past few years the Department of Revenue has indicated publicly that the use of indirect cost plans, by municipalities with legally adopted enterprise funds, is an area of intense focus on their part. Delaying the implementation of a full scale cost allocation plan may be adding undue stress on the tax rate. As the Town continues with this process, we strongly encourage that our recommendation be used as a guideline in future discussions.

Continued Recommendation

Indirect costs should be apportioned by a systematic and rational allocation methodology that is documented in a cost allocation plan and approved each year.

The plan documentation should encompass the following:

- Identify all fringe benefits and overhead departments that support the enterprise fund;
- Document the direct and indirect charges used to calculate the allocable cost of the overhead department;
- Document the appropriate base to allocate the specific cost;
- Identify costs that are actual direct charges for specific expenses which can then be charged directly to the enterprise fund. Direct charges are not subject to an allocation;

- Completion of a year-end reconciliation of the estimated budget allocation to the actual allocations made;
- A policy should be established to adjust for material budget to actual variances.

The benefit of implementing these recommendations will be the assurance that the general and enterprise funds are not subsidizing each other's operations and that the Town has a documented sound policy that can be used to balance future budgets.

CONTROL OF MUNIS ACCESS AND USER RIGHTS

Comment

The process of allowing an employee to have access to MUNIS, and the process of assigning particular user rights to the employee's MUNIS profile, was not strictly governed and monitored. Currently, access to MUNIS is initiated by a phone call to the IT Director. The phone call could be initiated by a department head or a general employee but in almost all cases there is no document trail that would allow the IT Director to determine if the request for MUNIS access should be allowed or not. We have been told that sometimes "common sense" allows the Director to make a yes/no decision without having to consult with other members of Town management. On other occasions the IT Director will consult with, and defer to, the Town Accountant's advice regarding a particular access request.

Status

As part of the design and implementation process of a new Treasury receipt module in MUNIS, the Town is in the process of reviewing everyone's user rights to the MUNIS system. Although management appears to understand the seriousness of this important control aspect, the adoption of a formal method of requesting user access has not occurred. We have been told that the process will be revamped and better documented as the design and implementation of the new system nears completion.

Continued Recommendation

We recommend that, when addressing the earlier comment concerning written policies and procedures, management develop criteria to be considered when determining the appropriateness of allowing an employee to have access to MUNIS. Once it has been determined that an employee should have access to MUNIS further consideration to occur to determine particular user rights within MUNIS. A form should also be developed that will serve to memorialize in writing management's wishes for a particular user profile within MUNIS. At a minimum, the form should be approved by the Town Accountant prior to the request being presented to the IT Director.

LACK OF FORMAL POLICIES AND PROCEDURES MANUALS

Comment

There is a lack of formalized policies and procedures that documents the daily, monthly, and yearly procedures of staff members that are assigned to the Town's financial operations. While staff members account for finances under the Uniform Municipal Accounting System (UMAS) guidelines, UMAS does not get into the specifics as to how information should be accumulated from municipality to municipality. To date, the Town has begun to compile a master booklet of policies and procedures for all of the key financial reporting offices; however, not all offices are fully documented and up to date in the specific detail of their operations.

Status

During 2016 and continuing through 2017, the Town has drafted various policies and procedures examples of which include the accounts payable cycle, the budget process, debt management, revenue generation, unfunded liabilities, and fraud prevention.

Continued Recommendation

We recommend that management continue the progress made in establishing an overall documented framework for its financial operations. Each financial department head should expand upon the progress made so far and document the daily, weekly, and monthly, quarterly, and yearly duties and responsibilities for each employee assigned to a particular finance related office. In the event of an emergency, the documentation should be compiled in manner that can be easily read and understood.

FRAUD RISK ASSESSMENT

Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.
- What assets of the Town are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and

cashing them for personal use.

- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

Status

During 2016, the Town drafted a fraud risk policy that:

- Establishes whistleblower protection;
- Establishes an overall framework that shares proper internal controls and fraud prevention among the department heads;
- Provides guidance to allow department heads to determine what may constitute an act of fraud;
- Establishes an investigative response to suspected instances of fraud;
- Provides tips to prevent Town related instances of fraud.

Continued Recommendation

We strongly encourage the Board of Selectmen to adopt this policy as an official Town document. We further recommend that the Town document a “strengths and weakness” assessment for each major point of revenue and expenditure to determine what areas the Town has a practical risk of fraud. Doing so will further the Town’s efforts in creating a proactive response to fraud.

UNRESOLVED COMMENTS OF THE PRIOR YEAR

STUDENT ACTIVITY FUNDS

This comment originally was communicated in the FY2012 management letter. Though the spirit of the original comment remains the same, some wording changes have occurred in order to make the comment more relevant for conditions existing at June 30, 2015.

Comment

The Town maintains a combined student activity fund depository and checking account under the care, custody, and control of the school principal. We also note that the current policies are causing unnecessary delays in the posting of revenues and expenditures to the Town general ledger. The School is required to maintain its student activity funds, and related bank accounts, in a manner that is mandated by Massachusetts General Law, Chapter 71, Section 47. In reviewing the current procedures we noted that enhancements are needed for the Town and School Department to comply with guidelines, issued by the Department of Elementary and Secondary Education, which provide suggested practices to assist towns and school districts in ensuring that the cash management of the student activity funds is managed according to MGL.

Massachusetts General Law Chapter 71 allows the school committee to authorize the Principal to receive money in connection with the conduct of certain student activities and to deposit such money, with the Town Treasurer into an interest bearing bank account, established by the vote of the school committee to be used for the express purpose of conducting student activities. Interest earnings on such funds shall be retained by the fund and the school committee shall determine for what purpose such earnings may be used. In addition, the school committee needs to authorize the Town Treasurer to establish a checking account from which the funds may be expended exclusively for student activity purposes as authorized by the school committee. Funds received from student activities fundraisers and fees may only be deposited into an account under the care, custody and control of the Town Treasurer.

The school committee needs to vote and set the maximum balance that may be on deposit in the student activity checking account. The principal or designee, who operates and controls the student activity checking account, needs to be bonded in an amount determined by the Town Treasurer. To the extent that the funds are available in the student activity agency fund depository account, funds, up to the maximum balance set by the school committee, are to be transferred from the depository account through the warrant process to fund the related checking account. The process of replenishing the student activity fund checking account shall be subject to administrative procedures prescribed by the Town Treasurer.

Continued Recommendation

We recommend that the Town establish the appropriate bank accounts as required under MGL. We also recommend that the Town and the School Department review the DESE guidance to ensure that all aspects of student activity fund cash management is in compliance with MGL and DESE guidance.

ENTERPRISE FUND REPORTING

Comment

The Town presents a Wastewater Enterprise Fund in accordance with state law and generally accepted accounting principles (GAAP); however, the Town ledgers have not been appropriately adjusted to report these activities separately from governmental activities. As a result, management is faced with a process to extract such information via spreadsheet and ledger reports to present the appropriate balances and activity for each

fund.

The purpose of an electronic accounting system, such as the one employed by the Town, is to enhance transparency in the recording of transactions and to provide real time data that management can use to make time sensitive decisions in regards to funding and cash flow. Relying on a system that is dependent upon manual calculations increases the risk of error and slows down the timeliness of financial information produced.

Continued Recommendation

We recommend that management make the necessary changes to its accounting ledgers and fund structures so that enterprise fund capital project fund activity and enterprise fund long-term debt account information can be moved from their current classifications on the ledger to appropriate classifications reserved for enterprise fund reporting.

TAILINGS

Comment

The Town has a current liability of approximately \$20,000 that relates to checks that were written to vendors and/or employees, went unclaimed for a period of time, were voided and then record as a liability in accordance with the Commonwealth's abandoned property (tailings) laws. Since this liability has not been reconciled with the actual check listing of the Treasurer we can place no reliance on its accuracy.

We were able to review relevant documentation suggesting that the Treasurer is adhering to the abandoned property laws; however, we were not provided with a comprehensive document that details all of the individual balances within the tailings account maintained by the Treasurer nor were we provided with documentation that would indicate that the Treasurer and Accounting Office is reconciling this account on a periodic basis.

Continued Recommendation

We recommend that the Treasurer's Office take the time to compile a comprehensive listing of all uncashed checks that the Treasurer has evidence supporting that the voided check is in fact abandoned property. This total should be compared to the current tailings balance on the ledger. If there is a variance the difference should be investigated to determine the primary cause of the variance. The balance on the ledger should match the Treasurer's listing and procedures should be established that eliminates the cause of the variance. This list should be updated continually when outstanding checks are voided and deposited into the liability account and when checks are re-issued out of the tailings account. Additionally, we recommend that this account be reconciled with the ledger on a regular basis.

USE OF PERSONAL CREDIT CARDS

Comment

Discussions with management indicate that certain departments encounter a recurring use of employees using personal credit cards for Town business. This appears to mainly be occurring in the EMS department when crews are off-island and encounter situations in which they need to pay for costs incurred while on Town business (i.e. ambulance break-down during transport to and from the island that require immediate mechanical attention and hotel stays due to missed boat connections). The Town currently does not have written policies that address the use of employee credit cards for costs incurred while performing an official Town function

The lack of written policies that address the use of personal credit cards for Town business is not sound business practice.

Recommendation

We recommend that the Town develop policies governing the use of personal credit cards for Town business. We also recommend that the Town review recent employee reimbursements to determine what costs may be better managed, and possibly reduced, by developing a list of pre-approved vendors that Town employees, with proper approval, may utilize for recurrent costs that do not occur on a regular basis.

CURRENT YEAR COMMENT

DOCUMENTATION OF INTERNAL CONTROLS

Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments are required to implement the new administrative requirements and cost principles for all new federal awards and to additional funding to existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (the Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The COSO internal control framework is generally accepted as a best practice within the industry including the best practices prescribed by the Government Finance Officers Association (GFOA). COSO is a joint initiative of 5 private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The original COSO framework was published in 1992 and has been revised several times for changes in operations, technology, and audit risk. The most recent updates to the COSO Internal Control - Integrated Framework were issued in 2013 and are available at www.coso.org.

Management is responsible for internal control and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework incorporates 5 major components of internal control, which are supported by 17 principles of internal control as follows:

1. CONTROL ENVIRONMENT

- 1) Demonstrates commitment to integrity and ethical values
- 2) Exercises oversight responsibility
- 3) Establishes structure, authority, and responsibility
- 4) Demonstrates commitment to competence
- 5) Enforces accountability

2. RISK ASSESSMENT
 - 6) Specifies suitable objectives
 - 7) Identifies and analyzes risk
 - 8) Assesses fraud risk
 - 9) Identifies and analyzes significant change
3. CONTROL ACTIVITIES
 - 10) Selects and develops control activities
 - 11) Selects and develops general controls over technology
 - 12) Deploys through policies and procedures
4. INFORMATION & COMMUNICATION
 - 13) Uses relevant information
 - 14) Communicates internally
 - 15) Communicates externally
5. MONITORING
 - 16) Conducts ongoing and/or separate evaluations
 - 17) Evaluates and communicates deficiencies

Management should evaluate and assess the government's internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Recommendation

We recommend management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

INFORMATIONAL COMMENT

FUTURE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS FOR OTHER POSTEMPLOYMENT BENEFITS AND TAX ABATEMENT DISCLOSURES

Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Other Postemployment Benefits (OPEB). These new standards will start to phase in during 2017 and will substantially impact the Town's financial statements and will also affect the requirements for accumulating the necessary data to meet the reporting requirements.

The new standards that have been issued and their effective dates are as follows:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, will require disclosure of the descriptions of tax abatement agreements, the taxes being abated, and the gross dollar amount of the taxes abated during the reporting period. This GASB statement is required to be implemented in 2017.

See below for a brief summary of these new standards:

- GASB #74 and #75 will substantially change the reporting for other postemployment benefit liabilities and expenses. Changes in other postemployment benefit liability will be immediately recognized as other postemployment benefit expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Employers will report in their financial statements a net other postemployment benefit liability (asset) determined annually as of the measurement date. *Net other postemployment benefit liability (asset)* equals the total other postemployment benefit liability for the plan net of the plan net position. The other postemployment benefit liability is the actuarial present value of projected benefits attributed to past service. The plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.
- GASB #77 will require disclosure of the descriptions of tax abatement agreements, the taxes being abated, and the gross dollar amount of the taxes abated during the reporting period.

The Town should expect to record significant OPEB liabilities in the future and should begin planning to be prepared to implement the new standards. GASB 77 will not require accrual of any additional liabilities to the balance sheet; however, any tax increment financing mechanisms that will be effect for the FY17, and future, reporting periods, will need to be reviewed so that the required information is properly disclosed in the notes to the financial statements. We recommend that management begin to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to meet with your actuaries and financial advisers as more information becomes available. You may also want to consider how and when this information should be communicated to your constituents and other financial statement users.