



FINANCIAL AUDIT ADVISORY COMMITTEE

Report

Wednesday, December 13, 2023

Present: Councilor Kalis (Chair), Councilor Markiewicz, Councilor Bowman, Chris Brezski School Committee member, Carl Valente Citizen Representative, Max Stoff Citizen Representative, Aj Jablon Citizen Representative

Also present: Chief Financial Officer Maureen Lemieux, Senior Financial Analyst Perry Rosenfield, Senior Financial Analyst Connor Roach, Comptroller Stephen Curley, Accountant Matt Hunt and Accountant Phil Hwang.

The Committee began with going over Draft Financial Statements.

Mr. Hunt began with explaining to the Committee that there is a three page report within the Financial Report where auditors have provided their opinion on the financial statements based on the work performed on the city's audit, referring to whether or not the auditors feel these statements are presented fairly within material guidelines. Mr. Hunt continued to explain that this was the opinion his colleagues and himself were prepared to provide, which is consistent with prior years.

Mr. Hunt continued to go over the Financial Highlights. He explained to the committee that there are some portions of the financial statements that are full accrual in nature, and other portions which are not full accrual.

Mr. Hunt started with going over the Government Wide Financial Statements, which is the city's full accrual, including all long term assets and liabilities. Mr. Hunt explained that the city's three prominent liabilities include the city's debt, OPEB liabilities and pension liability.

Mr. Hunt then went on to explain that these liabilities tie into the city's Net Position deficit. Mr. Hunt noted that the city's Unrestricted Net Position of \$927 million, which is a \$39 million increase from last year, is directly attributable to the city's pension.

Mr. Hunt continued to go over full accrual financial statements. He added that the city experienced an overall increase in net position of \$67 million. He explained that the city's total expenses were \$545 million, and \$344 million (63%) of this was used towards education. Mr. Hunt continued to explain that the city's revenues are up to \$613 million, with \$147 million of this from Program revenues and \$466 million in general revenues and transfers (including real estate which was \$414 million).

Mr. Hunt then went on to explain the General Fund balance sheet to the committee, explaining that the fund balance is at \$116 million. Of this \$116 million, \$2 million is restricted funds, \$20 million is committed funds, \$12 million to assigned funds and \$82 million in unassigned funds. Mr. Hunt then

went on to explain the statement of changes in the General Fund balance, which was a net change in \$12.5 million in fund balance.

Financial Highlights

Accountant Phil Hwang continued presenting the audit findings for the Fidiciary Net position. He explained to the Committee that the ending net position for the year was \$474 million, which is primarily consisting of cash and investments. He continued explaining to the committee that there was a \$53 million decrease in Net position, but noted last year this was a \$84 million decrease.

The ending net position for the OPEB Trust Fund is \$31 million. There was a \$5 million change in net position, and a total of \$1.6 million in investment income.

The ending balance of the year for OPEB liability was \$676 million (\$667 million the prior year).

Mr. Hwang added that the city's Pension liability to end the year was \$321 million (\$244 million in prior year), and noted that this increase is primarily due to investment losses.

Draft Management Letter

Mr. Hwang started going over the management letter to the committee, which was focused on the special project relating to the Newton Early Childhood Program. He highlighted areas that were focused on that included the Financial policies and procedures, recording refunds/financial assistance, record retention, reconciliations and payroll approval documentation.

Mr. Hwang continued to explain their findings resulted in the following recommendations:

- Add program – specific information to policies and procedures.
- Record refunds and financial assistance consistently.
- Retain records for all aspects of the program as applicable.
- Perform periodic documented reconciliations of MySchoolBucks and Munis.
- Improve procedures to obtain document and payroll approvals.

Matthew Hunt finished going over the Draft Management letter by briefly touching on the Future GASB Implementation (Governmental Accounting Standards Board), adding the liability recognized for leave time is more likely than not to be used, paid or otherwise settled. In estimating "more likely than not", a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Mr. Hunt finished by adding his consulting group recommends the City to begin preparation for implementation for FY 2025.

The Committee then discussed the upcoming schedule.

The Committee will meet on April 10th, 2024 to discuss the single audit work, federal grants and management letter.

Respectfully submitted,

David Kalis, Chair