

CITY OF NEWTON
IN BOARD OF ALDERMEN
FINANCE COMMITTEE REPORT
SPECIAL MEETING
MONDAY, MARCH 31, 2003

Present: Ald. Coletti (Chair), Gerst, Bullwinkle, Stewart and Parker

Absent: Ald. Ciccone, Schnipper and Lipof

Also Present: David Wilkinson (Comptroller), Sandy Pooler (Chief Budget Officer), Mike Rourke (Chief Administrative Officer), Ed Spellman (Treasurer/Collector), Jim Reardon (Assistant Treasurer/Collector), Jim Powers (Powers and Sullivan auditing firm)

ITEM ON NO PREVIOUS DOCKET

#148-03 COMPTROLLER requesting that the Board of Aldermen accept the FY2002 Audited Comprehensive Annual Financial Report, conducted by Powers and Sullivan.

ACTION: **APPROVED 5-0**

NOTE: This meeting was set up expressly for the review of the Comprehensive Annual Financial Report (CAFR) for the City of Newton for FY2002. Jim Powers, of the Powers and Sullivan audit firm was present this evening. He was joined by his assistant, Stacy, who is in charge of the Newton financial audit. David Wilkinson was also present. The Committee was also joined by Ed Spellman (Treasurer/Collector), Jim Reardon (Assistant Treasurer/Collector), Sandy Pooler (Chief Budget Officer) and Mike Rourke (Chief Administrative Officer).

The CAFR was distributed to all aldermen during the week of March 24th. Anyone wishing to have another copy of the CAFR can make a request to the Comptroller. A copy of the Management Letter is attached to this report. Any Alderman wishing to get a detailed account of this meeting should request a copy of the audio tape from the Clerk's office.

The Committee spent approximately 2 hours this evening going over a page by page review of the financial statements. This year's financial statements were prepared by the Comptroller's office (anyone with specific questions regarding these statements should contact David Wilkinson). Dave Wilkinson did a tremendous job in assembling all of the financial statements. Because of the cost associated with having the auditors spending over 1,000 hours preparing these documents, David offered the city a savings by doing this himself. Because of the knowledge and experience of the Comptroller and that of his staff, this measure reduced the expected cost under the new GASB Rule 34 (Government

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Accounting Standards Bureau reporting mechanism for municipal finances). David thought that it was important that the Comptroller's office get a working, hands-on knowledge of preparing statements under this new reporting rule.

The documents submitted by the Comptroller's office were taken by Powers and Sullivan and reviewed for auditing purposes. Ultimately, Powers and Sullivan did some testing of the statements and performed an analysis of the management structure. Powers and Sullivan then provided the City with the attached draft Management Letter.

The Committee spent a substantial amount of time trying to understand the difference of the GASB 34 accounting versus the accounting that the City has used in the past. After gaining a fairly good working knowledge of the documents presented, the Committee spent another 45 minutes discussing the three items which were prepared in the Management Letter. Some items dealt with the School Department relative to unresolved payroll issues. Other issues dealt with the Treasurer's office and some Water/Sewer Department issues. Please refer to the attached Management Letter for specifics on these issues.

According to these reports, the City entered into FY03 in extremely good financial position. The City had substantial reserves and balances as well as a strong tax base after last year's override. Having reviewed all pertinent documents, the Committee voted 4-0, with Ald. Parker not voting, to approve acceptance of this audit report.

CHAIRMAN'S NOTE: *It is important to note that Powers and Sullivan is now at the end of its 5-year contract with the City as its independent audit firm. The Comptroller has docketed a request for the Board of Aldermen to approve a new contract for the next five years. The Finance Committee will establish a subcommittee to take a very close look at this process and make a recommendation relative to the work that would be required under this contract and who would be considered for the granting of the new contract. It is expected that this work will be completed before June 30, 2003.*

All other items were held. The Committee adjourned at approximately 10:10 p.m.

Respectfully Submitted,

Paul E. Coletti, Chairman