



Financial Audit Advisory Committee

Wednesday, October 8, 2025

Present: Councilor Malakie (Chair), Councilor Lipof, Councilor Oliver, Citizen Representative Carl Valente, Citizen Representative Alex Jablon, Citizen Representative Patrick Song

Absent: Councilor Micley, School Committee member Rajeev Parlikar, and Citizen Representative JP Nahmias

City Staff: Comptroller Stephen Curley, Deputy Comptroller Stela Zaloshnja

All Financial Audit Advisory Committee agendas and reports, both past and present, can be found at the following link: <https://www.newtonma.gov/government/city-clerk/city-council/special-committees/financial-audit-advisory-committee>.

For more information regarding this meeting, a video recording can be found at the following link: <https://youtu.be/NmYh5tYWfm8?si=CgX9sGespk3FqZGo>.

Jim Piotrowski from CliftonLarsonAllen (CLA) noted that this presentation would include an audit update, some current financial highlights, a special projects update, and a timeline for next steps.

Zach Fentross from CLA presented the attached slides, starting with major audit updates. CLA performed preliminary audit procedures during the summer months, including on the retirement system, internal controls, and planning forms and programs. They began primary audit procedures on the June 30th balances last week, including the implementation of the Governmental Accounting Standards Board (GASB) Statement 101, which deals with compensated absences. He detailed that the City has always presented its compensated absence liabilities in its financial statements, but the GASB has changed how these liabilities are to be calculated starting with the June 30, 2025 financial statements. He added that CLA had discussed this topic with City Staff to ensure the City will appropriately implement the new standard. CLA will verify the calculation for the City's liability.

Citizen Representative Patrick Song asked how the City compares to other municipalities on sick days in terms of liability, noting the City's generous policy for teachers. Mr. Fentross answered that he would be happy to bring an analysis back to the Committee, but would not be able to provide an answer now.

Mr. Fentross next presented retirement system updates. He noted the following numbers were accurate as of December 31st, 2024 as this is the year-end for Newton's retirement system. He detailed that the City's total pension liability is \$863M and its total fiduciary net position is \$587M, which leaves a net pension liability of \$276M. This is a decrease from the prior year's liability of \$308M, primarily

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thanks to investment performance (a \$48M gain in 2024). The retirement system has been consistent from the prior year with a discount rate at 6.9%.

He next presented Single Audit updates. As of today, the City's expenses for its federal programs are estimated at \$21M, a slight decrease from last year's \$25.2M. He explained that CLA will audit ARPA funds, child nutrition care, in other words, school lunches, and Medicaid, which gives them about a 51% coverage over the single audits. He added that CLA has already completed the ARPA and school lunch audits and will get started on Medicaid as they recently received confirmation that they would be auditing it. Mr. Piotrowski noted that Single Audit progress was ahead of last year's timing.

Mr. Fentross next presented the special projects update. CLA looked at Gath Memorial Pool and Crystal Lake Beach. They would recommend that dual signatures be added to the reconciliation of the daily revenue report, as there is currently no documentation of the individuals performing and reviewing the reconciliation. Both the aquatics director and the Parks & Recreation Commissioner agreed with the recommendation and indicated they would implement it as soon as possible. Mr. Fentross added that CLA will review circuit breaker expenditures to ensure they are done in accordance with the Department of Elementary and Secondary Education (DESE) guidelines. They also have capacity for a school program with their remaining hours.

Mr. Piotrowski added that CLA would review both circuit breaker testing and the use of school building revolving funds for compliance, using a similar approach for each by evaluating expenditures for reasonableness and adherence to regulations, because the tests are of a similar nature.

Mr. Fentross next presented the audit timeline, expressing that there were some open items, but nothing concerning. Mr. Piotrowski added that CLA is looking at a similar timeline for ACFR delivery to last year's, namely by early January.

Mr. Piotrowski touched upon Citizen Representative Patrick Song's earlier question about compensated absences liability in relation to other communities. He noted that CLA sees many municipalities adopting a "last-in, first-out" methodology to the liability. Their estimate assumes that any leave being used next year is coming out of leave being accrued next year. The liability isn't growing greatly for employees using less sick time than they're earning. However, if CLA identifies employees using liabilities in excess of what they're earning, they can dig into them more to determine their year-end liability. So far, many communities that CLA works with are adopting a similar approach, which is the approach that CLA is working through with the City now.

A councilor followed up on whether the "last-in, first-out" approach is based on dollar amount because recently earned sick days are worth more. Mr. Piotrowski clarified that the most important factor was not the rate as much as the timing of the use of the liability.

The Committee then discussed the upcoming schedule. Comptroller Steve Curley noted that the Committee has historically gone over the draft financials in mid-December.

Mr. Song asked whether CLA consultants could elaborate on the scope of their testing for the circuit breaker. He noted it historically has been the greatest source of volatility in terms of cash flow for the school budget.

Mr. Fentross answered that CLA would look at expenditures as well as any funds that are carried forward from one year to the next to ensure they are in line with DESE guidelines, as they are clear about what can and cannot be expended through circuit breaker and what can be carried forward from one year to the next. He noted that taking on a budgetary perspective was outside of their scope.

Mr. Song inquired whether the circuit breaker had previously been audited. Mr. Piotrowski replied that, to CLA's knowledge, this was the first time in a while it had been reviewed at this scope. He also noted that, based on CLA's understanding, the DESE is expected to perform a programmatic review every three years or so, but that has not taken place recently.

Mr. Piotrowski further explained that CLA would only encompass the circuit breaker into the audit if there were to be something unusual in the appearance of the year-end fund balance of the expenditures, however, for compliance with DESE, this would be the first deep dive.

Mr. Song mentioned that in case of extra time, CLA may consider looking into overtime by the police force, as it is an issue in other communities.

In response to a councilor's question, Mr. Curley indicated that as of this past spring, police details have still not been fully integrated into MUNIS.

The Committee will meet on December 10th, 2025.

The meeting adjourned at 8:27 AM.

Respectfully submitted,
Julia Malakie, Chair of the Financial Audit Advisory Committee



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CPAs | CONSULTANTS | WEALTH ADVISORS

City of Newton, Massachusetts

Financial Audit Advisory Committee – 2025 Audit Update

October 8, 2025

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Agenda



AUDIT UPDATE



RETIREMENT SYSTEM



SINGLE AUDIT
(FEDERAL
EXPENDITURES)



SPECIAL PROJECTS
UPDATE



AUDIT TIMELINE



QUESTIONS

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Create Opportunities

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Audit Update

- Preliminary audit procedures (retirement system, internal controls, planning forms and programs, etc.) performed during summer months
- Primary audit procedures (i.e., audit procedures on June 30 balances, etc.) began last week
 - Includes implementation of GASB Statement 101, *Compensated Absences*



Retirement System

- The data below related to the Retirement System as of 12/31/24
- Total Pension Liability: \$863M
- Total Fiduciary Net Position: \$587M
- Net Pension Liability: \$276M
 - \$308M in prior year; decrease primarily result of investment performance (\$48M gain in 2024)
 - Calculated with 6.9% discount rate (same as prior year)



Single Audit (Federal Expenditures)

- Total Federal Expenditures - \$21M (estimate as of 10/8/25)
 - June 30, 2024 federal expenditures were \$25.2M
- Major Program Determination as of June 30, 2025 resulted in the following major programs for the FY25 Single Audit:
 - 21.027 – CSLFRF (ARPA) - \$8.8M
 - 10.CNC – School Lunch - \$785K
 - 97.778 – Medicaid - \$1.1M
- \$10.7M to be audited (51% coverage)



Special Projects Update

- City Project Selections from Summer 2025
 - Gath Memorial Pool
 - Crystal Lake Beach
 - Recommendation – Dual signatures on reconciliation of daily revenue report.
 - Circuit Breaker expenditures sample
- We will have capacity for a School program with remaining hours



Audit Timeline

- Week of September 30 progress discussion
- Discussion of next steps
- Determine next FAAC meeting date



Questions?

