

**MARCUM**  
ACCOUNTANTS + ADVISORS

**PRESENTATION TO  
THE TOWN OF  
SUDBURY,  
MASSACHUSETTS**

Presented by:  
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March 18, 2024

**Objective**

- ▶ Introduction
- ▶ Overview of the Town’s fiscal year 2023 Audit Process
- ▶ Overview of the Town’s fiscal year 2023 Audit Results

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## Powers & Sullivan, LLC is Now Marcum LLP

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### Town Financial Audit Objectives

- ▶ The principal objective of our work during fiscal 2023 was the expression of our opinions on the Town's basic financial statements (Annual Comprehensive Financial Report) and on the Town's compliance with provisions of Uniform Federal Guidance with respect to federal grants.
- ▶ We performed our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (yellow book).

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## Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

- ▶ Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles.
- ▶ Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

## Audit Process

- ▶ Preliminary Audit Work
  - Transaction Testing of Revenues, Expenditures, Payroll, and Journal Entries.
  - Major liability testing related to OPEB and Pension.
  - Compliance with laws, regulations, and grant requirements.
- ▶ Year End Audit Work
  - Verification of year end balances and account reconciliations.
  - Verification of budgetary controls.
  - Year end cut-off procedures.
  - Verification of proper capital asset activity and depreciation.
  - Verification that financial statements are in compliance with GASB/GAAP.

### Audit Results

- ▶ Unmodified Audit Opinion – financial statements present your financial position in accordance with Generally Accepted Accounting Principles.
- ▶ No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Audit Results

- ▶ The 2022 Annual Comprehensive Financial Report received the GFOA Certificate of Achievement for Excellence in Financial Reporting – the 2023 report was submitted to the GFOA for consideration.
- ▶ Management’s Discussion and Analysis (pages 19-26) – summarizes the results of operations and describes the Government – Wide (full accrual) and the Fund Based (modified accrual) financial statements and significant budgetary, capital and debt related highlights.

## Annual Comprehensive Financial Report

### ▶ Introductory Section – Management’s Transmittal

### ▶ Financial Section

- Audit Opinion (pages 15-17)
- Management’s Discussion and Analysis (pages 19-26)
- Basic Financial Statements & Notes (pages 27-71)
- Required Supplementary Information (pages 72-93)
  - Budget to Actual, Retirement Schedules, OPEB Schedules
- Other Supplementary Information – Combining Schedules (pages 94-991)

### ▶ Statistical Section

- Pages 101-118

## Financial Position Highlights

### ▶ General Fund Balance

- \$120 million final General Fund budget (*p.*74-77).
- Budgeted to use \$4 million in Free Cash.
- Revenues exceeded budget by \$2.1 million.
- Expenditures & encumbrances were under budget by \$1.2 million.
- Budgetary net increase \$1.4 million.
- General Fund Balance=\$22.5 million, includes Stabilization Funds (*p.* 32).
- General Fund Balance=18.8% of General Fund Expenditures.
- Unassigned General Fund Balance=\$12.7 million.

### Financial Position Highlights

- ▶ Stabilization Fund Balances – Included within General Fund:
  - Capital \$1,000,100
  - Energy Savings \$46,000
  - Melone property \$1,100,000
  - Synthetic Turf \$72,101
  - General (within unassigned) \$5,296,814
- ▶ CPA fund budget to actual (*page 79*)
  - Net increase of \$2.1 million
  - Revenues exceeded budget by \$906,000
  - Expenditures were under budget by \$184,000

### Financial Position Highlights

- ▶ Other Postemployment Benefits (OPEB)
  - Prefunded \$714,453 in FY2023.
  - Gross up revenues and expenditures \$1.9 million.
  - Actuarial valuation date July 1, 2021.
  - Total Trust fund balance \$13.8 million.
  - Unfunded liability \$50.5 million, as of June 30, 2023.
  - Significant note disclosures (*p.66-70*) and three schedules in the Required Supplementary Information (*p.85-88*).

## Financial Position Highlights

- ▶ Pension – Middlesex County Retirement System
  - Schedule of Employer Allocations and Pension Amounts
    - 12/31/22 the Towns proportionate share of net pension liability was \$66.8 million.
  - Actuarially determined contribution of \$6 million.
  - System funded 52.61%
  - Valuation date 1/1/22
  - Discount rate 7.15%
  - Note disclosures (*pages 62-66*)
  - Required Supplementary Information (*pages 80-83*)

## Financial Position Highlights

- ▶ Governmental Debt \$26.6million, \$500,000 MCWT Interim Loan issued.
- ▶ General Fund Debt Service 2% of Budget.
- ▶ Major Governmental Funds:
  - Community Preservation
  - General Capital Projects
- ▶ Nonmajor Governmental Funds are shown in combining schedules (*pages 95-99*)
- ▶ Enterprise Funds – business-type activities
  - Swimming Pool – increase of \$50,000 to a balance of \$410,000
  - Transfer Station – increase of \$17,000 to a balance of \$205,000
  - Recreation Field Maintenance – decrease of \$26,000 to a balance of (\$142,000)

## Single Audit – Federal Grants

- ▶ Reports on Federal Award Programs – separate report
- ▶ Unmodified opinions on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*
- ▶ Unmodified opinions on compliance for each major federal program and the report on internal control over compliance required by the Uniform Guidance
- ▶ Unmodified opinion on the schedule of expenditures of federal awards required by the Uniform Guidance
- ▶ \$2.9 million in federal grant expenditures
- ▶ \$1 million in ARPA expenditures (COVID-19 – State and Local Fiscal Recovery Funds) – tested as a major federal program

## Management Responsibilities

As part of the audit process, management is responsible for the following:

- The fair presentation of the Town's financial statements in accordance with generally accepted accounting principles;
- Establishing and maintaining effective internal controls over financial reporting to ensure all significant transactions are properly reflected within the financial statements;
- Identifying and ensuring that the Town complies with the laws and regulations applicable to its activities;
- Making all financial records and related information available to Marcum;
- Perform procedures to ensure the appropriate valuation of the Town's assets and liabilities;
- Identify contingent liabilities of the Town and ensure that they are assessed and appropriately reflected in the financial statements; and
- Adjusting the financial statements to correct material misstatements and affirming to the auditor in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor, if any, during the current engagement pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



## Marcum Responsibilities

- ▶ Our responsibility is to express an opinion on the Town's financial statements and compliance over federal programs;
- ▶ Conduct our audits in accordance with generally accepted auditing standards and Governmental Auditing Standards (Yellow Book). Those standards require that we obtain reasonable (rather than absolute) assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit is not designed to detect error or fraud that is immaterial to the financial statements;
- ▶ An audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify reportable conditions;
- ▶ We are responsible for ensuring that Management and Those Charged with Governance are aware of any significant deficiencies and/or material weaknesses;
- ▶ Our responsibility with respect to other information in documents containing audited financial statements is to read such information and consider whether the information or the manner of its presentation is materially consistent with information appearing in the basic financial statements; and
- ▶ Our responsibility with respect to Governance communication is to communicate those matters that have come to our attention as a result of the performance of our audit.

## Areas of Audit Emphasis

- ▶ Ensuring that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.
- ▶ Updating our understanding of internal control structure surrounding significant accounting cycles, including treasury, investments, capital asset purchases and construction in progress, purchasing and payables, revenues and receivables, and payroll.
- ▶ Understanding any changes in key information technology systems and control areas, including the computer environment.
- ▶ Ensuring that the cash and investments are maintained in accordance with the Town's investment policy and that they are presented in accordance with GAAP.
- ▶ Ensuring that the receivables from taxpayers and other governments exist, are collectible and are presented at their net realizable value.
- ▶ Identification of Component Units to be included in the financial statements

### Areas of Audit Emphasis-Continued

- Determining whether capital assets are properly capitalized and impairment of capital assets is considered and appropriately disclosed.
- Ensuring that certain significant accruals are calculated in accordance with the Town's policies and GAAP.
- Assisting the Town in implementing new financial reporting requirements issued by the Governmental Accounting Standards Board.
- Ensuring that the Town's OPEB Trust is appropriately calculated, valued and fairly stated in accordance with GASB 74 and 75.
- Testing the Town's compliance with requirements applicable to each major program and internal control over compliance in accordance with Uniform Guidance.
- Gathering the necessary information, charts, pictures, and schedules to be included in the Annual Comprehensive Financial Report.

