

(The following is not a verbatim transcript of comments or discussion that occurred during the meeting, but rather a summarization intended for general informational purposes. All motions and votes are the official records).

AUDIT REVIEW COMMITTEE

A meeting of the Audit Review Committee was held on Monday, October 3, 2022, in the Conference Room, Third Floor, City Hall, Cranston, Rhode Island.

CALL MEETING TO ORDER:

The meeting was called to order at 4:40 P.M. by the Chair.

Present: Council Vice-President Robert J. Ferri, Finance Committee Chair
Councilman Richard D. Campopiano
Joseph T. Beaudoin
Anthony V. Ricci
Dean Perdikakis (appeared at 5:03 p.m.)

Also Present: Councilwoman Jessica M. Marino
Anthony Moretti, Chief of Staff
Michael Igoe, Acting Finance Director/City Council Controller
David DiMaio, City Council Budget Analyst
Joseph Balducci, School Department Chief Financial Officer
Rosalba Zanni, Acting City Clerk

OLD BUSINESS:

None.

NEW BUSINESS:

Chair stated that he has been in contact with the Auditors and they want to meet towards the end of November. He would like this Committee to meet once again prior to that.

- ***Explanation from the administration on the differences between Governmental Reporting Requirements vs. Business Reporting Requirements in Financial Matters***

Mr. Igoe stated that the difference is that business reporting is like the rest of the world depreciation. You have revenues and expenses, accruals, cash flow and balance sheet. Major difference is governmental financial statements are based on the budget. He indicated to pages 28 and 29 of the Audit, which are government basic financial statements and page 30 is the statement of activities which list revenues and expenses.

Mr. DiMaio stated that there is one difference where revenues that come into the City are based on tax revenues, which are locked into the tax levy rate.

Mr. Igoe stated that page 33 shows what we report to the public showing activity for the year.

Chair asked what percentage of the total budget is School Budget. Mr. Igoe stated that he believes it is approximately 56%.

Mr. Ricci asked what inter-governmental is. Mr. DiMaio stated that that is State money coming in.

Mr. Ricci asked if the pension fund expenditure is included in the 175. Mr. Balducci stated, yes.

- ***Overview of Various Sections of the Financial Statement Including:***
 - ***Management's Discussion and Analysis For the Year Ended June 30, 2021 (starting on page 12)***

Director Moretti stated that the management discussion is not unique to Cranston. It is the same with all municipalities.

Mr. Igoe stated that this is basically filling in the template that we have each year.

Mr. Ricci indicated to page 15 “total net position” and asked if that would be the net equity. Mr. Igoe stated, yes, this is not a realistic number.

- ***Basic Financial Statements (starting on page 28)***

Discussed earlier in the meeting.

- ***Notes To Basic Financial Statements Exhibit K (starting on page 102)***

Mr. Igoe stated that this is on OPEB.

Mr. Balducci stated that only other post-employment benefit for health and dental coverage to age 65 that created a OPEB Trust Fund. They have approximately \$1.6 million worth of assets in that fund.

Chair asked where the \$1.6 million come from. Mr. Balducci stated, budgetarily, they see if they can make a transfer at the end of the year. this comes from over time.

Mr. Igoe stated that on the City’s side, we only offer Police and Fire after retirement. Everyone else is on their own define contribution plan. In 2012, former Mayor Fung at the time, negotiated with Unions that Teamsters and Laborers would no longer be part of the pension system. They would be in the 401A or 401K. employee would contribute 3% and the City matches it and this year the City raised option of contribution to 4% and next year would go to 5%.

Mr. Balducci stated that this year it was negotiated with the Custodians Unit that all new hires would contribute similar to the City to a define contribution plan.

- *Internal Service Funds (starting on page 147)*

Mr. Igoe stated that these are funds set up to provide benefits for employees within the City. Currently, it includes hospitalization for both City and School and City's Claims Account. Funding source is the City's Operating Account and we give them \$1.2 million a year. we did use ARPA Funds to address any deficits due to the pandemic.

Chair asked what the fee is from the Collaborative. Mr. Balducci stated that there is an Admin fee, which is \$1 per employee per month, which averages annually to approximately \$14,000. They are non-profit and are audited.

Chair asked if the City is looking at the Collaborative. Director Moretti stated that he, Mr. Igoe and Mr. Balducci met with the Collaborative during the Summer and they were going to provide information to the City sometime in October.

Chair asked Mr. Balducci if this is something that would benefit the City. Mr. Balducci stated that it could. The only downside is that the excess funds stay with the Collaborative. This has been one of the hang ups of former Finance Directors. The other positive side of being a member is we bring 9,000 of lives to the Blue Cross and United Health world.

- *Discussion of next meeting date which will be to prepare to meet with the Auditor Marcum.*

Chair asked the Committee members if they feel we still need to have one more meeting as a Committee before we meet with the Auditors.

Mr. Beaudoin stated that if we could have preliminary financial statements before the meeting, that would help and if there are any questions, they can be addressed to the Auditors when the Committee meets with them.

Chair stated that the Committee can communicate with each other rather than meeting in person and he will work on scheduling a meeting with Marcum before Thanksgiving.

The meeting adjourned at 5:55 p.m.

Respectfully submitted,

/s/ Rosalba Zanni
Acting City Clerk