

City of Raton & Raton Public Service Co.

CITY COMMISSION &
RPS BOARD OF DIRECTORS

MAY 11, 2021



CRI CARR
RIGGS &
INGRAM
CPAs and Advisors

Agenda

- Audit Timeline
- Auditors' Reports
- Financial Statement Highlights
- Single Audit Highlights
- Other Matters
- New and Upcoming Standards
- Value-Added Suggestions

Timeline of the Audit

Date of Engagement Letter	June 18, 2020
Planning	June 2020 – July 2020
Fieldwork	Weeks of September 28, 2020 and October 27, 2020.
Delivered Financial Statement Findings	December 10, 2020
Delivered Financial Statement Draft	December 11, 2020
Exit Conference Presentation	December 11, 2020
Independent Auditors' Report	December 15, 2020
SAO Release Date	April 13, 2021

Auditors' Reports

Independent Auditors' Reports

Opinion on the Financial Statements of the City and Company:

- **Unmodified – Best opinion available**
 - Financial Statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - No audit areas where an opinion could not be rendered.

Other Auditors' Report

GAGAS Reports on *Internal Control Over Financial Reporting* and on *Compliance and Other Matters*

- 1 NMSA finding – City
- 1 NMSA finding – RPS

Report on Compliance with Requirements that Could Have a *Direct and Material effect on the Major Federal Program and on Internal Control over Compliance* in Accordance with OMB Uniform Grant Guidance (City only)

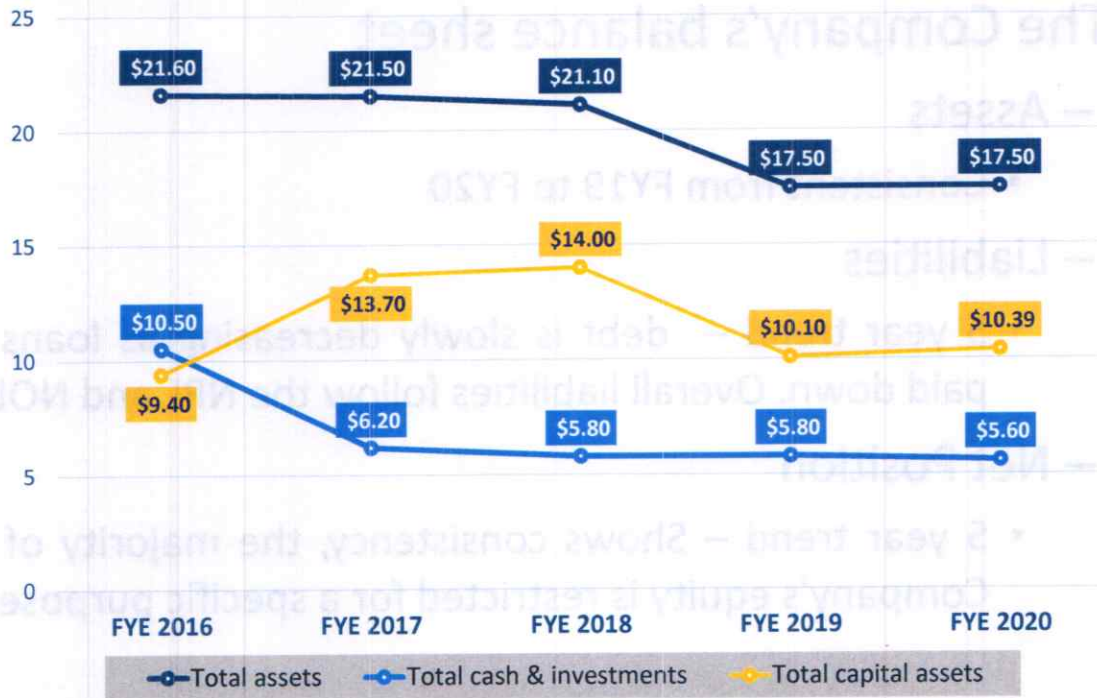
- 10.760 Water and Waste Water Disposal Systems for Rural Communities
- Unmodified Opinion
- No Findings noted

Statement of Net Position - RPS

- The Company's balance sheet
 - Assets
 - Consistent from FY19 to FY20
 - Liabilities
 - 5 year trend – debt is slowly decreasing as loans get paid down. Overall liabilities follow the NPL and NOL.
 - Net Position
 - 5 year trend – Shows consistency, the majority of the Company's equity is restricted for a specific purpose.

Statement of Net Position - RPS

Total Assets (in Millions)



Statement of Net Position - RPS



*GASB 75 implementation in 2018 for Net OPEB Liability

Statement of Net Position - RPS

Total Net Position and Unrestricted Net Position (in Millions)

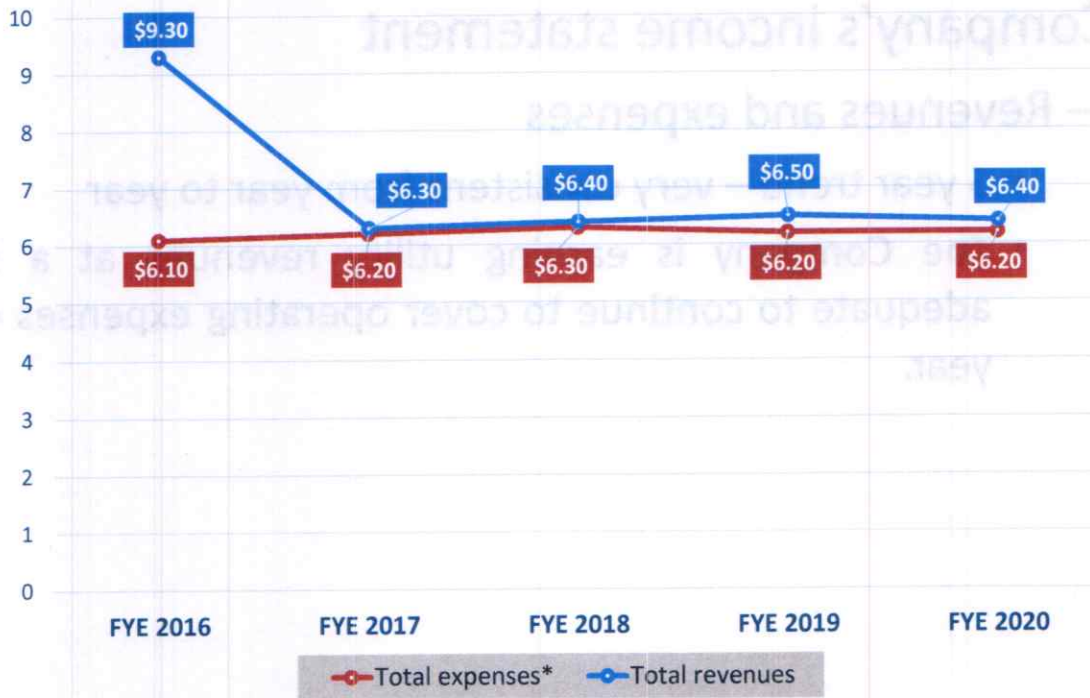


Statement of Activities - RPS

- Company's income statement
 - Revenues and expenses
 - 5 year trend – very consistent from year to year
 - The Company is earning utility revenues at a level adequate to continue to cover operating expenses each year.

Statement of Activities - RPS

Total Expenses and Revenues (in Millions)



*GASB 75 implementation in 2018 for Net OPEB Liability

Statement of Net Position - City

- City balance sheet

- Assets

- 5 year trend – consistent over time. Capital assets and cash make up the majority of the balance.

- Liabilities

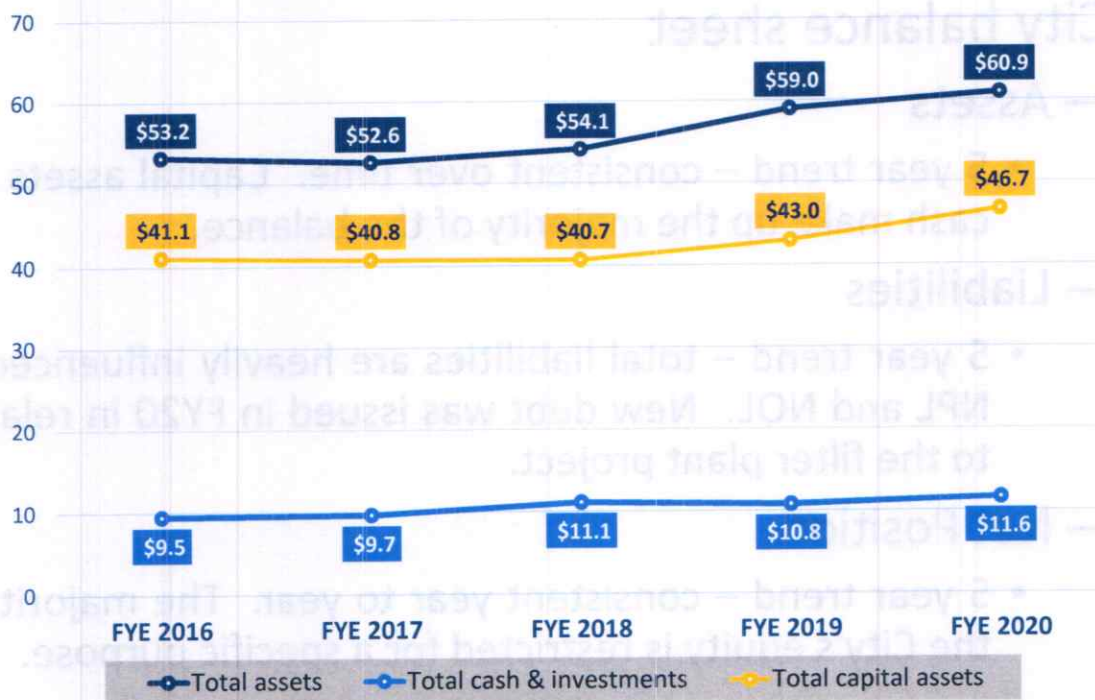
- 5 year trend – total liabilities are heavily influenced by NPL and NOL. New debt was issued in FY20 in relation to the filter plant project.

- Net Position

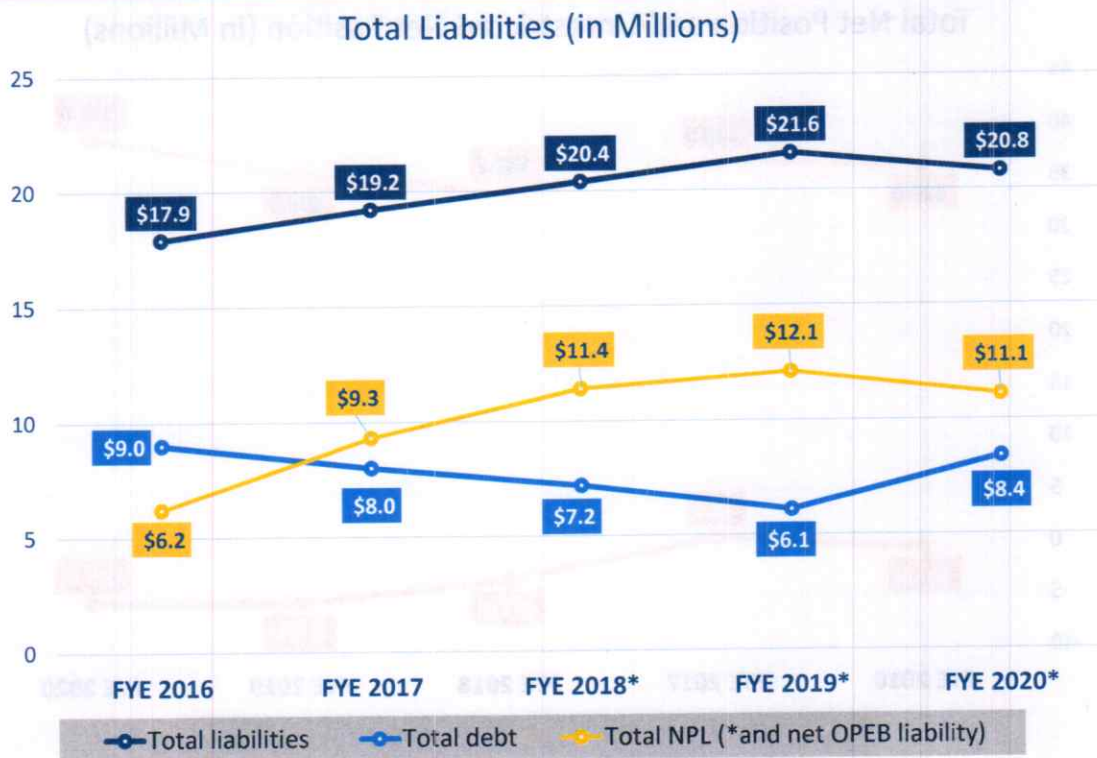
- 5 year trend – consistent year to year. The majority of the City's equity is restricted for a specific purpose.

Statement of Net Position - City

Total Assets (in Millions)

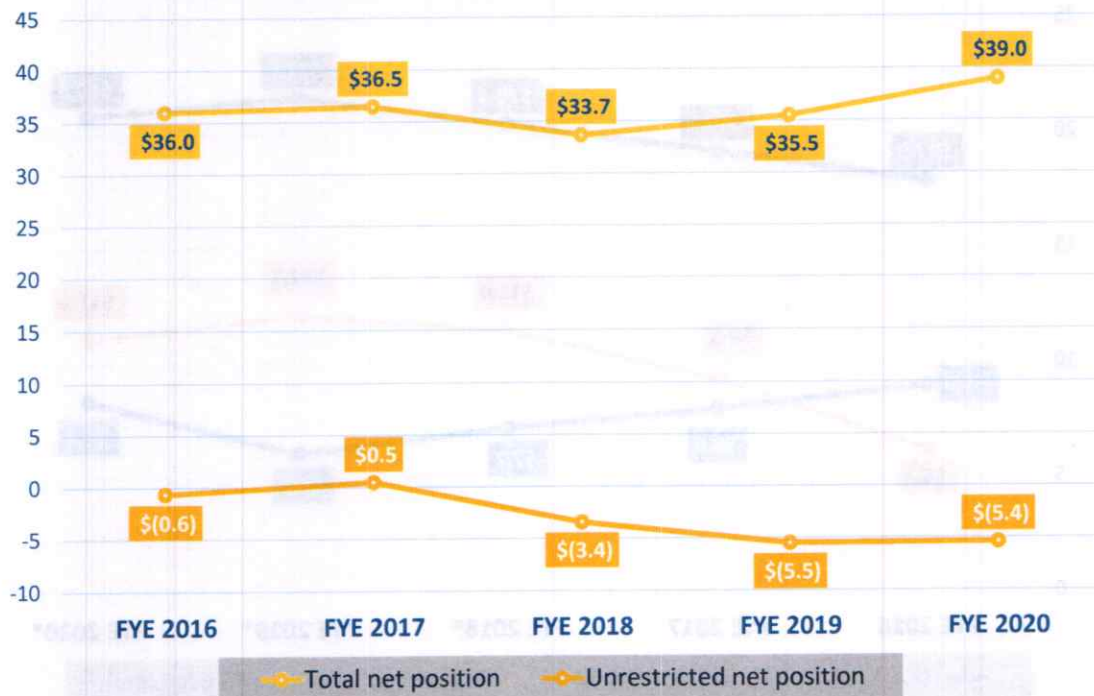


Statement of Net Position - City



Statement of Net Position - City

Total Net Position and Unrestricted Net Position (in Millions)

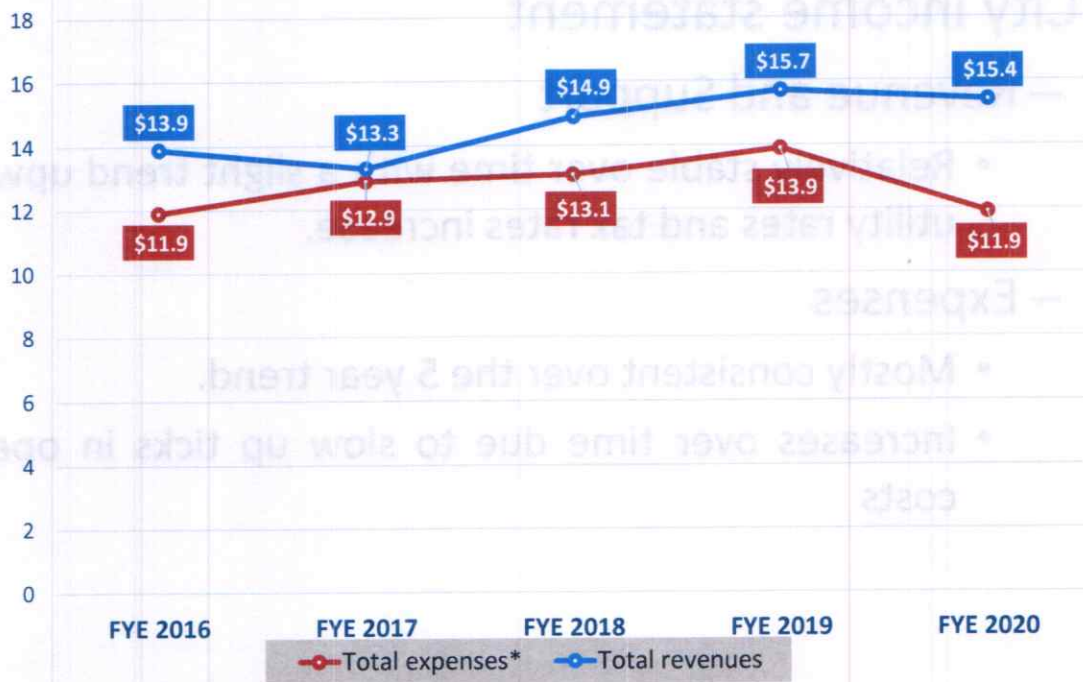


Statement of Activities - City

- City income statement
 - Revenue and Support
 - Relatively stable over time with a slight trend upward as utility rates and tax rates increase.
 - Expenses
 - Mostly consistent over the 5 year trend.
 - Increases over time due to slow up ticks in operating costs

Statement of Activities - City

Total Expenses and Revenues (in Millions)



*GASB 75 implementation in 2018 for Net OPEB Liability

General Fund - City

- City's main operating fund
 - Revenues
 - Consistent over 5 year trend, slight increase in FY20 due to an up tick in State grant revenues and additional fee collections.
 - Expenditures
 - Consistent over 5 year trend
 - Cash
 - Steady increase over 5 year trend.

General Fund - City

Total Revenues and Expenditures (in Millions)



General Fund - City

Total Cash and Investments (in Millions)



Single Audit Highlights

Unmodified Opinion

Major Program: Water and Waste Disposal Systems for Rural Communities

CFDA 10.760

- Direct and Material Compliance Requirements Tested
 - A – Activities Allowed or Unallowed
 - B – Allowable Costs/Costs Principles
 - I – Procurement and Suspension and Debarment
 - R – Reporting
- No findings noted

Findings

Stale Dated Checks - City

- **Control Number:** 2020-001 (Previously NM 2017-001)
- **Rating:** NMSA (other noncompliance) (Repeated/Modified)

Certified Procurement Officer - RPS

- **Control Number:** 2020-002
- **Rating:** NMSA (Other noncompliance)

Note Regarding New Standard Implementation

- **GASB issued Statement No. 95** In May 2020, GASB issued this statement to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The effective dates of statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later were postponed. The effective dates for all statements further mentioned take into account the immediate implementation of GASB Statement No. 95

Auditor Responsibility

Our Responsibility under U.S. & Government Auditing Standards

- Form and express an opinion about whether the financial statements prepared by management are fairly presented in conformity with U.S. GAAP.
- Obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement.
- Consideration of internal controls for the purpose of determining and designing our audit procedures.
- Communicate significant matters related to the financial statement audit.

Management's Responsibility

- Management, with oversight from those charged with governance, is responsible for:
 - establishing and maintaining internal controls, including monitoring ongoing activities
 - for the selection and application of accounting principles
 - for the fair presentation in the financial statements of financial position and results of operations in conformity with the applicable framework.
- Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
- The governing board (Mayor Segotta and RPS Board Chair McQueary) participated in the entrance conference, exit conference, and were sent the communications required by audit standards.

Upcoming Standards

- **GASB issued Statement No. 84**, is effective for fiscal years starting after December 15, 2019 and will apply to the City and Company's 2021 fiscal year.
- This statement changes the presentation requirements for Fiduciary Activities, such as the City agency funds. We expect the implementation of this statement to have a minor impact on the City.

Upcoming Standards

- **GASB Statement No. 87**, is effective for period beginning after June 15, 2021 and will apply to the City and Company's 2022 fiscal year.
 - Under this Statement, a lessee is required to recognize lease liability and an intangible right-to-use lease asset.
- **GASB Statement No. 89**, is effective for fiscal years starting after December 15, 2020 and will apply to the City and Company's 2022 fiscal year.
 - This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

Upcoming Standards

- **GASB Statement No. 92**, is effective for fiscal years starting after June 15, 2021 and will apply to the City and Company's 2022 fiscal year.
 - The requirements will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.
- **GASB Statement No. 96**, is effective for fiscal years starting after June 15, 2022 and will apply to the City and Company's 2023 fiscal year.
 - The requirements will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

Upcoming Standards

- **GASB Statement No. 97**, is effective for fiscal years starting after June 15, 2021 and will apply to the City and Company's 2022 fiscal year.
 - The requirements will exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and limit the applicability of the financial burden criterion.

Value-Added Suggestions

- **Information Technology Services**
 - CRI has the ability within our Florida IT group to assess and test the IT Environment and Cybersecurity to help the City and Company adapt to the changing IT landscape.
- **GASB Implementation**
 - CRI can assist with the implementation of GASB statements such as 84, 87, or any previously mentioned, such as assisting in the determination of fiduciary activities, classifying leases, review of the determination, and reviewing policies and procedures related to accounting for new statements.
- **Training**
 - CRI can provide training to the City over grant management (potentially related to the CARES Act). We could also provide services which could assist the City in the grant administrative duties to ensure compliance with state and federal grants.

Concluding Comments

- The City Clerk/Treasurer, Finance Manager of RWW, GM and Office Manager of RPS, and their teams were very helpful and great to work with.
- Thank you for the opportunity to serve the City and Company.
- We value our relationship and hope to continue to build on it.

- TODAY'S PRESENTERS -

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THANK YOU!



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