

Powers & Sullivan LLC Presentation to the Town of Raynham



April 19, 2022

Our Objective

- Introduction
- Overview of the 2021 Audit Process
- Overview of the 2021 Audit Results

Town Financial Audit Objectives

- The principal objective of our work during fiscal 2021 was the expression of our opinion on the Town's basic financial statements.
- 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).

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.
 - 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.

COVID-19 Audit Considerations

- Additional Audit Considerations.
- Federal & State Funding:
 - CARES Act initial funding \$1.3 million.
 - FEMA will reimburse 100% of eligible costs.
 - ARPA - Local Fiscal Recovery Funds:
 - \$1.5 million Municipal Allocation
 - \$2.6 million through Bristol County
- Other Considerations – remote working, impact on Town services, potential budgetary pressures, revenue changes, system changes, Town meeting changes.

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*.

Financial Highlights

- General Fund Fund Balance
 - General Fund fund balance totaled \$17.2 million (*p.16*)
 - \$8.1 million is committed
 - \$3.5 million relates to town meeting articles
 - \$4.7 million relates to the stabilization funds
 - School maintenance \$28,000
 - Stormwater \$265,000
 - Solid waste \$326,000
 - Public safety building \$3.8 million
 - Fire pumper \$256,000
 - \$44,000 is assigned for encumbrances
 - \$9.0 million is unassigned
 - Represents 21% of general fund expenditures
 - Includes general stabilization fund of \$4.5 million

Financial Highlights

- **General Fund Budgetary Results**
 - \$760,000 net increase in fund balance (*p.59*).
 - Revenues exceeded budget by \$1.9 million.
 - Real estate and personal property taxes \$842,000
 - Motor vehicle and other excise taxes \$606,000
 - Departmental and other revenues \$561,000
 - Expenditures & encumbrances were under budget by \$1.4 million.
 - Public safety was \$571,000
 - Employee benefits was \$603,000
 - Offset by the budgeted use of \$2.6 million in Free Cash and Overlay.

Financial Highlights

- OPEB
 - Unfunded liability \$17.8 million, as of June 30, 2021.
 - Prefunded \$50,000 in FY2021.
 - Money-weighted rate of return on investments was 22.53%.
 - The net position of the trust fund totaled \$599,000.
 - Discount rate increased from 3.50% to 5.75% decreasing the liability by \$7.8 million.
 - Mainly due to reallocating the pension appropriation when the pension plan is fully funded.
 - And expected annual funding of \$50,000.
 - The plan is approximately 3% funded.



Financial Highlights

- Pension – Bristol County Regional Retirement System
 - Unfunded liability \$22.4 million, as of June 30, 2021.
 - Actuarially determined contribution of \$2.3 million.
 - Bristol County Regional Retirement System was 65% funded at 12/31/20.
 - Discount rate used to determine the net pension liability was 7.50% at 12/31/20 which did not change from the prior year.



Financial Highlights

- Governmental Long-term Debt \$615,000.
- General Fund Debt Service slightly more than 1% of general fund expenditures.
- Highway Improvements Major Fund
 - \$857,000 in revenues and expenditures.
- Sewer Enterprise Fund:
 - Sewer cash totaled \$4.6 million an increase of \$570,000 from the prior year.
 - Revenues and receivables were also consistent with the prior year.
 - Includes a general fund subsidy of \$1.6 million.
 - Sewer long-term debt totaled \$14.8 million.



Management Letter

- No deficiencies in internal control that we consider to be material weaknesses or significant deficiencies were reported.
- We consider our comments to be opportunities for strengthening internal controls and operating efficiencies.

Management Letter

- Current Year Comments
 - Document significant operational processes.
 - Will strengthen internal controls –
 - Ensure that employees are aware of proper protocols and procedures.
 - Assist employees filling in for someone on an extended absence.
 - Document a fraud risk assessment.
 - Identify, document and assess risk areas.
 - Consider implementation of controls to address identified risks.
 - Cost, benefit considerations.



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 P&S;
- 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.

P&S 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 the governing body is 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



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, fixed 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.
- Following up on the status of the prior year Management Letter, if applicable.



Questions?

Thank you.

