

**CITY OF FARMINGTON
CITY COUNCIL WORK SESSION AGENDA
January 18, 2022 – 9:00 a.m.**

DEPARTMENT HEAD REPORTS

1. Roll Call and Convening the Meeting (Mayor)
2. Recognition of Jose Villarreal for his dedicated service to the Community Relations Commission (Mayor)
3. Presentation of the FY2021 audit performed by Pattillo, Brown & Hill, LLP, and consideration of Resolution No. 2022-1832 accepting and approving the FY2021 audit (Brooke Quintana and Chris Garner)----- 1

Action Requested of Council:

Accept the FY2021 audit and Comprehensive Annual Financial Report (CAFR) as compiled by the City's Finance Division and approved by the New Mexico State Auditor and adopt Resolution No. 2022-1832.

Background/Rationale:

In accordance with Audit Rule 2021 2.2.2 NMAC, once an audit report is officially released to an agency by the state auditor, the audit report shall be presented by the independent auditor at a quorum of the governing authority of the agency. New Mexico State Statute NMSA 12-6-3 requires that the financial affairs of every agency be audited each year by an independent auditor approved by the State Auditor.

Staff Recommendation:

Accept the FY2021 audit/Comprehensive Annual Financial Report and adopt Resolution No. 2022-1832.

Instructions Upon Approval:

Resolution No. 2022-1832 will be submitted to the State Department of Finance and Administration as required.

4. Update from the San Juan County Office of Emergency Management (Mike Mestas)

Action Requested of Council:

Information only.

5. Update from the Farmington Police Department (Steve Hebbe)

Action Requested of Council:

Information only.

COUNCIL BUSINESS

CITY MANAGER BUSINESS

Virtual participation is available via Zoom at
<https://us02web.zoom.us/j/86496584872> or by dialing 1 (253) 215-8782.

Meeting ID: 864 9658 4872
Passcode: 276553

AGENDA ITEM SUPPORT MATERIALS ARE AVAILABLE FOR INSPECTION AND/OR PURCHASE AT THE OFFICE OF THE CITY CLERK, 800 MUNICIPAL DRIVE, FARMINGTON, NEW MEXICO.

ATTENTION PERSONS WITH DISABILITIES: The meeting room and facilities are fully accessible to persons with mobility disabilities. If you plan to attend the meeting and will need an auxiliary aid or service, please contact the City Clerk's Office at 599-1106 or 599-1101 prior to the meeting so that arrangements can be made.



State of New Mexico Office of the State Auditor

CONSISTENT SERVICES
(505) 476-3821

Via: Email

12/27/2021

OSA Ref No. 6068

Teresa Emrich, Administrative Services Director /Treasurer
temrich@fntn.org
City of Farmington

Re: Authorization to Release 2021 City of Farmington Audit Report

The Office of the State Auditor (OSA) received the audit report for your agency on 12/15/2021. The OSA has completed the review of the audit report required by Section 12-6-14(B) NMSA 1978 and any applicable provisions of the Audit Rule. This letter is your authorization to make the final payment to the Independent Public Accountant (IPA) who contracted with your agency to perform the financial and compliance audit. In accordance with the audit contract, the IPA is required to deliver to the agency the number of copies of the report specified in the contract.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become a public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the OSA. Once the five-day period has expired, or upon the OSA's receipt of a written waiver:

- the OSA will send the report to the Department of Finance and Administration, the Legislative Finance Committee and other relevant oversight agencies;
- the OSA will post the report on its public website; and
- the agency and the IPA shall arrange for the IPA to present the report to the governing authority of the agency, per the Audit Rule, at a meeting held in accordance with the Open Meetings Act, if applicable.

The OSA has received a 5 day written waiver request by your agency and the report will posted to the OSA's website and made public immediately.

The IPA's findings and comments are included in the audit report on page 172-174. It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. S. Colón".

Brian S. Colón, Esq. CFE
State Auditor

cc. Pattillo, Brown & Hill, LLP



City of Farmington 2021 Audit Results January 18, 2022

Our Responsibility under U.S. and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to form and **express an opinion** about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of financial statements includes **consideration of internal control** over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we considered the entity's internal control for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

Our responsibility is to plan and perform the audit in accordance with generally accepted auditing standards issued by the AICPA and the Comptroller General of the United States, and to design the audit to obtain **reasonable, rather than absolute, assurance** about whether the financial statements are free of material misstatement.

We are also responsible for **communicating significant matters related to the financial statement audit** that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Auditor's Report on the Financial Statements

Unmodified Opinion - "Clean Opinion"

- Financial Statements are presented *fairly* in accordance with accounting principles generally accepted in the United States of America.



Other Reports

GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

2 Findings

Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance

Unmodified ("Clean") Opinion with 1 finding

Communication with Governing Body

Matters to Be Communicated

Significant Accounting Policies and Unusual Transactions

- The auditor should determine that the Council is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Council is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

PBH's Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Communication with Governing Body

Matters to Be Communicated

Management Judgments and Accounting Estimates

- The Council should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

PBH's Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: *Significant estimates relate to the allowance for doubtful accounts, estimated useful lives of capital assets, pensions under GASB 68 and Retiree Health Care under GASB 75.*

Communication with Governing Body

<i>Matters to Be Communicated</i>	<i>PBH's Comments</i>
Difficulties Encountered in Performing the Audit <ul style="list-style-type: none">The Council should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.	No difficulties encountered during our audit

Communication with Governing Body

<i>Matters to Be Communicated</i>	<i>PBH's Comments</i>
Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial <ul style="list-style-type: none">The Council should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the City's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated. The Council should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.	None No Uncorrected Adjustments

Communication with Governing Body	
<i>Matters to Be Communicated</i>	<i>PBH's Comments</i>
<p>Disagreements With Management</p> <ul style="list-style-type: none"> Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the City's financial statements, or the auditor's report. 	<p>We had no disagreement with management.</p>

Communication with Governing Body	
<i>Matters to Be Communicated</i>	<i>PBH's Comments</i>
<p>Management's consultation with other accountants</p> <ul style="list-style-type: none"> In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. 	<p>We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.</p>

Current Year Findings

- **2021-001** **Controls Over Credit Cards**
- **2021-002** **Capitalization of Utility CIP**
- **2021-003** **Support for Small Business Awards**

Resolved Findings

- **2018-002** **Controls Surrounding Procurement Process**
- **2019-005** **Controls Surrounding Payroll**

Annual Comprehensive Financial Report (ACFR)

Generally Accepted Accounting Principles (GAAP) have established the basic financial statements and required supplemental information as the minimum standards for financial reporting. Governments are encouraged but are not required to go beyond these minimum requirements and present an annual comprehensive financial report (ACFR). An ACFR contains additional information such as the City's principal taxpayers and numerous additional financial and statistical data included in the statistical section.

GFOA Certificate of Achievement For Excellence in Financial Reporting

- There were seventeen New Mexico governmental entities to receive the award in 2019. There are approximately 700 governmental entities in the State of New Mexico.
- There were four Municipalities in New Mexico that received the award in 2020.
- The City has received the award for 26 years.