

FINANCE COMMITTEE MINUTES
August 14, 2014

The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:00 p.m. in the Municipal Building Study Session Room on the 14th day of August, 2014, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 24 hours prior to the beginning of the meeting.

PRESENT: Members Castleberry, Lang, and Chair Rosenthal

ABSENT: Member Heiple

OTHERS PRESENT: Steve Lewis, City Manager
Anthony Francisco, Finance Director
Suzanne Krohmer, Budget Manager
Gala Hicks, Human Resources Director
Clint Mercer, Chief Accountant
Joel Haaser, Manager, BKD, LLP, Tulsa office
Rozemarijn Tarhule-Lips, Account Manager, BKD LLP, Oklahoma
City office
Kathryn Walker, Assistant City Attorney II
Roger Gallagher, citizen

Mayor Rosenthal explained to the citizens in attendance that the Facebook post was incorrect and the Animal Shelter discussion was not on the agenda and would not be discussed tonight. The Council's budget process will begin after the external audit for fiscal year 2013-2014 is completed and a few months of revenue collection for the current fiscal year has been experienced. Mid-term budget adjustments will be discussed at that time, usually in January. Mayor Rosenthal welcomed guest who came to the meeting in response to the Animal Shelter Facebook post to stay for the meeting, though there would be no discussion related to the Animal Shelter budget.

Item 1, being:

SUBMISSION OF THE PRE-AUDIT REPORT FROM BKD, L.L.C

Anthony Francisco introduced the City's Chief Accountant, Clint Mercer, along with Joel Haaser and Rozemarijn Tarhule-Lips with BKD, LLC. Joel Haaser reviewed the FYE 2013-2014 Pre-Audit Report expectations and timeline. Audit will be done with accepted Governmental Accounting Standard Board (GASB) practices. Single Audit will also be done as the City is a recipient of federal grants. The risk areas primarily to be covered include risk of management override of controls; improper revenue recognition; and estimates of accrued liabilities. Mr. Haaser discussed BKD's methods for examining these risk areas and random testing systems to be used. Plan is to deliver Draft Financial Statements, Auditor's Report and Management Letter to Finance/Audit Committee at the November meeting. Final reports to the City Council/Finance Committee will be issued on or before Thanksgiving, November 26, 2014.

Mr. Haaser discussed the GASB pronouncements for auditing this year, which are listed in the Pre-Audit report, and discussed them with the Committee. He stated that the pronouncements that are effective this year are lighter than in recent years.

GASB #70 – Government Combinations and Disposals of Government Operations – Debt of a subsidiary/liability transferred to City books. It deals primarily with consolidations between City and County. Essentially transfer must be at book value. BKD does not foresee a problem for the City to comply with this pronouncement.

GASB #68 – Accounting and Financial Reporting for Pension Plans – BKD did not foresee any concerns or issues for the City of Norman to comply with this pronouncement in FYE 2014. Mayor Rosenthal raised questions about the effect of this pronouncement as it related to the state shared pension plan. Mr. Haaser stated that the Oklahoma Police and Fire Pension Systems' have unfunded liabilities and that the City of Norman will have to book a pro rata share of the state's unfunded liability with no offsetting assets. This will reduce the City's net assets, beginning with the audit year ending June 30, 2015.

The GASB pronouncements effective for future years include the following: GASB #69 – Government Combinations and Disposals of Government Operations – this deals with consolidations of municipal agencies. If any such consolidations or mergers are considered, BKD should be consulted in advance.

Data Mining – auditing 100% of data. We perform three tests:

- (1) Take the vendor files and all employee files and use a software program to combine and match with social security numbers/tax id numbers, etc. This will show employees that are also vendors.
- (2) Match at everything but name which will show any employee related to a vendor.
- (3) Match vendor file and database with mail box services.

If anything is found to be fraudulent, this information will be provided to Accounting/Management. Each year fraud is showing up more with entities.

Items submitted for the record:

1. Pre-Audit Report to the Finance Committee and City Council dated August 14, 2014 prepared by BKD, L.L.C.

Item 2, being:

SUBMISSION OF THE REPORT ON GENERAL FUND TRANSFERS BETWEEN EXPENDITURE CATEGORIES FOR JULY 2014

None to report.

Items submitted for the record:

1. General Fund Transfers over \$50,000 between Expenditures Categories – FYE 15
prepared by Finance Department

Item 3, being:

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS FOR MAY 2014

Francisco – We are very early into the fiscal year. In the first month, a little growth in sales tax collections but slightly below budgeted amount. If this continues, it is an ongoing concern and we'll be looking at it as we go forward. It reflects national trends but we hope that will improve as the fiscal year proceeds. The TIF sales tax collections continue to grow. When you compare last year with this year, Crest has opened since then and that's the big change there. They will start showing up on the 1st of January. The August report of sales tax collections show it down by 0.9%. Retail is flat nationally.

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sewer Sales Tax; and Sanitation Fund Revenue Sources vs. Budget, Financial Report as of August 31, 2014.

Item 4, being:

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hager made report.

Police applicants are currently doing physicals and background screens. Police are trying to fill 22 positions but we are down to 17 due to process.

Fire recruitment will begin again in late fall or early spring of 2015.

We have filled one Communications Officer position. Gala Hager explained that it is a struggle to keep Permanent Part Time Call Takers.

Items submitted for the record:

1. Position Vacancy Report dated July 28, 2014

Item 5, being:

MISCELLANEOUS DISCUSSION

Mayor explained for Animal Welfare Friends in attendance that the Facebook post saying the animal shelter was on the agenda and would be discussed tonight was incorrect. City won't start budget adjustments discussions until after December when the FYE 2014 audit is complete. Labor agreements still have not been finalized and the City is still negotiating with all three unions.

Council Member Castleberry asked for clarification of the General Fund figures in the Revenue Sources vs. Budget for FYE 2014. Francisco confirmed that the figures stated on the "Period 13" Report should be very close to the final year-end figures, including the \$1.4 million dollars in savings in the Salary and Benefit expenditure category. City Manager Lewis reminded the Committee that labor agreements still have not been finalized and the City is still negotiating with all three unions for FYE 2015 contracts.

Council Member Lang asked if moneys that are being saved as a result of the positions that are currently vacant in fiscal year 2014-2015 are factored in. Francisco explained that, in the current year an assumption is made in the "Employee Turnover Savings" included in the budget, that these savings would accrue. Francisco explained that the net impact of all of the salary and benefit category costs and savings (salaries, turnover, overtime, etc.) are considered in this assumption.

The meeting adjourned at 5:35 p.m.