

FINANCE COMMITTEE MINUTES
September 8, 2016

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 8th day of September, 2016, 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 Heiple, Chappel, Castleberry, and Mayor Miller

ABSENT: none

OTHERS PRESENT: City Council Member Bill Hickman
Suzanne Krohmer, Budget Manager
Clint Mercer, Chief Accountant
Gala Hicks, Director of Human Resources
Roosmarijn Tarhule-Lips, Audit Manager, BKD
Joy Hampton, Norman Transcript

Chair Heiple called the meeting to order.

Item 1, being

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

Roosmarijn Tarhule-Lips presented the Pre-Audit report from BKD. She stated that the new Governmental Accounting Standards Board (GASB) Statement Number 72 would be what affects us most. The disclosure on our investments is going to be a bit more transparent in future year's reports. There are 3 different levels of investments. Deferred market level value and disclosure of fair market value will become more transparent.

Member Heiple asked if we are all Tier 1 (CD's, money market, etc.) and if the disclosure will show the markups when we buy.

Roosmarijn stated that whatever the market value is at the year-end is what would be disclosed and that yes, we are all Tier 1 investments. She then stated that next year GASB 75 and 76 might come up and these are similar to 67 and 68. This will change the way OPEB liabilities are reflected on your financial statements.

Member Castleberry asked for clarification on how liable the cities are for the State's pension obligations.

Roosmarijn stated that she does not believe we would be held liable and as far as she knew that hasn't changed.

Member Castleberry asked if this was stated on the financials last year because he did not believe that it was.

Roosmarijin stated that we had to disclose it for Fire and Police and that it was on the Government-Wide Financials last year. She stated that next year the OPEB liability will change. Right now under GASB 45 we are amortizing it but under 75 we will no longer be able to do that.

Clint Mercer asked if this was just for the retirees on the medical plan and was told yes by Roosmarijin.

Roosmarijin stated that this new policy does not affect fund level, just government-wide statements. She then stated that the other thing that has changed this year is we are no longer talking about 133 Single Audit. It is now uniformed guidance. Some of the requirements for the Single Audit have changed like construction, which is now a special test. The other main change is procurement. You have to have a procurement policy in place by next year. Clint is currently working on that.

Clint Mercer says we have taken the City of Oklahoma City's policy and are making changes that apply to us.

Council Member Hickman asked if the audit is on all of the City's funds. Roosmarijin stated that the audit is indeed on everything in CAFR.

Councilman Hickman asked how long BKD has done the City's audits. Roosmarijin stated that they have done them for 4 years and she personally has done them for 3 years. Councilman Hickman asked how many other cities in Oklahoma they provide audits for, and Roosmarijin stated that they used to do Oklahoma City but currently only have one other besides Norman. She said that Joel, who will be the engagement executive, has done several cities and does some in Arkansas including the City of Fort Smith.

Councilman Hickman asked where BKD has their main offices. Roosmarijin stated that she was out of the Oklahoma City office and Joel is out of the Tulsa office.

Councilman Hickman asked what the lag time of the audit would be. Roosmarijin stated that a draft would be presented mid-November for the fiscal year ending 6/30/16. The field work will be done in October, a draft will be presented to the Finance/Audit Committee in November, and the finalization will be in December.

Member Heiple asked Roosmarijin to walk the new members of the City Council through the audit process. Roosmarijin stated that they come out in July for one week and do planning. They talk with the City Manager, General Counsel, Finance Director and Chief Accountant to get an idea of changes. Has there been anything new, any fraud, or new debt? Do we need to spend extra time on the audit or just the standard time? They then have a set of internal control forms that they send to Clint (payroll, cash debt, controls, fixed assets, etc.). Once they get the forms back, they will begin to test. Is someone signing off on reconciliations? They will double check internal controls and do a walk through and determine what other testing to do. They will

also start on the Single Audit (Audit of State and Federal Grant Contract Compliance). Clint will give them the information about how much money we spent on different Federal programs during the year. That will determine what programs they will test for compliance. This year the Office of Management and Budget made the change to increase the threshold to move from \$500,000 spent to \$750,000 spent before compliance auditing must be done. They can test major programs every 3 years if there are no previous problems. They will determine which programs they need to test and if the Federal spending requirements were met. Then when the auditors come back for the field work, they will test cash investments, payables, and receivables. After all of that is tested, Clint creates a financial report which they then go over to make sure his numbers match theirs.

Councilman Hickman asked if there was a way to see portions of their report individually. Roosmarijin stated that the financial statement does not go into that much detail. It is more of a fund summary. Councilman Hickman stated that it might be a good idea to implement this kind of detail since the Norman Forward project has started and is so big. Member Castleberry stated that we could have supplements, but that ultimately the Norman Forward Oversight Committee checks the Norman Forward projects. Councilmember Hickman stated that a heightened level of checking the Norman Forward projects in audit would benefit us to ensure a higher level of transparency. It would be good to do it now since we are just starting the project instead of later into it when it could be harder and cost us more money. Member Castleberry asked if we could do a separate agreed-upon procedure for this project. Roosmarijin stated that we could probably do this as a supplement.

Member Castleberry asked if BKD had any preliminary numbers for the Committee. Roosmarijin stated that they never put any numbers in the early report. Clint Mercer stated that included in period 13 in the monthly reports, the current fund balance is \$6.2 million. Member Castleberry stated that it looks like we “made” about \$734,000 last year (General Fund Revenues In Excess of Expenditures). Clint stated that that was correct.

Member Castleberry stated that he was a little concerned about the Water Fund revenues looking down. Suzanne Krohmer stated that it is actually equaled out due to not having to buy as much water from Oklahoma City; so even though we are taking in less money due to conservation, it equal out.

Councilmember Hickman asked if the Room Tax Fund revenue will go half the Parks department, a quarter to Norman Arts, and a quarter to Visit Norman (Note: the correct disbursement of funds is 50% NCVB, 25% Parks, and 25% Norman Arts). He also asked if we received any documentation on how Visit Norman spends that money. Member Heiple stated that yes; all money is accounted for and transparent.

Councilmember Hickman asked why we are not getting financial information from the Arts Council like we do NCVB. Member Castleberry stated that it is because they are an independent agency and even though we have a standing contract with them, we did not require financial reports in the initial contract. Councilmember Hickman then asked how long the contract is and when it is renewed. Member Castleberry stated that the Arts Council is required to report how they spend the 1% funding they receive through the Norman Forward project. Member Heiple stated that when it is time to renew the contract they do get financials, and he

believes that it is on the Arts Council's website as well. He also stated that this Committee should find out because Councilmember Hickman makes a good point; that is a large amount of money and there should be more transparency on how that is spent. Councilmember Hickman then asked where the money for the NEDC comes from. Suzanne Krohmer stated that is was out of the General Fund.

Items submitted for the record:

1. Pre-Audit Report to the Finance/Audit Committee and City Council

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Item 2, being

SUBMISSION OF THE REVENUE/EXPENDITURE REPORTS

No discussion on this item.

Items submitted for the record:

1. Summary of Major Funds-General; Capital; Norman Forward; Room; UNP TIF; Westwood; Water; Water Reclamation; Sewer Maintenance; New Development Excise; Sanitation Fund; Fund Expenditures vs. Budget; Financial Reports for July and August 2016 and Appropriations from Fund Balance FY17

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Item 3, being

SUBMISSION OF THE REPORT ON OPEN POSITIONS

Gala Hicks presented the open positions report. She stated that a new shelter veterinarian and the Animal Welfare operations positions are slated to start next Tuesday and 21 new police officer cadets will start Monday.

Items submitted for the record:

1. Position Vacancy Report dated August 3, 2016 and September 8, 2016

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Item 4, being:

MISCELLANEOUS DISCUSSION

Member Castleberry stated that we need to hire someone for the Assistant City Attorney or take that out of the budget.

Mayor Miller would like to see our sales tax revenue increase.

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The meeting adjourned at 5:36 p.m.

ATTEST:

City Clerk

Mayor