

Board of Aldermen Committee Minutes

Finance

Date: April 26, 2016

Chair: Matt Bloomer

Committee Members Present: Aldermen Allaire, Bloomer, Davis, Larson, Tommola

Others Present: Alderman Etori, Treasurer Wilton, Randall Northrup (Corrette & Associates P.C.)

The Chair convened the meeting at 5:30pm and gave the floor to Mr. Northrup to discuss his FY15 audit of the City's financials.

Mr. Northrup reported that there were no material weaknesses in our internal controls to report. He also stated that he was able to give an unmodified ("clean") opinion of the City's financials, which is the best opinion possible.

He noted that almost all of the City's funds show positive amounts. However, he did draw attention to the deficits in the Sewage Disposal Fund, the Parking Meter Fund and the Transit Center Management Fund. Mr. Northrup stated that a plan should be put in place to remedy these deficits.

Mr. Northrup next discussed the unassigned fund balance. The Board of Aldermen have a policy that the unassigned fund balance should remain between 10%-15% of general revenues, which were approximately \$20.6 million in FY15. As of June 30, 2015, the unassigned fund balance was approximately \$2.6 million, which is roughly 13% of general revenues.

The discussion then turned to the pension. The current pension deficit is approximately \$37 million, with \$19.9 million of that deficit currently attributed to municipal employees. The implementation of the accounting standards GASB 67 and 68 in FY15 accounts for some of the increase in the deficit from FY14 because the standards require the City to realize liability at an earlier date and to match the pension reporting with fiscal year end, rather than reporting as of January 1 of the fiscal year. The Treasurer also noted that the deficit increases each year, in part, because the City has not been making the annual required contribution per the actuary's report.

Finally, the group discussed Mr. Northrup's "Management Letter of Comment". This letter lays out deficiencies he identified that do not rise to the level of significant deficiencies or material weaknesses that would require inclusion in the aforementioned auditor's Internal Control Report. There were six deficiencies mentioned.

1. Receipts are not issued for all revenue sources throughout City Departments
2. Fuel cards are used by DPW and PD, but City does not always reconcile purchases or document fuel use. (Treasurer Wilton is researching fuel cards that would allow for better tracking and it was decided the Finance Committee chair will follow up with her in 2 months)
3. Billing water & sewer together leads to issues with disparate profits and losses (i.e. water is profitable and sewer generates a loss)

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4. Conversion from weekly payroll to bi-weekly payroll would save money and staff time. (The group noted that the Board of Aldermen had discussed this during the budget review and seems interested in pursuing a change in policy. The group decided it would be appropriate for the Board to draft a resolution to enact the change at some later date, after the Treasurer's Office is able to transition to the new payroll software at the beginning of FY17. The Treasurer noted that employees should be given enough notice to make arrangements for the different payroll timing.)
5. The City does not have adequate controls over the Police Department's inventory, especially with regards to weapons, ammunitions and tools. (The group agreed that this should be a concern and referred the issue to the Police Commission and asked that they report back at a later date.)
6. Contractors are not given proper supervision, particularly contractors who are also city employees. (Mr. Northrup outlined the lack of supervision and lack of detail provided in invoices. The group asked the Finance Committee chair to invite the heads of departments affected to a committee meeting to discuss the situation.)

The meeting adjourned at 6:35pm.

Respectfully Submitted,
Matt Bloomer, Finance Committee chair

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