



Finance Audit Committee
January 30, 2018
Coburg City Hall
91136 N Willamette St

COMMITTEE MEMBERS PRESENT: Cathy Engebretson, Chair; Coleen Marshall; Patrick Kocurek; Terry Dawson; Kathy Taylor.

STAFF PRESENT: Anne Heath, Finance Director.

MEETING RECORDED BY: Marina Brassfield, LCOG

I. CALL TO ORDER:

Ms. Engebretson called the meeting of the Coburg Finance/Audit Committee to order at 5:34 p.m.

Ms. Heath requested an addition to the agenda, as the Finance/Audit Committee needed to elect officers for 2018. Ms. Heath added the positions elected would end in November 2018. She explained a City Councilor could not serve as an officer. In addition, there were no term limits for officers, a change that was made to the bylaws in 2017.

Mr. Dawson moved to appoint Ms. Engebretson as chair for 2018.

Mr. Kocurek seconded the motion.

The motion carried unanimously.

Mr. Kocurek moved to appoint Mr. Dawson as vice chair for 2018.

Ms. Marshall seconded the motion.

The motion carried unanimously.

II. Approval of Minutes from September 26, 2017

Ms. Marshall found a couple typos within the minutes. First, the motion approving the November 2016 minutes should be written as "**Mr. Kocurek moved**" instead of "~~Mr. Kocurek motioned~~". Ms. Marshall then had a correction in Section III under finance reporting. Where it read "~~Specific Development Charge~~" should have read "**System Development Charges.**" Ms. Marshall said toward the end of page two, the sentence should read "**fines and bails**" instead of "~~fines and bills.~~" Ms. Engebretson had a correction on page 2, paragraph 5. She said the first

sentence was a fragment, where it said “~~expenses were 17%.~~” It should instead say, “**17% below budget.**”

Ms. Engebretson said had a correction on page 4, paragraph 2. She wanted the sentence to read that when the budget was adjusted for the grant that didn’t pass through, “the difference was minimal.” On page 4, paragraph 8, Ms. Engebretson said the minutes read she “~~would love to see the year-to-date revenue lost,~~” but what she truly said was she “**wanted to see the full year net income or loss,**” on the general fund summary page. Then, the following sentence should say “**the document showed monthly income or loss but was missing the full year.**”

Ms. Marshall moved to approve the minutes, as corrected.

Mr. Dawson seconded the motion.

The motion carried unanimously.

III. Finance Reporting City of Coburg – December 31, 2017

Ms. Heath explained the committee was looking at the six-month end financial report, as of December 31, 2017. The City should be at about 50% of the budget, but generally falls from 45 to 55% depending on current conditions. Ms. Heath said there were a couple things to keep in mind, one being that many things were time sensitive. For example, sewer payments were generally in the fall. Ms. Heath added that Ms. Taylor reviewed the report from December 31, 2017 to January 30, 2018. The six-month end report was what would go to City Council for review.

Ms. Heath tax receipts came in very well, and were 4% above what was expected in December. She said the City budgets the best it can, but one thing that was always difficult to predict was whether for companies in the industrial district would be reassessed at a different tax value as their properties became more developed. The City had no way of knowing what the tax increase would be for that new development.

Ms. Heath said overall, City expenses were 14% below budget but there were some large projects still to be completed in 2018. She said state shared revenues were at budget levels. Fines and bills were up, due to an extra officer. Court was much busier, and there was a large docket that month. Those numbers could continue to increase. Utility funds were at budget level. Inspection fees were 10% above budget, and tourism revenue was up 18% above budget.

Ms. Heath said Hayden Homes had not started pulling building permits yet, so the revenue from those fees were unknown. In addition, some street projects hadn’t received funding. Ms. Heath said professional budgets were a concern. The City had been down two public works people since September 2017 so they had been contracting labor until the hiring process could occur. Ms. Heath reported the City recently hired a Public Works 1 and a Public Works 2 employees. Both were very experienced.

Ms. Heath included the cash sheet in the agenda packet. The City had \$917,000 more in the bank than the past year, more tax dollars, and more SDC fees that year. Ms. Heath said there was \$952,000 in the General Fund, which did not include park revenues.

Ms. Taylor said it was important to target how much cash would be optimal for each fund, for working capital and unexpected costs. The City could then consider excess money for strategic planning opportunities to return the money to the community, as opposed to holding onto it. Ms. Heath shared a projected funds sheet with the committee. There was a box comparing available cash and reserve cash. Ms. Heath said she was continuing to remind department heads of their budgets and that some funds were already earmarked.

Ms. Engebretson clarified that the numbers were projected. Ms. Heath said yes. Ms. Heath shared a second sheet on where the general fund was spending its money. Mr. Dawson asked Ms. Heath how she felt about the general fund. Ms. Heath said the reality was more money had to be dedicated to planning, as there was the expansion of the UGB which required a great deal of planning work. She said it was economic development, so good things were happening; she thought it would be interesting to consider future needs of the City. The police budget was a priority by the Budget Committee. The public works piece of the general fund was reimbursed fully, but was still considered an expense paid out.

Ms. Heath said the next two sheets were revenue and expenses. She said they were the actuals. The street fund had a huge project that had not started. Ms. Heath said the City also had a \$50,000 grant they were still waiting for, due to some federal regulations. Ms. Heath said the water fund revenues were fine, and sewer had a \$500,000 payment from the URA that would not be seen until the end of the year. Ms. Heath thought that the City was doing very well, when considering revenue and expenses comparatively. Mr. Dawson asked whether Ms. Heath had to create graphs each time she updated numbers. He thought one could be created to show non-reimbursed expenses and another could show all the expenses. Ms. Heath thought that was a good idea. Ms. Heath hoped for some type of monthly financial report to post online, in the future. She wanted to explore what other cities did, for ideas.

Ms. Taylor thought the budget review was the fastest process yet. She had one suggestion for improvement which was to consider moving to a more automatic, online banking for payments and receipts. She noted the current system of double signing of checks wasn't useful because by time the check is being written, the money was already owed. Ms. Taylor thought the better process was to think about a better approval process at purchasing side. If more attention went to the purchase side rather than the paying side, the system could be more automated. Ms. Engebretson said the City could have a process to require some level of approval, although it would be easier with an accounting system to track it. Ms. Taylor said there was managerial approval, however, from a Council perspective the emphasis was on pay side. She said it would take some brainstorming to come up with a new strategy, however, the accounting itself was excellent. The City was getting very methodical about the monthly process. Mr. Dawson asked

whether the City was doing any online banking components. Ms. Heath said receipts, utility billing, a few bills, and some loan payments were paid online. Ms. Heath said citizens need to sign up to participate in the online payment system for water services. After signing up, the system takes money directly out of the bank accounts.

Ms. Heath said the City required two signatures for bill pay, and that system would need to change if the City moved to online banking. She thought some sort of checklist and review system would be needed for City Councilors to feel comfortable. Mr. Dawson thought on the technological side of financial transactions, the sooner online banking was adopted by the City the better. He noted there were other issues with online banking, but it was everywhere and it was more efficient. Ms. Heath said the City had to sign about 25 to 40 checks every other week.

Ms. Heath said the mayor looked through every invoice and he asked if he did not know what a payment was for. Mr. Dawson asked whether bill pay was up to mayor. Ms. Heath said the department heads approve bills, the city administrator reviews and signs the checks, then the mayor reviews and signs the check. Mr. Dawson appreciated the diligence, but did not think the mayor needed to be involved in the process, because the department heads were spending within budget and the expenses had already been approved and incurred. He said it was not busy work, but it did seem like a component that did not need to be on their plate. Ms. Taylor said the best use of their time would be policy, strategy, planning and big picture stuff.

Mr. Kocurek clarified the system was made for protection. Ms. Taylor said it was so people did not steal, but the actual writing of checks was not the problem. Ms. Taylor then explained to the committee how to build a strong internal check system for finance management. It was important to review detailed transactions and send reports to the department managers monthly. The detailed review did help for accuracy, and kept everyone on the same page. Ms. Engebretson said if department heads were held accountable for their individual budgets, they should be checking them and ensuring expenses were accurate.

IV. Audit Report Review

Ms. Heath directed committee members to Page 1A in the opinion. She said it was a positive opinion. Ms. Heath said important information was also included in Management Discussion, where there was an explanation of changes in revenue. She prepared the report personally, since the audit did not provide comparisons from one year to the next. Ms. Heath said the City had seen a substantial debt relief of \$667,000. The long-term liabilities decreased because the City received that relief, and the net position saw an increase because of long term liabilities.

Ms. Heath explained the government fund included the general fund, the street fund, and the URA fund. Business type funds were water and sewer. Ms. Heath concluded the net position from the last year increased nicely.

Ms. Heath shared another graph showing that net capital assets had improved. She said page six showed why the change occurred. Ms. Engebretson noticed the charge for services was less

than what was charged the last year. She wondered why that was. Ms. Heath thought it could be planning services since it was in the general fund. Business activities could be the sewer LID. The general fund could be a collection of smaller line items. Ms. Heath said everything else was put into general government. She said the report broke down every piece of the fund and gave explanation of changes; it was required by the state for total public disclosure.

Ms. Heath said the financial statements were given to an auditor, who then audits them. The auditor then might move expenses around. The City then compares the audits to its books. Ms. Taylor started the process that day. Ms. Heath said they were tiny changes, but the auditor does not necessarily tell her why the changes were made. Mr. Dawson thought there should be footnotes for every situation. Ms. Taylor said there was a work sheet the auditor used. Many of the changes made were regrouping to meet standards. There were several things the City did not even look at. Ms. Heath said the City's books get converted into the Governmental Accounting Standards Board (GASB) report. Mr. Kocurek asked whether the changes were made every year. Ms. Taylor said they were. Ms. Heath added the auditor usually sent a list of journal vouchers they did, but this year she had not received one. Mr. Dawson asked if the process was genuinely objective. Ms. Taylor said yes, but certain things were not put on the City books. Ms. Marshall asked if the City was doing it correctly. Ms. Heath said yes, the auditor had different regulations to work by, under GASB. Ms. Taylor said they were complicated components that were used for populous areas like New York City and the State of California. She said for those places, the regulations were very important but for a city the size of Coburg they were not as relevant.

Ms. Heath said the City had 14th and 15th financial periods where the City completed accruals and adjusted its balance to the audit statement. She reiterated there were minor changes. Ms. Heath said a lot was explained in the notes, and reconciled the City's long term debts to ensure what was on books was true. Ms. Heath pointed to page 51, note 9 and said there was an over-expenditure of appropriations. She explained administration combined materials, services, payroll, and capital outlay together. When she looked at year end, she combined all three and looked at whether they were less than 10%. They were, so the City did not need supplemental budget. Ms. Heath said the URA looked like it was 53% but there was a transfer to the City, which was around \$300,000, making the percentage lower. She wanted to explain those numbers because it appeared the City overspent, but they were minimal amounts, and other areas were likely underspent. Ms. Taylor said next time, Ms. Heath could reallocate to other areas. Ms. Heath said yes, but it was not needed if it was under 10%. Mr. Dawson asked how the auditing firm was doing. Ms. Heath was not worried, and said she liked working with them.

Mr. Dawson asked about software and whether the current one in use would handle a new accounting system. Ms. Taylor said it was more policies and procedures. Mr. Dawson said if new software or some other infrastructure was needed, it should be presented to the budget committee. Ms. Heath reported the City had gone out for a Request for Proposals (RFP) for an accounting software but with the employment transitions, she was not comfortable switching software systems at that time. She thought they could pursue the RFP in the future. Ms. Taylor

said software migrations were not that difficult anymore, but the hardest part would likely be the process for utility billing. Ms. Heath said Public Works was transitioning to a new water meter which will be a drive by system. She said the next software system needed to mesh with that process. Ms. Taylor said an RFP should be done before the end of the fiscal year, and it would be important to get in queue with contractors.

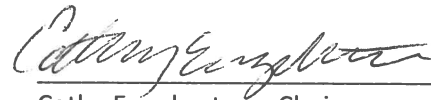
Ms. Engebretson would give a report at the City Council meeting on February 13, 2018.

V. ADJORN

Ms. Engebretson adjourned the meeting at 7:03 p.m.

APPROVED by the Finance | Audit Committee on this 24th day of April, 2018.




Cathy Engebretson, Chair

ATTEST: 
Sammy L. Egbert, City Recorder