

CITY COUNCIL MINUTES

May 21, 2012

City Council Special Meeting

Mayor Joe LaCascia called the meeting to order at 6:00 p.m.

ROLL CALL -- Linda Walker

Present: Mayor Joe LaCascia, Vice Mayor Mike Blethen, Councilor Kelly Downing, Councilor Trudy Block, Councilor Don Kimsey, City Manager Patricia Jackson. Absent: City Attorney Thomas Cloud – was not required to be present.

A quorum was established.

Discussion and Acceptance of Fiscal Year 2011 Audit

Mayor LaCascia advised the Auditors will go through the summary and asked Council to hold questions until after he is finished.

Mr. Mike Brynjulfson, CPA, P.A., presented the City Council with a Summary of Financial Indicators through the fiscal year ended September 30, 2011 (a copy is on file in the City Manager's Office). Mike advised in the back of the City Council's audits was a presentation letter from the Auditors; there is no bad news, and only one adjustment had to be made, which was a material adjustment. The following items were discussed:

- The Auditor went over the Summary of Audit Results 1) It was a Clean Audit Opinion and there were no material errors 2)no instances of noncompliance or other matters 3) one identified material weaknesses in internal control (previous year) 4) no additional funds reported other than the one identified material weakness in internal control. Pam has been working on this with a manual reconciliation. Mayor asked if it was due to a flow in the software; he was advised that is correct – Pam is trying to work on this manually.

- History of Audit Findings: In 2008 there were 17 discrepancies, in 2009 there were 12, in 2010 there were 6 and in 2011 there was 1. Council Kimsey asked if the discrepancies were reconciled; he was advised all but the one for FY 2011. Mr. Brynjulfson advised this year was the easiest audit he has done; everything was put together in files and/or boxes.
- There was some extra work with the refinancing; however, the City no longer meets the financial emergency criteria.
- Government-wide Statements (General Fund) there was a total of \$3.6 million net assets in fiscal year 2011, which represents 10% of what city owns. Vice Mayor Blethen asked if that was typical; Mike advised no, it should be about 50/50 (debt incurred versus total assets).
- Fund Level Financial Statements consists of Governmental Funds and Proprietary Funds (water/sewer, which is now Enterprise Fund). Governmental Funds had an unassigned fund balance of \$189,702 which equals 13%, or 1.6 months of 2011 General Fund expenditures. The General Fund revenues were basically flat with a \$5,370 or .3% decrease. Ad valorem taxes decreased by approximately 9% from the prior year. This was offset by increases in licenses and permits, intergovernmental revenue and various utility services taxes.
- General Fund expenditures decreased approximately 11% or \$178,067. The decrease was mainly due to reduced expenditures for law enforcement services.
- There was an excess of revenues over expenditures of \$188,270 in the Governmental Funds. In fiscal year 2010 it was \$15,576. Equity jumped 13%. The General Fund was self-sufficient in 2011.
- Mike went over the 10-year trend' the City is doing better than the benchmarks. Vice Mayor Blethen asked if looking at reduction in taxes this will flatten out. Mike advised 12% is reasonable. Vice Mayor Blethen commented it is a huge change – reduction in expenditures. Mike advised you need to have a solid plan and build fund balance. There are positive indicators in the General Fund. Mayor LaCascia commented FY 2011 came about by hard work. The Auditor commented the refinancing will have a long-term affect; the City will have a whole year with refinancing to see what the picture will look it. Woodard & Curran also comes into play.
- Mike then went over the Unreserved/Unassigned Fund Balance & Unreserved Net Assets. The combined unreserved equities show the City is no longer in a financial emergency.
- The Enterprise Fund shows a \$403,294 operating profit.

- Mike discussed the ten-year trend in the Enterprise Fund. Some discussion followed concerning Woodard & Curran and outsourcing. Also mentioned were meter replacements, full year of exact rates and Woodard & Curran.
- Statement of cash flows; Mike (auditor) let Council know that interest payments do not show as an expense. There was a 1.3 million dollar increase from capital improvements due to the bond. Vice Mayor Blethen commented this was refinanced without Federal Grant Funding; the Auditor advised that is correct. Cash flows less average debt service over the next five years leaves \$250,000 of cash remaining for other uses such as capital improvements, interfund transfers and additions to net assets. The Auditor advised the Enterprise Funds profit equity needs to be built up. There is a (15,251) deficit in unrestricted net assets that needs to be built back up.
- Operations in both funds are doing well. Discussion took place about the number of water meters being replaced. Vice Mayor Blethen commented that water is an issue and asked if putting wells in could be an issue. The Auditor advised he doesn't know who it affects the bond convenient, but the City cannot give free water; this could be an issue.
- All in the entire Audit is very positive; it was very easy this year. In order to meet bond compliance, the Audit had to be completed by June 1; the State requires it be completed by June 30; however, it could be done faster for fiscal year 2012.
- Mayor LaCascia referred back to page 3 of the summary, as well as page 11 showing fund balances. Mayor LaCascia also commented that Trudy Block took over as Acting City Manager in June 2010, and that allowed Pam to do her job; he thanked them for doing that. Mayor LaCascia also thanked Mike, the Auditor.
- Councilor Block spoke about why good things happen, and referred to page 6 of the Management's Discussion and Analysis, which she read a portion dealing with Polk City's aggressive cost-cutting measures, which included utilizing the Acting City Manager without compensation until May 1, 2011. Councilor Block noted it continues today with combining the City Manager/City Clerk position. She is glad the hard work paid off.
- Mayor LaCascia thanked Council as a whole; they backed everything and it is a good story to tell.

Councilor Kimsey made a motion to accept the fiscal year 2011 Audit; the motion was seconded by Councilor Downing.

Roll Call: Councilor Block-aye, Mayor LaCascia –aye, Vice Mayor Blethen-aye, Councilor Downing-aye, Councilor Kimsey-aye

5-eyes

0-nays

The meeting adjourned at 7:09 by voice vote.

Patricia R. Jackson, City Clerk

Mayor Joe LaCascia