



**MURRAY CITY MUNICIPAL COUNCIL
COMMITTEE OF THE WHOLE**

The Murray City Municipal Council met as a Committee of the Whole on Tuesday, December 15, 2009, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

Members in Attendance:

Jeff Dredge	Council Chairman
Robert D. Robertson	Council Member
Jim Brass	Council Vice Chairman
Patricia W. Griffiths	Council Member
Krista Dunn	Council Member

Others in Attendance:

Daniel Snarr	Mayor
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Jan Wells	Mayor's Chief of Staff
Doug Hill	Public Services Director
Darren Stam	Council Member - elect
Jared Shaver	Council Member - elect
Pat Wilson	Finance Director
Robert Wood	HBME Auditors
Ed Erickson	HBME Auditors

Chairman Dredge called the meeting to order at 5:30 p.m. and welcomed those in attendance.

Mr. Dredge called for a motion on the minutes from the Committee of the Whole meetings held on November 17, 2009, and December 1, 2009. Pat Griffiths moved approval as corrected on both sets of minutes. Mr. Robertson seconded the motion. The motion carried 5-0.

Business Item #1 Board Appointments to Quasi-governmental and interlocal entities - Jan Wells

Ms. Wells explained that there are five boards that the administration appoints representatives to serve on behalf of the City. She stated that elected officials are preferred as representatives, when possible. The boards are Utah Associated Municipal Power Systems (UAMPS), Central Valley Water Reclamation, TransJordan Cities, UTOPIA, and Valley Emergency Communications Center (VECC).

Ms. Wells remarked that her purpose was to determine if those currently serving on these boards would like to continue or if they would like to turn the responsibility over to someone new. Additionally, she wanted to know if alternates were necessary and what the Council Members' thoughts might be on that possibility.

Mr. Brass stated that he was willing to continue representing the City on the Center Valley board.

Ms. Griffiths asked if alternates have voting power. Ms. Wells stated that they do have voting ability, if included as part of the resolution appointing these positions. Ms. Dunn added that when they are replacing the representative, they do have voting rights.

Ms. Wells confirmed that Greg Bellon, UAMPS, and Mr. Roberston, VECC, were officially appointed as alternates in the past, and that Anne vonWeller should probably be named as alternate for Central Valley. She has unofficially acted in that capacity.

Ms. Dunn indicated that she likes the idea of having an alternate become familiar with the boards and their activity, as many of the positions take some time to learn about. She stated that she has been on the VECC board for ten years and if anyone else was interested in that position, she would step down and allow them to represent the City.

Mr. Robertson asked if it is required to be an elected official to participate on the VECC board. Ms. Dunn responded that one must be an elected official or a city manager. The VECC board meets during working hours, and occasionally, it is difficult for Ms. Dunn to attend, therefore, an alternate would be helpful.

Mr. Dredge asked if it would be possible to wait until the new Council Members - elect are sworn in and then talk with them about these positions.

Ms. Wells stated that, by statute, this must be confirmed by the first meeting in January, therefore, the City is in a bit of an awkward position. Ms. Dunn said that she was appointed prior to taking office.

Mr. Dredge stated that he is fine to continue with the UTOPIA board, however, he would like to have an alternate. He feels it would be valuable to have another Council Member as alternate.

Mayor Snarr asked if the names could be submitted and changes made later in the year, if necessary. He stated that alternates are a very viable way of keeping everyone posted on the business of committees. He asked if Chief Fondaco attends VECC meetings. Ms. Wells indicated that Chief Rodriguez attends, however, he is on the operations committee. Ms. Dunn said that Chief Rodriguez attends the board because he is the operations chairman. Ms. Wells stated her willingness to be alternate for VECC.

Mr. Dredge would like to talk with the newly elected officials before making changes. Ms. Wells said that the information does not need to be submitted until the following Monday, therefore, if she was informed by Friday, the names could be proposed after this meeting.

Ms. Dunn directed her comments to the newly elected Council Members, stating that if either of them would like to serve as alternates, to please speak up.

Mr. Shaver responded that if the current board representatives remain as assigned, then, alternates would have the opportunity to learn the business of the boards, with changes made later, if desired. Mr. Dredge said that he would like his alternate to attend meetings with him to get up to speed. Ms. Dunn agreed with that idea.

Mr. Shaver indicated his desire to get involved on the UTOPIA board. Others agreed with his appointment as alternate.

Mr. Stam agreed to become an alternate representative on the VECC board. Ms. Dunn stated that it would be good for him to become informed on its processes.

Mr. Dredge confirmed that these two volunteers would be named as the alternate board members.

Business Item #2 Exit Conference of the Outside Auditor - Pat Wilson

Ms. Wilson announced that this is the annual meeting that takes place once the outside audit is completed, and a financial statement is produced. She stated that the audit was conducted by Hansen, Bradshaw, Malmrose & Erickson. Ed Erickson is the partner that does the audit with the assistance of Rob Wood. Both of them were present and would give an overview of their findings.

Mr. Erickson stated his appreciation for providing the audit services for the City, as they have done for several years. Rob Wood is the audit manager and a couple of other people help him. They begin prior to the end of the fiscal year, meeting with Pat Wilson, and her staff, and mapping out the process. The document amounts to about 120 pages and he will explain a few highlights.

Ms. Wilson includes an introductory letter, which gives an overview of the City and its activities, reported Mr. Erickson. Page nine contains the auditor's opinion of the financial statements. In short, the opinion is that the financial statements contained herein are fairly stated and in accordance with generally accepted accounting principles as they apply to city government. This is considered a clean opinion.

Beginning on page eleven, there is a management discussion analysis that has been added the last few years. Much of that gives the big picture information relating to how the City is doing over time. This is the only place in the statement that really

compares the current year to the prior year.

Turning to page fourteen, you will see a summarized balance sheet in three components: governmental activities, business-type activities, and total. The total shows Murray with total assets very comparable, \$155 million both years, and growth of only about \$150 thousand in the audit year, 2009. Liabilities have grown from \$65 million to roughly \$68 million. Net assets have decreased about \$1.6 million, from \$147 million last year to \$145.5 million this year.

Mr. Erickson explained that the decline in assets, or equity, may be based on the new government accounting standard's requirement to report, and show a liability for the benefits provided to retirees. Before, this was only shown on a pay-as-you-go basis. It was decided that cities should gradually start accumulating a liability, and have the cost of that recognized as a liability when they work for the City. When they retire, the liability is already set up for that retirement benefit of health care, etc. An actuarial study done for the City determined that with a large liability, about \$15 million, part of that should be reported every year. The actuarial computation showed that about \$1.5 million should be considered liability this year. It is not required to do it all at once, accumulating liability over a period of time is acceptable. That study will be updated about every two years to determine if more or less is necessary.

Revenue and expenses are on page fifteen. The total revenues column shows \$84 million last year and \$87 million this year. It is commendable to have that growth in this economy. Most of that growth was in charges for services provided by the City. Expenses increased, as well, much of that due to the post employment liability. Expenses went from \$81 million to \$88.9 million. Mr. Wood interjected that some of the charges for services were due to a reclassification of items within the departments. Decrease in net assets amounted to about \$1.6 million, which happens to be about the same as the liability that was initially set up for retirees. Without that, the City would just about break even, which many businesses would be happy with in this economy.

Mr. Erickson reminded the group that there was a new bond issue this year, therefore, the total debt increased about \$1.5 million.

Statements start on page 23 with the entity-wide statement of net assets. Page 24 is the income statement for this year only, showing the \$1.6 million loss for the year.

Individual governmental fund statements start on page 25. In the General Fund, there are \$20 million in assets, and about \$9.5 million of fund balance, of which, \$7 million is unreserved. Based on the annual revenues of \$35 million, the unreserved portion is near 19%. The state auditor might comment that this is too close to the allowable fund balance percentage. Ms. Wilson added that the proper comparison is to the next years budget, which is right at 18%, the permitted amount. Mr. Erickson stated that some cities are around 5-6%, which is the floor. The 18% is a good place to be.

The information regarding post employment benefits is contained on page 62. This is the end of the auditor's 30 pages of footnotes. There are 411 active employees, and 21 inactive employees receiving health benefits. This standard indicates that in addition to the liability for retired people, a reserve should be included in the financial statement for all the current employees. The liability has been built to \$1.495 million now, and it will continue to grow. This amount is not required to be reserved or funded.

Individual fund statements, non major funds, and budget to actual figures are shown on the following pages. A statistical section starts on page 79 and goes to page 100. This information is very helpful when the City goes out for bonding. That ten-year information is relied on for bonding.

Mr. Erickson said that discussion of the auditor's letters, and findings schedule, found on page 101, would be presented by Mr. Wood. Behind that is some continuing disclosure that is provided to the bond depository companies.

Mr. Wood stated his pleasure in working with the staff and City personnel over the past several months. There are two required reports that must be completed in conjunction with the City audit. Page 101 is the Internal Control Over Financial Reporting. This report is broken into two categories: one on internal control, and the other on compliance.

On internal control, various transactions were tested during the audit. This year the cash receipting procedures were closely monitored to make sure they were properly updated, revenues being received, and recorded where they should have been. Other transactions reviewed were payroll processing, and cash disbursements approval process. Based on the audit, page 102 states that no deficiencies were identified in internal control over financial reporting that we consider to be material weaknesses. Everything, materially, is stated correctly in the financial statements. An audit is not designed to find every weakness that could occur in an entity, however, based on the transactions the audit processed, none were found. It should be noted that the audit did consider the deficiencies presented in the company schedule of findings to be significant in internal control.

Mr. Wood noted that on compliance and other matters, the report states that the results of the audit tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. There was one immaterial instance of noncompliance described in the company schedule of findings.

The second report is found on page 103, and is required on all governmental entities in the state of Utah. Testing was done on:

- How the budget is processed and amended
- Setting property tax limits each year
- How liquor law enforcement funds received from the Department of

- Alcoholic Beverage Control are handled
- What is done with B & C road funds, making sure the engineering department is using the funds on eligible projects.
- Purchasing requirements
- Utah Retirement Systems enrollment

There was only one notable instance of noncompliance relating to all the various areas that were tested. That one was in reference to the Library, and the remodel that was completed using borrowed funds. This has put them in a deficit fund balance position, which is illegal, however, about \$180,000 was repaid, and within a year or two, that should be totally repaid, and a positive fund balance remaining.

The other finding relates to various transactions that were not recorded in the correct account, or that had not been recorded or updated, through oversights, and such. Based on the number of these occurrences, the auditors felt it was necessary to bring this to management's attention. Ms. Wilson has already taken action to determine why some of the transactions were not recorded, and address the issues with her staff. It is not really a big matter, however, it is recommended that the trial balance be ready to go when given to the auditors. One requirement is that the auditors cannot be part of the internal control structure, however, it can help to correct it.

Mr. Wood addressed a second report, and distributed the SAS 114 letter, which is a required communication at the conclusion of an audit that is provided to legislative personnel, and also management. This report summarizes what has been done to complete the audit, some of the items promised by the auditors, and entity being audited. The letter states that the auditor's responsibility, under U.S. generally accepted auditing standards, is to follow the published criteria, such as, adopting OPEB (Other Post Employment Benefits). The audit was planned according to scope and timing to meet the state filing requirement at the end of this month. Ms. Wilson will take care of that. Accounting estimates are part of that report. No difficulties were encountered with management in performing the audit. There were no material problems in the audit. Everything that was found was corrected. Management has not consulted with any other independent accountants. Audit finding issues are mentioned, and how those are being addressed is included. This is a basic letter.

Mr. Wood stated that it was a pleasure working with the City and he looks forward to a continued relationship.

Ms. Wilson stated that the audit was a good experience.

There being no further business, Mr. Dredge adjourned the meeting at 6:02 p.m.

Janet M. Lopez
Council Office Administrator