



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

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The Murray City Municipal Council met as a Committee of the Whole on Tuesday, January 4, 2011, in the Murray City Center, Conference Room #107, 5025 South State Street, Murray, Utah.

**Members in Attendance:**

Darren V. Stam	Council Vice Chairman
Jim Brass	Council Member
Jared A. Shaver	Council Member
Krista Dunn	Council Member

**Member Excused:**

Jeff Dredge	Council Chairman
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**Others in Attendance:**

Dan Snarr	Mayor
Frank Nakamura	City Attorney
Michael D. Wagstaff	Council Executive Director
Janet M. Lopez	Council Office
Peri Kinder	Valley Journals
Tim Tingey	Comm & Econ Dev Director
Jennifer Brass	Citizen
Pat Wilson	Finance Director
Ed Erickson	Auditor
Robert Wood	Auditor
Gabe Johns	Finance Department
Jan Wells	Mayor's Chief of Staff
Blaine Haacke	Power General Manager
Greg Bellon	Power
Doug Hill	Public Services Director
Bill Finch	Citizen

Vice Chairman Stam called the meeting to order at 5:30 p.m. and welcomed those in attendance. He excused Mr. Dredge, stating that he would arrive for the Council Meeting.

**Minutes:**

Mr. Stam presented the Committee of the Whole minutes from November 16,

2010 and December 7, 2010 for action. He noted one correction, and Mr. Shaver moved approval of both sets of minutes with that correction. Mr. Brass seconded the motion, which passed 4-0.

**Business Item #1: Fiscal Year 2010 Audit Review - Pat Wilson**

Ms. Wilson introduced the Murray City auditors, Ed Erickson and Rob Wood, from the CPA firm of Hansen, Bradshaw, Malmrose, and Erickson. They will address their part of the audit, and Ms. Wilson will follow with some additional comments. The Annual Financial Report was distributed. An electronic copy was submitted to the Government Finance Officers Association of the United States for review. Her hope is that the City will receive the Certificate of Achievement for Excellence in Financial Reporting for the 30<sup>th</sup> year. This award is received by government entities that meet a compliance criterion with Government Accounting Standards #34 (GASB), and create a report that is understandable, and easily read by creditors or others that would use it.

Mr. Erickson commented that the Murray finance staff had been good to work with, very professional in all dealings. He intends to hit only the highlights of the 125 page document. A letter at the beginning is an overview of things that are affecting the City currently. The management of the City takes responsibility for the statement, and his company issues an opinion on whether everything is fairly presented. That opinion is found on page nine, and states that Murray financial statements are presented fairly with accounting principles generally accepted in the United States. It is a clean opinion.

Pages 11 to 22 are the Management's Discussion and Analysis giving some good information on a high level comparison. This is the only place where trends can be seen from 2009 to 2010. Mr. Erickson pointed out that on page 14 a summarized balance sheet for equity and assets can be found. It is divided into governmental and business-type activities. Totally, the assets have dropped from \$214 million in 2009 to about \$206 million in 2010. The liabilities also went down, which is positive, from \$68 million to \$66.5 million. Notice that net assets went down about \$5 million to slightly less than \$140 million.

To detail some of these decreases, Mr. Erickson explained that in governmental activities the decrease of about \$2.5 million can be attributed to funding of more than \$800,000 to UTOPIA, and an environmental study of about \$1 million that comprise the two largest components of the decrease. Business-type activities realized a decrease of about \$3 million, funding new water meters at close to \$2 million. Because these are small individual items, they are not categorized as capital assets. They are individually expended. On a cumulative basis it is quite material. It does not go in as an asset, due to the small cost as individual items.

On page 15 is a similar comparison of the City's operations: revenues and expenses, in governmental and business-type activity categories. Revenues in governmental actually increased slightly, by 1.7%, Mr. Erickson indicated. There was a revenue decline on business-type activities, from \$49 million to \$45.2 million. Much of

that decline was in the power fund, not selling as much wholesale power to some of the large commercial customers. Total revenue in the City went from \$87.3 million to \$84.2 million. Expenses went up 6% in governmental activities from \$42 million to \$44.6 million. Part of that is UTOPIA expense, and the environmental study. Business-type expenses did correspondingly decrease from \$46.9 million to \$45.4 million. For example, there was less power revenue, however, less wholesale power was purchased. Overall, before transfers, there was about a negative \$5.6 million in governmental activities and a break even in business-type activities. These proprietary funds pretty well broke even as a whole through the year, which is not bad, given the current state of the economy. Then there is a transfer from the business funds into the governmental of about \$3 million, which covers administrative expenses to the general fund. These comparisons are done to see if the entity is improving, declining or holding about the same. He offered that the City has declined a little bit, however, with the expenses noted it is expected and makes sense.

Pages 23 and 24 give a detailed explanation of the schedules just discussed. The numbers agree, but there is much more detail on the assets and liabilities, and on the revenues and expenses.

Starting on page 25 are the fund statements, Mr. Erickson remarked. There are two major governmental funds: the General Fund and Capital Projects Fund. Then there are other funds aggregated to one column. The General Fund shows \$21 million in assets and \$12 million of liabilities. Most of those are deferred revenue, coming from property taxes that are levied in January, but receivable in November. It becomes a large receivable booked and then deferred revenue for a similar amount. Fund balance in the General Fund showed one reservation that is money set aside for UTOPIA, about \$1.5 million, and the unreserved of \$7.5 million. That is a healthy fund balance, right at 18%, which is the limit by state law. Compliance is very close. If it is considered too high, the City may receive a form letter about it, however, it is nothing to be concerned about.

Mr. Erickson pointed out page 27, which shows the revenue and expenses by fund. They have all gone down some. The General Fund went down by \$500,000. It would have been a positive without the UTOPIA expense. Capital projects, from the bond proceeds, was money used to purchase property, Ms. Wilson added. Governmental funds went down \$2.3 million.

The budget to actual for the General Fund can be studied on page 29 and 30. The City stayed within the final budget, however, the UTOPIA expense and how it had to be recorded was not fully budgeted.

The proprietary funds begin on page 31. The power fund is the largest, and some discussions have taken place with them. Generally, the proprietary funds show small losses, probably due to depreciation and transfers to the General Fund. Before those items they are profitable. Page 33 shows income or loss before transfers and most of them are positive or break even. The one negative is the water fund due to the

new water meters. It would have been about \$800,000 to the positive without the meters. The previous year showed a positive \$1.4 million.

Mr. Erickson mentioned that footnotes are on pages 37 to 62. There is not much new there, except the disclosure was expanded to explain the UTOPIA situation (page 59). Ms. Wilson noted that it was set up as a loan, with the money repaid to the City in the future, however, it was offset with deferred revenue, because it is unknown when those funds will be returned. Mr. Erickson said that the net receivable is zero, not adding any revenue to the statement.

Mr. Shaver asked for explanation the Custodial Credit Risk on page 46. Mr. Erickson reminded the group that insurance coverage goes up to \$250,000. Like other cities, Murray has to invest in qualified depositories, under the Money Management Act. Because the State Treasurer's pool is paying such low interest, Murray has migrated money away from that. Bank deposits pay a little more interest, however, there is an uninsured risk. If the banks fail, the City could lose its money. Mr. Wood added that Murray is with a good regional bank, and the likelihood of it going under is remote, however, the possibility does exist.

There are combining and individual fund statements on page 63 though 76. For the smaller funds budget to actual comparisons can be found. The statistical section starts on page 77 and goes through page 98. This shows ten year information, and is important for bonding to note trends.

Mayor Snarr referred to the pie chart on page 16, and asked what the property tax portion includes. Ms. Wilson confirmed that this chart comprises all the governmental funds. On the chart property taxes is what goes to the City, the library, and the RDA.

The last section of the auditors is found on page 99, and will be explained by Mr. Wood. He stated that other reports by the auditors are the internal controls and compliance with preparing basic financial statements according to governmental auditing standards. No deficiencies were noticed in internal control over how the financial statements are put together, nor in the compliance section. Immaterial instances were noted that will be discussed shortly.

One other matter was noted, and reported to management in a separate letter dated December 3, 2010, with a copy of that on page 109.

The City was required to have what is called a single audit in accordance with Circular A-133 on the money that was received from the federal government. Page 103 shows the City expenditures of just more than \$619,000 from federal dollars. Any entity spending more than \$500,000 from the federal government in a given year must have this particular audit. Two grants from the American Recovery & Reinvestment Act (ARRA) were required to be in bold type. There were no issues in the way they were spent, and each met 14 different federal requirements. The grants were well managed

in accordance with federal government guidelines.

Mr. Wood explained the summary on page 105, to answer a question by Mr. Shaver. It shows an unqualified opinion on the financial statements, which is the best that can be received, no material weaknesses or issues. It reports no conditions in internal control or instances of noncompliance. It also tells which major programs were audited, and the dollar threshold of type A and B programs of \$300,000. (No grants are more than \$300,000.) There were no findings noted or questioned costs related to financial statements under Government Auditing Standards or federal awards.

The State legal compliance reports are on pages 106 to 108. Test work of the audit included how cash is managed, budgetary compliance, handling of B and C road funds, impact fees and enrolling in the Utah Retirement Systems, when qualified. The justice court was audited on how fees are collected and remitted back to the state on a monthly basis. On page 107, an immaterial instance of non compliance was noted that will be talked about. Other than that, Murray City did comply in all material respects with the general requirements listed on page 106.

Page 108 points out a deficit fund balance in the Library Fund, similar to the previous year, due to a loan from the General Fund that is being repaid by the Library. State law requires no deficit fund balance, and that must be reported when found. That should be taken care of in the next couple of years.

The UTOPIA money was the other finding where the expense was greater than the amount budgeted. The amount budgeted was \$250,000, however, UTOPIA took \$820,000. None of the involved cities had budgeted for that additional expense.

The other matter referred to was regarding time sheets. Forty time sheets were tested with eight of those having no approval by a manager or supervisor. This is the biggest control over payroll, to know whether the time sheet was properly filled out, coded to the proper accounts, etc. The City has been encouraged to make sure that the time cards are signed. No discrepancies were noted on those that were paid and approved. Ms. Wilson commented that because of the City's diversification, the time sheets are filled out in the field and kept there, consequently, management was not aware of this issue.

Mr. Shaver asked if this had occurred in one specific area or spread out across the City. Mr. Wood responded that they are spread out. Ms. Wilson detailed the plan to conduct some training meetings for the line employees to stress some of these matters that have been discovered. An email has already been sent out regarding signatures on the time sheets. Mr. Wood noted that the occurrence was 20% unsigned, and none of those were department heads who sign their own. This was not considered a material or significant weakness in internal controls, just a slight procedure that was not being followed. He encouraged the City to conduct their own internal audit periodically to check on this issue.

Another letter distributed, which is in accordance with government standards, states there were no disagreements with management, they provided information and access, and that anything that needed adjustment was made accordingly. Corrections and journal entries were made properly. It is standard verbiage.

There was some discussion about the contract with Hansen, Bradshaw, Malmrose & Erickson. They may have one more year to complete Murray's audit. Following that, there is no state law or requirement that says an entity may not continue with the same CPA firm, Mr. Wood commented.

Ms. Wilson directed the group's attention to page 112. She thought it might be helpful to talk about the unreserved General Fund balance, and this balance sheet shows a five-year history. The balance in 2010 is \$7.5 million, and in 2006 that balance was \$7.7. It went up 4% in 2007, and dipped down 26% in 2008 to less than \$6 million, which was the year the fire stations were built. In 2009 there was an increase of 18% to \$7 million. If fund balance or reserves need to be utilized, it is important to know where it stands, as it is healthy.

The cash and investments are shown on that sheet, indicating that in 2006 the total of those items was \$10.2 million, increasing to \$11.3 in 2007, and dipping to \$6.8 in 2008, building to \$7.4 in 2009, and currently the balance is at \$8.9 million in the General Fund.

The UTOPIA reserve is shown on this schedule. The original amount reserved was \$1.2 million, however, with the new bonding the amount due will increase 2% per year. Consequently, the reserve has increased to \$1.489 million currently.

Ms. Wilson suggested looking at the City's debt, found on page 55. Capital leases have been used recently to pay out over time, rather than purchasing. There are six leases, with the original principal and interest rates shown for each item. The vacuum truck and golf carts were refinanced into a public finance rate of 3.2%, from a corporate rate interest. These items will be paid off in fiscal year (FY) 2012. Other items will be paid off as follows:

Fire engine	FY 2014 (General Fund)
Ambulances and equipment	FY 2013 (General Fund)
Police vehicles	FY 2011 (General Fund)
Storm water truck	FY 2013 (Storm Water Fund)
Asphalt Paver	FY 2013 (General Fund)

The next page shows the bonds. All of the bonds are revenue bonds. They include three power bonds. They are listed below, with the final column showing the current amount remaining, and when each one will be paid off. The Sales Tax bonds are being remitted by the RDA, however, it must be listed as a General Fund bond, because it is backed by sales tax.

Bond	Due	Amount
Electric 2001	6/1/2014	\$ 4.0 million
Electric 2004	6/1/2025	\$ 7.6 million
Electric 2006	6/1/2021	\$ 9.6 million
Water/Sewer	10/1/2023	\$ 6.6 million
Sales Tax 2007	12/1/2020	\$ 7.8 million
Sales Tax 2009A	4/1/2023	\$ 4.2 million
Sales Tax 2009B	4/1/2015	\$ 1.3 million

Additionally, there is a state limit on how much debt a municipality can carry, however, Murray is not near the amount allowed.

Ms. Wilson concluded by thanking the City Council for their support in financial affairs, and the auditors for helping with the statement and their willingness to answer questions through the year. She is most happy to finish the year with the 18% in reserves.

There being no other business, Mr. Stam adjourned the meeting at 6:26 p.m.

Janet M. Lopez  
Council Office Administrator