

AGENDA
AUDIT/FINANCE COMMITTEE
March 6, 2018
Meeting Minutes

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, convened in a regular meeting on March 6, 2018, at 10:30 a.m., in the City Council Work Session Room, at 215 E. McKinney Street, Denton, Texas.

PRESENT: Mayor, Chris Watts; Mayor Pro Tem Sara Bagheri; and Council Member, John Ryan

STAFF PRESENT: Bryan Langley, Deputy City Manager/COO; Mario Canizares, Assistant City Manager, Antonio Puente, Jr., Director of Finance, Kevin Ann Mullen, Treasury Administrator, Harvey Jarvis, Controller, Cody Wood, Assistant Controller; Umish Dalal, City Auditor, Cassandra Ogden, Director of Procurement and Compliance, Kristy Looper, Payroll Specialist, and Theresa Jaworski Recording Secretary.

OTHERS PRESENT: J. K. Manning and Kenton Willis with Pattillo, Brown and Hill.

OPEN MEETING:

Committee Chair John Ryan brought the meeting to order at 10:40 a.m.

A. Consider approval of Audit/Finance Committee Minutes of October 17, 2017.

Mayor Pro Tem, Sara Bagheri, made a motion to approve the minutes. Mayor Chris Watts, seconded the motion. Motion carried unanimously.

B. Management Report – Annual Debt Report as of September 30, 2017.

Director of Finance, Antonio Puente, explained that the Management Report is brought to the Committee every year and House Bill 1378 requires the City to publish the debt information by a series of bonds and was also published on the City's Website, February 16. Puente then opened the floor for questions.

A discussion followed on the bond rating levels, tax and revenue supported debt, bond interest rates, and the population estimates in the report.

Mayor Watts noted that the City has locked in the debt needed to secure bond programs to provide for the City's needs at some of the lowest interest rates available.

Deputy City Manager Bryan Langley added that one of the context that is missing is the revenues we will have over the time period, will be very substantial. Langley also explained that, other than the HB 1378 information that is required in the report, any other information the Committee would like to include can be added. Just want a good report for the Committee and the public that is easy to follow.

Puente responded to questions Bagheri had on the City's portion of the principal issued for the TMPA restructuring included in the Individual Debt Obligations portion of the report. Puente explained that was part of the scrubber debt and will be callable in November and it's part of the Budget process and recommending a refunding or paying that off. That will come back to the Committee as the Electric Budget discussion.

C. Receive a report, hold a discussion, and give staff direction regarding the FY 2016-17 Comprehensive Annual Financial Report ("CAFR") and annual audit.

Puente commended the Accounting staff for the hard work on the CAFR throughout the year and working with the auditors. The overall condition of the City is positive financial results. General Fund balance did increase and the Budget has been amended once for projects. There are plans to bring back recommendations to further draw down the Budget for additional projects, after discussing them with the Bond Committee.

John Manning and Kenton Willis with Pattillo, Brown and Hill, who conducted the City's FY2017 Audit, presented the results of the procedures including: Sections of the CAFR, Opinion letters, Test of controls, various control related testing methods, internal controls to understanding and walk-throughs, cash and investments, tax, customer and other receivables testing, the way those areas were tested, capital assets, long-term liabilities, revenues and expenditures and results.

Manning added that the Single Audit, reported separately and graded each year by outside, independent reviewers, was examined for any comments. There were only two or three very minor comments on things to correct. The auditors were able to offer an unmodified opinion and could report that no materials were out of compliance and there were no material weaknesses or deficiencies to report.

Kenton Willis reported on procedures used for test of controls. Items are selected at random to be sure the transactions comply with the controls. There were no exceptions or deficiencies.

Manning explained the procedures on the pension obligation and unfunded actuarial liability, including the requirement next year to implement the GASB 74 and how it should be reported.

Manning closed out the report with re-cap of the current year noting that upon receipt of the CAFR, there were some things that needed to be corrected or presented differently. The draft that you have is the corrected version. This was very good report, staff in all the departments were open, responsive, and the help was appreciated.

Manning asked for direction in presenting the information to full Council.

Watts asked that a discussion on the pension with a more detail for a refresher to the Council.

Bagheri asked for more detail on the debt discussion.

CONCLUDING ITEMS

- A. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Audit/Finance Committee or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND Under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.


NOTE: The Audit/Finance Committee reserves the right to adjourn into a Closed Meeting on any item on its open meeting agenda consistent with Chapter 551 of the Texas Government Code, as amended, or as otherwise allowed by law.

With no other items to address, the Committee Meeting adjourned at 11:14 a.m.

The Audit Finance Committee approved the March 6, 2018, Meeting Minutes on April 10, 2018.



JOHN RYAN
COMMITTEE CHAIR
CITY OF DENTON, TEXAS



THERESA JAWORSKI
RECORDING SECRETARY
CITY OF DENTON TEXAS