

## AUDIT/FINANCE COMMITTEE

November 17, 2015

### Minutes

After determining that a quorum is present, the Audit/Finance Committee of the City of Denton, Texas, met in a regular meeting on November 17, 2015, at 10:57 a.m., in the Finance Conference Room, at City Hall, 215 E. McKinney Street, Denton, Texas at which the following items were considered:

**PRESENT:** Committee Chair, Greg Johnson; Mayor, Chris Watts;  
Council Member, Joey Hawkins

**STAFF PRESENT:** George Campbell, City Manager; Bryan Langley, Assistant City Manager; Howard Martin, Assistant City Manager; Chuck Springer, Director of Finance; Antonio Puente, Assistant Director of Finance; Harvey Jarvis, Controller; Mike Halsema, Senior Financial Analyst; Nancy Towle, Budget Manager; Caroline Finley, Treasury Administrator; Kevin Ann Mullen, Assistant Controller; Cody Wood, Assistant Controller; and Kristy Odom, Recording Secretary.

**OTHERS PRESENT:** Jerry Gaither and Sara Dempsey with Weaver and Tidwell, LLP

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The following items were considered:

#### OPEN MEETING:

**1. Consider approval of Audit/Finance Committee Minutes of July 28, 2015.**

Mayor Chris Watts made a motion to approve the minutes. Council Member, Greg Johnson seconded the motion. Motion carried unanimously.

**2. Receive a report, hold a discussion, and give staff direction regarding the FY 2014-15 external financial audit to be conducted by Weaver and Tidwell LLP.**

Springer explained the reason for the external auditor's discussion is to allow Weaver and Tidwell staff to go over scope of the audit to see if there are any areas they need to focus on. Jerry Gaither stated that they would like feedback in terms of the engagement. The auditors have not determined if a single audit will be required. The risk areas of the engagement are cash and investments, state and federal revenues and expenditures and compliance requirements. Federal revenues will also be an emphasis if a single audit is required. Additional areas of the audit scope are capital projects, purchasing, compliance, payroll, long-term debt, revenue recognition and accounts receivables.

Committee Chair Greg Johnson, asked about auditing of long-term debt, would it be for the city as a whole or is it separated out by category. Would they provide a relative comparison to other cities? Gaither responded that Weaver and Tidwell would compare to other cities covering each

reporting unit. Weaver and Tidwell will provide this requested information for the Audit Finance Committee to review.

**3. Receive a report, hold a discussion, and give staff direction regarding the City's external financial audit contract.**

Springer suggests that we move forward with the RFP process since after this audit, it will be at the end of the most recent contract with Weaver and Tidwell. They have performed this review for eight years. Langley mentions that Weaver and Tidwell may be willing to offer a new partner. An emphasis in this selection process is staff continuity of the audit team year after year.

**4. Receive a report, hold a discussion, and give staff direction regarding revisions to the City of Denton's Investment Policy.**

Puente stated that the investment policy has to be reviewed annually. The only significant change is required training hours were reduced from ten hours to eight hours. Therefore the training can be done in one day and it is more efficient to get training.

**5. Receive a report, hold a discussion, and give staff direction regarding revisions to the City of Denton's Debt Service Management Policy.**

Puente states that there were no major changes to the policy, and that the updated debt report provided is as of September, 30 2015.

Mayor Chris Watts asks when you break out the debt is that split out or all grouped to DME debt? Puente responded any TMPA debt that is refunded is included as DME self-supporting General Obligation Debt. Watts suggests a possible Informal Staff Report to show TMPA related debt and what is left through 2018.

Mayor Chris Watts made a motion to recommend Denton's Investment Policy and Denton's Debt Service Management Policy to council for full approval. Council Member, Greg Johnson seconded the motion. Motion carried unanimously.

**6. Receive a report, hold a discussion, and give staff direction regarding sales tax and compliance services.**

Springer states that the Texas Comptroller has formerly codified rules for sales tax sourcing. There are complex rules for sourcing as to who will receive that sales tax especially for some commercial businesses. He recommends hiring an outside firm to review those type of cases and clarify that Denton is receiving sales taxes that they should. Sales tax payments can be corrected four years in arrears and the outside firm would receive a 38% contingency fee if we received the collections.

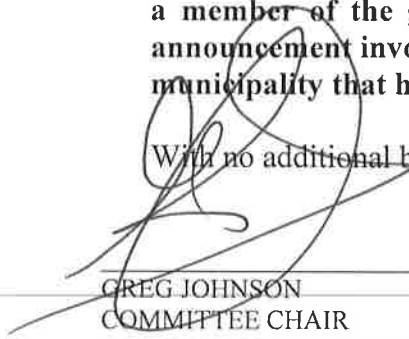
Mayor Chris Watts made a motion to recommend sales tax compliance services contract to council for full approval. Council Member, Greg Johnson seconded the motion. Motion carried unanimously.

7. Under Section 551.042 of the Texas Open Meeting 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.

With no additional business to be addressed, the Committee adjourned at 11:40 a.m.



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GREG JOHNSON  
COMMITTEE CHAIR  
CITY OF DENTON, TEXAS



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KRISTY ODOM  
RECORDING SECRETARY  
CITY OF DENTON, TEXAS