



# ***COMMITTEE of the WHOLE***

## ***CITY COUNCIL***

**MINUTES**  
**July 20, 2009**  
**5:00 P.M.**

### **COUNCIL MEMBERS PRESENT:**

D. Sterner, M. Goodman-Hinnershitz, S. Marmarou, S. Fuhs, V. Spencer

### **OTHERS IN ATTENDANCE:**

L. Kelleher, S. Katzenmoyer, C. Younger, C. Hemnitz, R. Hottenstein, C. Kanezo, D. Cituk

Mr. Spencer called the Committee of the Whole meeting to order at 5:02 p.m.

### **I. 2008 External Audit Update – Herbein & Co**

Linda Heimbach and Cory Wolf of Herbein & Co distributed the draft audit.

Ms. Heimbach reported that the results of the audit are summarized beginning on page 78. She stated that these are unqualified opinions. Unqualified opinions are the highest level of approval. However, she stated that as the audit revealed the same deficiencies as in years past the deficiencies are now categorized as material weaknesses. She stated these all deal with financial statements and unfilled positions.

Mr. Sterner stated his belief that the controls should be in place even with unfilled positions. Ms. Heimbach stated that the controls are in place. However, when one person fills several key roles, there is little oversight. She stated that this situation has become common with the current economic downturn.

Ms. Heimbach reviewed the general fund (beginning on page 60 of the audit report), budget to actual analysis. She stated that there is a big discrepancy with the Real Estate Transfer Tax due to the downturn in the housing market. She stated that due to grant funding, Public Works and Police spent less than budgeted.

Ms. Heimbach reminded Council that the water meter surcharge which was reported in the 2007 audit now skews the 2008 audit report. She stated that interest rates are down due to the current market. The sale of the Antietam Lake property allowed a positive fund balance. She noted six new issues of debt.

Ms. Heimbach reviewed the expenses (beginning on page 56 of the audit report). She stated that expenses were \$4.8 million less than budgeted.

Ms. Heimbach reviewed the income statement on page 56. She noted an ending fund balance of \$3.5 million. She stated that this covers approximately 16-17 days of City operation but that 2-3 months is preferable.

Mr. Cituk stated that this relates to ordinary income not meeting ordinary expenses. He stated that one-time fixes are becoming scarce. He further stated that without these fixes the ending balance would have been \$500,000.

Mr. Spencer questioned finding #1 regarding the accrual basis of accounting. Ms. Heimbach stated that the City relies heavily on user fees. She stated that the billing software is different from the financial software. She stated that items should be posted monthly (quarterly at a minimum). She stated that this would allow more timely collection of monies owed.

Mr. Spencer questioned finding #2 regarding grant receipts and the City's timeliness in drawing down funds. Ms. Heimbach stated that many grants have a one year time limit but that many project take longer to complete. She stated that the City must be sure to file for extensions. She noted that there has been improvement in this area.

Mr. Spencer stated that the City has hired a contractor regarding CDBG issues. He questioned how the contractor is assisting the City with this issue. Mr. Hottenstein stated that Triad has gotten the City caught up with this issue and the information is being posted on a monthly basis.

Mr. Spencer questioned how long the consultant would need to continue now that a Community Development director has been hired. Mr. Hottenstein noted the inconsistency in staff in the Community Development Department and stated that Triad would be needed for another approximately 3 – 6 months.

Mr. Spencer questioned finding #3 regarding segregation of duties for cash disbursements. Ms. Heimbach stated that the controls are in place but that certain parties have certain functions to ensure that generally accepted accounting principles are followed. This is in regards to accounts payable forms. Mr. Hottenstein noted that the controls are in place. However, with a recent lack of Finance Director and Community Development Director, staff was using a signature stamp for the Finance Director's signature. He stated that now that the

positions are filled, signatures of appropriate directors are obtained and the accounts payable forms will be reviewed as intended.

Ms. Goodman-Hinnershitz stated that the City needs to set priorities. She stated that these issues are chronic. She suggested that the issues be discussed through the Finance Committee. She noted her concern that reports are not filed in regards to grants. Ms. Heimbach stated that there has been improvement in this area.

Ms. Heimbach reviewed the proprietary funds on page 11. She stated that these funds are water, sewer, recycling and trash funds. She stated that there is a deficit in recycling and trash and that the fees should be examined. Mr. Cituk noted that the increase in payments from the trash fund is due to the increase in residents and landlords (due to the housing permit process) utilizing the trash program. He agreed that a price adjustment may be needed.

Ms. Heimbach noted that a new area was added beginning with this audit. She noted that the Statement of Net Assets must now include post employment assets. She stated that post employment assets for 2008 were \$2.5 million.

Ms. Heimbach reported that the percentage of activities covered by fees and grants shows a \$23 million shortfall which needs to be subsidized by the taxpayers.

Ms. Heimbach reviewed the City's trend of financial health. She stated that bond rating agencies use this trend when determining bond issues.

Ms. Heimbach stated that the City's post employment benefits are approximately \$26 million which have been amortized over 30 years. She stated that these benefits must be recognized on financial statements but that currently there is no mandate to fund the expense. She stated that the data is for informational purposes only.

Ms. Heimbach thanked Council for the opportunity to present the draft audit. She again stated that the City has shown improvements.

Mr. Cituk stated that the audit will be formally presented at the July 27 regular meeting of Council.

The meeting adjourned at 6:00 pm.

Respectfully Submitted  
*Linda A. Kelleher, CMC*  
City Clerk