

PRE-MEETING AGENDA

Casper City Council
City Hall, Council Meeting Room
Tuesday, May 17, 2022, 5:00 p.m.





Please silence cell phones during the City Council meeting

	Presentation	Beginning Time	Allotted
1.	Casper Youth Council	5:00	40 min
2.	Russin Update	5:40	5 min
3.	Audit	5:45	10 min
4.	Agenda Review	5:55	5 min
	Approximate Ending Time		6:00

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Communication Accountability Stewardship Professionalism Efficiency Responsiveness

May 11 2022

MEMO TO: J. Carter Napier, City Manager 
FROM: Jill Johnson, Financial Services Director 
SUBJECT: City of Casper Fiscal Year 2021 Financial Audit

Meeting Type & Date

Council Pre-Meeting
May 17, 2022

Action type

Information

Summary

Financial Statements

Porter, Muirhead, Cornia and Howard (PMCH), the City's auditors, reviewed the City's financial records for FY21 from July 2021 through February 2022 and prepared the FY21 financial statements as well as the Schedule of Federal Expenditures (SEFA). The audit report was presented by PMCH to the City's Finance Committee on March 15, 2022. The audit opinion was unqualified which means the financial statements are fairly presented without material misstatement which is the best opinion the City can receive.

The Management Discussion and Analysis (MD&A) provides a great summary of the information within the statements.

Government financial statements are prepared several ways; the government wide statements are comprised of the Statement of Net Position and the Statement of Activities. These statements are prepared much like private business statements; statements have an economic resource focus and are full accrual statements. The statements are segregated by governmental activities and business type activities.

For governmental activities, assets increased \$17.9M (5.78%) over FY20 and the City converted \$27.5M in cash to investments. Liabilities increased \$26.2M (21.36%). Two items which are very impactful to liabilities in these statements are the Net Pension Liability (NPL) and the OPEB (retiree health insurance) which are calculated off reports provided by the Wyoming Retirement Systems (WRS). Additional information regarding the changes of the liability are reported in the Required Supplementary Information (pages 112 – 119). As you can see in these reports, the City has contributed all statutorily required contributions to the pension plans however the plans show a large increase in liability of \$21.2M. Due to the increases in the liabilities which were not offset by increased assets, there is a reduction in unrestricted net position of \$6.7M (75.91%) and an overall reduction in net position of \$9.4M (4.88%).

For business type activities, assets increased \$5.1M (2.16%) over FY20 and the City converted \$5.1M in cash to investments. Liabilities were held in check with a modest decrease of \$545,331 (-1.1%). Overall there is an increase in unrestricted net position of \$2.2M (8.03%) and overall increase in net position of \$5.9M (3.02%).

The second way financial information is presented in the financial statements is in the fund statements. These statements prepare information on a current resource focus and a modified accrual basis. These statements focus on resources which are needed to provide government funding over the next year. The major difference in these statements is capital assets and debt are not reported; instead capital outlay and annual debt service payments are reported in these statements; more in line with our budgetary basis.

The General Fund is segregated as a major fund in these statements. For reporting purposes, the General Fund information includes the following funds: Opportunity Fund, Perpetual Care, Metro Animal, Revolving Land, River Fund and CARES in addition to the General Fund.

Revenues for the General Fund increased \$9.3M (17.74%). Sales taxes as compared to FY20, decreased 4.67%. The City, in preparing the FY21 budget, were ultra conservative in the estimates of sales tax revenues do to the uncertainty of COVID. The estimated budget for sales tax was \$15.1M however the actual sales taxes received were \$18.1M or \$2.9M above budget. Additionally, in FY21, the City was expecting to need \$1.8M of its reserves to meet budgeted expenditures which was not necessary as actual expenditures were \$16M below actual revenues. Fiscal constraint in spending (reduced \$1.8M over FY20 (-3.9%)) along with increased revenues from sales taxes and CARES allowed the City to maintain a healthy fiscal balance.

SEFA

In addition to auditing our financial information, PMCH also audits our federal programs for compliance and prepares our SEFA. In FY21, PMCH issued 5 findings related to our federal programs. For each finding, the City is required to prepare a corrective action plan. The first 3 findings are repeat findings from FY20.

The first 3 findings related to staff's ability to prepare financial statements, to identify material adjustments, and to prepare the SEFA. Bearing in mind that these findings are almost a year old, the Finance department has been developing processes and controls to eliminate these findings. The staff within the Finance department is all relatively new (less than 5 years with the City) and were selected for their knowledge and ability to eliminate these findings. The expectation of this new team is these findings will be eliminated by the FY22 audit.

The 2 new findings were related to the MPO and FTA programs. These findings were already addressed and are considered resolved going forward.

Excess of Expenditures over Appropriations

During the auditor's presentation to the Finance Committee, emphasis was placed on the schedule on page 122 which showed the City had overspent appropriations by \$5.1M. Per Wyoming Statute 16-4-108, the City cannot spend in excess of the City Council's spending authority. Following research into the reasons for this overspending, errors in the calculation of this schedule were

discovered. The auditors will provide an updated schedule and letter of explanation. While there were still several funds/departments/cost centers which exceeded appropriation, the amount of the overage was reduced by \$4.1M (80.29%). The finance department continues to monitor budget to actuals to ensure compliance the council's approved appropriation.

Investments

Investments significantly under-performed; decrease of \$2.1M (-92.38%) from FY20 in the general fund but were reduced across all funds. Statutorily approved investments are mostly government bonds which have been issued at extremely low rates of return. In addition, in expectation of the interest rates going up, the duration of the investments has been kept short; again, making the return even lower. Finally, the City is required to report investments at market value which again reduces the returns by an unrealized market adjustment even though the City holds investments to maturity.

Steps to improve the return on investment while still maintaining safety and security of the City's funds are: establishing an investment advisory committee of community investment professionals to help guide the portfolio recommendations; requiring the investment advisor to provide performance reporting to an established benchmark; restructuring the investments utilizing multiple investments including government investment pools as well as securities; and requiring review/monitoring of the investment portfolio by the investment advisory committee, investment advisor and City staff on at least a quarterly basis.

These additional measures should rebalance the portfolio to provide a better return which can be used to fund programs throughout the City.

Financial Reporting to Council

Staff recognize that to receive financial data almost a year after it happens is not timely for the City Council to be able to make good decisions. Since implementing the new accounting system in 2019, the financial data has not been reported to Council except for annually after the audit.

In instituting a month end close procedure, financial information will be available for reporting to Council on a cash basis each month; reporting for the prior month would be completed by the 3rd week of the following month. While the initial reports will be similar to what was reported prior to the implementation of the new system, additional information or reports can be created as requested.

Oversight/Project Responsibility

Jill Johnson, Financial Services Director

Link

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