A Council work session was held for a follow up to the overview of Fiscal Year 2019 and introduction to Fiscal Year 2020.

Attending: Mayor Bill McMurray and Councilmembers Brenda Blessing, Madison Davis, PJ Kovac, Russell Moore, Brian Myers and Marty Novak.

J. Bruce Woody, City Manager; Bryan Carter, City Attorney; Andy Clements, Public Works and Transportation Director; Mike Dalsing, Fire Chief; Chris Connally, Police Chief; Alicia Nolan, Human Resources Director; Tom Mahoney, Administrative Services Director; Clint Thompson, Planning and Community Development Director; Chuck Kempf, Parks, Recreation and Civic Facilities Director; Beau Musser, Administrative Services Assistant Director; Rich Karleskint, Budget and Financial Analyst; Mary Robertson, Asst. to City Manager/Communication & Public Relations Manager; Cindy McDermott and Kitty Karr, Accountants; and Paula Heyde, City Clerk.

Mayor Bill McMurray called the meeting to order.

Harold Ray with CliftonLarsenAllen LLP (CLA) gave a power point on the “Audit Presentation for the Year Ending June 30, 2018” (copy attached).

Jim Weidinger, 4614 Iris Avenue, asked for clarification on the $2.5 million in public safety tax funds and how much is generated by that tax. Mr. Ray said the $2.5 million is the amount of the transfer from the Public Safety Tax Fund to the General Fund for salaries. Beau Musser, Administrative Services Assistant Director, said a about $6 million is generated annually. J. Bruce Woody, City Manager, gave some history on the tax.

Mr. Musser reviewed a slide entitled “Fund Balance of Governmental Funds – General Fund” and said the City is deficit spending in the General Fund and City staff is recommending that a one-time adjustment be made to the budget by putting the $1.5 million in unspent Cell Phone funds in unassigned General Fund fund balance which requires the action of the City Council. He then reviewed a slide entitled “Calculation of General Fund Deficit Spending Fiscal Year 2019.” He said if the Council approves, the one-time adjustment of Cell Phone funds into the General Fund, the operating deficit will be $1.3 million. Without increases in property tax and sales tax for the next year and without making any changes to expenses, the deficit in next year’s budget will be $1.3 million with an increase in health insurance of $500,000.00.

Mayor McMurray said the financial reports he has received since coming on Council have not really given him the information he needs to not be surprised by a report like this. He thinks the reports should be monthly instead of quarterly and more detail is needed—an executive summary. Several Councilmembers said they were also surprised by the information. Councilmember PJ Kovac said last year when the budget was changed at the last minute, Mr. Woody warned the City Council he was going to stop buying capital outlay for the Fire and Police Departments because he was going to run short.
Mr. Woody said last year he did not tell Council that he would withhold capital to balance the budget but he would withhold it because he was very anxious about the condition of the budget we are going into.

Tom Mahoney, Administrative Services Director, said the FY2018 adopted budget had a $1,915,000 deficit in the General Fund.

Mayor McMurray said his memory and the City Manager’s don’t agree and suggested more frequent meetings on the budget so the Council knows what is going on. He asked if there was a consensus to use the Cell Phone funds to reduce the deficit. Seeing no support for this proposal, he asked the Councilmembers if they would like to wait a few weeks and have City staff take a look at cutting expenses in the General Fund. All Councilmembers with the exception of Councilmember Kovac agreed. Mr. Woody asked that staff be given three weeks to look at cutting expenses.

Mr. Weidinger said it looks like your spending $2 million over what you’re taking in and the suggestion by Mr. Musser will just get the City by for one more year. At some point the City will have to do what it’s doing—looking at the expenses and seeing in the long term where cuts can be made. It was never the intent to rely on the Cell Phone funds as a general revenue source.

Mr. Musser said historically most governments only provide their governing bodies an income statement which is a snapshot of the operations over a period of time. The balance sheet is what will tell you the financial condition of the City. The only time a balance sheet has been provided is the annual CAFR (Comprehensive Annual Financial Report) which is six months after that period ends. He would like to at a minimum, on a quarterly basis, issue full-on financial statements—balance sheet along with income statement—and the balance sheet will give the Council the picture of the health of all the funds at any given time.

Mayor McMurray said he would like to see a monthly report.

The meeting adjourned at 5:20 p.m.

Minutes transcribed by Paula Heyde, CMC, City Clerk.
City of St. Joseph, Missouri

Audit Presentation
Year Ending June 30, 2018

Wednesday, March 13, 2019
Audit Team

Your audit team consisted of the following professionals with a focus in governmental accounting and auditing:

- Doug Host – Principal (27 years)
- Harold Ray – Signing Director (10 years)
- Jason Moses – Senior (5 years)
- 7 other Associates, Seniors, and Managers
Required Communications

- The City has a unmodified opinion for the June 30, 2018 financial statement audit.
- See separate letter for required communications under auditing standards.
Internal Control Items

Material Weaknesses – deficiencies in internal control such that there is a reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis.

- Audit Adjustments

Significant Deficiencies - deficiencies in internal control that are less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

- Journal Entries
Audit over Major Federal Programs

- Total federal awards expended = $38,807,647
- CLA audited two major programs
  - Capitalization Grants for Clean Water State Revolving Fund
    - Expenditures totaled $31,219,128
  - Community Development Block Grant
    - Expenditures totaled $1,480,462
Federal Award Findings and Questioned Costs

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

- **Documentation of Work and Effort Performed**
General Fund Financial Results
General Fund Revenues, Expenditures and Fund Balance

- Expenditures exceeded revenues by $4.5 million in 2018.
- Unassigned Fund balance decreased by $3.1 million in 2018.
General Fund Financial Results
Total General Fund Revenues

- Revenues exceeded budget by $19,688
- Taxes approximately 84% of total revenue.
- Charges for services approximately 6%.
- Intergovernmental approximately 4%.
General Fund Financial Results
Total General Fund Expenditures

- Total current year expenditures were 91% of budget.
- Decrease in fund balance was $535,000
- Capital Outlay increased $3 million
Financial Results
General Fund Months Expenditures in Fund Balance

Months of Unassigned Fund Balance
Months of Available Fund Balance

Create Opportunities
Financial Results
Total Revenues and Expenditures for all Governmental Funds

Create Opportunities
Financial Results
Total Revenue – Governmental Funds

Create Opportunities
Financial Results

Taxes by Type – Governmental Funds

Create Opportunities
Financial Results
Total Expenditures – Governmental Funds

Financial Results
Water Protection Fund

- Operating revenues increased 13.8% from prior year.
- Total operating expenses (including depreciation) increased 1.4%
Financial Results
Water Protection Fund – Cash Flows from Operations

- Cash provided by operations of $7.6M in 2016.
- Total cash and investments of $52.8M but unrestricted cash and investments of $6.9M.
Debt Levels
Governmental Activities

Create Opportunities
Debt Levels
Other Enterprise Funds

Create Opportunities
Financial Results

• Other Financial Highlights
  – Comprehensive Annual Financial Report was submitted to the GFOA before the deadline of December 31.
Thank you for allowing us to serve you!

Contact Information:
Matt Robertson, CPA
816-232-8441 x18930
Matthew.Robertson@CLAconnect.com
Harold Ray, CPA
816-232-8441 x18924
Harold.Ray@CLAconnect.com
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