

## 3/26/2019 - Minutes

### 1. Call To Order & Those Present

PRESENT: Commissioners Donnie Boyd, Derrick DeGroot, Kelley Minty Morris, Finance Director Sue Murphy, Chief Budget Officer Vickie Noel, County Counsel Mika Blain, HR Director Renee Blakely, IT Director Jessica Chastain, Public Works Manager Mary Lou Wilton

### 2. Budget Hearing Presentation Materials

Vickie Noel presented an on-screen demo of the OpenGov reporting that will be used during budget hearings. Log-in credentials will be needed by the Commissioners and Budget Committee members in order to access the document. A full budget book will be available for public viewing on the County CivicPlus website. Two hard copies of the entire budget book will be made available, one located in the BOCC office and one in the Clerk's office.

Vickie will be meeting with IT to determine a suitable set up of video monitors for projecting data during the hearings. The hearings are conducted on a live stream, and consideration will be given to displaying data to the public as well.

### 3. Moss Adams Audit Communication FY 2017-2018

The letter to those charged with governance (TCWG-Communication with the Board of Commissioners) and the internal control letter resulting from the fiscal year ending June 30, 2018 audit were reviewed and discussed. There were no significant communications other than standard reporting contained within the communication to the Board of Commissioneres.

Each comment within the internal control letter was reviewed and discussed as follows:

**Formal Disaster Recovery Plan** This is a repeat comment from FY 2017. Jessica Chastain, IT Director, has reviewed the existing information technology disaster recovery plan and determined that an update is needed. She will be working to revise and implement an update plan during the next few months.

**Capital Assets** The issue was a procedural one within Finance. Entries were made to the general ledger fixed asset accounts without corresponding changes within the fixed asset module, causing discrepancies in reporting between the two systems. Finance will implement a procedure that requires fixed asset modifications to be made initially within the fixed asset module of Springbrook with corresponding adjustments flowing into the general ledger reporting module. No entries should be made directly to fixed asset accounts within the general ledger accounting system.

Additionally, effort will be given to improving upon the reports generated from the accounting system to present to auditors. Comprehensive reporting of all activity that occurs during a fiscal year from within the fixed asset module and from within the accounting module are necessary for their work.

**Budget Process and Controls** Numerous instances of departments actual expenditures exceeding budgeted amounts and a high number of supplemental budgets were noted by the auditors. These are a result of staff shortage and changeover within Finance (most of the year without a Finance Director) and supplemental budget requests on a random schedule.

We expect improvement in this area during the current fiscal year, due in part to the Finance Director presence for a full year and the addition of an accountant in the role of Financial Systems Administrator and Accounting Specialist as well as the ongoing efforts of the Chief Budget Officer. The Finance team will be giving emphasis to analyzing all funds immediately prior to the June 30 year end, as well as asking each department to give special attention to budget versus actual and consideration to any charges via credit cards or invoices that might be anticipated but not yet booked at June 30.

The Chief Budget Officer introduced a system of processing supplemental budget requests on a quarterly basis for fiscal year 2018-2019, which is expected to reduce the volume of supplemental budgets and create more focus on the need for such requests.

**Property Tax Receivables** A phone conference was held between Finance Director Sue Murphy, Chief Budget Officer Vickie Noel, and Moss Adams CPA and Partner Amanda McCleary-Moore. There has been no change in the methods or reporting within the County for interest accrued on property tax receivables. The auditor noted, however, that interest accruals on property tax receivables are not typically recorded by other county entities. Modified accrual reporting would reflect accruals only to the extent expected to be received within 60 days post year-end.

Vickie commented that the County does receive payments on delinquent interest. A recent payment was received on interest dating back to the late 1990s. Efforts within the Tax department to reduce the amount of properties with delinquent taxes also helps with this issue. The amounts are not material to the financial statements as a whole at this time.

**Undistributed Interest** Also discussed during the phone conference with the auditor. The County holds a reserve, currently set at \$280,000 to accommodate the possibility of negative interest on monthly adjustments of investments to fair market value. There are currently no other counties mark investments to fair market value on a monthly basis. However, this is the most accurate methodology and complies with GAAP reporting. Interest attributable to the reserve balance is not currently distributed to districts and departments, but is immaterial in amount.

Finance intends to reduce the reserve balance to \$100,000, to further reduce materiality related to this issue.

#### **4. Payroll Information To Employees**

Commissioner DeGroot has requested that Finance evaluate the possibility of moving the County to paperless reporting of employee payroll statements each pay period.

2017 ORS 652.610 requires an itemized statement to employees concurrent with each payday. The provisions for providing the statements in electronic form (ORS 84.001-061) include express agreement by the employee to receive an electronic statement and an ability for the employee to store or print the statement at time of receipt.

The Springbrook accounting system provides for this via the employee portal. County employees register in this portal using a personal email address. The portal provides payroll statements at the completion of each payroll period, as well as Forms W-2 and other pertinent information. However, no email notice of availability can be produced from the system each time information is updated. The employee is responsible for logging in to the portal to retrieve information each pay period or as needed/desired. The ORS provisions do not require notification to an employee of the electronic data each payroll period.

Employees cannot be mandated to participate in electronic payroll statement reporting. This reporting election is also independent of the election to receive payroll via direct deposit. There are currently some County employees who do not have access to the Springbrook Employee Portal, which would preclude access to an electronic payroll statement. Current CBA may contain language related to paper versus electronic payroll reporting as well.

This issue will be revisited at next month's Finance meeting. Prior to that meeting, County Counsel will research language within the ORS related to required express consent and consider necessary documentation including the possibility of merging the express consent for electronic pay statement reporting with direct deposit consent. Human Resources will investigate CBA language for consideration related to those documents. Finance will determine the employees not on the Springbrook Employee Portal and feasibility of achieving 100% participation in the portal.

## **5. North State Grocers Update**

Commissioner Boyd indicated that there is still a need to settle an amount between North State Grocers and Klamath County for costs related to the remodel at time of purchase that are to be paid by the seller (County). There has not been specific communication with North State Grocers administrative personnel to specifically identify these amounts.

County Counsel will draft a demand letter to North State Grocers related to the default of the \$190,000 promissory note. County Counsel and Finance Director will work jointly on a response to the audit confirmation request to correct information and provide full disclosure related to the default note and related interest.

## **6. General Fund Financials**

General Fund Nondepartmental financial data as of March, 2019, was reviewed. Focus was directed to the need for minimum fund reserve requirements and to the depletion of fund balance carryover from year to year. A reduction of approximately \$4,000,000 in fund balance carryover to next year as compared with prior year is anticipated. Subsequent years will not have sufficient fund balance to allow for expenditures at the current level based on the current rate of depletion.

A graph presentation of cash flows for governmental funds was also presented. It demonstrates the trend during the past 18 months with cash deficits occurring from March through October. Vickie commented on the increasing need for cash from LGIP investments to provide for operations, resulting in an annual reduction in cash of approximately \$5,000,000 annually. Commissioner Boyd requested the graphic presentation next month be prepared with a look back of multiple years rather than months.

## **7. Other County Business**

CAFFA grant funding forecasts were presented. The State of Oregon is reducing forecasts for CAFFA funds available for distributions in the current fiscal year by almost \$1,000,000. This is expected to reduce the County CAFFA grant revenue for fiscal year 2018-2019 by \$40,000 from budgeted amounts. Additionally, the forecast for 2019-2020 is reduced. CAFFA grant revenue within the 2019-2020 proposed budget was based on 2018-2019 budget amounts. It is estimated that next year's proposed budget is overstated by \$40,000 as well. Anticipated County revenue from the CAFFA grant for both 2018-2019 and 2019-2020 are expected to fall to levels below the amounts received for each of the past three years.

Commissioner Boyd requested that Sue prepare a brief history and summary of CAFFA for presentation at the Administrative meeting.

## **8. Adjournment**