

**Minutes**  
**City of Gresham Finance Committee**  
**Wednesday, January 18, 2017, 7:00 p.m.**  
**Conference Room 3A**

**Finance Committee Members Present:**

Mike Ash  
Jan Baker, Vice Chair  
Jared Koga, Chair  
Janine Ross  
Paul Warr-King  
Don West  
Kris Leibrand (Recording Secretary)

**Finance Committee Members Absent:**

Sue O'Halloran

**Councilors in Attendance:**

Karylenn Echols

**Staff Members in Attendance:**

Sharron Monohon, Budget & Financial Planning Director  
Susan Brown, Finance & Accounting Services Manager

**Guests:**

Paul Neilson, Isler CPA, LLC

**1. Convene Meeting**

Vice-Chair Baker convened the meeting of the Gresham Finance Committee at 7:01 p.m.

Ms. Monohon introduced Mike Ash to the Committee, who then spoke a little about his background. Committee members and attending staff introduced themselves to Mr. Ash.

**2. Public Comment**

None.

**3. Minutes of November 16, 2016**

A motion was made by Ms. Ross and seconded by Mr. Warr-King to:

**“Approve the minutes for the November 16, 2016 Finance Committee meeting.”**

**MOTION CARRIED UNANIMOUSLY**

**4. Election of New Chair**

Mr. Warr-King nominated Mr. Koga. There were no further nominations.

“Elect Jared Koga as Finance Committee Chair.”

**MOTION CARRIED UNANIMOUSLY**

**5. FY 2015/16 FY Annual Financial Audit Report**

Mr. Nielsen reviewed the key points on the Executive Summary of Those Charged with Governance Letter which is attached to these minutes as Attachment A. Attachment B is a copy of the PowerPoint presentation Mr. Nielsen gave about the financial report.

**6. Comprehensive Annual Financial Report**

Susan Brown, Finance and Accounting Services Manager, gave a PowerPoint presentation to the Committee, which is attached to these minutes as Attachment C. The presentation included information on what the CAFR is, why the City produces one, the information contained within, and other details.

**7. Council Work Plan Project Update**

Ms. Monohon provided an update on the following items:

- Council adopted the 2017 Council Work Plan
- Upcoming Finance Committee meetings:
  - Council compensation review will be at the February meeting
  - Capital improvement program will be at the March meeting
  - Investment updates will be at the April meeting
  - Budget Committee meetings are tentatively planned for the 2<sup>nd</sup> week of May (May 9-11). No regular Finance Committee meeting is planned for May.
- Council recently adopted a 5-year rate package for water, wastewater, and stormwater. In addition, a local street reconstruction program will be starting this summer.

**8. Committee Business**

None.

**9. Good of the Order**

None.

**10. Meeting Adjournment**

Chair Koga adjourned the meeting at 8:37 p.m.

The next regular Finance Committee meeting will be February 15 at 7:00 p.m. in Conference Room 3A.

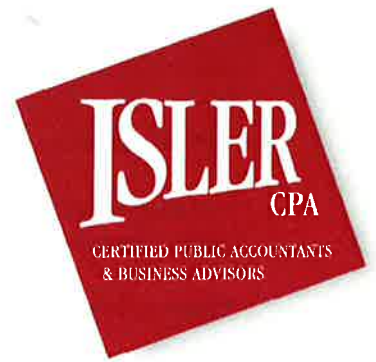
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Jared Koga, Chair

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Kris Leibrand, Administrative Assistant

# ATTACHMENT A



December 20, 2016

An Independently Owned Member  
**McGLADREY ALLIANCE**



To the City Council  
City of Gresham, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gresham for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. Professional standards require that we provide you with the following information related to our audit.

## **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 25, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

## **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Gresham are described in the footnotes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. The financial statements include the implementation of GASB 72 relating to investment reporting – see the expanded disclosures in the footnotes.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most significant estimate affecting the financial statements is the determination of depreciation on capital assets. The accounting policies relating to capital assets and depreciation are described in the footnotes to the comprehensive annual financial report. The PERS footnote discusses assumptions used to value the pension obligation.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. There were no known or likely material misstatements identified during the audit.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles, implementation of new accounting standards, and the impact of new auditing standards with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

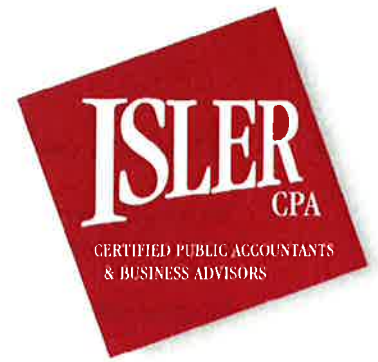
This information is intended solely for the use of the City Council and management of the City of Gresham and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ISLER CPA



By Paul Nielson CPA, a member of the firm



December 20, 2016

An Independently Owned Member  
**McGLADREY ALLIANCE**



Rockwood-West Gresham Urban Renewal Agency Board  
(A Component Unit of The City of Gresham)  
City of Gresham, Oregon

We have audited the financial statements of the governmental activities and each major fund of the Rockwood-West Gresham Urban Renewal Agency for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated June 25, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Rockwood-West Gresham Urban Renewal Agency are described in the footnotes to the financial statements. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most significant estimate affecting the financial statements is the determination of depreciation on capital assets. The accounting policies relating to capital assets and depreciation are described in the footnotes to the annual financial report.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. There were no known or likely material misstatements identified during the audit.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

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**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles, implementation of new accounting standards, and the impact of new auditing standards with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Rockwood-West Gresham Urban Renewal Agency Board and management of the Rockwood-West Gresham Urban Renewal Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

ISLER CPA



By Paul Nielson CPA, a member of the firm

# City of Gresham

June 30, 2016

## Board Communication

- Auditor's responsibilities
- Significant findings
- Difficulties encountered during audit
- Corrected and uncorrected misstatements
- Disagreements with management
- Management representations
- Management consultations with other auditors
- Other findings and issues
- GASB 72 and continuing GASB 68

## Oregon Minimum Standards

- Deposits of public funds
- Debt limitations
- Budget testing
- Insurance
- Programs funded from outside sources
- Highway revenues testing
- Investments of public funds
- Public contracting

## Single Audit

- FY 2016: Community Development Block Grants. Total federal awards \$4,622,016.
- FY 2015: Public Safety Partnership and Community Policing, Highway Planning and Construction. Total federal awards \$6,326,214.
- FY 2014: Staffing for Adequate Fire and Emergency Response, Community Development Block Grant and Section 108 Loan, Home Loan Investment Program. Total federal awards \$3,671,761.

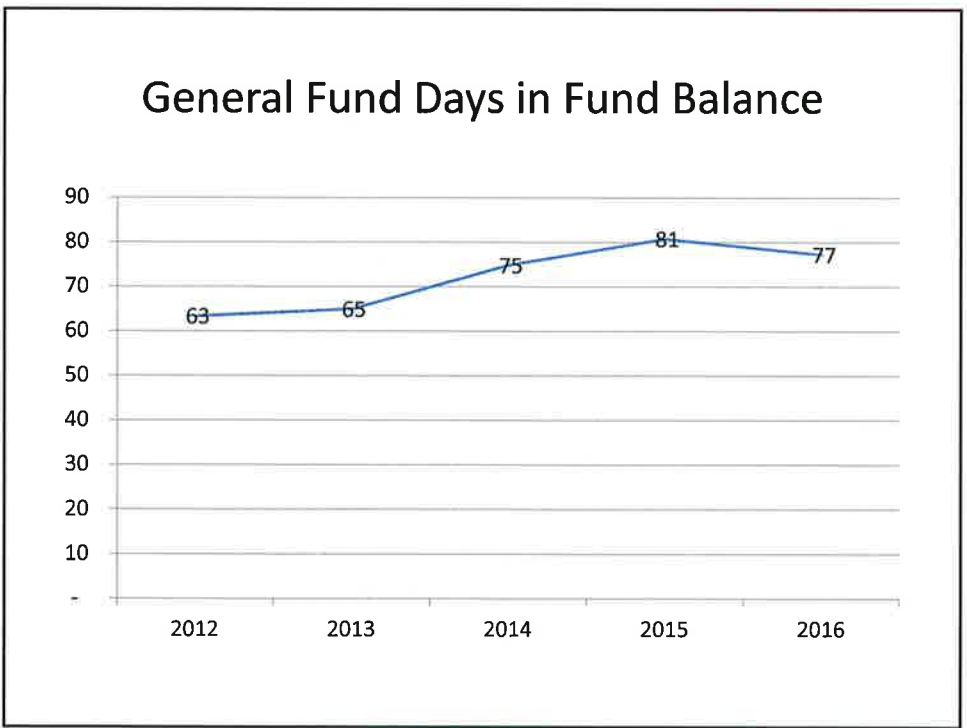
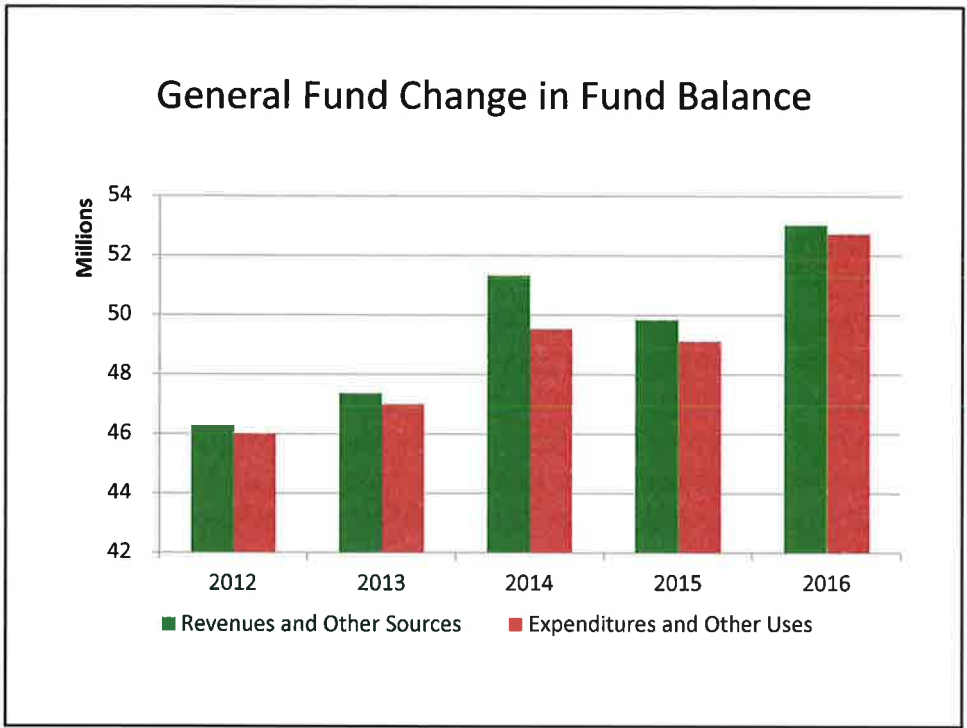


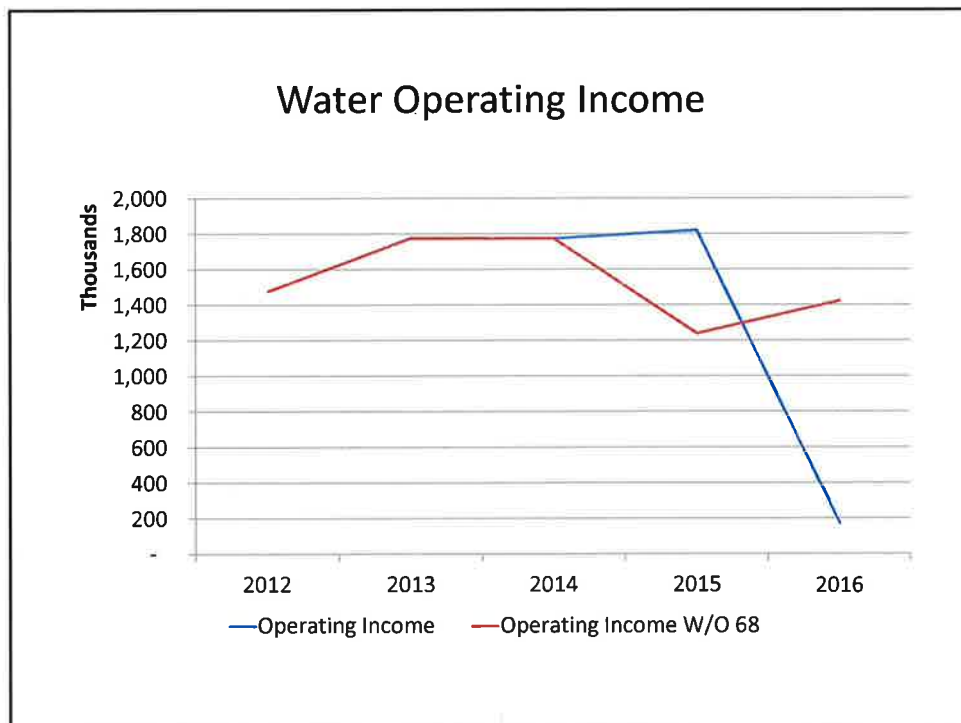
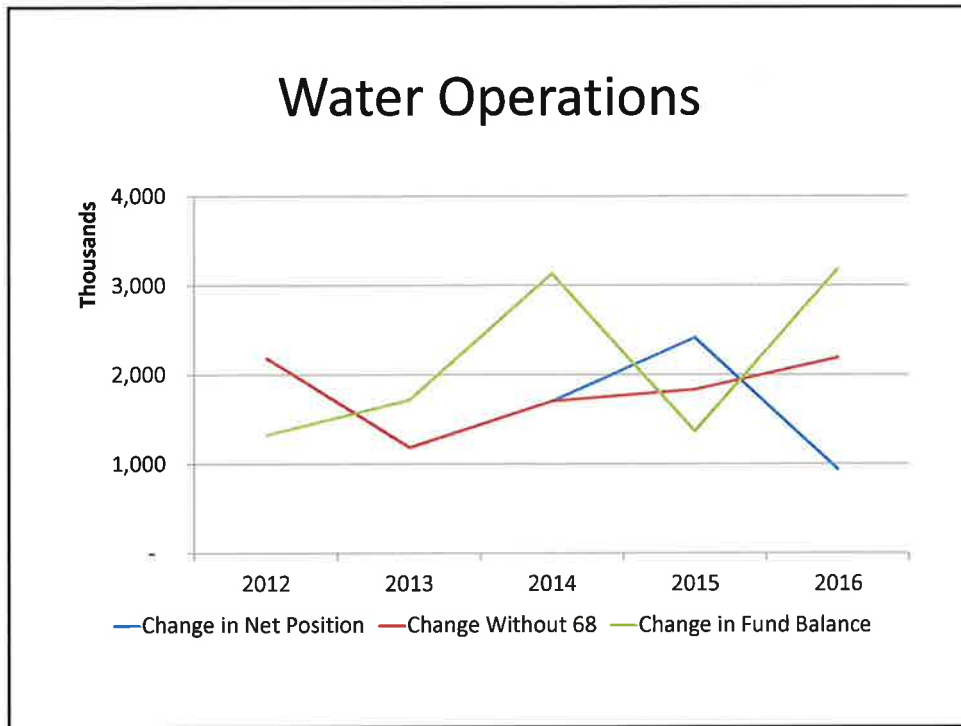
## Single Audit Findings

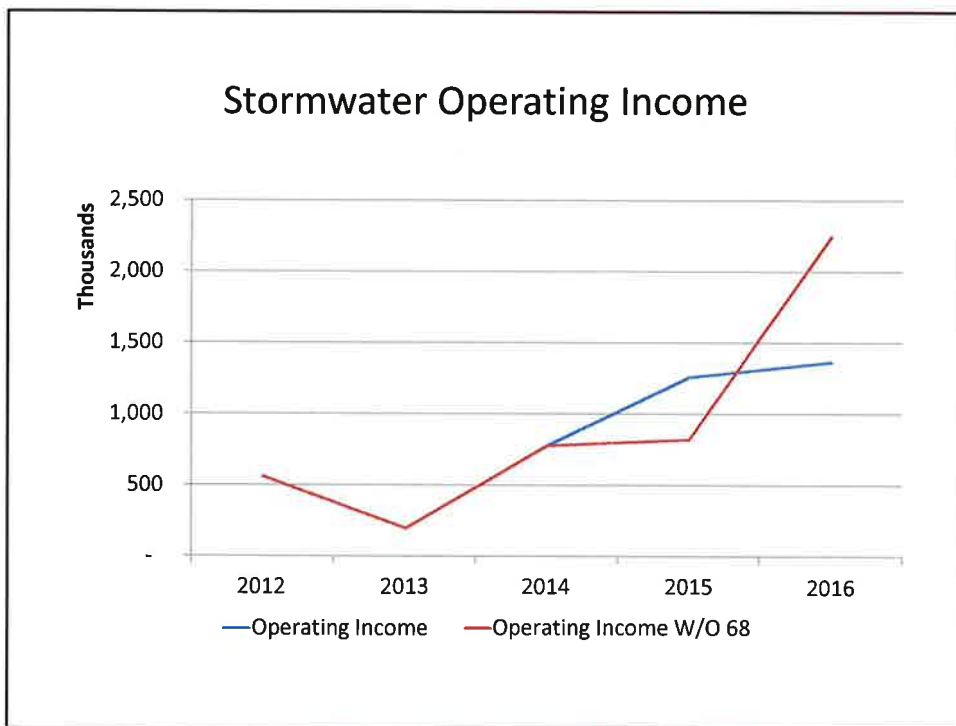
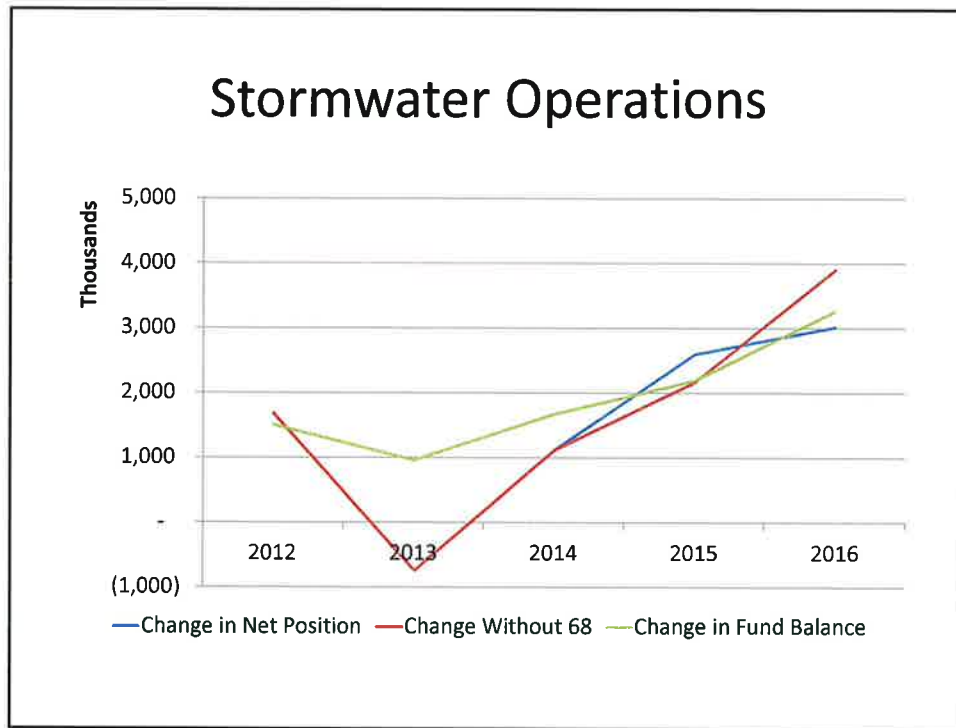
- Required percentage for spending on Low and Moderate Income persons. Required 70%, spent 65.37%.
- The City entered into an agreement with a not-for-profit organization to provide a Section 108 loan to assist the organization in expanding their services, which primarily benefits youth in low- to moderate-income families in the Gresham area. In May of 2016 the governing body for the not-for-profit determined that funding from other sources would be used, and not the Section 108 loan offered by the City.

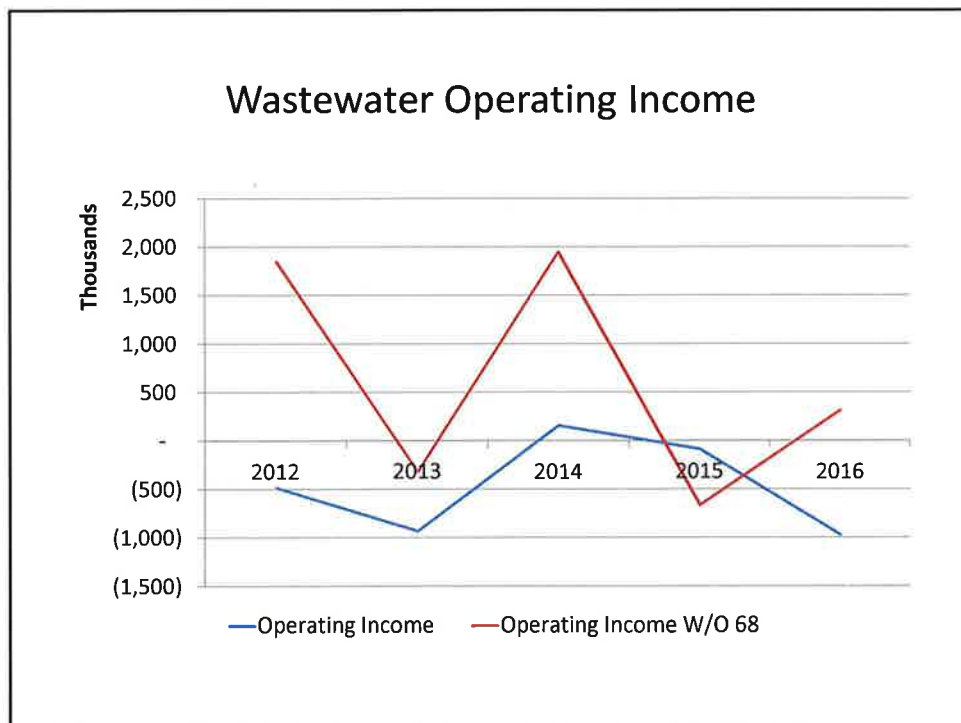
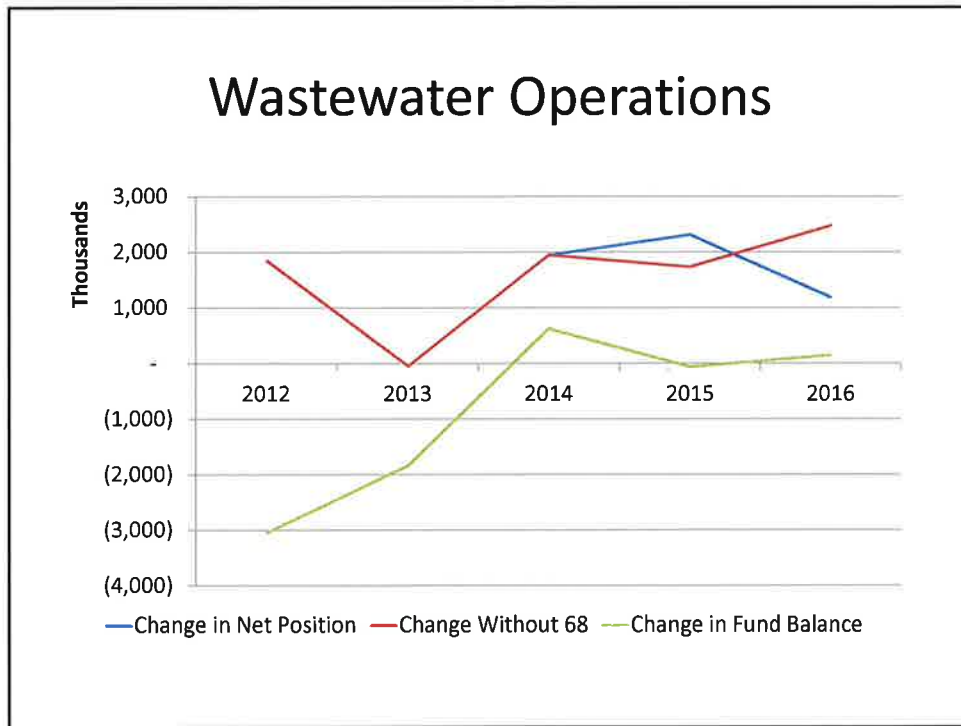
## Single Audit Findings

- Submission of Request Release of Funds
- City committed and expended CDBG Section 108 Loan funds in the amount of \$727,000 without submitting a Request for Release of Funds to HUD or receiving approval to commit the funds.

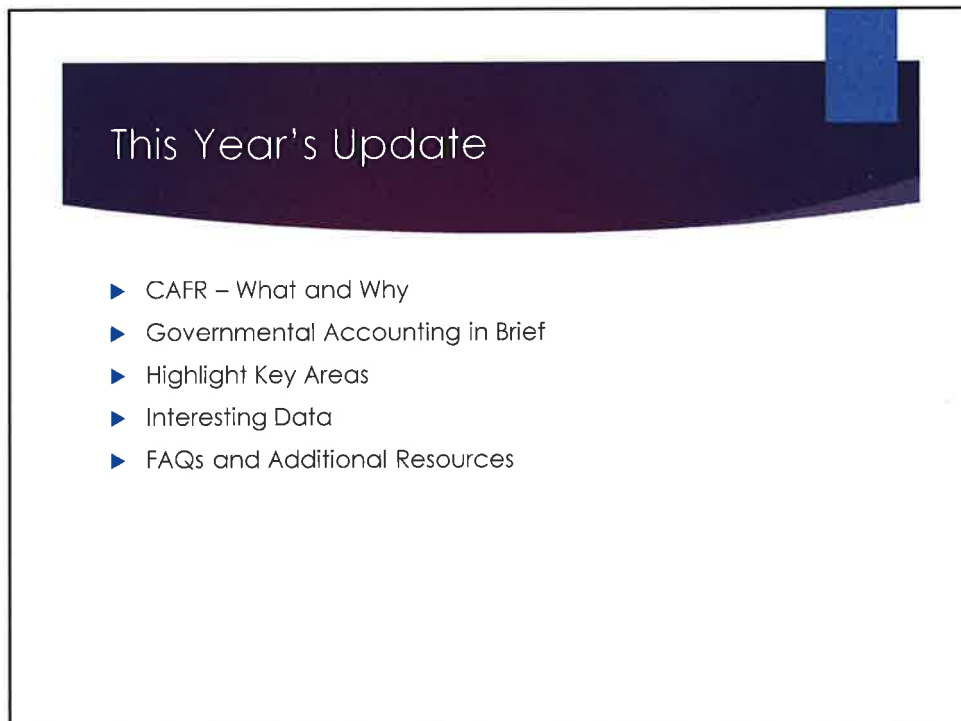
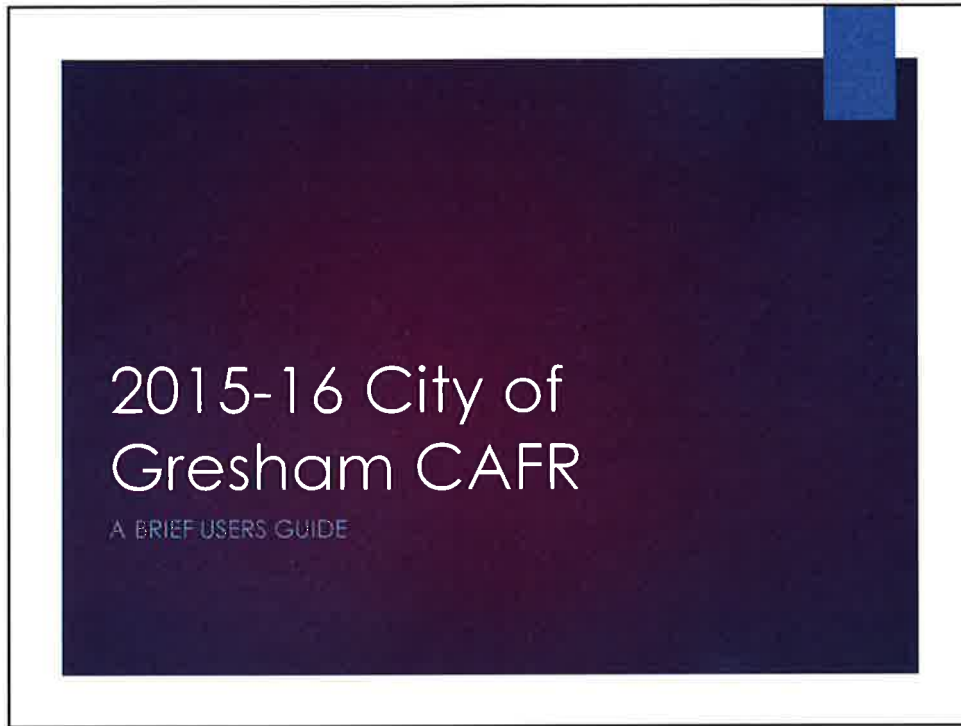












## What is a CAFR?

- ▶ **Comprehensive Annual Financial Report**
- ▶ Extends basic financial reporting by adding:
  - ▶ Historical Financial Trends (up to 10 years)
  - ▶ Demographic Information
  - ▶ SEC Required Debt Disclosures
  - ▶ City Organizational Chart
  - ▶ More Detailed Analysis of Accounting Results by Management

## Why we issue a CAFR

- ▶ More than minimum required reporting
  - ▶ More useful information for any user
  - ▶ Fulfills requirements on debt reporting
  - ▶ Certification of Excellence Program
    - ▶ Demonstrates financial sophistication and control
    - ▶ Helps issue new debt at lower rates!



## 3 Types of Accounting

- ▶ **Budgetary Fund Basis**
  - ▶ Modified Accrual/Cash basis
  - ▶ Based in State Statute
  - ▶ Management can tailor to organization
- ▶ **GAAP Fund Basis**
  - ▶ Modified Accrual
  - ▶ GASB sets rules
- ▶ **Net Position**
  - ▶ Full accrual (debt and capital assets)
  - ▶ Citywide and Utility Funds

## Governmental Accounting Basics

- ▶ **Business Type (accrual)**
  - ▶ Utilities and Internal Services (funded by charges)
  - ▶ For a long term financial picture
  - ▶ Includes long term debt/liabilities and fixed assets
  - ▶ Bottom line is "Net Position"
- ▶ **Governmental (modified accrual)**
  - ▶ For an immediate resources financial picture
  - ▶ Only assets and liabilities expected within one year
  - ▶ Bottom line is "Fund Balance"

## Most Interesting Sections

- Management Discussion and Analysis (pg 15)
- Basic Financials (pg 31-44 and the notes)
- Statistical Section (pg 175-208)
- Auditor Reports
  - Page 11-13 for high level
  - Page A-1 through A-12 for more detail

## MD&A

- ▶ Find plain language discussion of financial results
- ▶ Significant capital projects highlighted
- ▶ Debt activity described
- ▶ Major events and accounting changes will be mentioned

## Notable in FY 2016

- ▶ Actuarial changes in pension benefits for Oregon PERS resulted in significantly different financial results for the City:

	FY 2015	FY2016
Net Pension Liability (Asset)	\$(10.3)M	\$ 29.7 M
Pension Expense	\$ (9.8)M	\$ 28.6 M
Unrestricted Net Position, Governmental Activities	\$ (5.6)M	\$(22.2)M

- ▶ Oregon PERS financial reporting for FY 2016 seem to indicate even bigger negative results for next year.

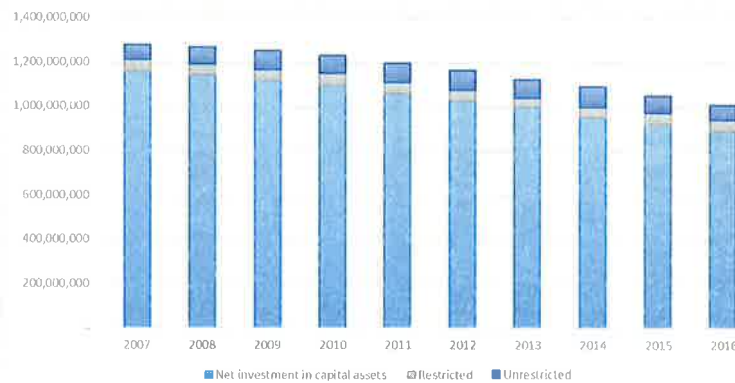
## Principal Property Tax Payers Then and Now

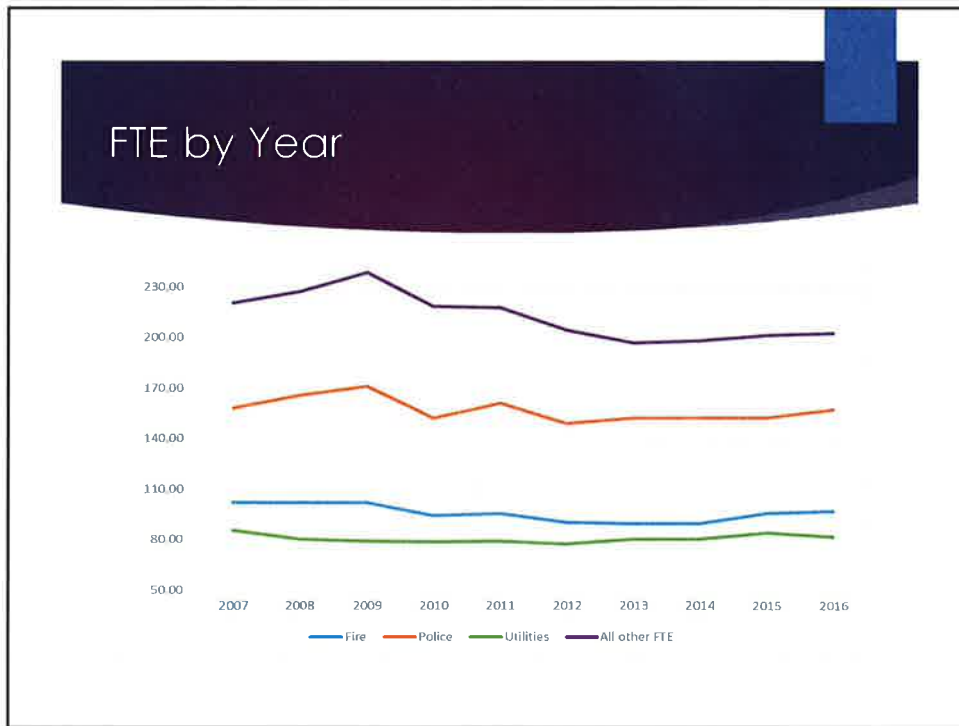
Company Name	2016			2007		
	Assessed Value	Rank	Percent of Total Value	Assessed Value	Rank	Percent of Total Value
Boeing Company	\$ 216,477,580	1	2.80%	\$ 200,228,230	1	3.40%
Microchip Technology Inc.	142,576,040	2	1.84%	109,272,700	2	1.86%
Semiconductor Components	134,818,460	3	1.74%	98,100,040	3	1.67%
Comcast Corporation	95,709,700	4	1.24%	-	-	-
Portland General Electric Company	68,943,190	5	0.89%	57,605,000	4	0.96%
ABS OR-DC LLC	47,369,350	6	0.61%	39,909,660	6	0.68%
U.S. National Bank of Oregon	41,997,530	7	0.54%	42,857,570	5	0.73%
Westlake Gresham Center LLC	29,302,340	8	0.38%	-	-	-
Cascade Corporation	27,609,490	9	0.36%	26,509,400	10	0.48%
GPI/PC Holly Ridge LLC	27,348,560	10	0.35%	-	-	-
Verizon Northwest Inc.	-	-	-	36,902,500	7	0.63%
Chang Income Property	-	-	-	36,566,790	8	0.62%
RR Donnelley Nonwest Inc.	-	-	-	29,846,730	9	0.51%
<b>Total</b>	<b>\$ 831,952,250</b>		<b>10.76%</b>	<b>\$ 679,798,620</b>		<b>11.56%</b>
<b>Total Gresham Assessed Value</b>	<b>\$ 7,731,179,097</b>			<b>\$ 5,887,235,694</b>		

## Principal Employers Then and Now

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Boeing of Portland	2,914	1	5.47%	1,450	2	3.01%
U.S. Bank of Oregon Cal Center	1,636	2	3.07%	1,600	1	3.32%
Gresham Barlow School District	975	3	1.83%	1,195	4	2.48%
ON Semiconductor	753	4	1.41%	500	10	1.04%
ML Hood Community College	694	5	1.30%	1,200	3	2.49%
Xerox Commercial Solutions LLC	680	6	1.28%	-	-	-
Centennial School District	647	7	1.22%	759	6	1.58%
ML Hood Medical Center	601	8	1.13%	-	-	-
Microchip Technology Inc.	545	9	1.02%	-	-	-
City of Gresham	537	10	1.01%	560	7	1.16%
Albertson's Distribution Center	-	-	-	510	9	1.06%
Legacy ML Hood Medical Center	-	-	-	557	8	1.16%
Affiliated Computer Services	-	-	-	879	5	1.83%
<b>Total</b>	<b>9,962</b>		<b>18.75%</b>	<b>9,210</b>		<b>19.13%</b>
Total of employees in Gresham	53,226			48,153		

## Net Position by Year





- ### FAQ
- ▶ On page 35 the 'Rockwood UR Debt Service Fund has an \$7.1 million negative balance, why?
    - ▶ The Urban Renewal area is required to borrow money to spend money and collect tax increment
    - ▶ The borrowing happened between City funds
    - ▶ The result was a fund with a deficit fund balance and a fund with a positive balance
      - ▶ This deficit is getting smaller (was \$9.3M in FY15), as new debt is being issued directly by the Urban Renewal Area and existing debt is being paid off as scheduled
    - ▶ Pages 92 and 127 are the fund balance statements

## More Gresham CAFR Resources

- ▶ <https://greshamoregon.gov/Comprehensive-Annual-Financial-Report/>
- ▶ Or "greshamoregon.gov"
  - ▶ Government Tab
  - ▶ Financial Reports Link
- ▶ Email to [Bernard.Seeger@GreshamOregon.gov](mailto:Bernard.Seeger@GreshamOregon.gov)
- ▶ Email to [Susan.Brown@GreshamOregon.gov](mailto:Susan.Brown@GreshamOregon.gov)