

City of Flint, Michigan

*Third Floor, City Hall
1101 S. Saginaw Street
Flint, Michigan 48502
www.cityofflint.com*



Meeting Agenda - Final

Monday, February 1, 2021

5:30 PM

ELECTRONIC PUBLIC MEETING

SPECIAL FINANCE COMMITTEE

Santino J. Guerra, Chairperson, Ward 3

*Eric Mays, Ward 1
Kate Fields, Ward 4
Herbert J. Winfrey, Ward 6
Allan Griggs, Ward 8*

*Maurice D. Davis, Ward 2
Jerri Winfrey-Carter, Ward 5
Monica Galloway, Ward 7
Eva Worthing, Ward 9*

Inez M. Brown, City Clerk

Davina Donahue, Deputy City Clerk

SPECIAL PUBLIC NOTICE -- ELECTRONIC PUBLIC MEETING**AMENDED PUBLIC NOTICE****In Accordance with the Newly Revised Open Meetings Act
FLINT CITY COUNCIL ELECTRONIC PUBLIC MEETING**

On Friday, October 5, 2020, the Michigan Supreme Court (MSC) issued an order declaring the Emergency Powers of Governor (EPG) Act as an unconstitutional delegation of legislative authority, which was the primary authority relied on by Governor Whitmer for her COVID-19 related executive orders. Subsequently, Governor Whitmer requested that the MSC clarify that their order does not go into effect until October 30, 2020. On Monday October 12, 2020, the Michigan Supreme Court rejected Governor Whitmer's request to delay the effect of its decision to strike down the EPG. On Tuesday, October 13, 2020, Senate Bill 1108 passed, amending the Open Meetings Act to allow municipalities to hold electronic meetings before January 1, 2021 and retroactive to March 18, 2020. On Friday, October 16, 2020, Governor Whitmer signed into law Senate Bill 1108 amending the Open Meetings Act. On November 15, an order from the Michigan Department of Health and Human Services (DHHS) prohibits gatherings at non-residential venues beginning November 18. Therefore, pursuant to the amended Open Meetings Act and the DHHS order, the following meeting is scheduled electronically:

Special Finance Committee Meeting

Pursuant to the newly revised Open Meetings Act and Flint City Charter Section 3-202, notice is hereby given that City Council President Kate Fields and Finance Committee Chairman Santino Guerra call for a Special Finance Committee Meeting of the Flint City Council, scheduled to be held as follows:

Date: Monday, February 1, 2021

Time: 5:30 p.m.

Location: Via Electronic Public Meeting

The meeting is being held for the following purpose: A presentation of the recently-completed City of Flint audit for the fiscal year ended June 30, 2020, by the auditing firm Rehmann.

The public and media may listen to the meeting online by live stream at

<<https://www.youtube.com/watch?v=vG9rbEZvBQA>> or through Start Meeting Solution by dialing (617) 944-8177.

1. In order to speak during the **PUBLIC SPEAKING PERIOD** of the meeting by telephone, participants will also call (617) 944-8177:

- a. All callers will be queued and muted until the Public Speaking portion of the agenda;
- b. Public speakers will be unmuted in order and asked if they wish to address the City Council ON ANY SUBJECT;
- c. Public speakers should state and spell their name for the record and will be allowed two (2) minutes for public speaking;
- d. The speaker will be returned to mute after the 2 minutes have expired;
- e. After the telephonic public speakers are completed, emailed public comments will be read by the City Clerk. All emailed public comments will be timed for 2 minutes;
- f. Per Rules Governing Meetings of the Council (Rule 7.1 VII), there will only be one speaking opportunity per speaker. Consequently, public participants who call in and speak during the public speaking period of the meeting WILL NOT have written comments as submitted read by the City Clerk.

2. The public may send public comments by email to

CouncilPublicComment@cityofflint.com no later than 10 minutes prior to the meeting start time of 5:30 p.m.

3. Persons with disabilities may participate in the meeting by the above-mentioned means or by emailing a request for an accommodation to CouncilPublicComment@cityofflint.com, with the subject line Request for Accommodation, or by contacting the City Clerk at (810) 766-7418 to request accommodation - including but not limited to interpreters.

If there are any questions concerning this notice, please direct them to City Council office at (810) 766-7418.

This Special Finance Committee meeting was called for a presentation of the recently-completed City of Flint audit for the fiscal year ended June 30, 2020, by the auditing firm Rehmann.

CALL TO ORDER

ROLL CALL

MEMBER REMOTE ANNOUNCEMENT

Pursuant to the newly revised Open Meetings Act, each Council member shall state that they are attending the meeting remotely and shall state where he or she is physically located (county or city and state).

MEMBER CONTACT INFORMATION

Eric Mays - (810) 922-4860; Maurice Davis - mdavis@cityofflint.com; Santino Guerra - sguerra@cityofflint.com; Kate Fields - kfields@cityofflint.com; Jerri Winfrey-Carter - jwinfrey-carter@cityofflint.com; Herbert Winfrey - (810) 691-7463; Monica Galloway - mgalloway@cityofflint.com; Allan Griggs - agriggs@cityofflint.com; Eva Worthing - eworthing@cityofflint.com.

PROCEDURES ON CONDUCTING ELECTRONIC PUBLIC MEETINGS

All boards and commissions must adhere to all laws established under the Michigan Compiled Laws and in accordance with the revisions to the Open Meetings Act adopted in Senate Bill 1108, as passed on October 13, 2020, and signed into law on October 16, 2020.

READING OF DISORDERLY PERSONS CITY CODE SUBSECTION

Any person that persists in disrupting this meeting will be in violation of Flint City Code Section 31-10, Disorderly Conduct, Assault and Battery, and Disorderly Persons, and will be subject to arrest for a misdemeanor. Any person who prevents the peaceful and orderly conduct of any meeting will be given one warning. If they persist in disrupting the meeting, that individual will be subject to arrest. Violators shall be removed from meetings.

PUBLIC SPEAKING

Public speakers should state and spell their name for the record and will be allowed two (2) minutes for public speaking.

COUNCIL RESPONSE

PURPOSE OF MEETING

To allow for an audit presentation by Doug Deeter and associates of accounting firm Rehmann for the fiscal year ended June 30, 2020.

COUNCIL DISCUSSION

ADJOURNMENT



City of Flint, Michigan

Audited Financial Statements

June 30, 2020

Presented by:

Doug Deeter, CPA

Jason Salzwedel, CPA

Responsibilities Under Professional Standards in Relation to a Financial Statement Audit



City's Management Responsibilities

- The preparation and fair presentation of the audited financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP)
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Making all financial records and related information available to the auditors and for ensuring that financial information is reliable and properly recorded _____

Responsibilities Under Professional Standards in Relation to a Financial Statement Audit



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Independent Auditor (Rehmann) Responsibilities

- Issue opinions about whether the financial statements are fairly presented, in all material respects, in conformity with GAAP.
- To plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Communicate significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process.

Independent Auditors' Report

(Financial Statement Page 1)



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Unmodified Opinion on the Financial Statements

- Fairly presented, in all material respects, in conformity with Generally Accepted Accounting Principles (GAAP)
- We did not audit the Hurley Medical Center, Downtown Development Authority or the Flint Area Enterprise Community, which were audited by other auditors and our opinion on these entities is based solely on the reports of the other auditors

Rehmann

General Fund Balance Sheet

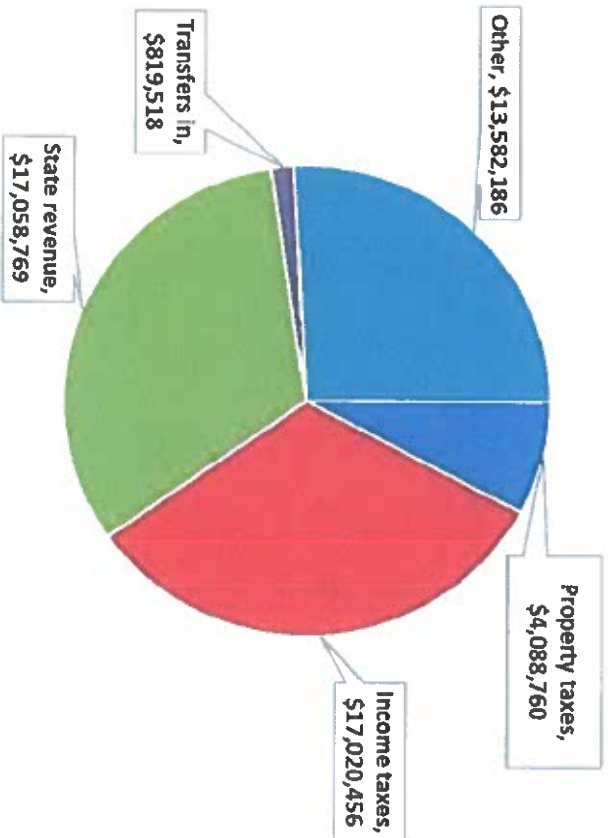
(Financial Statement Page 22)



Assets	
Cash and cash equivalents	\$ 17,692,965
Accounts receivable, net	701,861
Income taxes receivable, net	2,611,661
Prepays	37,192
Due from other governments	3,330,805
	<u>\$ 24,374,484</u>
Liabilities	
Accounts payable	\$ 2,978,410
Accrued and other liabilities	916,732
Due to other governments	693,783
	<u>4,588,925</u>
Deferred inflows of resources	
Unavailable revenue - grants	<u>2,190,270</u>
Fund Balance	
Nonspendable	37,192
Assigned	1,632,576
Unassigned	15,925,521
	<u>17,595,289</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 24,374,484</u>

General Fund Revenues Budget to Actual

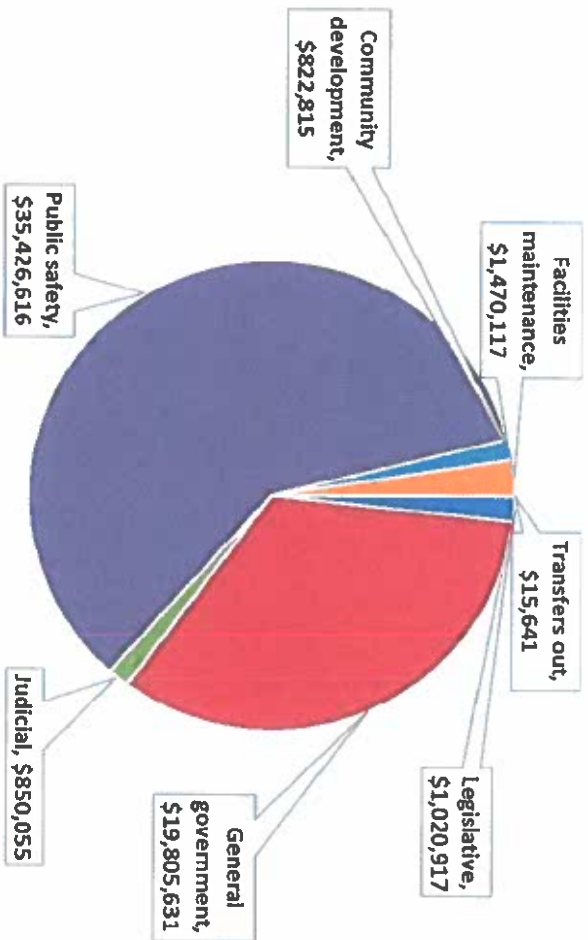
(Financial Statement Page 26)



Revenues and Transfers in	Actual		Final Budget		Actual Over (Under) Final Budget	
Property taxes	\$ 4,088,760	\$ 17,238,856	\$ 5,327,616	\$ 1,285,741		
Income taxes	\$ 17,020,456	\$ 2,384,107	\$ 15,734,715	\$ (2,743,167)		
State revenue	\$ 17,058,769	\$ 1,892,755	\$ 19,442,876	\$ 1,892,755		
Transfers in	\$ 819,518		\$ 3,562,685			
Other	\$ 13,582,186		\$ 11,689,431			
Total revenues and transfers in	\$ 52,569,689	\$ (3,187,634)	\$ 55,757,323			

General Fund Expenditures Budget to Actual

(Financial Statement Page 26)



Expenditures and Transfers Out	Final Budget		Actual		Actual Over (Under) Final Budget	
Legislative	\$	1,860,155	\$	1,020,917	\$	(839,238)
General government		18,834,218		19,805,631		971,413
Judicial		977,500		850,055		(127,445)
Public safety		33,802,491		35,426,616		1,624,125
Community development		1,330,133		822,815		(507,318)
Facilities maintenance		1,546,827		1,470,117		(76,710)
Transfers out		15,641		15,641		-
Total expenditures and transfers out	\$	58,366,965	\$	59,411,792	\$	1,044,827

General Fund Change in Fund Balance Budget to Actual

(Financial Statement Page 27)



	Final Budget	Actual	Actual Over (Under) Final Budget
Total revenues and transfers in	\$ 55,757,323	\$ 52,569,689	\$ (3,187,634)
Total expenditures and transfers out	58,366,965	59,411,792	1,044,827
Net change in fund balance	(2,609,642)	(6,842,103)	(4,232,461)
Fund balance, beginning of year	24,437,392	24,437,392	-
Fund balance, end of year	\$ 21,827,750	\$ 17,595,289	\$ (4,232,461)

Fund balance as a percentage of one years' expenditures and transfers out 30%

Enterprise Funds

Statements of Net Position

(Financial Statement Page 30)



	Sewer Fund	Water Fund
Assets		
Cash and investments	\$ 43,606,773	\$ 5,360,769
Accounts receivable	9,861,343	9,134,899
Due from GLWA and right to use asset	-	100,992,841
Capital assets	47,926,055	121,912,228
Other assets	320,230	25,817,734
Total assets	<u>101,714,401</u>	<u>263,218,471</u>
Deferred pension amounts	<u>1,618,765</u>	<u>5,777,697</u>
Liabilities		
Accounts payable and other	935,214	9,418,524
Long-term debt	271,937	101,231,231
Net pension liability	29,861,614	44,974,069
Total OPEB liability	49,561,556	44,253,585
Total liabilities	<u>80,630,321</u>	<u>199,877,409</u>
Net position		
Net investment in capital assets	47,926,055	121,912,228
Unrestricted (deficit)	(37,889,206)	(52,793,469)
Total net position	<u>\$ 10,036,849</u>	<u>\$ 69,118,759</u>

Enterprise Funds Statements of Net Position

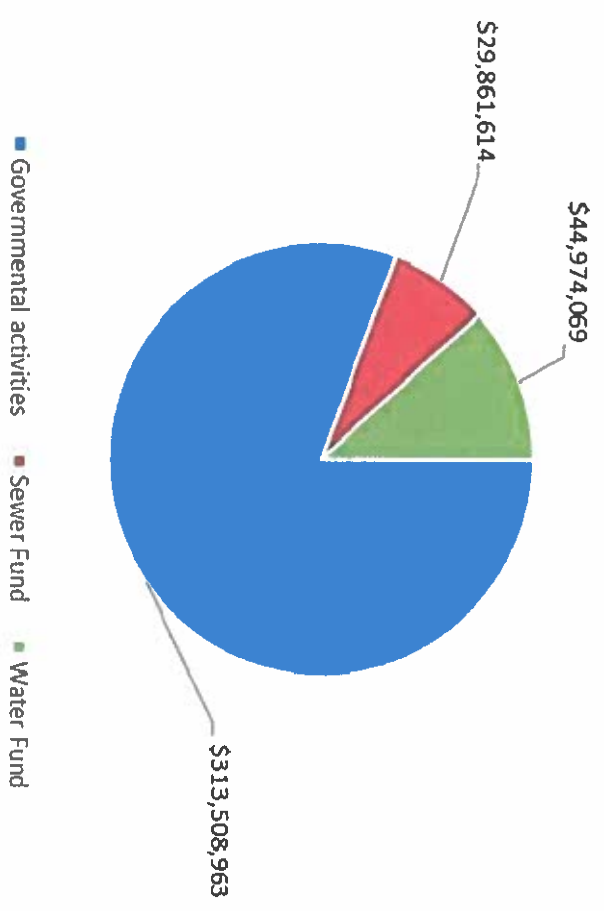
(Financial Statement Page 32)



	Sewer Fund	Water Fund
Operating revenues	\$ 25,858,870	\$ 29,522,663
Operating expenses - other	29,363,275	39,926,278
Change in pension liability allocation	(12,665,996)	3,125,036
Total operating expenses	16,697,279	43,051,314
Operating income (loss)	9,161,591	(13,528,651)
Nonoperating revenues, net	749,993	563,437
State capital grants	-	29,379,346
Change in net position	9,911,584	16,414,132
Net position, beginning of year	125,265	52,704,627
Net position, end of year	\$ 10,036,849	\$ 69,118,759

MERS Defined Benefit Pension Plan

(Financial Statement Page 93-95)



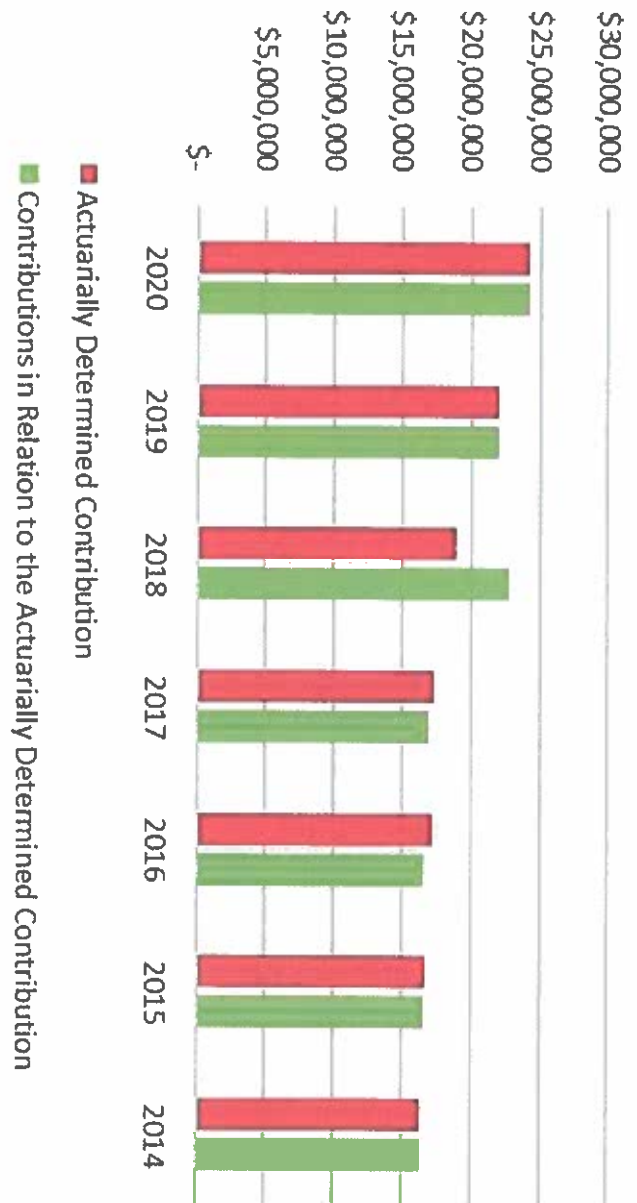
Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	
				Net Pension Liability	Percentage
2020	\$ 546,154,990	\$ 157,810,344	\$ 388,344,646	28.89%	
2019	537,218,332	164,293,251	372,925,081	30.58%	
2018	543,168,639	197,128,499	346,040,140	36.29%	
2017	548,844,656	203,099,493	345,745,163	37.00%	
2016	554,028,549	208,965,319	345,063,230	37.72%	
2015	538,869,339	253,510,974	285,358,365	47.04%	

MERS Defined Benefit Pension Plan

(Financial Statement Page 96)

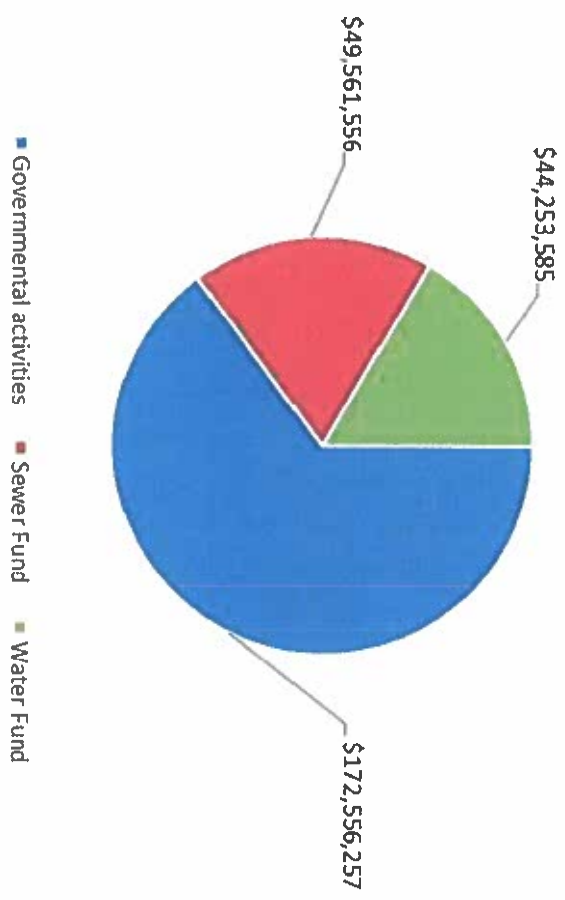


Pension Contributions



Retiree Healthcare Defined Benefit Plan

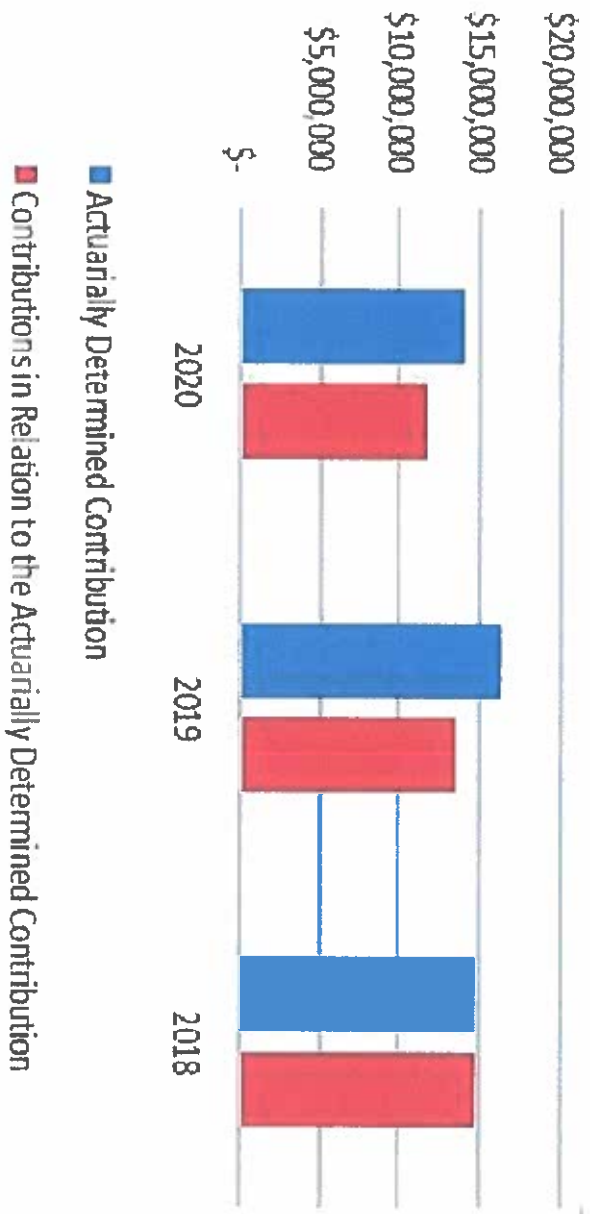
(Financial Statement Page 97-98)



Fiscal Year Ended June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability
2020	\$ 266,371,398	\$ -	\$ 266,371,398
2019	249,833,756	-	249,833,756
2018	279,350,782	-	279,350,782



Retiree Healthcare Contributions



Single Audit – Federal Award Compliance



- **Single Audit will be performed January/February 2021**
- **Required to be submitted to the Federal Audit Clearinghouse by March 31, 2021**

Internal Control Findings

Material Weakness in Internal Control Over Financial Reporting

(Financial Statement Page 130-131)



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- **Finding 2020-001 – Material Audit Adjustments (Repeat)**
 - Multiple versions of the trial balance and adjustments were provided to obtain proper year end balances. Majority of the adjustments were identified by the auditors although some were identified by the City staff
 - The City’s accounting records were initially misstated by amounts material to the financial statements



- **Finding 2020-002 – Purchase Cards (Repeat)**
 - Certain purchase card transactions were not appropriately approved in accordance with the established City policy
 - Certain purchase card transactions were approved by subordinates
 - In one instance the person submitting the expense report also approved, which by passes the City’s policy
 - The purchasing manager is not approving the issuance of the purchasing cards as outlined in the City’s policy



- **Finding 2020-003 – Unsupported Accounts (Repeat)**
 - Agency fund has certain balances, which the City was not able to provide support and certain balance the City was not able to identify who the funds were owed to
 - Water fund has retainage payable to a contractor that the City was not able to provide documentation to support the balance and certain retainage accounts are _____ not being reconciled to the accounting system



- **Finding 2020-004 – Utility Billing (Repeat)**
 - Approx. \$2.5 million in credit balances in the utility billing module that should be either applied to the related account or a check issued to the property owner
 - Billing supervisor can approve credits and also approve the final billings before they are sent to the customer. This is considered an inappropriate segregation of duties
 - Water Residential Assistance Program (“WRAP”) credits are applied to customer accounts without an independent review to ensure they are posted to the accounts that agree to the listing received from the County
 - Certain water and sewer services charges in the billing system did not agree with the approved rates



- **Finding 2020-005 – Investments (Repeat)**
 - Death benefit fund does not have a formal trust established or an approved _____ investment policy. Therefore all investments in this fund are required to comply with Public Act 20 of 1943
 - Investments of \$668,412 in the death benefit fund do not comply with Public Act 20 of 1943



- **Finding 2020-006 – Payroll Documentation (Repeat)**
 - Appropriate support was not maintained for certain payrates and changes in payrates
 - All changes to payroll related information should have an appropriate review and approval process to ensure accurate information
 - Appropriate support was not maintained for certain demographic data provided to the actuaries for the pension and OPEB plans. Census data provided to the actuaries should have an independent review process

Internal Control Findings

Material Weakness in Internal Control Over Financial Reporting

(Financial Statement Page 138)



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- **Finding 2020-007 – Tax Distributions (New)**
 - The City is required to submit taxes collected on behalf of other municipalities within 10 business days
 - There taxes collected by the City on behalf of other local municipalities that were not remitted within this required timeframe
 - The City also erroneously paid certain municipalities more than what was collected on behalf of those municipalities

Internal Control Findings

Material Weakness in Internal Control Over Financial Reporting

(Financial Statement Page 139-141)



- **Prior Year Findings Corrected in the Current Year**
 - 2019-002 - Prior Period Adjustments
 - 2019-003 – Segregation of Incompatible Duties
 - 2019-004 – Preparation of the Schedule of Expenditures of Federal Awards
 - 2019-005 – Capital Assets
 - 2019-011 – Cash Receipts
 - 2019-012 - Purchasing

Internal Control Recommendations

Opportunities for Strengthening Internal Controls

(Attachment A pages A-1 through A-3)



- **Drug Seizure Accounts**
 - Implement a process to identify when cases are closed to ensure seized funds are appropriately disposed
- **System Backups**
 - Implement a process to test the BS&A backups to ensure data can be restored if necessary
- **Outstanding Checks and Stale Liabilities**
 - Implement a process to escheat old outstanding checks to the State
 - Implement a process to properly dispose of fire escrow and towing fees
- **Bank Reconciliations**
 - Reconcile all accounts through the BS&A system
 - Implement a review process for the monthly bank reconciliations

Internal Control Recommendations

Opportunities for Strengthening Internal Controls

(Attachment A pages A-1 through A-3)



- **Journal Entries – Segregation of Duties**
 - Implement a process to ensure all journal entries have an independent review process
- **Public Utilities Supply Inventory**
 - Implement a process to ensure all inventory held by the City at year end is counted and reconciled to the accounting records
- **Budgets in the Accounting System (BS&A)**
 - Implement a process to ensure the budget entered into BS&A agrees with the budget adopted by Council and any subsequent amendments are also captured in BS&A
- **Fraud Hotline**
 - Implement a process for employees or citizens to anonymously report fraud

Internal Control Recommendations

Opportunities for Strengthening Internal Controls

(Attachment A pages A-1 through A-3)



- **Foreclosed Properties**
 - Implement a process to determine what the City will do with these properties once received from the County
- **Donated Asset Valuation**
 - Implement a process to value any donated capital assets at the time of donation
- **Procurement**
 - Implement a process to ensure that purchases do not exceed the approved purchase order amount
 - Consider whether multi-year purchase orders require any further attention by Council

Internal Control Recommendations

Opportunities for Strengthening Internal Controls

(Attachment A pages A-1 through A-3)



- **Internal Control Policies**
 - Improve communication/training to all staff to ensure everyone understands the importance of the internal control policies and that all employees are required to follow
- **Decentralized Departments**
 - Review and consider changes to the supervisors of the accounting staff at the _____ decentralized departments

Upcoming Accounting Pronouncements

Opportunities for Strengthening Internal Controls

(Attachment B pages B-1 and B-2)



- **GASB 84 – Fiduciary Activities**
 - Implementation required for fiscal year 2021 (postponed due to COVID-19)
 - Establishes new criteria for determining how to report fiduciary activities. The new focus is on whether the government is controlling the assets and who the beneficiaries are. Certain activities previously reported in agency funds may be reclassified in future periods

Upcoming Accounting Pronouncements

Opportunities for Strengthening Internal Controls

(Attachment B pages B-1 and B-2)



- **GASB 87 – Leases**
 - Implementation required for fiscal year 2022 (postponed due to COVID-19)
 - Establishes a single model for reporting all leases (including those classified as operating and capital). Lessees will now report offsetting intangible assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources



Questions & Answers

