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CUMBERLAND COUNTY FINANCE COMMITTEE
FEBRUARY 3, 2011, 9:30AM, ROOM 564
MINUTES

MEMBERS PRESENT: Commissioner Marshall Faircloth
Commissioner Billy King
Commissioner Jeannette Council

OTHER COMMISSIONERS Chairman Kenneth Edge
ATTENDING: Commissioner Jimmy Keefe

OTHERS: James Martin, County Manager
Amy Cannon, Assistant County Manager
James Lawson, Assistant County Manager
Rick Moorefield, County Attorney
Sally Shutt, Communications Manager
Howard Abner, Assistant Finance Director
Linda Suggs, Senior Manager- Cherry Bekaert & Holland,
CPA's
Marie Colgan, Clerk to the Board

Commissioner Faircloth called the meeting to order.

County Manager Martin requested that Item # 3 on the agenda be heard first and members agreed to the change.

1. Approve Minutes: January 6, 2011

MOTION: Commissioner Council moved to approve the minutes.

SECOND: Commissioner King

VOTE: UNANIMOUS

2. Presentation on GASB Statement No. 54 by Cherry, Bekaert & Holland, CPA's

Commissioner Faircloth reminded members that he had earlier requested information on Other Post Employment Benefits (OPEB) and questioned if this discussion was related to his request. Mrs. Cannon stated she recalled that request and had informed him at the time she would also like to bring in a representative from Cherry, Bekaert & Holland to provide information on a change in the reporting requirements and definitions for fund balance. Mrs. Cannon added that after the presentation on the GASB changes, a discussion can also take place on OPEB. Mrs. Cannon advised GASB stands for the Governmental Accounting Standards Board which is the accounting authority for the county and they make the laws. GASB has worked on a

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project which entails changes to definitions and names and categories of fund balance for several years and the changes become effective with the year ending June 30, 2011. Mrs. Cannon advised some of the currently separate revenue sources will no longer be shown separately because they do not meet the new definition, but more information on this will be provided later. Mrs. Cannon introduced Linda Suggs stating she has worked on the county's audit for the last ten to twelve years.

Ms. Suggs stated this new standard is not going to change the total amount of fund balance, but will change the categories and definitions in the way it is reported.

Ms. Suggs provided a power point presentation with the following information and provided clarifications on the information provided:

- Purpose of GASB 54 is to change the focus on how fund balance recording is done.
- Changes the focus of fund balance reporting from what purposes fund balance is going to be used or appropriated for to what constraints are placed on how resources within fund balance can be used and the identification of the source of those constraints.
- Enhances the usefulness of fund balance information.
- Clearer fund balance classifications that can be more consistently applied.
 - Eliminate the reserve component in favor of a restricted classification.
 - An amount cannot be classified as restricted in one fund and unrestricted in another.
- Clarifies existing governmental fund type definitions.
 - Reduce uncertainty about which resources can or should be reported in the respective fund types.
- Only applies to governmental funds.
 - No changes to the reporting of net assets for government-wide and proprietary statements.
- Effective for financial statements for periods beginning after June 15, 2010
 - June year end – Effective June 30, 2011
 - Sept year end – Effective Sept 30, 2011
- Fund balance is currently allocated under the following terms:
 - Reserved
 - Unreserved
 - Designated
 - Undesignated
- Components of fund balance:
 - Nonspendable
 - Spendable

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- Restricted
- Committed
- Assigned
- Unassigned

The above new classifications were explained and examples provided. The following action plan was suggested and it was noted that several items are already taking place:

- Implementation of Action Plan
- Review that all funds are properly classified.
- Review your fund balance policy or any similar policy to ensure you understand how these amounts will be displayed on your unit's balance sheet. Make any policy changes before June 30, 2011 if your fund balance policy needs revision.
- Review or develop policy on spending order of revenues as outlined above in "Spending Policies of Governmental Unit". Make any needed changes before June 30, 2011 as your policy will be disclosed in the notes.
- Units that record detail accounts may need to modify their general ledger accounts.
- GASB Statement No. 54 requires retroactive restating of fund balance for all prior periods presented. Changes to fund balance information presented in the statistical section of a CAFR may be made prospectively, although retroactive application is encouraged.

Mrs. Suggs referred members to their handout of a spreadsheet which shows how the general fund balance sheet looked June 30, 2010 and how it will look after June 30, 2011. Discussion ensued regarding the changes based on the information provided above.

Mrs. Cannon advised that at the next Finance Committee meeting she will be presenting a change in the fiscal policy which addresses these different categories. Mrs. Cannon noted the Finance Department will have to do more manual calculations due to this change in order to show the Board pure numbers for the undesignated fund balance in the general fund. It was noted the following no longer meet the definition of the undesignated fund balance: school capital outlay, the revaluation fund, water & sewer fund, the enducement fund or economic development fund. Mrs. Cannon stated the Finance Department is still working on how they will best implement the changes.

In response to Commissioner Faircloth's request for information on OPEB, Ms. Suggs stated GASB has worked to make government financial statements similar to commercial statements and OPEB was the next step in doing that. Mrs. Cannon added this is a way to recognize the commitment made to employees to provide retired employee health insurance over a period of time and is an actuary calculation based on current employees as to what the cost will be when they become retirees. For the county, it is about a \$17M liability which is on the general fund balance sheet, but the county is appropriating and providing funds on a current year basis and it is not in the deficit. There is a fund balance in the health insurance fund, but a decision has been made not to set aside those funds in anticipation of a future event. Because of OPEB, the county did change the eligibility

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period from ten years to twenty-five years which will help the liability to level off and decrease in future years.

3. Monthly Financial Report

County Manager Martin called on Mr. Abner to present the monthly financial report. Members referred to the report in their packets and Mr. Abner brought their attention to the Summary of Obligations chart stating currently the % of obligated funds shows 48.67% compared to last year at 46.00%. Mr. Abner stated he expects the overall spending to be slightly higher than last year. Members discussed the Revenue Summary with Chairman Edge bringing attention to Animal Control which shows 77.22% as compared to last year at 39.43%. Under Ad Valorem Taxes, Mr. Howard drew attention to the figures stating the county is doing very well for the real and personal tax collections and the actual collection rate is .2% above last year's rate. The state is predicting a 4% increase in sales tax collections and the county is seeing about 4.5%. Discussion ensued on some of the categories and Mr. Abner noted that Interest Income is still down.

Mr. Abner turned the discussion to the Financial Summary for the Crown Center stating operative revenues has increased showing 38.02% currently verses 29.68% last year. Under Expenses, utilities expenses (includes all buildings) show 49.11% as compared to 32.60% last year. Commissioner Keefe questioned why benefits went up about 2% and payroll did not. Mr. Abner explained the annual longevity to employees that are paid out once a year is the reason for the difference. Commissioner Keefe questioned where the \$300,000 for sponsored events comes from and Mr. Abner stated it comes from the General Fund. Discussion ensued regarding the amount paid out so far. Commissioner Faircloth questioned whether Mrs. Long had taken information to her Board regarding the discussion at last month's meeting regarding a Business Plan and management stated they did not believe it had happened yet. Commissioner Faircloth reminded management they were to come back to this committee and requested they be scheduled for a future meeting. Other questions were answered by Mrs. Cannon regarding debt service which is paid out of another fund and not shown on this report, but the general fund is not putting out any monies for debt service this fiscal year. Mrs. Cannon clarified that only \$683,000 comes out of the general fund of which \$300,000 is the sponsored events amount and the remainder is general operating expenses. In response to a question from Commissioner Keefe, Mrs. Cannon stated there is a minimal balance in their general fund balance with some in occupancy tax and food and beverage.

4. Other Matters of Concern –

No items to discuss.

Commissioner Faircloth adjourned the meeting.

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MEETING ADJOURNED AT 10:55 AM