



**CITY OF NORMAN, OK**  
**CITY COUNCIL FINANCE COMMITTEE MEETING**  
Municipal Building, Council Chambers, 201 West Gray, Norman, OK 73069  
Thursday, September 21, 2023 at 4:00 PM

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## MINUTES

*The City Council Finance Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 4:00 pm in the Municipal Building Executive Conference Room on the 21<sup>st</sup> day of September, 2023, and notice of agenda of the meeting were posted in the Municipal Building at 201 West Gray, 24 hours prior to the beginning of the meeting.*

### CALL TO ORDER

#### PRESENT

Mayor Larry Heikkila

#### ABSENT

Councilmember Ward 3 Bree Montoya  
Councilmember Ward 6 Elizabeth Foreman

#### OTHERS

Councilmember Ward 2 Lauren Schueler  
Councilmember Ward 5 Michael Nash  
Councilmember Ward 7 Stephen Holman  
Anthony Francisco, Director of Finance  
Shawn O'Leary, Director of Public Works  
Dannielle Risenhoover, Administrative Tech. IV  
Jacob Huckabaa, Budget Technician  
Clint Mercer, Chief Accountant  
Kim Coffman, Budget Manager  
Kathryn Walker, City Attorney  
Joel Hasser, Forvis Partner  
Kirsty Morrison, Forvis Senior Auditor  
Olivia McCourry, Norman Transcript

### CALL TO ORDER

Mayor Heikkila called the meeting to order at approximately 4:00 PM.

## AGENDA ITEMS

### 1. INTRODUCTION OF FORVIS, LLC, AUDITORS FOR THE CITY OF NORMAN

City of Norman Chief Accountant, Clint Mercer, introduced auditors from the Forvis auditing firm that will be completing the City's upcoming, annual audit. "We just reestablished our contract with Forvis, so they'll be here for at least another three years and up to five before we have to do another RFP (request for proposal)," Anthony Francisco said.

Joel Hasser with Forvis gave an overview of the scope of their audit. "The auditing standards that we follow come down from the AICPA (American Institute of Certified Public Accountants) which is our self-governing body and this is part of the governmental auditing standards; so, the single audit and the regular audit also have to be reported to the federal government for the grant," Hasser said. "We follow both those standards. They're both pretty parallel with each other."

The City Council Finance Committee serves as the City's Audit Committee. If auditors find an error that they classify as significant, they are required to report that to the Finance Committee. If they find fraud with senior management, they will also report it to the Finance Committee.

The City of Norman is expected to hire an internal auditor. Mayor Heikkila asked how this role will interface with the work of Forvis. Anthony Francisco replied, "It doesn't really have any direct relationship. There can obviously be some internal projects that the internal auditor works on that they would get advice on or work with our external auditor, but there's no formal tie between the two." Hasser said, "This is very common. It's not unique at all. We're available to help the internal auditor if they need us. We don't rely on their work, other than asking questions."

Hasser highlighted two main risk areas that he said encompass any audit. Those risk areas are: (1) risk of management override of controls and (2) improper revenue recognition. He stated that estimates of accrued liabilities is another high risk area that they will examine.

Three new accounting standards have become affective this year. They are: (1) GASB Statement 91, Conduit Debt Obligations, (2) GASB Statement 94 Public-Private and Public – Public Partnerships and Availability Payment Arrangements and (3) GASB Statement 96, Subscription-Based Information Technology Arrangements.

Hasser stated, "One of the questions we get asked a lot is, 'What is our consideration of fraud?' We have a team meeting before the audit starts and we just talk about risk areas, things we need to look at, what's going on with the City, read news articles, read the minutes just to kind of get an idea of where would fraud - where could fraud - take place. That's where the internal auditor piece comes in handy because we'll interview the internal auditor to see what projects they have been looking through and what they've done on their own plan. We'll do inquiries, interviews with certain key management. We look at the accounting estimates for bias; that's probably one of the most common, whether or not that's fraud or an error that's a little bit harder to pin down, but it's an area that we look at. If you're into business, we evaluate the business rationale for certain transactions to make sure there's not a related party issue – there's no bellow the market, under the table type stuff. We really key in on that."

Councilmember Holman said, "It would seem to me that in a city this size, that fraud would be relatively difficult to pull off because there's so many eyes on it; but also, on the other hand, it's a big operation so maybe things are easy to hide that are smaller. I feel like when I read about fraud or embezzlement with municipal governments it's generally smaller towns."

Anthony Francisco responded, “That’s an interesting point that you make because in smaller towns you might have one person doing a lot of different jobs that are separated here. In a smaller town you might have one person who has the custodial access to the vault, has the signature authority, makes the deposits at the bank, and all of those things are in one hand. That’s where you get in trouble.”

Hasser said, “Absolutely, he’s (Francisco) referencing kind of the internal control structure which is what we go through in our analysis to say, ‘Is this a small city, do you have proper segregation of duties?’ Yeah, you’re very, very correct. Usually in towns of this size, the most common fraud that we see or hear about is through the Purchasing Department. If you don’t have a centralized receiving area, it gets very hard to manage everything getting ordered from all the various vendors. That’s usually the most common, somebody is buying it (products) for personal gain.”

## 2. DISCUSSION REGARDING THE FYE 2023 BUDGET CLOSEOUT

Francisco announced that the City has closed the financial books for Fiscal Year 2022-2023 (FYE 23). He highlighted the General Fund’s estimated and actual balances for FYE 23. “At the bottom line, you see that our total revenue was really close to budget, about \$600,000 below our budget and on \$106 million worth of revenue – that’s really good. We thought we would end the year with about \$19.6 million and we actually ended the year with a fund balance of \$19.5 million. Again, we did a really good job of budgeting and that’s to a lot of folk’s credit. We have \$10.9 million above our minimum fund balance and that gives Council some flexibility to do some one-time things and you have been doing that, to your credit,” Francisco said.

The second fund that Francisco highlighted was the Public Safety Sales Tax (PSST) Fund. “The fund is ok. It’s better off at the end of the fiscal year (FYE 23) than we thought it’d be, but that is because construction of the ECOC (Emergency Communications and Operations Center) is delayed,” Francisco said. “In reality, the PSST Fund is in a negative position for its own operations of \$2.3 million. When we were discussing the other day about adding those additional four school resource officers, that’s why I was saying that (cost) would really be coming out of the General Fund. The Public Safety Sales Tax Fund is not in a position to fund that,” Francisco said. The Public Safety Sales Tax is permanent, as voted upon by Norman voters. This tax is currently 0.5% (1/2 percent).

Francisco pointed out that the Rainy Day Fund is \$714,000 above its minimum level and about \$236,000 below its targeted level. The Rainy Day Fund ordinance requires Council to make a decision on whether they want to make a deposit to bring the Fund to its targeted level. This decision will be required in the January 2024 Finance Committee meeting.

The Public Transit Fund, last fiscal year, had a subsidy of \$1.295 million. “That’s really good,” Francisco stated. “That’s really where we thought we were spending money before the City took over the operations. The General Fund was subsidizing to about that same level, so it’s been operating pretty well and efficiently.”

The University North Park Tax Increment Fund had a balance of about \$10.8 million at the close of FYE 23. “That money is spoken for,” Francisco stated. About \$5 million is slated for Life Style Center incentives, about \$4 million is slated for road improvements on Tecumseh Road and Flood, and about \$1.5 million is remaining for economic development incentives.

The Center City TIF Fund has about a \$2.7 million balance. Francisco says this fund is “waiting for projects”.

### 3. DISCUSSION REGARDING THE FYE 2025 BUDGET CALENDAR

Kim Coffman presented the budget calendar for Fiscal Year 2024-2025 and also explained the budget process. The budget will be considered for adoption on June 11, 2024. Councilmember Schueler commented, "Based on what I've heard from other communities, our budget process is very transparent, it is very accessible in a way that a budget process can be and so I appreciate that now we have a second public hearing adding opportunities for members of the public to get into the process. I think we're really lucky to do the budget the way that we do and to have as much input and opportunity and that Council also has input and say and is a part of that budget process in ways that other communities don't have. I just want to reiterate that Norman is transparent in ways that many other communities are not."

### 4. DISCUSSION REGARDING MONTHLY REVENUE AND EXPENDITURE REPORTS

Francisco reported that for the most recent month and for this fiscal year, Norman is in metro's bottom third for city sales tax. "I really don't have an explanation for sales tax as a proxy for our economy as opposed to the other cities that we compare ourselves to, but again, as I talk to my cohorts in other cities, they really don't know either. All we can do is continue to monitor and report on how things are going; but, if we continue with 'flat but flat at a high level,' we'll be ok," Francisco said.

### ADJOURNMENT

Mayor Heikkila adjourned the meeting at 4:48 PM.

ATTEST:

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City Clerk

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Mayor