

**Village of Shorewood Hills  
Finance Committee  
Approved Meeting Minutes  
Wednesday, July 11, 2018**

1. **Call to Order** – Finance Committee Chairperson Fred Wade called the meeting to order at 5:31 pm.
2. **Roll Call Committee** – Members present were Mr. Wade, Mark Lederer, Karl Wellensiek, David Ahmann and Sean Cote. Carl Gulbrandsen and Gard Strother were excused. Also in attendance were Village Administrator Karl Frantz, Administrative Services Manager/Deputy Clerk David Sykes.
3. **Note Compliance with open meeting laws** – Mr. Frantz confirmed the meeting had been properly posted and noticed.
4. **Review/approve June 12, 2018 minutes** – Mr. Wade suggested a clarification to the approval of the February 14, 2018 minutes item related to the federal tax deduction limits along with a number of other clarifications and grammatical changes. He also suggested a change to the content and sentence structure for the discussion of the 2017 Financial Statements (strikeout words deleted, underlined words added, italic words moved):

Mr. Lederer asked about the material misstatements section. There are some tasks that the auditors ~~complete~~ routinely perform rather than staff, but ~~misstatements remain year after year~~ the draft letter states that the work was done in response to misstatements by management. Could the language be changed to “Audit Adjustments” or language added to clarify ~~the~~ that some work was regularly tasked to the ~~done by the~~ auditors and was not the result of misstatements by Village management. Ms. Nelson said ~~most municipalities she works with have material misstatements in their Governance Letter~~ but she would check to see if the language could be changed. *Mr. Wade added that some language should be added to the Governance Letter to illustrate management’s reliance on the auditors for preparation of certain entries in the Financial Statements*. Mr. Lederer also asked what is the magnitude of decentralized cash collection at Pool and Police Department. The Pool is moving more towards credit card payments, so the amount of ~~money is~~ cash may not be significant but the auditors take a conservative approach to highlight the situation for consideration by management.

Mr. Wade asked if there was any further discussion on the minutes or additional revisions. Being none, the minutes were approved.

5. **Consider 2017 Financial Statements and Management Letter** – Mr. Frantz reviewed the changes made to the financial statements and management letter since the June 12 Finance Committee meeting:
  - An adjustment was made to the Unassigned and Nonspendable balances in the General Fund to take into account the advance to TIF 4. Unassigned decreased

from \$807,833 to \$699,615. Nonspendable increased, by the same amount, from \$127,351 to \$235,589. Page 35 of the Financial Statements shows a breakdown of all the advances to other funds. Mr. Lederer pointed out that Page 41 has a detailed breakdown of the fund balance categories.

- Page 7 of the draft Financial Statements did not have the breakdown of 2017 debt issuance allocated correctly. It did not take into account the refunding of old debt. The bottom line did not change but now the allocations are correct.
- On page 3, fourth paragraph of the Management Letter, the language has been changed to show that the auditors assist management with some adjustments to the Financial Statements. These adjustments are listed on page 15 as Corrected Misstatements (which was changed from Material Misstatements in the draft). Mr. Frantz provided detail on each of the corrected misstatements listed.

Mr. Cote said he had talked to a couple of accounting colleagues regarding the financial statements and was given the opinion that the auditors are using mostly standard language.

Mr. Wade proposed the Village continue the conversation with the auditors regarding the use of the word “misstatements.”

Mr. Lederer said the misstatements were really omissions of amounts that needed to be entered.

Mr. Wade mentioned where the management letter describes “recorded...” items, they could be listed as “prepared for entry.”

- On page 6 of the Management Letter, they added a note that the amounts of decentralized cash collections is “immaterial.”

Mr. Lederer mentioned that the mathematical error in Table 2 on Page vi of the draft Financial Statements, which he pointed out at the June 12 meeting, was not corrected in the final version.

Mr. Frantz will talk to the auditors about this correction and the other items discussed.

- 6. Consider engaging firm to perform GASB 75 actuarial** – Mr. Frantz reported GASB 75 requires an actuarial study of Village’s employee Other Post-Employment Benefits (i.e. converting unpaid sick leave accrued to healthcare benefits). He contacted four companies that do this kind of work and received two responses.

Actuarial & Health Care Solutions, LLC asked a few questions and submitted a simple proposal for service.

Key Benefit Concepts, LLC asked a number of questions, asked for additional information and submitted a more detailed proposal.

The Committee discussed whether the actuarial study really needed to be done. The relevant information is in the financial statements and the liability is diminimus. What are the consequences if we do not have an actuarial study done? Can the Village independently determine if the OPEB liability needs to be recognized, reported and disclosed?

Mr. Frantz will discuss the implications of the GASB 75 rule with the auditors.

- 7. Update on water utility water loss matters** – Mr. Frantz reported he received an e-mail correspondence from Madison Water indicating they will look at the issue more but their

initial reaction is that the Public Service Commission may not allow the Village to give a refund.

Mr. Lederer asked about the computer crash insurance claim. Mr. Frantz said he and the Village attorney contacted the adjuster, who is in London, about the claim but received an out of office until July 16 reply.

Mr. Cote asked about a wheeling charge for carrying Madison water to other customers through the Village's utility system.

Mr. Frantz suggested the Committee, at its next meeting, should talk about the wheeling charge, Public Fire Protection (PFP) study and the computer insurance claim.

**8. Set next meeting date** – To be determined.

**9.** The meeting was **adjourned** at 6:31 pm.

Respectfully submitted,

David Sykes  
Administrative Services Manager/Deputy Clerk