

**Village of Shorewood Hills  
Finance Committee  
Approved Meeting Minutes  
Wednesday, June 12, 2019**

1. **Call to Order** – Finance Committee Chairperson Mark Lederer called the meeting to order at 5:35 pm.
2. **Roll Call Committee** – Members present were Mr. Lederer, John Imes, Sean Cote, and Gard Strother. Also in attendance were Vicki Hellenbrand of Baker Tilly, Village Administrator Karl Frantz and 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 February 13, 2019 Finance meeting minutes**  
Mr. Strother moved and Mr. Lederer second a motion to approve the February 13, 2019 minutes with a grammatical correction and clarification on one vote.  
Vote: 4-0 (approved).
5. **Review and consider recommending acceptance of the audited 2018 financial statements including presentation and Q and A with Baker Tilly audit team**  
Vicki Hellenbrand, Partner at Baker Tilly, presented a draft highlight package of the 2018 Financial Statements (FS) for the Village. The audit has a “clean opinion” which means the Village’s finance statements are in-line with GASB standards. We use those standards to be easily compared to other communities by bondholders. Ms. Hellenbrand reviewed the Village’s General Fund (GF) balance, comprised of the non-spendable, assigned and unassigned categories, is ~\$127K lower than year-end 2017. Those categories are detailed on page 41 of the FS.  
Mr. Frantz explained that the non-spendable fund balance dropped by ~\$184K because of the TIF 4 repayment of an advance for the GF. The unassigned fund balance increased from 2017 but 2018 was the first time the Village really used fund balance to balance the budget. Thus, the overall GF balance went down. Mr. Frantz cautioned that the Village should be watchful on the utilization of fund balance.  
Ms. Hellenbrand reviewed the unassigned fund balance compared to a percentage of expenses. The Village’s internal policy is to be between 15-25%. The Village has done well to maintain that level. She discussed the flood expenses and possible FEMA reimbursements. Mr. Frantz added that there might be an opportunity to exceed the levy limits for unreimbursed disaster expenses.  
Ms. Hellenbrand reviewed the Village’s general obligation debt compared to the debt limit. It dropped from ~60% to ~50% from 2017 to 2018 because the Village has paid off some debt. She feels that the Village is in good condition because much of that debt is related to TIF districts and utilities that have revenue sources to pay back the debt. She reviewed general obligation debt compared to non-capital expenses. This ratio is a little above bond agency recommendations, but she feels it is all right compared to our

peers in small communities with little non-capital expenses. Again, the TIF districts comprise a large part of the debt and can pay their portion. She highlighted revenues and expenses, which have a similar breakdown to our peers. The majority of the expenses are in public safety and public works. Expenses came in higher than budgeted mainly because of flood expenses and police part-time officer expenses. Revenues came in higher than budgeted because of insurance claims, including ~\$92K for the 2017 computer server crash (paid in 2018).

Ms. Hellenbrand reviewed a comparison of the other Village funds from 2017 to 2018. The pool fund debt is going down. The capital fund is stable. The TIF districts are improving. The water and sewer utilities are not paying the advances from the capital fund back as quickly as expected, mainly due to undetected water main leaks in 2017 and 2018. However, the Village has a better system of leak detection now and the utilities should be in a good position in the future.

Mr. Frantz added that the stormwater utility is using up its fund balance. It will probably run a deficit by 2020. The Village will need to either reduce expenses or raise revenues (fees).

Ms. Hellenbrand reviewed the Governance and Management letter. The letter lists two material deficits: 1) Internal Controls and 2) Control over the Financial Statements. These weaknesses are similar to those listed in prior year audits. She said 95% of her other clients have similar material deficits. The internal controls deficits relate to outside contract retainage not being booked monthly (done by the auditors annually) and segregation of duties, which is a product of having a small staff. The auditors look at the internal controls and design the audit to identify and test for possible fraud. The control over the FS is required simply because the Village uses an outside audit service rather than completing the FS themselves.

Mr. Lederer moved and Mr. Cote seconded a motion to recommend that the Board acknowledge receipt of the draft financial statements.

Vote: 4-0 (approved).

**6. Set next meeting date. Topics to include: sustainability plan, stormwater utility fee, financial planning**

The Committee did not discuss this item. The next regular meeting date is tentatively scheduled for Wednesday, July 10, 2019.

**7. The meeting was adjourned at 6:57 pm.**

Respectfully submitted,

David Sykes  
Administrative Services Manager/Deputy Clerk