

**Village of Shorewood Hills  
Finance Committee  
Approved Meeting Minutes  
Wednesday, May 13, 2020**

**1. Call to Order**

Finance Committee Chairperson John Imes called the meeting to order at 5:32 pm.

**2. Roll Call Committee**

Members present via Zoom were Mr. Imes, Cokie Albrecht, Dave Ahmann, Carl Gulbrandsen, Gard Strother, Sean Cote and Karl Wellensiek. Also in attendance were Village Administrator Karl Frantz, Services Manager/Deputy Clerk David Sykes and John Rader and Leah Wipperfurth of Baker Tilly.

**3. Note Compliance with open meeting laws**

Mr. Frantz confirmed the meeting had been properly posted and noticed.

**4. Review/approve previous Finance meeting minutes**

Mr. Wellensiek moved and Mr. Gulbrandsen seconded a motion to approve the October 16, 2019 meeting minutes as presented.

Vote: Approved 7-0.

**5. Presentation of 2019 Village Financial Statements and subsequent review and recommendations**

The Village's audit team of John Rader and Leah Wipperfurth of Baker Tilly presented the 2019 audit of the Village's Financial Statements. Mr. Rader is new to the audit team this year. His focus for the presentation was the Reporting and Insights document that is a different format than the former Letter to Management provided in previous audits. They are suggesting some changes to the audit process plan that will make things easier and more comprehensive.

The final financial statements were issued on May 1, which is about 2 months earlier than last year.

The focus of their field work was on processes and internal controls. They try to identify areas that can be improved upon but some are a function of having a small staff.

The recommendations they suggest include: a process to review, record and approve project retainage for projects that cross calendar years; and conducting bank reconciliations on a monthly basis.

Because the auditors prepare some of our journal entries, a comment about misstatements is required in the financial statements. But, Mr. Rader explained that is typical of 95% of the municipalities they audit.

There are some new GASB rules related to leases, interest on construction projects and third-party debt, that may affect the Village in 2020/2021.

He reviewed the fund balance explaining the overall balance remained stable. The unassigned portion increased due mainly to the non-spendable portion being paid to TIF 5. Revenues and expenses were both over budget, due to insurance/permit fees and police/DPW wages respectively, but in total they broke even.

The unassigned fund balance as a percentage of the budget is 24.5%, up from last year. The trend is stable and within the Village's policy of 15-25%. GFOA recommends a fund balance of at least 2 month's cash (16.7%). The Village is at 3 month's cash. The median percentage of fund balance to budget has trending up towards 39.4% for communities that Baker Tilly audits. Communities are revising their policies to adjust for disasters, law suits, offsetting future borrowing and for other reasons. Committee members will discuss the policy further to determine if a change is needed.

The Village's general obligation debt is trending down while capacity for borrowing is trending up. The Village is at ~46% of its debt capacity (43% if utilities are excluded). Much of the Village's debt is in the TIF districts that have an adequate funding source. The main point is that the debt amount has been consistent and manageable over the years.

A comparison of principle and interest to all other expenses is a bit higher than other communities audited by Baker Tilly. But, that is mainly due to the Village's active TIF districts and the debt is considered manageable.

Ms. Wipperfurth reviewed the Village utilities. The water utility's revenue to expense gap has been increasing since 2018. The 2019 rate increase helped the bottom line revenues but that was offset some by five months of Public Fire Protection charged to the utility. Net operating income increased from \$188K to \$293K from 2018 to 2019. The sewer utility has not changed much. There was a slight increase in usage charged and a slight operational expense increase. The stormwater utility had a rate increase implemented in September 2019 with bumped up revenues a bit. Cost have remained mostly the same with a small increase due to University Avenue engineering expenses. The water and sewer utilities have paid a good amount of their advances back to the capital fund in 2019.

**6. Update on 2020 budget and COVID-19 impacts/responses with any recommendations including delay of due date on property tax bill payments allowed by Dane County but requiring local approval**

Mr. Frantz explained the overall budget looks OK but revenues are probably not going to reach the budgeted numbers. Reductions in parking fines, interest on investments, swimming pool rent/administrative overhead could lead to ~\$150K less in revenue this year. Department heads have been told to keep expenses down. There have been some additional expenses related to COVID-19 (disinfecting buildings, vehicles, equipment). Dane County passed a resolution to allow municipalities to waive interest and penalties for late tax payments after the July 31 deadline. Payments can be delayed until October 1. Most other municipalities in Dane County are allowing the delayed payments.

Dane County will settle the July 31 payments as usual in August, then any late payments will be settled on September 20. Mr. Frantz indicated the Village tends to get half of its tax revenue in January and the other half in August. Our cash flow can handle the delayed tax settlement. Debt payments are not due until November 1.

Mr. Cote moved and Ms. Albrecht seconded a motion recommending the Board approve a resolution allowing for a delay of property tax payments without interest or penalties. Vote: Approved 7-0.

**7. Set next meeting date**

The Committee agreed to plan on meeting in June on its regular date/time, Wednesday, June 10, 2020 at 5:30 pm to keep the Committee apprised on the Village budget in light of the COVID-19 pressures.

7. The meeting was **adjourned** at 7:12 pm.

Respectfully submitted,

David Sykes  
Administrative Services Manager/Deputy Clerk