MINUTES

COUNCIL FINANCE & HUMAN RESOURCES COMMITTEE

Thursday, November 9th, 2017 – 9:00 AM
Administrative Conference Room at City Hall

Members Present: Charlie Landreth, Chair, Council Member
Gary Daniel, Vice Chair, Council Member

Staff Present: Jim Fatland, City Manager
Tom Whitlock, Staff Accountant

Others: Dan Mullinix, Gould Killian CPA Group, P.A.

A. Welcome & Call to Order

The meeting was called to order at 9:00 AM.

B. Certification of Quorum

Quorum was certified.

C. Review of the Minutes

Mr. Daniel moved, seconded by Mr. Fatland, the February 9, 2017 meeting minutes be approved as presented. Motion carried unanimously.

D. Auditors' Report FY2017

Mr. Fatland introduced Dan Mullinix from Gould Killian CPA Group. Dan gave an overview of the auditing process and the services which Gould Killian CPA Group have and will provide for the City of Brevard. He thanked the Committee, as well as, Mr. Fatland for the opportunity to serve as the City's auditors.

Mr. Mullinix discussed the following:

- Improved General Fund Balance – June 30, 2017 General Fund Balance is above 30%. The current policy is 30%.

- Health Care Fund – The Health Care Fund exceeded budget due to large accrual for June claims paid in July and August 2017.

- Pedestrian Pathway Fund - $650k booked differently. The City Council approved 15 year term for payback.

- Housing Trust Fund – Restated fund balance showing full accounts receivable of $369,760.

Mr. Mullinix provided a handout, the 2017 Audit Wrap Up (Exhibit A) which explains the status of our audit, results of our audit, internal control over financial reporting, required communications, independence communication and significant accounting & reporting matters.

E. Set Date For Next Meeting

It was decided that the Committee would meet again when needed.

F. Adjourn

The Committee adjourned at 11:00 AM.

X ______________________

Charlie Landreth
Chair, Council Member

X ______________________

Tom Whitlock
Acting Secretary

Minutes Approved: ______________

Exhibit "A"

GOULD KILLIAN
CPA GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

The City of Brevard
North Carolina

2016 Annual Financial Report
Audit Committee

Intro

- Thank you for allowing us to serve as your auditors
- We issued unmodified (clean) opinions
- We reported no material weaknesses in internal control
- We reported no material noncompliance with laws and regulations
- One formal written recommendation was provided.
- Special thanks to Jim, Tom and the staff of the finance department for their hard work and cooperation in completing the audit
- Provided 3 documents for use during this meeting

Agenda

- Introduction
- Explain the various services provided
- Explain the audit process
- Financial statement review and understanding
- New and future accounting pronouncements
- General communication items
- Questions

Audit Process

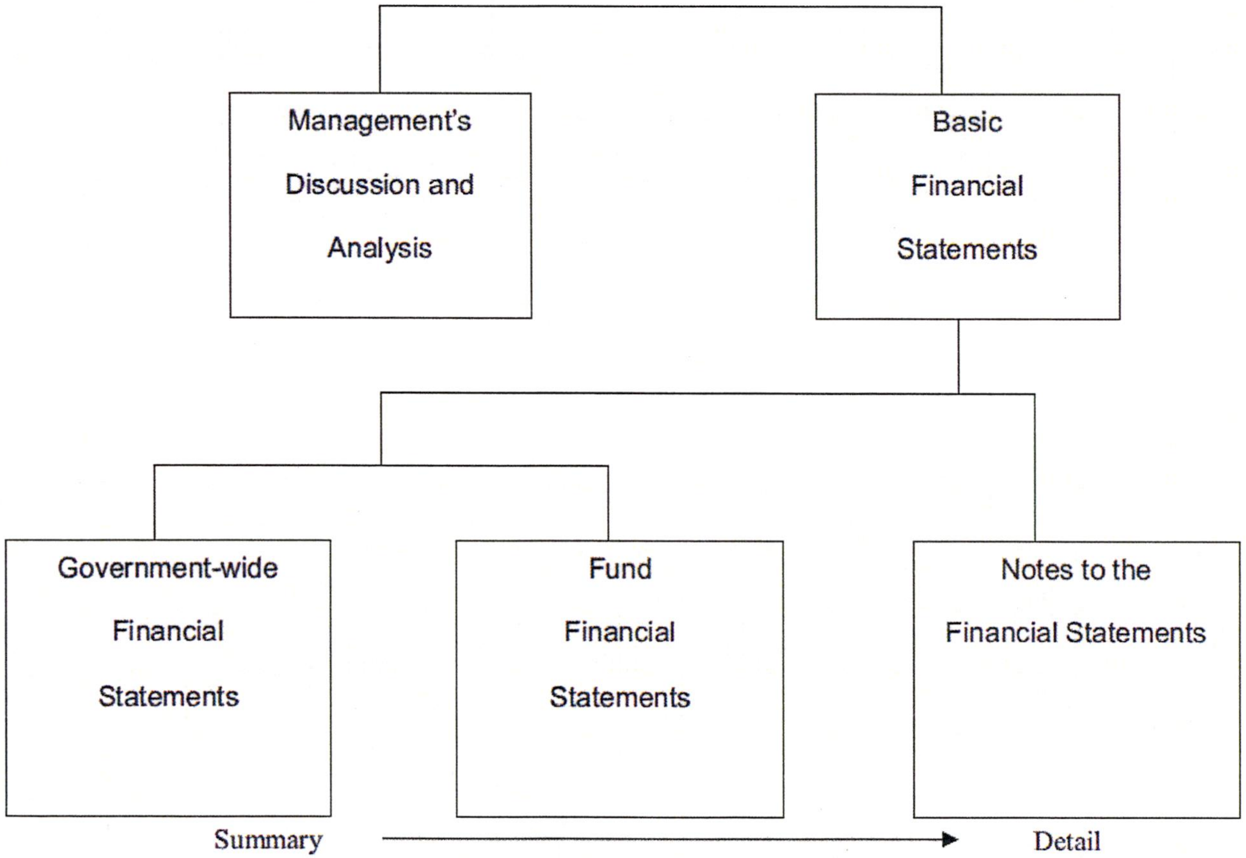
Fieldwork –

- Process and internal control documentation and walkthroughs
- Journal entry testing
- Detail procedures such as inspection of documents, 3rd party confirmations, and internal calculation supporting the balances of significant accounts
- Analytical procedures – variance analysis, ratio analysis, predictive analysis, review of reports, transactions, etc. for significant, unusual or unexpected items
- Compliance testing

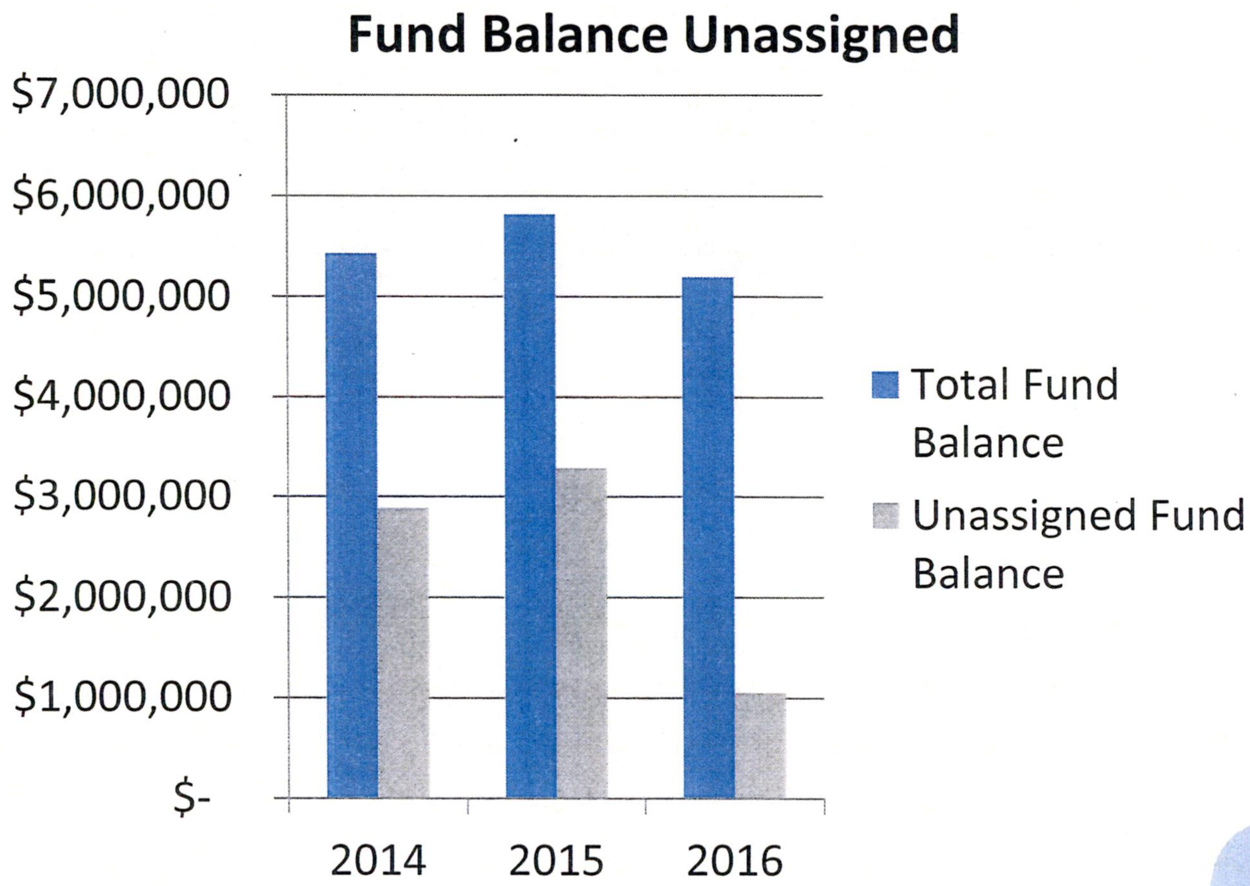
Audit Process

- Financial statement
  - GK prepared the financial statements.
  - GK performed a detailed review:
    - Agreeing all financial statement amounts to audited trial balances and other audited information
    - Verifying that amounts are reported consistently throughout the financial statements
    - Reading the financial statements for clarity, grammar, spelling, consistency, and understandability
    - Reviewing the financial statements for presentation and disclosure in accordance with GAAP and LGC requirements
  - Reviewed by Jim Fatland and Tom Whitlock

Understanding the Financial Statements



General Fund Summary



Water and Sewer Fund

Water and Sewer Fund	2016	2015
Working capital (C.A. – C.L. =)	$ 618,925	$ 1,329,972
Working capital in months expenditures (budgetary basis)	1.5 months	3.8 months
[redacted]		
Cash flows from operating activities	534,911	1,273,533
Net decrease in cash	(136,428)	(821,681)

Capital Projects Fund (page 80)

	Project Authorization	Actual through June 30, 2016 (As Restated) Prior Years	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	$ -	$ -	$ -	$ -	$ -
Expenditures:					
Water storage tank project	2,669,457	1,749,879	898,843	2,648,722	20,735
Kings Creek sewer phases 2-3	2,977,817	254,581	235,290	489,871	2,487,946
Six inch sewer upgrade	1,680,000	366,651	1,375,139	1,741,790	(61,790)
Neely Road tank project	13,505,061	1,042,701	820,535	1,863,236	11,641,825
Radio read meters	1,360,500	7,793	1,197,588	1,205,381	155,119
Wastewater treatment plant improvements	-	-	273,786	273,786	(273,786)
Brevard Academy sewer line extension	-	-	175,401	175,401	(175,401)
Total expenditures	22,192,835	3,421,605	4,976,582	8,398,187	13,794,648
Revenues under expenditures	(22,192,835)	(3,421,605)	(4,976,582)	(8,398,187)	13,794,648
Other Financing Sources:					
Proceeds from issuance of debt					
Clean water state revolving fund	17,028,539	1,564,135	2,369,174	3,933,309	(13,095,230)
Drinking water state revolving fund	4,257,135	1,607,038	2,136,000	3,743,038	(514,097)
Transfer from Water and Sewer Fund	907,161	289,015	45,585	334,600	(572,561)
	22,192,835	3,460,188	4,550,759	8,010,947	(14,181,888)
Revenues and other financing sources over (under) expenditures	$ -	$ 38,583	(425,823)	$ (387,240)	$ (387,240)
Fund balance (deficit), beginning of year			38,583		
Fund balance (deficit), end of year			$ (387,240)		

New Accounting Standards

- GASB Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other Than Pensions (ISSUED 6/2015)*
  - In summary, GASB 75 is similar to GASB 68 except it relates to the OPEB liability. Currently OPEB is reported at the net amount that the required annual contribution exceeds (*or is less than*) actual contributions to the plan each year. The new standard will require reporting of the full amount of the unfunded liability.
  - Effective beginning FY 2018 for the City. Currently, net liability would be under $100,000 (nominal compared to other municipalities and counties).

Report to the City Council

City of Brevard,
North Carolina

Report to the City Council

June 30, 2016

GOULD KILLIAN
CPA GROUP, P.A.

Questions?