TOWN COUNCIL
WORK SESSION MINUTES
Monday, August 5, 2019 @ 7:00 p.m.
Town Hall Council Chambers

1. <u>Audit Class/Training by Town Auditors</u>
The Town's auditor, Jeff Mitchell from Mitchell & Company PC, will provide information/training regarding the Town's annual audit and how to read the Comprehensive Annual Financial Report.

Report submitted during meeting Jeff Mitchell, the Town's Auditor, shown below. Mayor Tederick noted that it would be a good idea to have a summary of the audit. Mr. Mitchell stated that it was a 12-month process and it mentioned that the auditors are actually audited themselves. He noted that there were many unique points within governmental accounting and he wanted the Town to understand the Financial Accounting Standards Board and the General Accounting Principles, and there are also governmental standards for municipalities. Mr. Mitchell explained that the City of Richmond, Town of Leesburg, County of Warren, and the Town of Front Royal all follow the same accounting principles. He added that that were many resources available to the Town and the Town was awarded the GFOA Award for 32 consecutive years for their excellence in financial reporting.

Mr. Mitchell stated that compliance notes that excess funds have to be invested in certain funds with certain ratings and bank CDs, etc. He noted that they are required to be participants in the Virginia Retirement System for example. He added that there are special revenue funds, and restricted/special revenue funds. Mr. Mitchell stated that it is difficult to understand the 130 plus page document and he would imagine the regular citizen would have difficulty understanding the auditor document. Mayor Tederick made the distinction that the auditor works for Council, not Staff.

Mr. Mitchell noted that they have a quasi-cash basis of accounting for some of the accounts, but not all of them. He stated that the State requires budget approval and public comment on the document. He added that it was a public process for the spending plan of the Town. Mr. Mitchell explained the user fee-type system and he noted that those fees must be spent on the system in which the funds were collected. He noted that many of the Town policies for reporting are recommended by GFOA and GASB; Mr. Wilson added that they are within the budget and approved by Council annually. Mr. Mitchell stated that statistical data within the CAFR regarding the Town, how we relate to the State, the County, operational data, and it is GFOA suggested disclosure material.

Mr. Mitchell explained the issue with the unfunded VRS item regarding retirement. He noted that the City of Richmond was $26 million unfunded, and the Town was $6 million unfunded. He stated that the fund balance was reduced it was recorded for liabilities.

Mayor Tederick asked if Council was required to set aside that funding. Mr. Mitchell noted that was correct though if they have an unrestricted fund balance there could be an issue as it cannot go below zero, as the General Fund balance cannot be below zero. Mayor Tederick asked the auditor to determine how they could adjust the amounts in order make it legal to shift the funding. Mayor Tederick noted that it was important to get a handle on the unrestricted balances. Mr. Wilson stated that the unrestricted three-month reserve and the unrestricted amounts must come out of those amounts the Mayor mentioned and Council must keep that in mind. Councilman Tewalt noted that much of the funds listed that the encumbrances has been appropriated for projects that has been allocated and earmarked.

Mr. Mitchell noted that the full liability for retiree health insurance had to be booked from 2018 on, and funds needed to be set aside of over $2 million. He added that also the Public Safety Building for the Police Department the $3 million was booked and the whole matter with regard to EDA affected that.

Mayor Tederick stated that it was difficult to focus on the monthly report knowing that the amount shown as a "surplus" actually cannot be used because the amounts are restricted. Mr. Wilson noted that he understood Mayor Tederick's request, unfortunately the reports from the State do not come out until September or later, which makes the options limited. Councilman Tewalt noted that we must rely on Mr. Wilson advises the Town Council, as we must be on top of how the Town uses their finances. Mr. Mitchell agreed with Mr. Tewalt, as the Town's bond rating could be affected.

Mr. Wilson explained the special project accounting, per Mayor Tederick's direction. Mayor Tederick noted that the Town currently encumbrances funding for a project and until the project is completed. He added that the money does not move until the project begins the project funds would move to unrestricted. Mr. Wilson stated that the special projects budgeting did not seem beneficial in his opinion. Mayor Tederick suggested a monthly document on the Town's projects. He also requested that that the encumbrances be discussed as a separate worksession when Staff was ready with the materials.

TOWN OF FRONT ROYAL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT REVIEW

- **FASB**

Established 1973

GAAP - standard setting for financial reporting

- **GASB**

Established 1984

Governmental Entities GAAP – standard setting

- **GFOA**

Founded 1906 – represents public finance officers

<u>CAFR SECTIONS</u>:

- **Introduction**

General information

- **Financial**

Audit report

Financial statements

Disclosures

Supplemental information

- Statistical

Historical data/information

General community data

- Compliance

Government laws & regulations

COMPLEXITIES IN GOVERNMENTAL REPORTING:

- Fund Accounting for Segregated Activities

Governmental Funds

Business-type Funds

- Top Level Reporting Conversion All Funds to Business-type Funds

GASB 34

- Infrastructure Reporting
- APA/State Compliance Reporting
- Restricted Funds & Fund Balance
- Reporting Document – 133 pages
- Budget Appropriations
- Cash vs. Accrual Reporting

FUND REPORTING:

- General Governmental Funds

Assess and collect general taxes

Funding for general public benefits welfare

No restriction on disbursement types and projects

State requires spending plan be approved with public input

Funds include: General, Special Revenue, Street

- Enterprise Business-type Funds

User fee paid services provided

Restricted spending for user provided service

Funds include: Electric, Water, Sewer, Refuse

FOOTNOTE DISCLOSURES:

- Intended to Give Reader Additional Information About

Reporting policies adopted – options

Cash deposits/investments

Outstanding obligations

Capital assets

Long-term debt

Very limited in readability

STATISTICAL DATA:

- Historical Trends
- Revenue Capacity
- Debt Capacity

- Demographic Data – Community Area
- Operational Data

Facilities
Roads maintained
Police Force

IMPORTANT CAFR HIGHLIGHTS:

- Report 133 pages
- Important Pages:
  - 20 – Overall Govt. asset & outstanding obligations – fully loaded obligation accrual basis
  - 22 – Govt. assets & outstanding obligations – cash basis
  - 25 – General Fund actual to budget operating comparison
  - 28 – Business-type Funds operating activity
  - 48 to 50 – Debt summary
  - 99 to 104 – General Fund revenue & expenditures actual to budget comparison detail

ANNUAL AUDIT FUNCTIONS:

- 12 Month process

Planning – May
Preliminary – June/July
Detail Audit – August/September
Completion – October/November

- Functions

Test verify veracity of amounts & numbers
Review processes of billing and vendor payments
Verify compliance with laws & regulations
Prepare report
Prepare APA document – transmittals

ANNUAL AUDIT REVIEW PRESENTATIONS:

- Concluding Audit Annual Review with Council
- Annual review – October each year
- Specific topics discussed in detail
- Capital assets
- OPEB
- VRS pension
- Debt
- Appropriations
- Unrestricted fund balances

2. Update on Recycling Collection – *Interim Mayor*

Mayor Tederick noted that a citizen contacted him with confusion on the recycling items. Mr. Waltz noted that previously cardboard was collected with tape, though they no longer can accept that. He noted that there are rules set by the vendor and the rules are set by that vendor, not the Town.

Mayor Tederick stated that the Town could provide a video and a short informational class for the public.

3. <u>Council Discussion/Goals</u>
Mr. Waltz noted that he would be sending out the list and he asked the Council to prioritize the goals and submit them back to Staff to prepare for the meeting.

4. <u>Town's Option for the Department of Corrections to Hold a Public Hearing Pertaining to the Proposed Lease of Space for a Probation and Parole Division #11 Sub-Office</u> – *Town Mgr*
SUMMARY: The Town has received a notice from the Virginia Department of Correction (DOC) pertaining to a proposed lease of space for a Probation and Parole District #11 suboffice at 23 E. Jackson Street or 30 E. Jackson Street. The Town is not required but may request the DOC to hold a public hearing regarding the proposed lease. If Council requests that a public hearing be heard a resolution will be approved by Council at the next regular meeting. A copy of the letter from DOC is included in the agenda packet for review.

Mr. Waltz stated that it would be an upcoming item for vote next Monday and then Council would hold a public hearing. Council was in full agreement.

5. <u>Budget Amendment for Police Department Overtime</u> – *Chief of Police*
The Police Department will be assisting with the staffing of a regional CITAC (Crisis Intervention Assessment Center). This initiative stems from a grant received by The Northwestern Community Services Board. The Police Department will be receiving reimbursement through the grant for overtime associated with staffing. Town Council is requested to approve a budget amendment in the amount of $93,500.00 to receive the reimbursement and increase the expense associated with Police Salaries. This is an estimated amount and is subject to change as the project moves forward. The project is a collaboration between area law enforcement agencies, Northwestern Community Services Board, and Valley Health Systems.

BUDGET/FUNDING:
1000-3410209 General Fund Reimbursements $93,500.00
3102-41002 Police Patrol Overtime $86,350.00
3102-42001 Police Patrol FICA $ 7,150.00

Chief Magalis noted that the Town uses a great deal of time until the assessment for such individuals are made as well as transportation. He stated that this CITAC program through the grant would be reimbursed to each agency as it was used. Council voiced their support of the program, after asking brief questions about reimbursement and how it could be more or less.

Mayor Tederick asked about the requirements for staffing for the CITAC Center. Council voiced their support in full after Chief Magalis noted the requirements.

August 13th – JOINT TOWN AND COUNTY Meeting reminder

PRESENT: Mayor Tederick, Councilman Tewalt, Councilman Holloway, Councilman Thompson, Councilman Meza, Councilman Gillispie, Vice Mayor Sealock, Town Manager Waltz, Town Attorney Napier, Clerk of Council Berry, Director of Planning Camp, Director of Finance Wilson, Director of Energy Services Jenkins, Police Chief Magalis, Director of Environmental Services Boyer, Community Development Director Hart, IT Director Jones, members of the public and members of the press.