

MINUTES
FINANCE COMMITTEE
NOVEMBER 27, 2018

The Finance Committee met on November 27, 2018, at 4:30 p.m. in the Council Chambers at City Hall.
Present: Chairman Thornton, Aldermen: Colwell, Braun, Sharp, Jenkins, Connor, Mayor White,
Office Manager Passage, Auditors Lori Salmi and Aaron Phillips

Chairman Thornton called the meeting to order.

Chairman Thornton stated that the purpose of the meeting it to hear the report from the Auditors Lori Salmi and Aaron Phillips regarding the 2017-2018 audit.

Lori Salmi introduced Aaron Phillips, who took the lead in the city's audit.

Aaron Phillips explained that the audit took longer than expected, however; it was anticipated due to this being their first year to audit the City of Chillicothe. He advised that there will be several adjustments due to prior year adjustments and to make the audit an accrual based audit. He stated he found that the transaction and cash receipts process are in good shape. The main concern in the audit was there was no liability for the police pension shown in the 2017 audit. There is a requirement (gasb statement no. 68) that the police pension liability be shown in the audit and to accomplish this there would need to be an actuary done on the police pension. They have placed a qualified opinion in the audit. A discussion ensued regarding this requirement.

Chairman Thornton asked for the auditor's opinion to resolve the issue.

Aaron Phillips stated the city had three options.

1. Change the basis of accounting from Accrual to Modified Cash. He stated that he has checked With the comptroller's office and this is allowable.
2. Do nothing and stay with a qualified opinion, however; eventually this will be an issue.
3. Hire a professional firm to complete an actuary for the police pension, which will give the Information needed. This would have to be done every year.

A discussion ensued regarding the options. Aaron Phillips explained there are other cities on the modified cash bases accounting. This is how the City of Chillicothe currently keeps the books; therefore the audit would mirror the city's records.

Mayor White reminded the committee that the police pension liability is still a liability whether we switch to modified cash accounting.

The recommendation from the auditors was to switch to the modified cash accounting and to obtain an actuary so they city would know the liability of the police pension for budgeting purposes.

Chairman Thornton requested that the auditor give to the city a letter of recommendation and he would present to the city council for approval at the December 10, 2018 meeting.

Lori Salmi stated that the other area of concern was the reconciliation of the Disbursement account.

Page Two
Minutes
Finance Committee Meeting
November 27, 2018

She explained that this had not been required by the past auditor. She recommended that an outstanding list of checks in the disbursement account be made going back several years.

Office Manager Passage advised the committee that she was made aware of this during the audit and the accurate outstanding check list is being created going back as far as what the computer system allows. She also stated that going forward the list has been compiled. This will be resolved in the next audit.

At this time, 5:12 p.m., the Mayor asked that Office Manager Passage be excused.

Mayor White explained the purpose of staff leaving the meeting is to ask questions of the auditors regarding how well the staff worked with the auditors in providing information.

A discussion was held regarding transparency and information provided by staff.

Lori Salmi stated that they worked with Gina Carr, Administrative clerk, Timber Wood, Office clerk and Denise Passage, Office Manager, during their field work gathering information for the audit. She found all to be very helpful and transparent providing any information that was requested.

There being no further business the meeting adjourned at 5:30 p.m.

Respectfully,

James Thornton, Chairman