

City of Rome
FINANCE COMMITTEE MEETING
August 18, 2021

PRESENT:

Committee Chairman, Sundai Stevenson
City Commissioner Randy Quick
City Commissioner Mark Cochran
City Manager Sammy Rich
Assistant City Manager Meredith Ulmer
Finance Director Toni Rhinehart
Assistant Finance Director Kraig Ingalsbe

Guest: Christopher McKellar

Chairman Stevenson called the meeting to order and the minutes of the June 23rd, 2021 meeting were approved. Ms. Rhinehart introduced our guest, Christopher McKellar, Director with Mauldin & Jenkins CPA firm. The group introduced themselves to Mr. McKellar. After introductions, Mr. McKellar began his presentation and the review of the December 2020 audit.

Review December 2020 Audit

Mr. McKellar was the Audit Director for the audit and has 16 years of experience with Mauldin & Jenkins and governmental clients. Doug Moses was the quality control partner with 22 years of experience. Mr. McKellar began by giving some background on Mauldin & Jenkins. He explained that most of his clients are governmental clients. He began by going over the audit results. He explained that the financial statements are the responsibility of management. The responsibility of the auditor is to provide an opinion on the fair presentation of the financials. An unmodified audit report was issued, meaning a clean opinion. The financial statements are considered to present fairly the financial position and results of operations as of 12/31/2020. The implementation of GASB issued Statement No. 84 was implemented in these statements. That changed the reporting of municipal court. It now has its own separate column in the statements with a balance sheet and income statement. In the past these funds were either reported in the General fund or had just a balance sheet. He explained that the City of Rome prepared an Annual Comprehensive Financial report which goes over and beyond what is required. He commended the City for this accomplishment. He went on to explain what is included. The Introductory report, MD&A and statistical section all give good information to the reader. Commissioner Quick asked of all of the cities dealt with, how many complete the Comprehensive report. Mr. McKellar explained that about 25% of M&J clients complete. This is seen more in the very large metropolitan governments because of the complexity of the report and the time it takes to prepare. The report becomes more and more comprehensive as more GASBs are being introduced every year. Mr. McKellar discussed the General Fund revenues and the break down of these revenues. General fund revenues were approximately \$32,040,000 compared to \$30,600,000 in 2019. The increase is mostly due to the CARES grant

funding received in 2020. He went on to talk about General Fund expenditures and the breakdown of those expenses. Public Safety and General Government are the highest percentage of expenditures. Total Expenditures did increase slightly by about \$300,000 from 2019. He went on to discuss the revenues compared to expenses for a 5-year period. Commissioner Cochran asked about what is included in General Fund – specifically enterprise funds. Mr. McKellar explained that no Proprietary/enterprise funds, special revenue funds or capital funds are included in General fund. Commissioner Cochran asked about transfers in and transfers out. Mr. McKellar explained the increase in fund balance for 2020. The City is currently at 115% coverage, but this is at our highest revenue point in time just after collection of property taxes. He went on to discuss the proprietary funds specifically the water fund. It is the largest enterprise fund and had a positive change in net position and a cash increase of \$1M. This is good saving up for future renewal and extension in water and sewer. He went on to discuss some of the required communications. There were no difficulties with management relating to the performance of the audit. He praised the Finance department for doing such a great job. They have everything ready for the audit, answering questions and providing what is needed as quickly as possible. There was one uncorrected misstatement pertaining to OPEB contributions. This is more of a timing issue and will be addressed in 2021. This was considered immaterial for the presentation of 2020 statements. He went on to discuss the recommendations from the audit. First there were no Findings, Material weaknesses or deficiencies noted in the audit. There were just a few recommendations made. There was an unreconciled difference in the bank reconciliation process that was very immaterial but will be addressed going forward. There was a comment on Cybersecurity explaining the importance of outside monitoring. City Manager Rich explained that we are doing some of this and Mr. McKellar is going to run that past their IT personnel for clarification. There was mention of the OPEB miscalculation that will be addressed in 2021. There were a few issues in inventory with some small difference in count which have been in addressed in 2021. Mr. McKellar went on to explain the new GASB issues coming up. We have gone from GASB 34 in 2004 to now GASB 98. GASB 87 has to do with Leases. The government will be required to recognize the liability and an intangible right-to-use lease asset. All leases will be treated like a capital lease. This will put more debt on your statement of net position. This will be implemented as of 12/31/21. GASB 96 will be implemented in June 2023. This is a subscription base information technology arrangement. These contracts will be recognized as a right-to-use subscription assets with a corresponding liability. This is similar to GASB 87 but takes it to another level of reporting. Mr. McKellar explained that M&J offers continuing education and newsletters for all governmental clients. These are usually offered every quarter. Currently they are being offered virtual. He ended his presentation and plans to come back for the September 13th City Commission meeting to present to the full commission.

Review July 2021 Financial Statements:

General Fund:

Title Tax Fee Revenues are up over last year by over \$329,000. Intangible Taxes are up \$118,000 for the year compared with last year. Motor Vehicle Taxes continue to stay strong and are slightly ahead of YTD budget. Local Option Sales Tax is up for the month and above last year by over \$700,000. Real Estate Transfer tax is \$22,000 ahead of last year. Overall business licenses are tracking above 2020 at \$1.6 million vs \$1.4 million in 2021. Facility rentals are back on track after last year's COVID crisis. Police Fines remain ahead of 2020 and budget. YTD fines total \$496,000 vs YTD budget of \$418,000. Interest and costs of \$42,000 for the month are below prior year of \$49,000. Interest on investments is down significantly from 2020 and continues to decline. Rates are 0.04 (LGIP) – 0.10% (Bank OZK) Total operating revenues of \$12.08 million are \$1.3 million above the same period 2020. Most departments are under YTD budget and in line with 2020 expenses. Public Safety expenses of \$5.04 million are slightly above 2020 expenses of \$4.97 million, but below YTD budget of \$5.5 million. They are currently still about 18 officers short. Total Public Works department is under budget and slightly below 2020. The Retirement costs are up for 2021. The required contribution went from 14% to 15.5%. This is a calculation of payroll. Transfers in revenues from other funds balance these expenses. Total operating expenses are up over last year by about \$388,000 but below YTD budget by \$1.1 million.

Water & Sewer Fund:

Total Usage revenues are \$589,000 ahead of last year and \$441,000 ahead of budget at \$14.9 million. Sewer revenues are \$552,000 over 2020 and \$463,000 above budget. Transfers to Other Funds YTD totaled \$4.38 million vs YTD budget of \$7.1 million. Interest Income is significantly down from 2020 and is continuing in that direction. Most departments are within budgeted expenses. Total expenses of \$11.9 million YTD vs Budget of \$13.1 million. July's bond coverage is at 1.74

BUILDING INSPECTION FUND:

Revenues of \$715,000 are ahead of YTD budget by \$69,000. Expenses of \$573,000 are \$111,000 below YTD budget.

TRANSIT FUND:

Revenues are up \$507,000 from YTD 2020 while expenses are up only \$12,000 for the same period. Federal operating reimbursements totaling \$544,000 were received in July.

TOURISM FUND:

Total Revenues are up \$127,000 over 2020, driven by Hotel/Motel Tax, History Museum Rentals and Gift Shop sales. They are close to budget for Revenues YTD. Expenses are \$70,000 below budget.

FIRE FUND:

Revenues for July include a \$290,000 reimbursement from SPLOST Fund for new Training Facility expenses. Total expenses for 2021 are \$7.3 million, which is \$691,000 below YTD budget. The fund has a \$710,000 increase to net position through July. The large lease payments are paid in November each year.

HOTEL/MOTEL TAX FUND:

Hotel Motel tax revenues are up \$275,000 over YTD 2020 and \$110,000 over YTD budget for 2021.

HEALTH INSURANCE FUND:

Revenues and Expenses are right in line with 2020. Note, the Retirees Contribution for July of \$22,000 was received in August and will be reflected on the August statements

PARKING FUND:

Parking revenues for 2021 total \$144,000 vs prior year of \$82,000 and a YTD Budget of \$153,000. Expenses are \$12,000 below budget at \$142,000.

FORUM PARKING:

YTD Parking revenues of \$31,000 are \$24,000 behind budget and flat vs 2020. Expenses of \$39,000 are \$15,000 below budget.

LANDFILL FUND:

Page 56 Fee revenue continues to track above 2020 at \$2.5 million vs budget of \$1.9 million. Expenses of \$1.1 million are flat vs last year and \$140,000 below budget

SOLID WASTE MANAGEMENT FUND:

Revenues are up \$140,000 over 2020 with all revenue categories up over last year. Expenses are down from last year and below budget YTD.

PLANNING COMMISSION FUND:

Revenues are above last year due to contributions from City and County. Expenses are also up and over budget due to GIS and Consulting/ULDC Expense.

TENNIS CENTER FUND

Revenues and expenses are reflective of activity at both facilities. July revenues of \$148,000 exceeded expenses of \$143,000, reducing the YTD operating loss to \$153,000. However, excluding depreciation of \$202,000, the Fund is now showing a net operating profit of \$49,000 for 2021.

AMERICAN RESCUE PLAN FUND

Initial Funds of \$5.77 million were received in June. YTD interest earned is \$985.

COMMUNITY DEVELOPMENT FUND:

Revenues of \$145,000 are slightly ahead of 2020. Both Revenues and expenses are below budget due to Grant and Capital Outlays not received yet totaling \$300,000.

CAPITAL FUND

Grant Revenues include the receipt of the 2021 LMIG capital money from the state totaling \$431,000. Capital expenditures are in full swing, but expenses are below budget YTD.

These are just some of the highlights of the July Financial Statements. With no further discussion, the meeting was adjourned.

Respectfully Submitted

Toni C. Rhinehart