CENTERVILLE WORK SESSION AGENDA

NOTICE IS HEREBY GIVEN THAT THE CENTERVILLE CITY COUNCIL WILL HOLD ITS WORK SESSION MEETING AT 5:00 PM ON April 11, 2017 AT THE CENTERVILLE CITY COMMUNITY CENTER AND , 250 NORTH MAIN STREET, CENTERVILLE, UTAH. THE AGENDA IS SHOWN BELOW.

A. ROLL CALL

B. NEW BUSINESS

5:00 1. Work Session - Discussion of FY 2018 Budget Issues

a. Employee Health Insurance Plan Renewal
b. Accounting Services Contract
c. Discussion of other FY 2018 Budget issues, as time allows

2. Closed meeting, if necessary, for reasons allowed by state law , including, but not limited to, the provisions of Section 52-4-205 of the Utah Open and Public Meetings Act, and for attorney-client matters that are privileged pursuant to Utah Code Ann. § 78B-1-137, as amended.

C. ADJOURNMENT

Marsha L. Morrow, MMC
Centerville City Recorder

CENTERVILLE
WORK SESSION
Staff Backup Report
4/11/2017

Item No. 1.

Short Title: Work Session - Discussion of FY2018 Budget Issues

Initiated By: City Manager

Scheduled Time: 5:00

SUBJECT

a. Employee Health Insurance Plan Renewal
b. Accounting Services Contract
c. Discussion of other FY 2018 Budget issues, as time allows

RECOMMENDATION

a. Review and discuss the proposals/options for renewal of employee health insurance coverages and give direction to staff regarding the renewal options to offer to employees, the total amount of funding provided by the City versus the employees, and how the City's contribution is allocated between premiums and Health Savings Accounts.

b. Discuss draft proposal for accounting services to assist Finance Department.

c. If time allows, discuss other significant budget issues identified by the City Manager, such as General Fund balance, employee compensation, fire services, etc.

BACKGROUND

a. Employee Health Insurance Plan Renewal

The City's health insurance broker, GBS Benefits, Inc., has obtained renewal quotes for employee group medical and dental insurance effective July 1, 2017. Rates for Life, AD&D, Dependent Life, and Long-Term Disability remain unchanged because the current rates are guaranteed until 6/30/2018. See the attachment for details of the current plans and proposed renewals, and a comparison of costs.

Per the City Council's direction, GBS has quoted medical insurance renewal rates for the following options:

- Continue the current traditional plans with Select Health for all eligible employees. Premium increase quoted initially was 6.67%, but was negotiated down to 4.67%.
- Offer only a High Deductible/Health Savings Account (HD/HSA) plan to employees. Premiums would *decrease* 7.65% or 22.79% depending on the level of the deductibles and out-of-pocket maximums.
- Offer employees the ability to individually choose between the traditional plans and an HD/HSA plan. Rates for these options would be the same as referenced above.

GBS recommends the City offer its employees both the traditional plans and an HD/HSA plan, but build in an incentive for employees to move to the latter. Staff will come to the work session with several scenarios of how the savings generated by an HD/HSA plan could be used to fund contributions into the employees' individual Health Savings Accounts. The City Manager recommends the City's total contribution *not be decreased from its current level,* and the increase in total cost be shared in some way between the City and employees. Staff will review with the Council some ways to do this, including how to incentivize employees to move to the HD/HSA plan while still offering the traditional plans.

As shown in the attachment, dental insurance renewal with the current insurer was quoted at a 7.21% increase, but was negotiated down to 4%.

b. Accounting Services Contract

In response to the resignation of the City's Finance Director, the City Manager proposes to contract with a CPA firm to assist the employees in that department. If this approach proves to be cost-effective, this may be a long-term alternative to replacing the Finance Director. The City's current auditors, the CPA firm of Keddington & Christensen, provided the attached draft of proposed services. The City Manager is attempting to discuss some revisions to the draft with the auditor before Tuesday's work session. A final version would be prepared for Council action in their April 18 regular meeting.

If the Council agrees to contract for these services with Keddington & Christensen, that firm would be disqualified from providing independent audit services during that period. One solution they offered is for them to subcontract the annual audit to another CPA firm for the same fees they would have charged during the current five-year auditing contract with the City. This would provide flexibility for the City regarding an accounting services contract and would allow Keddington & Christensen to resume the audit contract if the City decides to discontinue the accounting services contract.

ATTACHMENTS:

Description

- Comparison of Health Plan Benefits
- Accounting Services Draft Proposal

X City
P.O. Box
X, Utah 84000

The purpose of this letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide for the X City. Our commitment to delivering superior service means that we strive to demonstrate initiative, anticipate problems, propose solutions, and communicate effectively with you. In addition, during our engagement we will be alert for opportunities to bring insightful and constructive suggestions for improving management information, and operating and accounting procedures. As your business advisors, we will also look for opportunities to reduce your costs and improve asset management.

We will perform the following services:

1. We will compile, from information you provide, the annual financial statements of the X City for the year ended June 30, 20XX.

   We will compile the financial statements in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to present in the form of financial statements, information that is the representation of management without undertaking to express any assurance on the financial statements.

   A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; tests of accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Therefore, a compilation does not provide a basis for expressing any level of assurance on the financial statements being compiled.

   The financial statements will not be accompanied by a report. Based on our discussions with you, these financial statements are for management's use only and are not intended for third-party use.

   Material departures from generally accepted accounting principles (GAAP) may exist and the effects of those departures, if any, on the financial statements may not be disclosed. Because of the extent of material departures that may exist in, or required disclosures that may be omitted from the financial statements, we make no representations regarding the appropriateness of such statements for your intended use or for any other purpose. Moreover, because of the nature of this engagement, we are not responsible for communicating any such departures or omissions to you.

   Notwithstanding these limitations, you represent that you have knowledge about the nature of the procedures applied and the basis of accounting and assumptions used in the preparation of the financial statements that allows you to place the financial information contained in the statements in the proper context. Further, you represent and agree that the use of the financial statements will be limited to members of management with similar knowledge.

The financial statements we compile are the primary responsibility of the Company's management and will be based on information that is the representation of management. We expect management to furnish us with all information necessary in order not to make the financial statements misleading.

Furthermore, you represent and agree that the financial statements are intended solely for your information and use and are not intended to be, and should not be, used by third parties. You also represent and agree that you will not distribute the statements to such third parties.

The other data accompanying the financial statements (when applicable) is presented only for supplementary analysis purposes and will be compiled from information that is the representation of management, without audit or review. We do not express an opinion or any form of assurance on such data.

If, for any reason, it appears that we will not be able to complete the compilation of your financial statements, we will discuss this with you.

2. We will also:

- Perform monthly bank reconciliations
- Annually reconcile and prepare deprecation and fixed asset schedules
- Annually reconcile and prepare debt service schedules and a schedule of changes in debt
- Reconcile accounts and prepare schedules for the independent financial statement auditors
- Draft and prepare the required supplementary information (MD&A) as required by generally accepted accounting principles for governmental entities
- Prepare and submit filing of the Data Collection Form (as a part of the Single Audit)
- Furnish monthly bookkeeping services and financial statements as requested

You agree to:

- Devote uninterrupted time to working with us as needed
- Make candid representations about your plans and expectations
- Process monthly transactions expeditiously in accordance with the agreed upon work schedule
- Prioritize the sequence of projects that we will pursue
- Provide requested information, schedules, and documents necessary for the completion of our responsibilities in a timely and accurate manner

You are also responsible for making all management decisions and performing all management functions, and for designating an individual with suitable skill, knowledge, or experience to oversee any bookkeeping services, or other services we provide. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts that may exist. However, we will inform you of any material errors and any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

In connection with this engagement, we may communicate with you or others via e-mail transmission. As e-mails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that e-mails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communication of e-mail transmissions, or for the unauthorized use or failed delivery of e-mails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of e-mail transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

You agree that all records, documentation, and information we request in connection with our compilation will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have full cooperation of your personnel. We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to Company employees and/or customers should be provided to us.

Gary Keddington is the engagement partner and is responsible for supervising the engagement.

We are not independent with respect to X City. Due to our involvement in the financial reporting and internal control processes and our proposal of adjusting journal entries.

All services will be under the direction of (Recorder). Either party may terminate this agreement upon thirty days written notice.

The fees for this engagement will be $X per month, which is a negotiated amount, based on the work to be done, estimated amounts of time spent and standard hourly billing rates. The fees are also based on the anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We sincerely appreciate this opportunity to be of service to you. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return the signed letter to us.

Sincerely,

Keddington & Christensen

Acknowledged:

Name: ______________________________

Title : ______________________________

CENTERVILLE
WORK SESSION
Staff Backup Report
4/11/2017

Item No. 2.

Short Title: Closed meeting, if necessary, for reasons allowed by state law , including, but not limited to, the provisions of Section 52-4-205 of the Utah Open and Public Meetings Act, and for attorney-client matters that are privileged pursuant to Utah Code Ann. § 78B-1-137, as amended.

Initiated By:

Scheduled Time:

SUBJECT

RECOMMENDATION

The agenda shows the possibility of a closed meeting in case the Council wants to discuss individuals involved in the potential reorganization of the Finance Department.

BACKGROUND