

City of TYBEE ISLAND
Audit Committee Meeting
Monday, September 8, 2008
4:00 PM
Tybee Old School – Room 7

MINUTES

Member Attendance: John Major, Freda Rutherford, Sue Off, Bill Blakey, Alfie Waite &
Jim Anderson

Council Liaison: Dick Smith

Staff: Bonnie Kline

John Major called the meeting to order at 4:00 PM. There was a motion by Jim Anderson, seconded by Bill Blakey, to approve the minutes from the July 14, 2008 meeting. All approved.

2007 Audit Report from Mauldin and Jenkins

John announced that we have received the final 2007 audit report from the auditors. He then went over his audit summary comments:

1. As of 12/31/07, City's assets exceeded liabilities by about \$19.5 million
2. For FY ended 12/31/07, revenues exceeded expenditures by about \$1.3 million.
3. The auditors wrote a total of six findings, all of which were audit adjustments, in
 - a. Taxes receivable,
 - b. Accounts receivable,
 - c. Debt transactions,
 - d. Management of Capital Asset Accounts,
 - e. Management of Accounts Payable and Accrued Liabilities,
 - f. Management of Due to / From (Internal) Accounts
4. City Management concurred with the findings.
5. The City's financial statements are free of material misstatements as verified by tests of our compliance with laws, regulations, contracts and grant agreements to the extent this audit could determine.
6. The audit found no significant deficiencies other than those of material weakness as identified in the findings reported.

7. The audit found no issues of noncompliance that were material to the financial statements noted.
8. The audit did identify material weaknesses as expressed in the audit findings.

John then invited comments from audit committee members. Bill commented on risk factors in legal and investments. He said that he found interesting the changes in debt and cash from year to year. He said he would be interested in knowing where the auditors thought the committee should focus its efforts. Freda asked if there was a management letter? Bonnie responded that there is, but it just repeats the audit findings.

Bill said he noticed that there were some enterprise funds that did not make money. John replied that **his research on the subject indicated that** there is no requirement for enterprise funds to be profitable. Dick said there is a change in the Water & Sewer fund to make it self-sufficient. He pointed out that bondholders require self-sufficiency and the city has sold W & S funds bonds. Also, there will be a need for another \$5 million upgrade soon.

Bill asked why it took so long for the audit report to be issued? Sue commented that the auditors had requested more information from the city and that process delays the issuance.

John inquired of Bonnie about how expenditures **exceeded budget** without council approval? He pointed to the \$496,475 in the police department and the \$615,448 in Parks. Bonnie referenced page 53 of the audit report and said that the auditors required numerous adjustments to the capital assets account.

Freda noted that the unrestricted net assets decreased 26% from \$5.5 million to \$4 million. She said balances in the unrestricted fund balance are for catastrophic events; a couple of councils ago there was a goal to retain 6 months operating expenses to cover such events. Bonnie replied that the city has gone from 6 months reserves on hand to 4 months.

She provided the following Unreserved, Undesignated Fund Balance from prior years:

2003	\$2,407,737
2004	2,259,246
2005	2,487,477
2006	2,406,144
2007	2,953,366

Freda asked who determined how much it would take to operate in a crisis condition? Bonnie said no special calculations are made; they use existing budget and expenses. Freda asked Dick if there could be consideration for a companion to the hurricane manual that provides a plan for financial management during a catastrophic event? Also, could the undesignated fund balance be earmarked? Dick responded that as the tax digest decreases it would be more and more difficult for the city to retain a fund balance.

The committee suggested that Council might look at how much we have set aside for catastrophes and consider reviewing the Sanabel Island Plan. Depending on what happens, the fund balance and FEMA reimbursements, if available, might not be adequate and fixes could be expensive. Discussion followed regarding FEMA procedures for reimbursing expenses for local communities,

Freda also commented on the **lack** of co-pays for the pension fund. She said she was not familiar with any other government unit that did not require a co-pay. Sue concurred.

Freda then asked about the litigation letter to the auditors from Bubba. She said the audit committee looked at it last year in terms of risk. Dick said he would forward a copy.

Audit Discussion – 2008

John said the entrance conference is scheduled for 2:00 PM October 20th. He proposed that the committee forgo the regular October meeting and meet on the 20th at 1:30 prior to meeting with the auditors.

Budget Review of 2008

John asked for any comments or questions. All seemed to feel that the audit had answered all questions.

Old Business:

Dick informed the committee that Bubba and Vivian had met and are preparing to forward the ordinances to Municode.

Sue asked if Bubba had a contract with the city? Bonnie said that yes he does have. John noted that he was \$67,000 over budget **according to the FY 2007 audit report**.

The meeting adjourned at 4:55 PM.

Respectfully submitted,

Freda Rutherford, Secretary