

City of TYBEE ISLAND
Audit Committee Meeting
Monday, May 12, 2008
4:00 PM
Tybee Old School – Room 7

MINUTES

Member Attendance: John Major, Freda Rutherford, Bill Blakey, & Jim Anderson
Not Present: Sue Off, Alfie Waite
Council Liaison: Dick Smith
Staff: Bonnie Kline

John Major called the meeting to order at 4:00 PM He said that the April meeting was the first time in the history of the audit committee that we did not have a quorum. He suspected it was because of the change in the meeting date due to the audit and that folks had made other commitments.

Bill Blakey moved, Freda seconded, to approve the minutes from the March 17, 2008 meeting. All approved

Freda Rutherford moved, John Major seconded, to approve the minutes from the April 14, 2008 meeting. John noted that ordinarily he, as chair, would not second the motion, but he and Freda were the only two members present. All approved.

INTRODUCTION – Bonnie Kline CFO

John introduced Bonnie Kline, the new Chief Financial Officer to the Audit committee members.

He then said, since we have new members, and since we're just finishing up one audit and are just about to begin another, he thought it would be a good idea to go over some of the basics of why we have an audit committee, and some of the things we do and don't do.

First of all, we're appointed by the mayor and council and serve at their pleasure and direction. We meet monthly, the second Monday at 4 pm unless we decide otherwise. Our meetings are public and are always posted with the City. Freda always lets Vivian know and the meetings are always posted on the bulletin board just inside the city hall main entrance.

We need at least 50% of our voting members to have a quorum. Last month we did not, for the first time ever, have a quorum. That's why we had to approve minutes from both March and April today.

We go roughly by Roberts Rules. We have a chair, a vice chair and a recording secretary. We don't have any money so we don't have a treasurer.

We have a council liaison, who is Dick Smith. There is nothing in our establishing ordinance or by-laws about this job, but when John was named chair two years ago he

requested that one be named by the mayor in order to maximize our communications with council.

We don't get paid to be on this committee. The job is reward enough.

Members can be removed from the committee by a vote of two-thirds of council present. If we fail to attend two consecutive meetings or four in a one year period without notice to the secretary or chair then we can resign or be subject to a recommendation to council for removal.

The chair presides at meetings, manages the business of the committee and sees that our resolutions are carried out. The chair serves as the liaison between the elected officials and the independent auditors in order to ensure the independence of the audit. In this capacity, according to our by-laws, the chair and the committee represent the island at large.

The chair is responsible for arranging for the external audit and coordinating the audit with city management.

The vice chair does all that when the chair isn't present.

The secretary records the proceedings of our meetings, gives notice to members about all regular and special meetings and does other stuff as assigned by the chair. She is responsible for getting minutes written, approved and forwarded to council.

Our main responsibilities include overseeing the independent audit of the city's financial statements, including screening and recommending the selection of the outside audit team to council, and following up to ensure the satisfactory resolution of findings and issues.

We review the audit reports and work plans. We have done this in the past few years by meeting with the audit team every day and getting updates on the status of the audit.

We report once a year on the audit, any findings and our recommendations, if any relative to the audit.

We also serve, when requested, as a consultant body to the city on financial matters. As requested by council. This is important. We do not meet with or discuss financial matters with anyone within the city government on our own. According to the City Attorney, we are covered by the city's liability insurance, but only to the extent that we act within the scope of our duties as committee members. If we're acting on our own, then we're on our own. We act in accordance with our ordinance and by-laws, which include the audit oversight as discussed here, as well as other duties as directed by the mayor, council or city manager.

We don't go beyond this scope of responsibility. We don't free lance and we don't do anything on behalf of this committee except as agreed to in our meetings and as assigned by the council, the mayor or the city manager.

Discussion followed re the audit contract with Mauldin and Jenkins. John said they are contracted for five audits – not five years, therefore the 6-month audit from January 1, 2008 – June 30, 2008 will count as a part of their contract. The level of effort and costs will be the same. They will tentatively perform the audit during October and Craig Moye will still be doing the work. Their final audit under the contract will be for the period from July 1, 2008 – June 30, 2009.

John asked Freda to contact the city to update the list of audit committee members on the web site.

REVIEW OF INDEPENDENT AUDIT AND FINDINGS:

John handed out an email from Craig Moye enumerating the findings.

He then went over his notes on his conversation with Craig Moye today;

1. M & J is moving forward with meeting our request to change to a 7-1 to 6-30 fiscal year.
2. M & J will have our PBC letter to us possibly by June 30, but will most likely wait until the completion of their firm-wide training to discuss the impact of the new SAS – if so, we will get it by the second week in July.
3. The new PBC letter will be essentially identical to this year's.
4. Trial balances, etc. for this year will be as of June 30.
5. M & J will be on site, most likely, sometime in early October, but they will be flexible to meet our needs.
6. We will have the schedule agreed to by mid-June.
7. Future years' audits will be scheduled earlier.
8. Craig will be available to continue as "in-charge" for our audits.
9. Cost will be as agreed in our last proposal – they will roll forward the next scheduled audit costs.
10. The amount of audit work for this audit will be the same as if it were for a complete year in terms of tests conducted, etc., so cost will be the same.
11. The first audit report will "look different" due to having expenses recorded, but revenues from property taxes not yet accrued.
12. This will balance out in future audits.
13. David Irwin (M & J) is working on our audit report now and should have it to us in the next three weeks.
14. We can make a preliminary response to corrective actions and include them with the report – will have time before they need to be submitted to the state.
15. Not a problem if corrective actions from past audit are still open when the next audit begins.
16. None of the corrective actions should be a problem for Bonnie to fix.

He asked Bonnie to discuss each finding. Bonnie said the findings are all pretty much the same issues – adjustments to funds. All will be adjusted in the final report. Bill Blakey asked questions about why these adjustments were findings. Bonnie said it was because of the management responsibility to oversee the processes.

CHANGE IN THE CITY'S FISCAL YEAR:

John said that we have already covered this issue – the fiscal year will be run from July 1st – June 30th.

Dick Smith provided a schedule for budget hearings since the city will be preparing a budget to match the fiscal year. He encouraged members of the audit committee to be present at each of these budget review meetings.

Tues-June 3, 2008	DPW/Water & Sewer	5:00 to 6:30pm
Wed-June 4, 2008	Police/Fire	5:00 to 6:30pm
Tues-June 10, 2008	Finance/Campground	5:00 to 6:30pm
Wed-June 11, 2008	Non Profits/Plan-Zoning/CM/C-Clerk/Council	5:00 to 7:00pm

Public Hearing on budget meeting. Thursday June 12, 2008 during regular council meeting.

Tentative adoption date for budget June 26, 2008 during regular council meeting

REVIEW – BUDGET TO ACTUAL DETAILED UNAUDITED AS OF April, 2008

Bonnie handed out the unaudited financial statement as of April 30, 2008. She said that generally expenditures are in the range of 33% of budget but there are seasonal expenditures and capital purchases they skew the numbers of some line items. She walked the committee through the exceptions and provided an explanation for each.

Dick Smith announced that GMA would be auditing the Hotel/Motel fund.

John asked Freda to contact Alfie and Sue to ensure that they were aware of the meeting.

The meeting adjourned at 5:05 PM.

Respectfully submitted,

Freda Rutherford, Secretary