

City of TYBEE ISLAND
Audit Committee Meeting
Monday, January 12, 2009
4:00 PM
Room 7 - Old School

MINUTES

Member Attendance: Freda Rutherford, Bill Blakey, Alfie Waite, & Sue Off
Absent: Jim Anderson & John Major
Council Liaison: Dick Smith
Staff: Bonnie Kline

Bill Blakey, vice chair, called the meeting to order at 4:05PM

There was a motion by Sue Off, seconded by Alfie Waite, to approve the minutes from the November 10, 2008 meeting. All approved the minutes as written.

Audit Update:

Bill said that he contacted the auditors last week and that they will start wrapping up the engagement next week. Bill said that he talked to Craig Moye in December regarding when we will receive the final audited statements. No findings were discussed. Bonnie said the Bank of New York confirmation, water & sewer bondholder, has not been received. Bill said he is disappointed that we are 6 ½ months into this audit and that the last one took 8 months. Freda asked if the audit was due in December. Bonnie responded that it was, but the State has not notified us that it is late. Bill said he would have to explain to council why it takes so long to get a report and that he doesn't have a good answer. Sue asked where is the hold-up, with staff or the auditors? Bill reminded the committee that we weren't ready when they arrived in October and they left.

Dick said council wants Bonnie to have the help that she needs. He went on to say that he has identified two new members for the audit committee that have good financial experience.

Bill said that we needed to ensure Bonnie had a strong staff to support her. Dick said council wants Bonnie to have the help that she needs. Dick said council is guilty of asking staff for voluminous information. Sue asked Bonnie how many accounting staff she has? She responded - five. Dick reminded the committee that finance is not Bonnie's only responsibility at town hall.

Bill said the audit committee needs to send the message that we must have the right people in accounting. Sue recommended that Bill carry this message directly to Diane. Dick offered to speak with Diane about this.

Dick said council is trying to get the answer as to why the campground is set up as an enterprise fund. He said the bondholder said that millage needed to be raised 2.4 mills to

cover costs. Freda said her understanding was that it had to be set up as an enterprise fund. She said the auditors made the city change the waste management to a fund. Bonnie said an enterprise fund is to be created when the benefits go to the users. Freda said that the water and sewer fund has never been self-sufficient yet it is an enterprise fund. Dick said the campground is the largest liability that the city has; the debt service is \$550,000. He said he had contacted several time share companies, but none were interested due to the size of the campground and the fact that they would not own it. There is a huge penalty for early repayment of the loan. He said he investigated default, but the county can raise the city's millage rate to pay off the debt. Also, as to water/sewer fund. That should be self sufficient with the new rates. Alfie asked about the revenue. Bonnie said it was \$300,000 for the first 5 months of the fiscal year. Freda asked about the shortfall. Bonnie said it is \$200,000 or about 2% of the city budget. Discussion followed about whether campground revenues are improving. Bonnie said they are not.

Bill said he didn't think the campground qualified as an enterprise fund. Dick said we are not going to be able to rely on the tax digest to bail us out.

Budget vs. Actual:

Bonnie passed out the *Summary of Financial Statements for the 5 Months Ended November 30, 2008*. The committee reviewed the report and asked questions. Most departments seemed to be in line with their budgets.

Enterprise Funds and Debt Constraints:

Bonnie passed out sections of *Article VII Particular Covenants of the City*. She said *Section 5.07 Tax Levy to Make Payments* covers the campground. If you don't cover your expenses in an enterprise fund you need to raise taxes. Dick said Sabrina Cape, Carl Vinson Institute, will be come down to provide technical assistance to the city on financial matters.

Issuing RFP for Next Audit:

Bill said he thought we should be changing auditors. He said he had a draft RFP from John Major that he would review and get to Bonnie. He asked Bonnie to develop a list of potential bidders.

Old Business:

Municode:

Dick said Bubba and Vivian are working on Municode and he doesn't have a report.

New Business:

Consideration for New members:

Dick said two would be coming before council for approval at the next meeting – Sally McClelland and Stephen Bryan. Bill said that, with Jim Anderson's health problems, we

need one more member to meet the minimum requirement of five. Dick said Jim has not submitted his resignation yet. Sue asked that Dick approach John Major about staying for a second term since he is not term limited like she and Freda. Alfie proposed Michael Bart and Bill asked him to get a resume.

Motion by Sue, second by Alfie, to adjourn. The meeting adjourned at 5:15 PM.

Respectfully submitted,

Freda Rutherford, Secretary