

CALLAWAY AUDIT COMMITTEE WORKSHOP
JANUARY 19, 2011
TIME: 6:00 P.M.

Called to order by Chairman Jones at 6:02 P.M.

ROLL CALL – PRESENT: Chairman Jones, Citizens - Harry Johnson, Pam Henderson, Linda Schwartz and Utilities Superintendent Smith

ALSO PRESENT: Angela Balent - O'Sullivan Creel, LLP, City Attorney Beninate and Assistant to the City Manager Hirth

Chairman Jones stated that they would forgo the approval of minutes until later so they could move right into Ms. Balent's portion of the agenda regarding the status of the audit.

Ms. Balent distributed copies of the Power Point presentation entitled "Update on Audit Progress". She stated they are in compliance with the Audit timeline at this time. However, to date, they have not received the AWT (Advanced Wastewater Treatment) audit which has to be incorporated into our City audit. She said that Finance Director Bennett contacted the firm doing that audit on January 13, 2011, and they stated that we should have it by the end of this month. Ms. Balent said they would do their best to meet the February 22, 2011, date for our audit to be presented to the City but it depends on when the AWT audit is received. Ms. Balent informed the Committee that everyone is doing what they have to do regarding the segregation of City Clerk duties between the Finance Director's and City Manager's offices. She commended the City of Callaway for the formation of the Audit Committee and stated that she did not have any other government entities that have one.

Ms. Balent stated that the Power Point presentation is a review of what they have done in their audit field work. She discussed their findings and results in depth using the presentation.

Ms. Balent also discussed the City's request regarding expanded fraud inquiries per the engagement letter. They interviewed Department Heads and some employees such as the Utility Billing Clerks. She used a "negative confirmation" with a random sample. A letter was sent out regarding any fraud that they (random employees) might have noticed. They told the employees that they only needed to respond if they had knowledge of some type of fraud. To date, they have not received any notifications.

Regarding the Accounts Payable/Disbursements, Ms. Balent stated that the disbursement cycle is huge so they did a random sampling. She noted that they found only one exception, which she said was really great considering all the testing they did, and that management is looking into the issue.

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They checked payroll liabilities by checking the Department Heads' payroll cycle from timesheets through to the payroll checks. There were no exceptions found.

There were three Adjusting Journal Entries – correct posting of interest expense (\$16,000) for July debt payment in Water Fund; correct revenue accrual for sales and motor fuel tax in General Fund (\$43,000); and capitalize pumps that had been expensed as repairs (General and Sewer Fund) – (\$26,000). Ms. Balent stated that this was excellent to have that few errors for the number of transactions that were made.

The next item discussed was the Fund Balance Policy which she was asked to assist us in developing/making suggestions for at the last meeting. She explained her sampling of various cities with similar populations but said that a policy should be developed using our specific circumstances. However, she stated that the average policy used 20% (two months) of regular general operating fund revenues or regular General Fund operating expenditures. She said that smaller governments needed to have a larger fund balance because there is not a lot of diversity in revenues – some agencies use next year's budgeted amount and some use transfers out and capital outlay. Attorney Beninate asked if she had a hard time finding examples of policies. Ms. Balent said there were only 15 posted on the FGFOA website.

Chairman Jones inquired about their relationship with our staff/management – did it go well, information produced in a timely manner. Ms. Balent replied that everything went very well. She is currently waiting on some statistical information from Finance Director Bennett. Chairman Jones said that he appreciated her addressing the ramifications of everyone having to pick up extra duties due to the City Clerk issue.

Chairman Jones then asked the Committee members if they had any comments. Mr. Johnson asked Ms. Balent if the workspace they are using is adequate. Ms. Balent responded that it was fine being in the Copy Room – she said they like to be close to the employees for convenience sake if they need something or have questions. Ms. Henderson commented that it was a good presentation. Mr. Smith stated that one of the employees received the fraud letter and questioned him about it. He said that he wasn't sure how to help the employee so he told him to just follow the directions. Ms. Balent said that they usually like to speak to the people to get the feedback directly. Mr. Smith asked if there was anyway to let the employees know what we're looking for regarding fraud. Chairman Jones stated that this would be placed on the next Audit Committee agenda. Mrs. Schwartz asked Ms. Balent for her opinion of the financial software. Ms. Balent stated that they were able to get everything they needed from the software. Mrs. Schwartz said that the current system does not put out a consolidated balance sheet or consolidated financial statement. It puts out a balance sheet but it's layered – not where a person can read it without a calculator. Ms. Balent stated that this is fairly common and that Springbrook is a very good nuts/bolts software. She said that the audit process is the

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only place where a consolidated balance sheet is used and that it's not commonly required for other purposes. She said they have their own software that extrapolates the information that they need after it's downloaded in an electronic version. She also stated that the City is behind upgrades to the system which was a budget decision but said there's nothing wrong with what's there.

Chairman Jones thanked Ms. Balent for the excellent presentation.

The next item of business was approval of the minutes from the Audit Committee meeting on September 29, 2010. Mr. Johnson asked that the Roll Call section be corrected to reflect that his name is Johnson and not Jones. Ms. Henderson made the motion to approve the minutes with the correction. Second by Mrs. Schwartz.

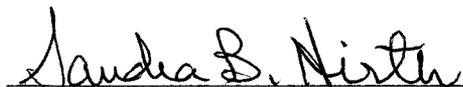
All ayes

Chairman Jones asked if there was any new business to discuss. Mrs. Schwartz asked if we could get the cost to update the Springbrook software. Chairman Jones stated he would look into this request. He asked Ms. Balent when the Audit Committee needs to meet again. Ms. Balent stated that the next meeting should be to review the audit. Chairman Jones said he would set a meeting as soon as he was notified that the audit was ready for review. Mrs. Schwartz asked if having only three adjusting journal entries was unusual. Ms. Balent stated that it was very good! She said it's great to have a CPA as the Finance Director.

The next item of business was a discussion about the Financial Disclosure Forms. Chairman Jones informed the Committee that they would receive one of these forms by U. S. Mail in April/May of each year. It was determined that the forms are mailed out and returned to the Supervisor of Elections office.

Audience participation was next on the agenda. Mr. John J. Malone, 707 Plantation Circle, Callaway, FL – Mr. Malone stated that it was a very good presentation. He spoke about the difference in the balance sheets between the Airport and the City. He asked if the Auditor intended to make a comment about the financial statements that the Commission receives. Ms. Balent stated "no". She said they try to give helpful hints but this being their first year they had not thought of making suggestions at this time.

There being no further business, Ms Henderson moved to adjourn the meeting at 6:45 P.M.


Sandra B. Hirth
Assistant to the City Manager