

**CALLAWAY BOARD OF COMMISSIONERS
WORKSHOP MEETING
March 8, 2012
5:30 P.M.
CALLAWAY ARTS & CONFERENCE CENTER
500 CALLAWAY PARK WAY
CALLAWAY, FL 32404
(850) 871-6000**

Commissioner Mike T. Jones

Pamn Henderson
Doug Smith

Harry Johnson
Linda Schwartz

NOTICE OF MEETING

AUDIT COMMITTEE MEETING

Thursday, March 8, 2012 – 5:30 p.m.

AGENDA

CALL TO ORDER

ROLL CALL

APPROVAL OF MINUTES – September 22, 2012

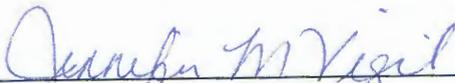
BUSINESS ITEMS

- #1. Auditor's Presentation – FY11 Auditor's Report

PUBLIC PARTICIPATION

Comments limited to three minutes.

ANNOUNCEMENTS



Jennifer M. Vigil, City Clerk

If a person decides to appeal any decision made by the City Commission with respect to any matter considered at the meeting, if an appeal is available, such person will need a record of the proceeding and such person may need to ensure that a verbatim record of the proceeding is made, which record includes the testimony and evidence upon which the appeal is to be based. Any person requiring a special accommodation at this meeting because of a disability or physical impairment should contact Jennifer M. Vigil, the Callaway City Clerk, at 6601 E. Highway 22, Callaway, Florida 32404; or by phone at (850)871-6000, at least five days prior to meeting.

If you are hearing or speech impaired, and you possess TDD equipment, you may contact the City Clerk using the Florida Dual Party Relay System, which can be reached at 1-800-955-8770 (Voice) or 1-800-955-7661 (TDD).

CALLAWAY AUDIT COMMITTEE WORKSHOP
SEPTEMBER 22, 2011
TIME: 6:00 P.M.

Called to order by Chairman Mike Jones at 6:00 P.M.

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

ALSO PRESENT: Angela Balent, Richard Martin, City Clerk Jennifer Vigil, and Nancy Rowell.

BUSINESS ITEM #1 – Overview of Audit Procedures and Accounting Standards

Chairman Jones introduced Angela Balent and Richard Martin, from O’Sullivan Creel LLP, to make a presentation regarding the upcoming audit process for FY11.

Linda Schwartz inquired as to the status of the AWT audit and the timeliness of its submittal. Angela Balent stated that Alice Bennett had been in contact with Carr, Riggs and Ingrahm (Gainesville branch) staff responsible for the AWT audit and that a timeline had been emailed to Alice.

Angela Balent presented information and a timeline for the upcoming City of Callaway audit, stating that preliminary work had been completed in July, field work would begin in November, and the anticipated presentation to the Audit Committee would be in February 2012. A summary copy of the full engagement letter was provided to the members of the Audit Committee. New accounting and auditing standards for GASB 54 and GASB 61 were discussed along with some terminology changes. In response to Chairman Jones request for a glossary of terms, Angela Balent stated that she would email a copy of a Moody’s article. Angela Balent will specifically be looking into how GASB 54 and GASB 61 will impact AWT debt reporting.

Angela Balent polled the members of the audit committee regarding a suggested ethics training course for management and supervisor level employees. Conversation ensued regarding the method of delivery and which employees should attend and when to schedule the training. Angela Balent stated the ethics presentation would need to be tailored for the City of Callaway, that the example provided was for a different municipality.

Lastly, there was discussion about how to determine the target unreserved net assets; an exact dollar value, or an estimated amount to cover a specified period of time (ex. 4 months of operating costs).

Chairman Jones thanks Angela Balent and Martin Richard for making the presentation.

There were no questions from the members of the Audit Committee.

APPROVAL OF MINUTES

Linda Schwartz moved to approve the Amended Minutes of the April 5, 2011 Audit Committee Workshop. The motion was seconded by Pam Henderson. The motion passed unanimously.

COMMITTEE MEMBER COMMENTS

Chairman Jones requested a summary of talking points from this meeting be provided to him before the Regular Commission meeting on September 27, 2011 so that he can report to the rest of the Commission.

Linda Schwartz asked for clarification about the letter / questionnaire provided by Angela Balent. Specifically, asking how to respond if she were unaware of the current internal control measures.

Pam Henderson spoke about the value of educating the Audit Committee members regarding the internal control measures at the City.

Chairman Jones asked if Pam Henderson and Linda Schwartz would be volunteering to review the policy manuals for the City.

Harry Johnson suggested that the Audit Committee as a whole review the policy manuals for the City and tackle one at a time, beginning with the Purchasing Manual, with a goal of reviewing one manual every six weeks.

Chairman Jones asked staff to provide copies of the Purchasing Manual to all members of the Audit Committee for review.

There being no further business, Chairman Jones moved to adjourn the meeting at 7:25 P.M.

Jennifer M. Vigil
City Clerk

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O'SULLIVAN CREEL

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Mayor and Board of City Commissioners
Audit Committee
City of Callaway, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida (the City) for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2011. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1-E to the financial statements, the City of Callaway, Florida adopted Statement of Governmental Accounting Standards No. 54, *Fund Balance Reporting and Governmental Fun Type Definitions*, in 2011. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates significant to the financial noted.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was disclosure related to the investments in the Florida Small Business Administration Pooled Cash Fund B. The funds in that account are currently frozen by the State and are liquidated periodically when the underlying investments of the pool mature. Pool B assets consist of those that are either in default on a payment, have paid more slowly than expected, and/or have significant credit risk. The balance of shares owned by the City in the Pool as of September 30, 2011, was \$304,436.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Mayor and Board of City Commissioners
Audit Committee
City of Callaway, Florida

Significant Audit Findings (Continued)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 9, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of City Commissioners, Audit Committee and management of the City of Callaway, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

Warren Averett, LLC
February 9, 2012