

Minutes of the
CITY COMMISSION WORKSHOP
CITY OF EUSTIS, FLORIDA
March 15, 2007 at 6:02 p.m.

THIS WORKSHOP OF THE EUSTIS CITY COMMISSION WAS HELD AT 10 NORTH GROVE STREET, EUSTIS WITH MAYOR JAMES T. ROTELLA PRESIDING.

Mayor Rotella acknowledged a quorum was present with Commissioner Hale, Commissioner LeHeup-Smith and Vice-Mayor Smith seated and confirmed proper notice had been given.

OTHERS PRESENT:

Steve Benetz, Senior Director Leisure Services/Library
John Futch, Director of Public Works
Jim Myers, Acting City Manager/City Clerk
Judy Roberts, Deputy City Clerk

Mike Sheppard, Acting Finance Director
Lewis Stone, City Attorney
Karen White, Recording Secretary

Order of Business
REVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2006

I. Review of the report

Mr. Sheppard introduced Mark White and Lisa Siefert of Purvis Gray & Company and stated that they will give an overview of the report and answer any questions the Commission may have.

Mr. White stated that the report given to the Commissioners, although in a draft form, is complete with the exception of some possible minor edits. He referred to the Table of Contents on Page iii of the Comprehensive Annual Financial Report and explained how the report is organized. The report will be submitted to the Government Finance Officers Association (GFOA) after it has been approved by the Commission.

6:05 p.m. - Commissioner Ales arrived.

Commissioner Ales made the statement that the report is not an audit of numbers, but a procedural audit and a confirmation that the Staff is carrying out procedures as regulated by the State.

Mr. White responded that the report is a combination of procedures and numbers, but that the primary purpose is to express an opinion on the numbers. He referred to the Independent Auditors' Report on Page 1 which states: 1) that the City's financial statements as of and for the year ended September 30, 2006 have been audited; 2) that the audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*; 3) that the opinion of Purvis Gray & Company is that the financial statements are presented fairly in accordance with generally accepted accounting principles; and 4) that when conducting an audit in accordance with *Government Auditing Standards*, a review of internal control over financial reporting and a test of compliance with certain provisions of laws, regulations, contracts and grant agreements is required. He referred to Page 110 that states there are no reportable conditions for internal control or material weaknesses. The Management Letter gives recommendations about improvements and upcoming new accounting standards.

6:12 p.m. - Mr. Stone arrived.

Mayor Rotella referred to the first paragraph on Page 2 and asked about the phrase "we did not audit the information and express no opinion on it."

Mr. White explained that the comment is speaking to the Management's Discussion and Analysis and Budgetary Comparison Schedules and that everything else is included under the opinion. Those items are considered required supplementary information. Auditors are required to read and review them, but not to audit and express an opinion on them. Financial statements located in front of the notes are considered to be the basic financial statements. The primary opinion is about those statements. Information located after the notes is supplementary information. On Pages 3-15, the Management's Discussion and Analysis is a summary and analysis of the activities and balances, prepared by City management. He encouraged the Commissioners to read through it. The Statement of Net Assets on Page 17 does not include the Police Pension Fund or the Firefighters Pension Fund because they are fiduciary funds and not available for appropriation. All Capital Assets and Long-term Debt are included in Governmental Funds. Capital Assets are recorded at depreciated cost and Investments are adjusted to market value.

Commissioner Ales asked if there are values attributed to infrastructure.

Mr. White explained that infrastructure values can be found on Page 50.

Commissioner Ales confirmed that the \$12.2 million unrestricted funds are liquid and asked if they could be used for the General Fund.

Mr. White explained that approximately \$7 million is in Governmental Activities and approximately \$5 million is in Business-type Activities. "Unrestricted" means that there is no legal restriction upon it, but they could be obligated.

Mr. Myers noted that the Statement does not take into consideration the \$5.8 million in carryover from last year for uncompleted projects or projects budgeted but not begun. Of the approximate \$12.2 million unrestricted funds, \$5.8 million is obligated.

Mr. White referred to the All Governmental Funds Balance Sheet on Pages 20-21. This balance sheet shows what is available to fund a budget. The Combining Balance Sheet on Pages 73-74 shows the breakdown of funds shown under Other Governmental Funds on Page 21 and Page 24 shows that each Governmental Fund has revenues in excess of expenditures and transfers in and out. The Water and Sewer System Fund is shown on Pages 28-29.

Commissioner Ales asked about the Sinking Fund on Page 28.

Mr. White explained that the Sinking Fund is established for the protection of the bond holders. The City makes an interest payment every six (6) months and an annual principal payment on the Long-term Debt. Each month the City is required to transfer one-twelfth of the principal payment and one-sixth of the interest payment into the Sinking Fund. The Income Statement for the Water and Sewer System is shown on Page 31. He referred to Income Before Operating Transfers and explained that the figure is unrestricted operating net income. Capital Contributions include impact fees as well as infrastructure. When a developer donates the infrastructure and utilities to the City, assets and revenues are recorded under Capital Contributions.

Commissioner Ales questioned if there are specific funds that cannot be transferred out.

Mr. White explained that the majority of the \$1.188 million shown on Page 31 transferred to the General Fund. Once funds have been set aside for the Sinking Fund and other bond related funds, the funds can typically be used for any legal purpose. Utility funds are capital intensive. Although funds can be transferred from the Water and Sewer System Fund, reserves must be retained in the Water and Sewer System Fund for future operations and projects.

Commissioner Ales confirmed that the revenue figure includes the Eastern Water and Wastewater Plant.

Mr. White pointed out that the Pension Funds listed on Pages 34-35 are aggregated and are shown separately on Page 57. He referred to the Management Letter on Pages 113-114 and stated that the italicized sections are from the *Rules of the Auditor General* that require addressing certain items and giving a report about them. Management Letter Comments on Pages 115-116 are separate comments from the Internal Control and Compliance Report. He referred to the Governmental Accounting Standards Board (GASB) Statement No. 45 to be implemented in 2009. It requires the City to record a significant liability for health insurance benefits provided by the City to retirees. It is recommended that between now and 2009, the City engage an actuary to calculate an actuarial liability to include the work force as well as retirees. Because the Auditor General has increased its attention to Community Redevelopment Agencies (CRA's), CRA funds are now listed as a Major Fund rather than grouped with Nonmajor Funds. The final comment is in regard to grant administration and the need for centralization of accounting. Currently there are three (3) areas involved: the accounting department; the department that administers the grant; and the multiplicity of grantor agencies, each with their own requirements. It is recommended that someone be designated in the accounting department to be responsible for overseeing all the grant accounting.

Mayor Rotella confirmed that Mr. White and Ms. Seifert will attend the City Commission Meeting following this workshop and be available to answer any questions the Commissioners may have.

ADJOURNMENT: 6:57 p.m.



Judy Roberts, CMC
City Clerk



James Rotella
Mayor/Commissioner