

**Audit Review Committee
Meeting Minutes
July 26, 2007**

The Bethany Beach Audit Review Committee held a meeting on Thursday, July 26, 2007, in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Lew Killmer, and Chuck Peterson.

Also present: Herb Geary & Roy Geiser from Trice, Geary & Myers, LLC; Janet Connery, Finance Department; JoAnna Nichols, Administrative Secretary; and interested members of the public.

Call to Order

Mr. Doyle called the meeting to order at 10:05 a.m.

Approval of the Agenda

Mr. Doyle made a motion to approve the agenda and the motion was unanimously approved.

Address two questions outstanding from last meeting

Mr. Doyle opened the meeting by answering questions previously posed at the last meeting.

The answer to the first question is yes, the audit committee does have executive session rights. Having confirmed this with the town attorney, he stated that if the committee otherwise considered a governing body had a specific reason to go into executive session, for example, legal issues or personnel matters, etc., than that was permitted.

The second question was the review of contracts by the town attorney. Mr. Doyle stated that due to time restrictions, the attorney only reviews contracts when they are specific concerns. Town staff review all contracts and any that are for \$10,000 or more are approved by the Town Council.

Mr. Mulligan said his question was more related to the internal controls surrounding contracts and approval of purchases.

Mr. Doyle said that in all actuality, this is where you need to be able to rely on your staff, however having an outstanding Town Manager to oversee things is comforting. Ms. Connery added that there are written procedures for the purchasing process including the submission of PO's and what signatures are required.

Mr. Mulligan was satisfied.

Trice, Geary & Myers, LLC - Report for this year's audit of the Town's financial statements

Mr. Geary informed committee members that although he has read through this financial report five or more times, he came across a few more grammatical errors.

Referencing the Statement of New Assets on page 16, Mr. Geary stated that the Town's Current Ratio of five to one was extremely health. In addition, the Debt to Equity Ratio using the figures from the Balance Sheet on page 18 is very good. The Town's fund balance is roughly equal to its cash and investments, which results in a very healthy Balance Sheet. He said that other towns would love to have these numbers. Mr. Geary then complimented the town's staff for seeing that the transfer tax revenue would end the year significantly under budget early enough to make the cuts that were necessary. Mr. Geary noted that this was impressive.

Referencing the Income and Expense Detail report on the Water Fund on page 45, Mr. Geary said that the town comes close to breaking even on water services even when depreciation expense is included. Not only was this a safe decision but also an intelligent one. He noted that the water department's cash has increased by \$131,000 in the past year. He said that most utilities like this are financed through debt for large projects and that our town loans will be paid off in 2009 and 2015.

Overall, Mr. Geary said he gave the town his "Unqualified Opinion" which is the highest mark an auditing firm can give. The town has a very sound accounting system and is financially in great shape.

Mr. Geary then referred to the letter dated June 15, 2007 sent to the town, which explained the eight things this auditing firm is responsible for and will provide. They are as follows:

1. Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards
2. Significant Accounting Policies
3. Accounting Estimates
4. Audit Adjustments
5. Disagreements with Management
6. Consultations with Other Independent Accountants
7. Issues Discussed Prior to Retention of Independent Auditors
8. Difficulties Encountered in Performing the Audit

Mr. Geary said that the Town was more than satisfactory in all areas.

Next, Mr. Geary handed the committee members copies of a collection of information on internal controls with samples of questionnaires that his firm uses to evaluate the control system being used by governments they audit. He went over some example questions found on the survey. He stated this should be read over by all committee members but specifically the internal controls auditor, Mr. Rossi.

He encouraged Mr. Rossi to use the information and questionnaires to decide what he would test in his internal audit work. Some testing should be done at least quarterly but some would only need to be done annually.

Questions/comments by Audit Committee

Mr. Doyle asked committee members to review and attempt to answer the survey. He stated that responses to these could be discussed at a future meeting.

Mr. Killmer asked if him not serving as a Town Council member after September would make a difference in serving on this committee. Mr. Doyle in agreement with Mr. Dorfman and Mr. Peterson said that was irrelevant but he will double-check with the Mayor. If necessary, Mr. Doyle said he would get another council member to join.

Decision as to new year's outside audit firm

Mr. Doyle stated that this was the last year of the three-year agreement with this audit firm. It was unanimous that committee members wanted Trice, Geary & Myers, LLC to continue auditing the town.

Speaking for the firm and himself, Mr. Geary gladly accepted.

Schedule date for next Audit Committee meeting

Committee members agreed that the next meeting would be in October, however, no specific date was chosen at this time.

The meeting was adjourned at 11:30 a.m.

Respectfully submitted:

JoAnna Nichols
Administrative Secretary