

**Audit Committee
Meeting Minutes
May 7, 2009**

The Bethany Beach Audit Committee held a meeting on Thursday, May 7, 2009, at 10:00 am in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Jerry Dorfman; Chuck Peterson, Also present: Chris Hall and Roy Geiser with the auditing firm Trice, Geary & Myers; Tony McClenny, Mayor; Lew Killmer and Joe Healy, Town Council Members; and Phil Rossi, Internal Auditor.

Cliff Graviat, Town Manager; Ms. Connery, Finance Director; and Joanna Nichols, Administrative Secretary.

Call to Order

Mr. Doyle called the meeting to order at 10:00 a.m.

Approval of the Agenda

Mr. Peterson made a motion to approve the agenda. Mr. Dorfman seconded the motion and it was unanimously approved.

Approval of the minutes from the February 5, 2009 meeting

Mr. Peterson made a motion to approve the minutes as amended. Mr. Dorfman seconded the motion and it was unanimously approved.

Report by accounting firm Trice, Geary & Myers LLC as to the scope of this year's audit
Chris Hall, who is filling in for Herb Geary applauded how efficient our internal checks and balances are handled. He added that Ms. Connery has done a wonderful job and there have been no real changes from the prior year.

Mr. Doyle, referring to the last meeting, asked whether or not the GASB standards would be requiring a higher level of review and would the fee would be higher.

Ms. Connery addressed that and believed he was referring to the changes that were put into effect last year. Last year required more time reviewing policies and internal controls in depth. Actually the fee is lower than last year. Mr. Hall added the risk base standards were new last year basically meaning documentation of controls needed to be redone from scratch. This would need to be done every three years as a safety measure.

Mr. Doyle further stated he appreciates what Phil Rossi is doing as our internal auditor.

Mr. Hall said once the audit is complete, Ms. Connery will receive a copy and will then review the numbers and add the management discussion and analysis (MD&A). Draft statements should be ready for committee review in mid-June.

Review agreements made with employees in exchange for waiver of post employment health care benefit and discuss proper accounting treatment and disclosure in Town's financial statements.

Mr. Doyle made the introduction and the subject of Mr. Healy's memo recently sent to Town Council and committee members on the need for documentation to be done correctly. Mr. Healy was making this reference in light of how poorly documentation was done in the 1990's.

Ms. Connery then gave a brief overview of the issue including:

- The history of the benefit.
- Agreements with the eight current employees to waive the benefit in exchange for a combination of 100% prior year service purchase into the State of DE plan and/or cash payments.
- Payment to the State of DE is being treated the same as we treated the original 35% buy-in, as debt service payments. The liability has been booked.
- Payments direct to employees are budgeted and will be expenses as they are made. The liability has been booked.
- Employees that have already retired and started collecting this benefit will continue to do so. Estimated at \$300,000 calculated by projecting the cost using life expectancy data. This is subject to GASB 45, which we will implement for FY 2010.

Mr. Hall indicated he has reviewed this information and agrees with the Town's plan.

Mr. Healy said he thinks the payments to the State of DE and direct to employees should be treated as subject to GASB 45, but Mr. Hall disagreed. He said the standard is very clear that transactions such as these should not be treated under GASB 45. He was firm on this fact and that we are handling the accounting correctly.

Mr. Healy pushed for implementing GASB 45 in our FY 2009 statements as he feels it is important for transparency to book the entire liability.

A suggestion was made to include in a footnote this year that the standard will be implemented in FY 2010 and we estimate our total liability at approximately \$300,000.

After further discussion, Mr. Healy still wanted to implement this in FY 2009. The auditor, Town Manager and Ms. Connery supported implementing when it was required, 2010. The Audit Committee supported implementing this in 2010 but adding the footnote disclosure this year.

Mr. Doyle asked Ms. Connery to prepare documentation for the next Audit Committee meeting to include the situation, lawyer's opinion and summary of the action taken.

Questions/Comments or any other matters

Mr. Healy mentioned that he would like to see more complete financial statements quarterly, preferably monthly, including the balance sheet reconciled to a profit & loss statement. Ms. Connery showed Mr. Hall the monthly reports currently issued and explained to the committee that these reports focus on comparing budget to actual results.

Mr. Hall agreed with the way our monthly reports are done, however, Ms. Connery added that changes can be implemented if approved by the Council.

Moving on to the internal auditor, Mr. Rossi reported that all changes discussed at the last meeting have been made and the checklist has been completed.

Mr. Peterson suggested updating the checklist as it is two years old. The committee agreed to review at a future meeting.

Motion to adjourn

No date was set for the next meeting. Mr. Peterson made a motion to adjourn the meeting. Jerry Dorfman seconded the motion and it was unanimously approved. The meeting was adjourned at 10:57 a.m.