

CITY OF ARCHER
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SPECIAL COMMISSION MEETING MINUTES
Monday, June 27, 2016 Time: 6:00 PM

MINUTES, WHICH ARE PUBLIC RECORD, ARE NOTES TAKEN TO PROVIDE A SUMMARY MEMORANDUM OF MEETINGS OR HEARINGS AND CONTAIN ALL OFFICIAL ACTIONS TAKEN. MINUTES ARE NOT INTENDED TO BE A WORD-FOR-WORD OR VERBATIM TRANSCRIPTION OF THE MEETING.

CALL TO ORDER:	Mayor Corey Harris
PRAYER:	Commissioner Michelle Harris
LEADING THE PLEDGE OF ALLEGIANCE:	Mayor Corey Harris
Quorum Present:	
Mayor	Corey Harris
Vice Mayor	Susan Drawdy
Commissioners	Fletcher Hope Joan White Michelle Harris
Staff:	
City Manager	Zeriah K. Folston
Assistant City Attorney	Courtney Johnson
Minutes Recorder	Mary T. Flickinger

I. PUBLIC HEARING

A. Presentation of the 2015 Audit Report by Powell & Jones.

City Manager Folston stated that Mr. Richard Powell is here tonight to present the 2015 Audit Report. The report for 2015 also includes a portion of 2014. As a result of these findings, the City will be issuing an updated tentative budget.

Mr. Powell stated that the 2015 Audit has been conducted in accordance with applicable auditing standards and has been reviewed extensively with staff. Mr. Powell stated that tonight is the formal presentation and he has selected the following pertinent pages to present before the Commission:

Pages 17-18: Governmental Fund Balance Sheet

Mr. Powell stated that the total assets at the end of the year were \$657,317, total liabilities \$220,684. The unassigned cash balance of \$430,132 is the unrestricted cash reserve of the city, which is a good reserve level. The Statement of Revenues, Expenditures and Changes in fund Balance shows the revenues for the year were \$661,311, total expenditures \$612,584. In this year, the City increased the fund balance by \$49,635. The General Fund had a successful year and adequate reserves at this point in time.

Page 20-21: Proprietary Funds, Statement of Revenues, Expenses and Changes of Net Position

The total assets are substantial at \$2,628.803, the current assets \$596,972 are the liquid, spendable, assets which are used for operations. Mr. Powell stated that we always look at the relationship between current assets and current liabilities and you should always have two to three times as much current assets. In this instance, the City has a little over four times as much, making the city well positioned in this fund. The operating revenues totaled \$331.49, the operating expenses were \$432,157, and in this year there was an excess expense over revenue of \$100,308. Of that \$100,308 about \$29,000 was depreciation, but the City still spent approximately seventy-thousand more than it brought in. Research showed that there was a line repair cost of almost \$50,000, but the City still has an adequate reserve for this year.

Page 22: Statement of Cash Flows

The net decrease in cash of \$296,691 was partly because of a two hundred-thousand-dollar loan to the general fund. The City still had about one-hundred-thousand-dollars in reduction of cash which is a reflection of spending more than was bought in during the year.

Page 35: Note 6 – Table of Capital Assets

Mr. Powell stated that the table is arranged into the Governmental Funds, General Fund and the Enterprise Fund. The ending balance of the Governmental assets at cost was \$2,648,576, accumulated depreciation was \$1,172,038, capital net assets \$1,476,583. These capital assets have been used up by approximately one point two million dollars and these assets are about 40% depreciated. For small cities, the average number is approximately 30-35%. Under the Enterprise assets, total \$2,668,271, accumulated depreciation is \$688,705. When the land purchase is subtracted, these assets are about 30% used up, which is about average. In the General Fund table, the total debt was \$134,930, primarily consisting of the loan on the Old Fire Station. In the Enterprise Fund there is only the SRF Loan that paid for the engineering and will begin amortizing next year.

Mr. Powell stated that financially, the City had a successful year and is better off in the General Fund by approximately \$50,000 and the City has good reserves. The City decreased the reserves in the Enterprise Fund but at the end of the year still had adequate reserves. This is not alarming, unless it were to continue each year.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and other matters based on an audit of Financial Statements performed in Accordance with Government Auditing Standards.

Mr. Powell stated that these procedures go beyond financial issues and include internal control, compliance with various laws and regulations, and policies and procedures of the city. The one finding that has been in the report for a few years is that our office prepared the report because the city does not have a professional accountant to provide this service. The City’s response, found on page 49, states that the City is small and there are no current funds for this service. This is a common finding in all small cities.

Management Letter

Prepared in accordance with rules of the Auditor General and addresses issues that are not necessary material to the financial statements but areas that we wish the City to be aware of, as noted in our findings. The Auditor General also completed an operational audit of the City of Archer and issued their report that contained 14 findings and recommendations to which the city provided a response. The findings were as follows:

PRIOR YEAR FINDINGS

Finding 2012-1: Employee Leave Records

Leave records were recorded on a manual basis. This has resulted in inaccurate leave balances at year end, and incorrect payments for unused annual and sick leave. Recommending the City re-compute the employee leave balances for the ensuing year, using the adjusted leave balances at September 30, 2015 from our audit. City Manager Folston stated that this matter has been addressed. The records are currently being calculated in Excel. A new software program would be recommended to rule out human error as well as the accountant to oversee and verify the records.

Finding 2014-1: Utility Billing

Multiple errors were found, both human and equipment, which reflected unreasonably high water usage. They have been corrected manually but it distorts the computer listing of the amounts owed the city. Recommendation: The City perform a reasonable test on the monthly utility billings and verify all out-of-range billings and take corrective action. City Manager Folston recommended an accountant come in once a month to deal with these issues.

Finding 2014-2: Accounts Payable

It was found that invoices were recorded in the general ledger on the date received instead of the invoiced date. This creates timing difference, which is significant at the end of the year.

Recommendation: A procedure should be established to ensure that accounts payable invoices are recorded in the time correct time periods.

Finding 2014-3: Credit Cards

For every charge on a credit card there should be an original receipt that can be reconciled at the end of the month with the statement. In the current year, it was found that \$8,935 in credit card charges were not supported by original receipts.

Recommendation: Original receipts be retained to support all credit card charges and monthly statements be approved prior to payment.

Finding 2014-4: Fuel Purchases

It was found that the original receipts for fuel purchases, totaling \$2,760 in the current year and \$2,000 in the prior year, were not retained in the files.

Recommendation: More precise procedures for tracking be enacted.

City Manager Folston stated that this has been addressed in the prior policies and procedures that were presented. City Manager Folston clarified that many of these issues occurred with past employees who are no longer with the city.

Finding 2014-5: budget Administration

The City enacts the budget at the beginning of the year, but things change and things happen. In prior and current years, it was found that the expenditures for many line items exceeded the budgeted amounts.

Recommendation: The key is not over-expend line items and the budget should be monitored and amended, if necessary.

CURRENT YEAR FINDINGS**Finding 2015-1: Employee Advances**

It was found that one employee received an advance of \$500, which was repaid during the year. Florida Law prohibits such advances. The employee is no longer with the City.

Finding 2015-2: Travel Reimbursements

The Florida Statutes state that if there is no formal travel policy, then you must comply with the Florida State rates. The audit found instances where the former City Manager was reimbursed travel at \$0.56 per mile instead of the authorized State of Florida rate of \$0.445, resulting in a \$56.32 reimbursement.

Finding 2015-3: Contractual Services

The City spent approximately \$19,630 in contractual services for an Events Coordinator that did not have a written contract authorized by the Commission.

Recommendation: All future contractual arrangements must be formalized by written contract.

Finding 2015-4 Petty Cash

The audit of petty cash expenditures showed several instances of reimbursement to the former Assistant City Manager that were not supported with adequate documentation stating the purpose of disbursement.

Recommendation: Petty cash disbursements should be documented and approved, as per City standards.

City Manager Folston stated that this item has been resolved with new policies, procedures and forms have been instituted.

Finding 2015-5: Overtime Pay

City policies state that employees are not to be paid overtime if the overtime was created by being on vacation or sick leave. Instances were found where the leave taken was included in such calculations resulting in approximately a \$175 in excess payments to employees. It was found that the former Assistant City Manager received \$3,654 in overtime pay, when the policy states that management should not receive overtime. City Manager Folston stated that this issue has been resolved, noting that he cannot take overtime hours because he is a salaried employee and all other employees are hourly employees.

Finding 2015-6: Inventory

The audit found that a physical count and computation was not made of the City's inventory of Public Works at the end of the year. This is needed for accurate preparation of financial statements.

Finding 2015-7: Bank Reconciliations

Properly prepared bank reconciliation is the basic foundation of accurate financial records because this is where you would find deposits that were not recorded, outstanding checks, etc. Throughout the year there were inaccurate bank reconciliations in a number of ways that caused the records to be out of balance at the end of the year. The City should have an accurate bank reconciliation each month. City Manager Folston stated that there are several accounts that need to be reconciled, another area where bringing in the accountant will help the city as well as new software.

Finding 2015-8: Purchasing Policy violations

Policy states that the City Manager may approve up to \$2,500. Purchases between \$2,500 and \$7,500 require five quotes to be voted on by the Commission. Purchases over \$7,500 are to be competitively bid. Exception for the bid process include emergency situations, but it will still require the Commission a vote of four-fifths on the waiver of the bid process. The audit found two instances of purchases that were made in an emergency situation, but the Commission was not made aware of the purchases or the nature of the situation as evidenced by the Commission meeting minutes. One check was in the amount of \$25,843.10 and the other in the amount of \$21,225.00. It possibly occurred when people knew and agreed but the procedure was not bought forward and documented as being approved. City Manager Folston stated that 5 quotes are difficult to get at times and stated that a recommendation will be made to the Commission to possibly go down to 3 quotes.

Finding 2015-9: Customer Deposits:

It was found that a total of customer deposits in the general ledger does not agree with the customer deposit totals in the water system report. Over time, when people closed out their utilities the deposit might not have been removed, creating an inaccurate list of customer deposits. Recommendations: This difference should be investigated and reconciled to reflect accurate deposits. City Manager Folston stated that we need our accountant to back into every single account to make sure that everyone paid a deposit, noting that the deposit amount over the years has changed.

Finding 2015-10: Payment of Sick Leave to City Manager

The Auditor General found that \$2,938 was paid incorrectly to the former City Manager for unused sick leave. This is contrary to city policies. It was also found that the former City Manager received \$2,325 in vacation leave in excess of his total recorded balance resulting in an apparent overpayment of \$5,263.00.

City Manager Folston stated that the Commission must decide if this matter should be referred to our attorneys. City Manager Folston stated that he would like to call the former City Manager first about resolving the situation. If this does not work out, the matter should be referred to our attorneys for resolution. City Manager Folston stated that when a manager is leaving, those types of payouts should come before the Commission to make a decision, this way it will be out in the open. Assistant City Attorney Johnson stated that this should be addressed in a personnel policy.

Mr. Powell stated that the annual report has been filed electronically with the accompanying financial statements of the City of Archer. Mr. Powell stated that Powell & Jones looks forward to working with the City in the future to ensure continued fiscal progress of the City's operations.

PUBLIC COMMENT:

Roberta Lopez, Laurie Costello, Roberta Lopez, Laurie Costello.

II. CITIZEN PARTICIPATION

Kipolin Poyry, Sara Brannon, Roberta Lopez, Laurie Costello, Roberta Lopez, Gabe Green, Frank Lopez.

City Manager Folston stated that the State Auditor General will be here on July 19, 2016, to speak before the City on their findings. City Manager Folston reminded the Commission that this Wednesday night we have a Commission meeting to discuss big ticket budget items such as Laurel Hill, Wilson Robinson, storm water and other items.

III. ADJOURNMENT.

MOTION

Commissioner White moved to adjourn the meeting.

Vice Mayor Drawdy seconded the motion

PUBLIC COMMENT:

MOTION CARRIED 5-0. Time: 8:07 pm.



Mayor, Corey Harris



City Manager, Zeria K. Folston