

**City of Cayce
Special Council Meeting
January 18, 2011**

A Special Council Meeting was held this evening at 5:40 p.m. in Council Chambers. Those present included Mayor Elise Partin, Councilmen Steve Isom, James Jenkins, Kenneth Jumper, Tim James, City Manager Rebecca Rhodes, Municipal Clerk, Tammy Barkley, Municipal Treasurer, Garry Huddle. City Attorney, Danny Crowe and City Auditors, Robert Milhous and Jamie Michaelson, Frank Robinson Director of Utilities and Garry Hubbard Superintendent of Plants were also in attendance. Mayor Partin advised that members of the press and the public were duly notified of the meeting in accordance with the FOIA.

Mayor Partin opened the meeting and Councilmember Jumper gave the invocation. Mayor Partin led everyone in the Pledge of Allegiance.

Presentation

- A. Presentation by City Auditor, Mr. Robert Milhous of the FY09-10 Comprehensive Annual Financial Report

Mr. Robert Milhous appeared before Council to review the FY 2009-2010 Comprehensive Annual Financial Report (CAFR) as prepared by Mr. Milhous and his associates. He distributed his letter to Council stating that the CAFR process ran smoothly and results produced a positive report on both the General and Utility funds. He stated that his opinion in the CAFR is unqualified, which is the highest rating given. Mr. Milhous stated that his presentation would include a review of the highlights of the report. He noted that within the Table of Contents the report is broken down in three broad categories. He stated that the third section under the financials is a section required by the Government Accounting Standards Board (GASB).

Mr. Milhous reviewed the financial section with Council. He then reviewed the statistical section. Overall, Mr. Milhous stated that the integrity of the city's financial records is sound and that as previously stated; the CAFR report is an unqualified report (there are no exceptions, internal control problems, or discrepancies with the audit).

Mayor Partin inquired as to the deficit in the General Fund and whether it was due to paying out of annual and sick leave to employees who retired. Mr. Milhous stated that was partially correct and provided detailed information as to why and stated that the majority of the deficit had to do with the pay out to retirees. He stated that drilling down further into the city's expenditures, \$165,000 was for the occurrences in General Fund and some hit the Utility fund.

Mr. Milhous stated that the CAFR is a useful tool throughout the year and that he would be glad to answer any questions Council has regarding this document. Mayor Partin inquired if the number of residents is included in the report in that same time period. Mr. Milhous referred Council to page 99 which includes Census estimates. Mayor Partin asked for an explanation of legal debt margin information. Mr. Milhous advised that this is dealing with the City's general obligation bond capacity and that the amount of general obligation bonds that Cayce is able to issue based on last fiscal year is \$3.35 million. He stated that the City has not had any outstanding GO bonds since 2002.

Mr. Milhous stated that the other area of the audit which was authorized by Council by ordinance in January, 2010 was regarding the review of procedures regarding Council's expenses for the fiscal year and Council has been provided that document in the packet. He stated that the City expenditures regarding Council and staff as a whole, expenditures did not have any regulations. He stated that there were no written procedures on how Council expenses and City employees' expenses are reimbursed. He stated that his staff inquired about prior historical practice and observed how reimbursements were handled as directed under the Ordinance. He stated that the summary of findings is on page 2 and had attached a couple of schedules. He stated that primarily there were a couple of math errors and those have been outlined in item 2. He stated that the direct pays were also identified and information on business use and purpose of the expenditure were reviewed. He stated that generally documentation for the business purpose is a needed item as to what the meal was paid for, was it part of a convention, did it include guests and if so, who were they. He stated that like any type of business, documentation is really good practice to support reimbursements. He pointed out the information that is need on the table on the last page of his report. He stated that this is the first year he had been asked to provide this information at this level of detail, and that he has provided the criteria of what is needed as appropriate documentation required for good or best practices. He stated that the Ordinance asked that the audit review reimbursements to see they were compliant with the Ordinance. He stated that he tried to dissect expenses on the table as to what happened prior to January 5, 2010 and what happened after that date. He stated that since he was looking for the supporting documentation he could not determine for certain if there were any non-compliance issues. He stated he could not certify if expenses were business related or not. Councilmember Isom thanked Mr. Milhous for providing this additional information. Mayor Partin inquired if there would be an charge for this additional portion to the audit. Mr. Milhous stated that there would probably be a minor charge this year.

Councilmember Jumper asked that compared to last fiscal year, how the city faired. Mr. Milhous stated that the General Fund needs some attention. He stated that the City is about where it was last year and there is a deficit to review. He stated that the City has a revenue issue that needs to be looked at and suggested that Council not lose sight of that fact.

Councilmember James thanked Mr. Milhous for being able to have this information and in the manner that it is and the confidence Council can have in his team's work.

Mayor Partin stated that she knew Council will probably be looking at another increase in water and sewer rates for this year and being mindful of the state of the economy as well as other issue, would like to look at that earlier than before so that the City can communicate with its customers. She stated that did not happen last time around and wanted to make sure it did this time. Mr. Milhous advised that they were ahead of the game this year and have already begun that process. Council thanked Mr. Milhous for his presentation.

Executive Session

- A. Discussion of negotiations incident to proposed contractual arrangements

Councilmember Jenkins made a motion to move into Executive Session to discuss the above matter. Councilmember Isom seconded the motion which was unanimously approved by roll call vote.

Reconvene

After the Executive Session was concluded, the Regular meeting was reconvened. Mayor Partin announced that no vote was taken in Executive Session other than to adjourn and resume the Regular meeting.

There being no further business, the meeting adjourned at 8:30 p.m.

Elise Partin, Mayor

ATTEST:

Tammy P. Barkley, CMC, Municipal Clerk