

**SPECIAL MEETING
BOARD OF COMMISSIONERS
HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT (HISID)
NOVEMBER 18, 2019**

The Regular Meeting was held at the District Office and was called to order by **VICE CHAIR DAN KEES** at 6:00 p.m.

ROLL CALL: Present for roll call were **COMMISSIONERS DAN KEES, BILL NOONAN, NITA HOLLEY,** and **DAVID MAKIDON.** **COMMISSIONER LINDA GRAVES** was absent. A quorum was declared with four commissioners present.

APPROVAL OF AGENDA: **COMMISSIONER MAKIDON** moved to approve the agenda. **COMMISSIONER NOONAN** seconded. Motion approved unanimously.

APPROVE MINUTES: None

CEREMONIAL: None

ANNOUNCEMENTS: Barbara Talbot, 9 Horseshoe Drive: Announced the collaboration between the Holiday Island Chamber of Commerce, Holiday Island Hospitality Association and Holiday Island Suburban Improvement District to hold a charitable golf cart parade with line-up at 4:00 p.m. on Saturday, December 7 at the Country Club and parade starting at 5:30 p.m. There will be a special dinner available following the parade. Details regarding cart rental fees and procedures were given. There is also an Open House at the Railway Winery on December 3 from 5:30 p.m. to 7:00 p.m.

PUBLIC COMMENTS: None

REPORTS: None

BUSINESS:

A) Old Business: None

B) New Business: 2018 Audit Presentation

DISTRICT MANAGER BLOOD welcomed everyone to the meeting and noted that tonight we will be accepting the 2018 audit. Giving credit where credit is due, he thanked Marilyn Clave and others in the administrative office for their part in putting the information together for the auditors to look at. He acknowledged Lou DaRosa for her contribution in helping with the audit. He noted that there will be time for questions later. The auditor can only answer questions directly related to the audit. If there are matters of policy issues, they will be answered by the Board or myself. He introduced John Evans and Dana Crawley from Landmark Certified Public Accountants. John Evans reported that Landmark CPAs performed the audit for 2018. There are two CPA reports. The rest are management's financial reports. It is the auditor's responsibility to express an opinion of the financial statements based on our audits using generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*. These standards are issued by the Comptroller General of the United States to perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Mr. Evans referred to pages 11 and 12 of the audit which were displayed on the overhead projector. He referred to the Balance Sheet listing current assets and liabilities with the net position of capital and retained earnings. On page 13, the Statement of Revenues and Expenses showed a slight increase in revenues from 2017. Operating expenses before depreciation showed a net operating income of \$138,337.00 compared to \$208,230.00 from 2017. The change in net position shows \$62,242.00 in 2018 and \$116,960.00 in 2017. Operating numbers are basically similar in 2018 as 2017.

Page 14 shows the Statement of Cash Flows divided into three categories: Operating Activities, Financing Activities, and Investing Activities. He pointed out the Net Cash from Operating Activities to be \$1,329,458.00 compared to \$1,259,335.00 for 2017. Reviewing the cash flows from Capital and related financing activities showed a net cash used of \$1,194,222.00 in 2018 and \$1,103,598.00 in 2017, plus net cash from investing activities of \$19,979.00 for 2018 and \$11,144.00 in 2017. The net change in cash and cash equivalents is \$155,215.00 for 2018 with \$166,881.00 for 2017.

Mr. Evans then referred to page 33 indicating the second report, noting the first report is on the financial statements with the second report required by Government Auditing Standards. It is a report on internal control, compliance and other matters. There was no lack of compliance that we noted. On page 35 are the two findings relating to the cutoff of accounts payable. First finding: there were a couple of items that should have been reported as accounts payable but were not, totaling about \$12,000.00. Second finding: some checks were written in January, but dated in December. We made a reclassification, adjusting those back to accounts payable in the amount of about \$20,000.00. We identified those as material weakness. Both are pretty severe deficiencies which we wanted to bring to management's attention. We feel that steps have been taken to address those issues.

Those are all the remarks I have related to the audit and I will be glad to take any questions.

COMMISSIONER MAKIDON: Do you think we have sufficient controls over cash receivables through our systems? Mr. Evans: That is not a requirement of an audit. We are not engaged to do audit controls as such; however, if in going through the audit we found a concern, we would bring it to management's attention. Yes, we think the controls are sufficient for your organization.

COMMISSIONER KEES: Asked **DISTRICT MANAGER BLOOD** if it would be worth giving a little more explanation on the two findings? **DISTRICT MANAGER BLOOD** explained at the end of the year, we make an effort to make sure 2019 expenses show up in 2019. There was a mix-up when we had the cutoff dates while trying to move the amounts into the appropriate year and show where they are supposed to be. Marilyn Clave explained that the checks were written in January, but were entered as a December expense when it should have been a January expense. **COMMISSIONER KEES** wanted to make clear to the property owners it was just an oversight.

COMMISSIONER MAKIDON: In your opinion, do we have a clean audit and you found no weaknesses? Mr. Evans: There were no material weaknesses. There are deficiencies management needs to be made aware of and corrected. **DISTRICT MANAGER BLOOD:** How do you express what the performance was? Mr. Evans: It is not our position to express an opinion on the financial strength of the District. From the financials, you are in a good financial position.

COMMISSIONER KEES: In reviewing the numbers, I find them in a positive position without being overly positive.

PUBLIC COMMENTS:

1) Ken Brown, 7 Cypress Point: How much would a Point of Sale Audit cost? Why did the audit report take so long to present? **DISTRICT MANAGER BLOOD:** I am not sure where we are going on the Point of Sale audit. If there are any suspicions, bring them to my attention. The length of the audit preparation is my fault. Every year we have had unqualified audits since I have been here. The audit will be available online and you can read the management discussion and analysis yourself.

COMMISSIONER MAKIDON: I brought up the Point of Sale audit last year. The money coming in from the various centers must be balanced. **COMMISSIONER KEES:** The Board has asked **DISTRICT**

MANAGER BLOOD about speeding up the audit process and with Lou's help, this should close the gap. **DISTRICT MANAGER BLOOD:** I ask the auditors every year to take a look at unsubstantiated rumors. He asked Mr. Evans if they perform a Point of Sale audit. Mr. Evans: It would fall under what we call agreed-upon procedures under a selected account, but I cannot tell you right now how much it would cost. **DISTRICT MANAGER BLOOD:** Did you see anything in your audit that would remotely suggest this would be necessary? Mr. Evans: No.

2) Rebecca Sherman, Wild Turkey Drive: Who do we have a contract with for the audit? **DISTRICT MANAGER BLOOD:** The engagement letter is with Landmark. Sherman: Is the audit business or government? **DISTRICT MANAGER BLOOD:** Both. Sherman: How many years has the District contracted with this same company? **DISTRICT MANAGER BLOOD:** The records going back to 1994 have been with the same company. Sherman: Will the audit that goes online and voted on today show the required test for that Balance Sheet? **DISTRICT MANAGER BLOOD:** Yes.

COMMISSIONER NOONAN moved to accept the audit for 2018. **COMMISSIONER HOLLEY** seconded. Motion carried unanimously.

PUBLIC COMMENTS: None

COMMISSIONER COMMENTS: None

COMMISSIONER AGENDA SCHEDULING:

Tuesday	December 3	8:30 a.m.	Special Meeting: Election
		6:00 p.m.	Close Meeting
Wednesday	December 4	9:00 a.m.	Special Meeting: Swearing-In Ceremony

ADJOURN: **COMMISSIONER MAKIDON** moved to adjourn. **COMMISSIONER HOLLEY** seconded. Motion carried unanimously.

Respectfully submitted,



Nita Holley, Secretary, Holiday Island Board of Commissioners