

# MINUTES OF AUDIT COMMITTEE MEETING BRIGHTON LAKES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the audit committee of the Board of Supervisors of the Brighton Lakes Community Development District was held Thursday, July 22, 2010, at 6:00 P.M. at the Brighton Lakes Clubhouse, 4250 Brighton Lakes Boulevard, Kissimmee, Florida.

Present were:

Michelle Incandela	Chairman
Tom Mihalic	Vice Chairman
John McGrath	Supervisor
Jennifer Palmer	Supervisor
Dolores Pieters	Supervisor

Also present were:

Gary Moyer	District Manager
Brian Crumbaker ( <i>by phone</i> )	District Attorney
Gerry Frawley	District Staff
Maria Fuentes	Severn Trent Services
Al Hirschfelder	Weber Environmental
Paul McCartan	Keep Safe Security
Brian Smith	Severn Trent Services
Residents and members of the public	

*This represents the context and summary of the meeting.*

## **FIRST ORDER OF BUSINESS**

### **Call to Order and Roll Call**

Mr. Moyer called the meeting to order at 6:00 P.M.

Mr. Moyer called the roll, indicating a quorum was present for the meeting.

## **SECOND ORDER OF BUSINESS**

### **Ranking of Audit Proposals**

Mr. Moyer stated this Board serves as the District's Audit Committee. We are going through the process of selecting an Auditor. We put out a request for proposals, in accordance with Chapter 218, Florida Statutes. The Management Company reviewed those proposals and provided the Board with their analysis of the firms that submitted proposals. We were fortunate that with the four firms who submitted proposals, all four are qualified and have done extensive government audits. We are also permitted to ask for their price for this work, which ranged from \$4,500 up to \$9,000. We provided a scoring sheet for the Supervisors to use in analyzing these proposals. Since this Board is serving as the Audit Committee, you will make a recommendation to the Board of the CDD during the regular meeting. The purpose for this part of the meeting is for you to discuss these responses to the RFP and enter your analysis and suggestions as to the

ranking of these firms so that we can enter into negotiations with the number one ranked firm.

Mr. Mihalic stated in my review of the proposals, they are all pretty much the same. Some firms had more staff people and some had fewer staff members. A couple of firms provided an actual quote. One said that it was an estimate, but depending on the actual work, they may need to adjust the price. I did not like that at all because that is not giving us a firm price to consider. The only thing I found to judge them on their qualifications was their pricing. I gave the most points to the firm with the lowest bid and the least points to the highest bid. The other two fell between that point spread. The lowest bid was from Carr, Riggs, and Ingraham.

Ms. Palmer stated our current Auditor is Berger Toombs. Is their price a lot higher this year or has everyone else come down in their pricing? We have gone through this in the past, but there seems to be a huge discrepancy in price this year.

Mr. Moyer stated I think a lot of it reflects the economic times and the staffing that these firms have and their desire to keep that staffing level. This is reflected in their price.

Mr. Mihalic stated I think that is reflected in discussions we had when we decided to see the prices for this service. You can see there is a big difference and one is almost half of the highest price.

Ms. Palmer stated that is why I was trying to remember from our past exercise if there was a similar large discrepancy in prices or if the rest have simply reduced their price.

Mr. McGrath stated we have had this Auditor for probably 10 years, but I do not recall going through this process for auditors.

Ms. Incandela asked does it bother anyone that the lowest price is the one with 500 employees?

Mr. Moyer stated because of the number of Districts that Severn Trent manages, we are exposed to all of these firms. They have performed audits for us and have done a good job. I do not have the concern that they are not going to spend the time to do the audit. When you look at this District, we have two funds: the General Fund and the Debt Service Fund. For the General Fund, the Board authorizes the expenditures and staff stays on top of all those expenses and revenues. The Debt Service Fund is to repay the bonds, and was established when we sold the bonds. That fund is a matter of following State Law in how we conduct our business and pay our invoices. The Management Company that does the accounting has been in business for a long time and there are not many

surprises. I expect them to be very professional in the services that they provide to the Board. The \$4,500 price is probably a little on the low side. I would have expected between \$5,000 and \$6,000, but I do not have any concerns that they cannot do the work.

Mr. Mihalic stated they provided in their proposal that the price would increase by \$500 each year.

Mr. McGrath stated the prices were \$4,500, \$4,750, and \$5,000. They are the only firm that provided pricing for the second and third years. I think that is important because we do not know what the plan might be for the other three firms.

Mr. Mihalic stated I remember that we looked at that when we considered the landscaping bids. We looked at their pricing for the next few years and this goes along with that thought process.

Mr. McGrath stated I like that Carr, Riggs & Ingraham has a peer review. It gives them clarification.

Ms. Pieters stated they all had a peer review.

Mr. McGrath stated it was not noted on our summary sheet that Berger Toombs has a peer review.

Mr. Moyer stated they definitely have a peer review.

Ms. Palmer stated Berger Toombs gave a price of \$9,300, which is why we wanted to see other proposals for this work. We know that times are hard and prices should be lower.

Ms. Incandela stated they also asked for a substantial increase over the length of the three-year engagement.

Mr. Mihalic stated they came in a couple hundred dollars less than last year's engagement amount.

Mr. Moyer stated when the Audit Committee has concluded discussion of the firms, I will ask you to enter a motion on your recommendation that the Board will consider during the regular meeting.

Ms. Palmer asked do we need to submit our scoring sheet or just submit one?

Mr. Moyer stated the scoring sheet is not important. We are concerned with the collective judgment of the Audit Committee in terms of how these firms are ranked. The scoring is just to help you in coming up with the ranking.

Mr. Mihalic stated my ranking was basically determined through their prices because they all seemed to be qualified: number one is Carr, Riggs & Ingraham, number two is

Grau & Associates, number three is Keefe McCullough, and number four is Berger Toombs.

Ms. Palmer stated if there is ever a problem with our audit, there is some kind of guarantee that they are held liable. How does that work?

Mr. Moyer stated they need to perform the audit in accordance with auditing guidelines, Generally Accepted Accounting Principles and the Rules of the Auditor General of the State of Florida. If they do not do that, then they are held responsible for that. These audits are provided to the Auditor General, and they are reviewed at that level.

Mr. Mihalic stated all of these firms seem to be doing audits for many CDDs. None of them were not qualified in that regard.

Ms. Palmer stated I am in agreement with Mr. Mihalic's ranking. Because of the economic situation continuing into the foreseeable future, I think we have to look at the pricing. Perhaps that gives us the opportunity to do something next year that we otherwise would not have been able to do.

Mr. Mihalic asked are we locked in for three years with this firm?

Mr. Moyer stated no, we just asked for pricing for three years. To the degree that we can get the price locked in or at least get a good indication of the fee, we do not want to go through this process every year because it is somewhat cumbersome. If we do not ask for a multi-year submission, then we do have to go through this process. Most governments will enter into a three-year or five-year contract. Having said that, every year they will submit an Engagement Letter to the Board outlining their fee for the next fiscal year. If a future Engagement Letter is not what we anticipate or if they were unprofessional in their audit for one year, the Board always has the option of not approving their Engagement Letter.

Mr. McGrath stated we expect the amount to be what they provided in their proposal.

Mr. Moyer stated to the credit of Brighton Lakes, you are not like other CDDs in the State. You have collected all of your non-ad valorem assessments and the principal and interest on the bonds have always been paid. There is nothing in here that will be a surprise to the Auditors.

Ms. Incandela asked does anyone on the Board have any issues with Carr, Riggs & Ingraham?

Mr. McGrath stated no.

Mr. Mihalic stated neither do I and I am willing to offer a motion that the Audit Committee recommends to the Board that we award the contract for auditing services to Carr, Riggs & Ingraham

On MOTION by Mr. Mihalic seconded by Ms. Palmer, with all in favor, approval was given to rank the auditing firms as follows: Number One is Carr, Riggs & Ingraham, Number Two is Grau & Associates, Number Three is Keefe McCullough and Number 4 is Berger Toombs.

**THIRD ORDER OF BUSINESS**

**Adjournment**

On MOTION by Mr. Mihalic, seconded by Mr. McGrath, with all in favor, the meeting adjourned at 6:10 P.M.

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Gary L. Moyer, Secretary

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Michelle Incandela, Chairman