

**MINUTES OF A SPECIAL CALLED MEETING  
OF THE  
MANNING CITY COUNCIL**

Thursday, July 26, 2007  
6:00 p.m.

Breedin Assembly Room  
City Hall

**Members Present:**

Mayor Johnson  
Councilmember Davis  
Councilmember Evans  
Councilmember Georgia  
Councilmember Pack  
Councilmember Witherspoon

**Members Absent:**

**(E-Excused/ U-Unexcused)**

Mayor Pro-tem Gordon- E

- I. Welcome/Introductory Remarks:** Mayor Johnson welcomed all present and stated that the media was notified and acknowledged the following:

News Media: Eric Goold, Manning Times

Next, Mayor Johnson stated that the purpose of the meeting was to receive the audit report for the Fiscal Year 2004-2005.

- II. Invocation:** Councilmember Davis.

- III. Pledge:** Councilmember Pack.

- IV. Approval of Agenda:**

Mayor Johnson asked Council's approval of the agenda as presented.

A **motion** was made by Councilmember Welle and was seconded by Councilmember Georgia to accept the agenda as presented. There was no discussion. All favored the motion.

Next, Mayor Johnson recognized the following individuals: Mrs. Rebecca Rhodes who would officially begin on August 6, 2007 as the city's Administrator, Mr. Rubin Hardy, Public Works Director, and Mrs. Mary Prince, Finance Director.

**Page 2. Minutes of a Special Called Meeting of Manning City Council, July 26, 2007.**

**V. Public Presentation:**

Mayor Johnson stated that the Mr. Dean Richardson of McGregor & Associates would present Council with the audit report for Fiscal Year 2004-2005.

Mayor Johnson stated that Council was aware of concerns that delayed the audit report and asked Mr. Richardson to make his presentation.

Audit Report for FY' 2004-2005.....Dean Richardson,  
McGregor & Associates

Mr. Richardson distributed to Council information on the General Fund and Utility Fund which included the balance sheet and income statement. Next, Mr. Richardson stated that the City improved its financial conditions from FY'04-05. Mr. Richardson reviewed some of the information that would be included in the bound report that would be presented to Council at a later date:

- Page 10- which reflected the Fund Balance brought forward to FY' 05-06 with a portion of the balance representing Special Revenue Accounts.
- Page 34- showed that the General Fund realized a \$96,000 increase of which \$75,000 represented a transfer from the Utility Fund to the General Fund to cover overhead expenses for personnel working with Utility Fund transactions.

Mayor Johnson stated that any expenses that were a direct result of the Utility Fund were transferred to the General Fund to cover expenses. Mayor Johnson cited an example where thirty percent (30%) of the duties of the Administrator were related to the Utility Fund; therefore, thirty percent (30%) of the Administrator's salary would be transferred to the General Fund.

Mr. Richardson stated that as long as the transfer of funds from the Utility Fund to the General Fund are documented and approved it would be allowed.

Mr. Richardson also stated that the budget was prepared conservatively on the revenue side which resulted in more revenue received than budgeted, thereby increasing the fund balance.

Next, Mr. Richardson stated that the City did a good job of staying within the budget.

- Pages 37-40 represent a breakdown of the General Fund actual expenditures by department as compared to the approved budget.

Mayor Johnson asked if transfers need to be made within a department for line items that run over the budget at fiscal year end.

Mr. Richardson stated that the individual lines that run over or under within a department are not as important as the total budget by Fund (General Fund or

### **Page 3. Minutes of a Special Called Meeting of Manning City Council, July 26, 2007.**

Utility Fund). Significant variances must be reviewed to explain why it occurred.

- Page 10- The column titled “Other Governmental” represented Special Revenue, which accounts for Federal and State Grants and awards not directly related to benefiting the Utility Fund.
- Page 14- This represented the first page of the Utility Fund Balance Sheet. This page reflected positive results for operations.

Mr. Richardson stated that revenues for services charged was under budgeted or an error estimated. Actual revenue was more than what was budgeted for services provided by the Utility Fund.

Mayor Johnson stated that the city tends to budget revenue more conservatively to provide a cushion for unforeseen expenses.

- Page 15- This represented equity carried over to the next year, unrestricted equity in the amount of a little over \$1,000,000. This does not include designated reserve funds.
- Page 16- This represented the Income Statement of the Utility Fund for operating revenue totaling a little under \$3,000,000 which includes \$1,548,000 for the Water Tower Grant Funding.
- Page 42- This Supplemental Schedule reflected the budget versus actual comparisons of revenue and expenses.
- Page 43- This Schedule of Revenues and Expenses, reflected the budget versus actual for the year ended June 30, 2005.
- Page 44- This was a Schedule of Reserve Account Activity.

Mr. Richardson stated that since the city is obligated to the SC Department of Transportation (SCDOT) for \$471,000, some of the money that would have been earmarked for the reserve accounts will be used to make quarterly payments to SCDOT.

Mayor Johnson explained that when the infrastructure was put under Church Street for the Hwy. 521 Widening Project, money was borrowed from SCDOT. Mayor Johnson stated that Mrs. Adger re-negotiated the repayment of the interest-free loan. Mayor Johnson stated that Council agreed to discontinue funding the reserve accounts and use those funds to make the quarterly payments to SCDOT until the loan is paid.

Next, Mayor Johnson asked Mrs. Prince to confirm whether both of the reserve accounts currently have a balance in excess of \$500,000 each.

Mrs. Prince stated that each account currently has a balance of approximately \$496,000.00.

Mayor Johnson stated that Council’s goal is to build the reserve accounts up to \$1,000,000 and that funding of the reserve accounts will resume once the loan

**Page 4. Minutes of a Special Called Meeting of Manning City Council, July 26, 2007.**

to SCDOT is paid.

In addition, Mayor Johnson stated that the funding was not mandated, but was something that Council agreed to do for unforeseen expenses.

Mr. Richardson stated that Revenue Loan Bond documents suggested that a reserve be established, but that no dollar amount was suggested for capital improvements and repair and maintenance. Mr. Richardson noted that page 15 (Statement of Fund Net Assets) reflects the note payable to SCDOT of \$471,763.00. In addition, Mr. Richardson noted that the SCDOT contract with the City of Manning was not officially negotiated until April 7, 2007, due to the efforts of Mrs. Adger and others.

Mayor Johnson commended Mrs. Adger for negotiating the repayment of the loan without any additional interest.

Mr. Richardson stated that the Audit Report will contain an unqualified opinion on the fairness of the account balances and financial information. Mr. Richardson stated that there will be some reportable conditions that will be identified in reference to internal controls and the degree of difficulty encountered concerning recording and reporting financial information in FY'04-05, particularly with grants. Mr. Richardson noted that there is a deficiency in grants management.

Next, Mr. Richardson stated that he has provided information and recommendations to Mrs. Prince on how to strengthen the department and ways to correct the oversight of financial information.

Mr. Richardson recommended that Management be more involved with their own financial statements and take responsibility of the information contained in the report.

Following, Mr. Richardson stated that there are several controls that Council should be aware of:

Inherent Risk- Relates to the nature of the transaction—is it a difficult/complex account or transaction (i.e. Water Tower Grant).

Control Risk- Are there controls set up to detect or prevent something from happening? Is it human error or fraud?

Audit Risk- Did the Auditor perform procedures extensive enough to protect governmental accounting.

Mayor Johnson stated that he recognized that there have been some problems over the last year or so, but that ultimately Council was responsible for the financial condition of the city. Mayor Johnson stated that once it was made known that there

**Page 5. Minutes of a Special Called Meeting of Manning City Council, July 26, 2007.**

was a problem, action was taken which proved to be good decisions. In addition, Mayor Johnson stated that Council will need to look at all reports and documents more closely to recognize problems early and to correct them.

Next, Mayor Johnson stated that overall, he was glad that the problems are not as bad as they were, that it appeared that at the end of FY' 2004-05, the city was in good financial shape, and the fund balance had increased. In addition, Mayor Johnson stated that Council must look at their Council packet more closely and ask questions about any concerns that they may have after reviewing the information.

Mayor Johnson thanked Mr. Richardson for his report and stated that he looked forward to the final report for FY'05-06 and then FY'06-07.

At this time, Mayor Johnson stated that the Daniels Equipment Building, located on S. Mill Street, would be auctioned on July 31, 2007. Mayor Johnson asked Council's approval to enter into Executive Session to discuss a possible property acquisition issue.

A **motion** was made by Councilmember Pack and was seconded by Councilmember Welle to enter into Executive Session to discuss a possible property acquisition issue. There was no discussion. All favored the motion.

Following Executive Session, no action was taken.

**VI. Adjournment:**

A **motion** was made by Councilmember Davis and was seconded by Councilmember Pack to adjourn. There was no discussion. All favored the motion.

**Time: 7:00 p.m.**

**Respectfully Submitted,**

**Daun Davis  
City Clerk**