

MINUTES OF AUDIT COMMITTEE MEETING
CAPITAL REGION COMMUNITY DEVELOPMENT DISTRICT

The audit committee of the Capital Region Community Development District met Thursday, June 12, 2008 at 6:30 p.m. at the SouthWood golf Club, 3750 Grove Park Drive, Tallahassee, Florida.

Present were:

Alan Hanstein
Mike Brandon
Correy Dietz
Mary Lee Kiracofe
James A. Perry
Brian Crumbaker
Fred Greene
Abe Prado
Toni Trimarco
Norman Robertson
Rich Hans
Pam Holton
Rick Jackley
Various Residents

FIRST ORDER OF BUSINESS

Roll Call

Mr. Perry called the meeting to order at 6:30 p.m.

SECOND ORDER OF BUSINESS

Review and Ranking of Audit Proposals

Mr. Perry stated if you will recall we have gone out and asked for proposals for the audit for this coming fiscal year. Each of the supervisors have been provided copies of the four proposals. I have a hard copy here in case you want to refer to that but I believe each of you were mailed copies. In addition to that there was a grading sheet and I will go through each of the proposals. We are familiar with each of these CPA firms and I will give you the rankings as I see them and the points and then go through the supervisors and see if there is a consensus if we need to reevaluate certain of the proposers.

Keep in mind there are four criteria required by statute and a fifth which was price which this board included as one of the criteria. We weight each criteria equally so there is a total of 100 points as a possible total.

The first proposal is from Berger Toombs; that firm does approximately 44 audits in the State of Florida for community development districts. Under ability of personnel I gave them 20 points, proposers experience 19, understanding scope of work 20, ability to furnish the required services 20, and price even though they were the lowest price provider for the initial year they did not have additional years priced but amounts to be determined and they also alluded to in their pricing that there might be additional charges so I gave them 18 points for a total of 97.

The second proposer is Grau & Associates; they do 200+ audits in the State of Florida related to CDDs primarily. I ranked them 20 on ability of personnel, proposers experience 20, understanding scope of work 20, ability to furnish required services 20 and 18 on price for a total of 98. They did provide an initial year and two additional years of pricing.

Carr Riggs has approximately 33 districts in the State of Florida; they have made a concerted effort in the last three years to get into that business so they have gone from about 6 to 33 over the course of three years. I ranked their ability of personnel at 20, proposers experience 19, understanding scope of work 20, ability to furnish required services 20 and price 18 for a total of 97.

The last proposer is James Moore & Co.; they do 1 district but they do a lot of governmental entities, primarily cities and counties and special taxing districts also. I ranked them 20 for ability of personnel, 15 for proposers experience because they don't do a lot of community development districts, understanding scope of work 20, ability to furnish required services 20 and price 19 for a total of 94.

As you can see they are all very qualified firms, they did good proposals but there is a little discrepancy in some of the ability or the proposers experience. I ranked Grau & Associates no. 1 and had a tie for second between Berger Toombs and Carr Riggs and had James Moore & Co. as number four.

I will ask the committee if you want to discuss your rankings and how you came about ranking each of these firms.

Mr. Brandon asked can you speak more specifically about the expenses in the Berger Toombs proposal that were variable?

Mr. Perry responded there is a statement in there to the effect the work papers is kind of a vague statement but being acceptable. That term is very subjective. The pricing between all of these, theirs for the initial year was \$11,250 ranging up to \$13,000 for Grau & Associates.

Mr. Brandon stated you mentioned how many CDDs Grau & Associates audited. What was that number?

Mr. Perry responded 200+.

Mr. Hanstein stated in reference to the number of CDDs that they work for is there any advantage? Is 200 better than 30 or do they have enough experience with 30 it is just the number of personnel they have to be able to do that? Also is there a specific advantage or disadvantage, certainly Grau is familiar with our district but if you could speak to advantage or disadvantage of working with them again?

Ms. Kiracofe stated especially considering their location.

Mr. Perry responded all of these are not in the Tallahassee area. Some of them have multiple locations in the State of Florida. I don't think that is an impediment for any of these firms to provide the services. Grau currently does the audit for the district. I see that there would be potential additional costs if you go to a new firm. Typically there will be additional questions for the engineer, the attorney, building their permanent files and records so there probably will be additional costs. They are pretty close when you look at the overall cost for the three year term that we are trying to look at. One of the issues with Berger Toombs is year number two is to be determined. It does cost money to place the ads, review the proposals, etc. Going from them at \$11,250 to the next lowest one which is James Moore & Co. at \$12,000 you can eat that \$750 savings up pretty quickly in just running one or two ads in addition to the time you are going to have to spend additional cost for attorneys or engineers.

Mr. Crumbaker asked it appears that the audit for this current year 2006/2007 are they going to be on time this year or are they going to be out at the end of the fiscal year?

Mr. Perry responded that report should be here within the next month. Of course, they will meet the statutory requirements for the report.

Mr. Hanstein asked in your numbers have you used any past performance in the evaluation and still came out on top? I was kind of between Carr and Grau.

Ms. Kiracofe stated I was too.

Mr. Hanstein stated probably with Carr maybe coming out ahead a little bit but even if we switched and there is a little bit of pain with Carr that pain wouldn't be there the second year because they would be on par with Grau anyway. On the other hand if Grau has been doing a good job and they are competitively priced which I'm sure they can do because they have that advantage of already having done some of that background work so they didn't have to build that into their proposal cost so they could be a little more competitively priced. I think that gives them a certain advantage. We haven't had any issues in the past. They have been on time with the audit.

Mr. Perry responded correct.

Ms. Kiracofe stated if location is not an issue why was it listed as one of the criteria? That was part of what we were to look at when we evaluated these.

Mr. Perry responded when you say part of the criteria, most of that is ability of personnel. It doesn't sound like we have a consensus or maybe the other two supervisors can speak to their ranking. We were trying to get a consensus to make a recommendation to the board which of course will be you when we meet in a few minutes.

Mr. Brandon stated my opinion is that Grau & Associates is a known quantity, they are working for the district now, they understand the cost probably better than anybody else does because they have done the work for us in the past. If we are happy with them it is a nominal difference.

Mr. Hanstein stated I think that is absolutely right. If there was an issue then we would be having a different conversation.

Ms. Kiracofe asked have they met our deadlines adequately?

Mr. Perry responded yes they have.

Mr. Brooks stated I appreciate the opportunity to be here. The comment I have about the audit is I would like to see a local Tallahassee firm be given a certain amount of weight in doing the audit. This is a district within Tallahassee and Leon County so I think it would be best served if it could be favorable to that.

Mr. Hanstein stated I think the notice was published in the Democrat. Although I know Carr does have a local office this is not the office that is under consideration that handles their audit. It is out of Destin. Of the people who responded I don't know that any locally based audit firms proposed. I think from our conversation we would have given some credence to a local

company just for ease. The notice was completely open to any Tallahassee firm that wanted to bid.

Mr. White stated this is my first meeting and I know you are going to have a board meeting but I would think since you have come to this location you could give us a little background other than just go right into the business, a preamble of what is going on so I can track what you are trying to do.

Mr. Hanstein stated I think that is fair.

Mr. Perry stated the district has an annual audit that is done by an independent CPA and as part of the statutory requirements that audit has to be done on an annual basis and what we are doing right now is we have solicited proposals from audit firms to provide that service for this current fiscal year that will end September 30th and we received four proposals and we have to sit as the "audit committee" to evaluate those proposals. Once the audit committee comes to a consensus as to the number one ranked firm that will be presented to the board of supervisors which is the same board you see here at our next meeting which will occur in about three minutes, then they will vote based upon the recommendation of the audit committee to select an audit firm to do the audit for the year. Hopefully, that helps explain the process.

Mr. Houff stated I didn't realize you were going to have this topic tonight because I would have been better prepared. I am a partner with Carr Riggs & Ingram and I live here in the community so we do have a local presence here. We do quite a few of these types of audits of these organizations and we do primarily out of our Destin office. For what it is worth I will add that we are also assisting in that operation here in our Tallahassee office and are really ramping that up throughout the state.

Mr. Perry asked what is the pleasure of the committee? Is there a consensus as to the number one ranked firm, number two, number three and number four?

Mr. Hanstein asked do you want to just come up with number one or do you want to rank them one through four?

Mr. Crumbaker responded you need to rank them one through four.

Mr. Hanstein stated just hearing from the engineer and staff that I think Grau would be number one just based on experience with the district with Carr two, Berger Toombs three and James Moore four.

Mr. Crumbaker stated the only thing I will mention with respect to the process is that although you are selecting it for this year, each annual renewal they can provide an engagement letter or this board can go back out. So you are not locked in for three years or five years. You can go back through the process again if the board so desires.

Mr. Perry stated that sounds like the consensus of the committee?

Mr. Hanstein stated okay.

THIRD ORDER OF BUSINESS

Other Business

The audit committee adjourned at 6:47 p.m.