



MINUTES
AUDIT COMMISSION REGULAR MEETING
CITY OF TUSTIN, CALIFORNIA
January 22, 2015

4:38 p.m. **CALL TO ORDER**

ROLL CALL

Commission Present: Chair Dan Erickson, Chair Pro Tem Tom Stroud, Commission Members Larry Friend, Craig Shimomura, and Robert Ammann

Staff Present: Pamela Arends-King, Finance Director/City Treasurer; Jenny Leisz, Finance Manager; Sean Tran, Administrative Services Manager; Linda Anicich, Executive Assistant

None **PRESENTATION**

REGULAR BUSINESS

Received 1. **REVIEW OF THE 6-30-14 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

Recommendation: Receive and file report.

Daphnie Munoz, a partner from our auditing firm, White Nelson Diehl Evans, was present. Ms. Munoz gave a detailed review of the CAFR. She found Management and staff to be very professional and cooperative throughout the entire process, and no difficulties were encountered in performing the audit.

The City was subject to Single Audit this year because the City spent more than \$500,000 in Federal expenditures; the Community Development Block Grant (CDBG) was the one major program that was tested.

The auditors didn't have comments on any material weaknesses or significant deficiencies regarding internal controls. The auditors issued an "unmodified" opinion, which is the highest level of opinion that any city can have.

GASB Statement No. 68 regarding the accounting and financial reporting for pensions is required to be implemented for the next fiscal year ending 6-30-15.

Approved 2. **APPROVAL OF MINUTES - NOVEMBER 20, 2014 REGULAR MEETING**

Approve the Minutes of the November 20, 2014 Audit Commission Regular Meeting.

It was moved and seconded to approve the minutes of the November 20, 2014 Regular Meeting.

Motion carried 5-0

Received

3. DISCUSSION OF AUDIT COMMISSION GOALS AND OBJECTIVES FOR 2015

Mr. Shimomura raised the subject of the water rates. The final increase of our 5-year water rate study will take place July 2015. Is billing on a tiered rate working to meet our conservation goals? A Water Rate Analysis will be added to the Audit Commission's Goals and Objectives for 2015.

Mr. Shimomura also raised the subject of our having to start considering Requests for Proposals (RFPs) for accounting services, as we are in the last contract year with our current firm.

Reviewed

4. DISCUSSION OF GASB STATEMENT NO. 68: ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS - AN AMENDMENT OF GASB STATEMENT NO. 27

Finance Manager updated the Commission regarding how this will affect the financial statements. Upon implementation for fiscal year ending 6-30-15, for the first time the net pension liability is actually going to show up in the body of the financial statements. On the Statement of Net Position, there will be a high liability listed for pensions. The expense will show up in the Statement of Activities.

Received

5. INVESTMENT SUB-COMMITTEE UPDATE

Mr. Shimomura summarized the Sub-Committee's discussions with the Finance Director/City Treasurer. The Sub-Committee verifies that the funds are in compliance with the Investment Policy and that all the different categories are in compliance. There is close interaction between the Finance and Public Works departments regarding large amounts of capital expenditures coming up in the next 1-2 years.

Approved

6. DISCUSSION OF DECEMBER 31, 2014 INVESTMENT REPORT

Approve the report and forward to the City Council.

None

PUBLIC INPUT

COMMISSION/STAFF CONCERNS

Finance Director/City Treasurer reports that work will soon begin on the City's first ever 2-year budget. The budget document will become more program-oriented, rather than a line-by-line accounting. The line-by-line detail will be contained within the General Ledger.

A review of our internal controls for cash receipting has been completed by our auditors, White Nelson Diehl Evans, and that report will be presented to the Commission. We are looking to prepare an Agreed Upon Procedure for the auditors to review our internal controls with regard to purchasing and accounts payable.

It was discussed that the City Council offered term extensions to all Commission members whose terms are expiring March 1, 2015. This offer applies to three of our Commissioners (Robert Ammann, Dan Erickson, and Craig Shimomura) all of whom have indicated interest in remaining on the Commission.

Respects were paid to the family and friends on the passing of former Audit Commission member, Walt Sullens. Mr. Sullens was a very kind and generous person who did a lot for the City and his community. He will be missed.

Finance Director/City Treasurer outlined a few of the Public Works projects coming up and spoke of the establishment of a Community Facilities District (CFD) for the Standard Pacific housing development. Once construction begins, we will be issuing bonds for that CFD. The funds will be used for projects within the Legacy.

Additional items noted:

- R.D. Olson sold the two Marriott hotel properties to a Real Estate Investment Trust (REIT).
- Effective January 1, 2015 the Transient Occupancy Tax (TOT) was raised to 10%, which should bring in an additional \$200,000.
- Sales Tax revenue is down a bit from what we anticipated.
- The Property Tax is a little higher than what we anticipated.

ADJOURNMENT

Dan Erickson adjourned the meeting at 5:08 p.m. The next regular meeting of the Audit Commission is scheduled for Thursday, April 23, 2015 at 4:30 p.m. in the Council Chambers at 300 Centennial Way.



Dan Erickson, Chair



Linda Anicich, Executive Assistant