The Minutes of the City Audit Advisory Board held
Thursday, August 7, 2008 at 8:30am

Call to Order

The meeting of the Audit Advisory Board was called to order by Michael Justus, Board Chair, at 8:30am. This meeting was held in the Mayor's Conference Room, which is located in the City County Building.

Attendance

Present: Don Herz, Finance Director; Peggy Tharnish, City Controller; Connor Reuter, Assistant City Attorney; Jamie Phillips, Don Herz Assistant; Board Members: Barbara Arendt, Todd Blome, Steve Bowen, Michael Justus, Jim Mastera; and guest, Roger Watton with BKD.

Absent: Board Members: Chuck Pallesen.

I. Note Open Meetings Law

Michael made note of the Open Meetings Act that is posted on the conference room wall.

II. Approval of July 9, 2008 board minutes

Michael Justus asked for a motion to approve the minutes from the July 9th meeting. Steve Bowen moved approval, which was seconded by Barbara Arendt. AYES: Barbara, Todd, Steve, Michael, Jim. NAYS: None; Motion carried, 5-0.

III. Update on the audit of the City's financial statements &
IV. Discussion with City's external auditors, BKD

Don introduced Roger Watton with BKD to the group. He stated that Roger is the City's external auditor. Don suggested that Roger take about 15 minutes to address the group and tell them about some upcoming issues that we will be having with our Audit Report, and another 15 minutes to address the group on the section on the audit cash.

Roger stated that he is with BKD and they have preformed the audit for the City for the prior three years. He stated that the City invited other firms to submit a proposal in April of 2007; however, after the bidding process, BKD won the proposal and is now in the middle of that four year contract.

Roger said that their work consists of auditing the City's Comprehensive Annual Audit Report (CAFR), Emergency Medical Services, Solid Waste Management, Parking Facilities, Community Health Endowment, Lincoln Water and Wastewater Systems. He said that they communicate throughout the year with the City, and try to meet quarterly because the audit process takes about a six month period. He said they gear up around August and the reports go out around January. He said the only other work they do for the City is when the City goes out for bonds, they are required to do updates to those bond offerings, which is a set fee written into their contract.

Roger told the group that there are some significant changes that are taking place with the auditing standards that just went into effect the end of last year that they are now dealing with. He said there about ten to eleven new standards, which require some additional oversight. He said they have provided some template forms to Peggy and her

staff to complete. The forms just ask her to gather several different components of data so they can further look at where the risks are that the City deals with on a daily basis. He said that it is quite a process the first year; however, it will be an ongoing process that will have to be preformed on a yearly basis. He said after the City fills out those forms, then they will go thru those forms in detail and identify the key controls that exist for the financial transactions to flow properly, be reported properly, and be disclosed properly.

Todd asked if the group thought that the City Council resolution was asking them about cash balances or fund balances. Conner passed around a copy of the new resolution that was passed by the City Council and said that she felt it was asking about fund balances.

Next Roger spoke a little on cash investments and fund balances and told the group how the City pools their investments and cash together. Next the group spoke a little about reserved and unreserved cash balances. The group asked about the Special Assessment Fund, and Don referred them to the CAFR to page 80, and went into further detail for the group.

V. Continue discussion and formulation of work to be performed in response to the City Council resolution

Don asked the group if they would now like to discuss how they interpret the resolution that was passed by the City Council. Todd then offered to read the resolution to the group. Todd said he felt the resolution is talking about fund balances and not cash balances. Michael agreed and said he also felt like they should look into all the CAFR funds to see if any of them are excessive and classified correctly.

Don suggested that perhaps what they could do is create spreadsheet and schedule out all these fund balances and look at the operating expenditures and make a calculation of how many months, days, or years' worth of fund balances there are.

Todd asked Don and Peggy if they had a spreadsheet already in place that they could refer to. Peggy said they didn't. However, Don did say that he would work with Peggy and they could come up with a sample spreadsheet of something that they might be interested in having as a starting point to give to the auditor that they contract out to.

It was suggested that everyone try to come up with any suggestions that they would have that they would want to look into, and then discuss them in further detail at the next scheduled meeting. Everyone agreed that it was a good idea.

Barbara suggested to the group that they take a vote on saying that they all agree with items A, B, and C on the newly passed City Council resolution, which was seconded by Jim Mastera. AYES: Barbara, Todd, Steve, Michael, and Jim; NAYS: None; ABSENT: Chuck. Motion carried, 5-0.

VI. Adjournment

Board Chair, Michael Justus, called for adjournment. Todd Blome moved approval, which was seconded by Barbara Arendt. The meeting was adjourned at 10:00am.

Minutes submitted by: Jamie Phillips