



CITY OF LONE TREE
Audit Committee Minutes
March 4, 2015

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, March 4, 2015, at 9:00 a.m. at the City of Lone Tree Municipal Office, 9220 Kimmer Drive, Suite 100.

The following Committee members were present:

Chair Daniel Reeb, CPA, Lone Tree Resident
Vice Chair Suzanne Gibson, CPA, Lone Tree Resident
Peter Frenchman, CPA, Lone Tree Resident
Kim Monson, Council Member
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Also present:

Heather Lunde, Accountant

Chair Reeb called the meeting to order at 9:00 a.m.

Introduction of New Members

Introductions were given by each member of the Committee to briefly share personal and professional background information.

Chair Nomination

Daniel Reeb and Suzanne Gibson volunteered to be Chair and Vice Chair, respectively of the Audit Committee. Chair Reeb moved, Vice Chair Gibson seconded, to approve the nominations. The motion passed unanimously.

Review and Approval of December 4, 2014 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Mr. Hoffman moved, Vice Chair Gibson seconded, to approve the December 4, 2014 Minutes as presented. The motion passed unanimously.

2014 / 2015 Auditor Selection Process & RFP Process

Prior to the meeting, Kristin Baumgartner sent out a memo summarizing the Government Finance Officers Association (GFOA) best practices on audit procurement. The Committee discussed these best practices. A brief history was provided on the City's current auditor, Wagner Barnes and Griggs, PC. The original contract was from 2008-2012, after which the Audit Committee decided to retain them to also complete the 2013 and 2014 audit. In 2013, finance transitioned fully in-house and the prior Audit Committee felt that it would be best to keep an audit firm that was familiar with the City structure to help access additional internal controls needed with the transition. Additionally in 2013, the Lone Tree Arts Center applied for and obtained the Scientific and Cultural Facilities District (SCFD) Tier II grant funding, resulting in additional audit work. For the 2014 audit, the decision was made by the prior Audit Committee to retain the current

auditor, mainly due to the finance director being out on maternity leave for a portion of the year, but they did recommend going out for a RFP for the 2015 audit.

Ms. Baumgartner informed the Audit Committee that one of their tasks was to decide if the City should retain Wagner Barnes and Griggs, PC for the 2015 audit or to go out for a RFP. Ms. Baumgartner provided a brief background on the current auditor's specialty areas, including municipalities, special districts, and non-profit organizations. The contract price for the 2014 audit is \$32K. If the Audit Committee decided to go out for a RFP, a template would be used and it would be posted on the Rocky Mountain E-Purchasing System.

The Audit Committee unanimously agreed to go out for a RFP for 2015 audit services. Ms. Baumgartner mentioned that she would complete the template and would bring it to the June meeting for approval from the Committee. Once the template was approved, the RFP would be posted online. Additionally, Ms. Baumgartner would research which firms the Committee should reach out to via email to inform them of the RFP if they are interested. Correspondence between all Committee members via email would occur to determine a maximum of three firms to bring in to interview, with Mr. Frenchman, Mr. Reeb, and Ms. Baumgartner conducting the interviews. This sub-Committee would bring the information they gathered to the full Committee. At the September meeting a decision would be made by the Committee on who to select as the City's 2015 auditor and an engagement letter would be drafted for City Council to approve.

Overview of Audit Process for 2014 Audit

Ms. Baumgartner presented an overview of the primary roles of the Audit Committee, which included management of a comprehensive system of internal controls, objectively assessing financial reporting methods, and to address any problems that may arise from the audit. The Elected Officials Guide by GFOA was recommended for further guidance. Ms. Baumgartner also explained that the City uses a modified accrual basis of accounting throughout the year, resulting in no long-term assets or liabilities presented on the Fund Financial Statements. However, at the end of the year in accordance with GASB 34, the City's Fund Financial Statements need to be converted to the full accrual basis of accounting and are presented as Government Wide Financial Statements. These financial statements include footnotes, a Management Discussion and Analysis section, as well as statistical information.

The Committee members did not have any specific questions they would like to ask Wagner Barnes and Griggs, PC related to the 2014 audit. Ms. Baumgartner mentioned that in terms of internal controls, the auditor would be focused on contract/bidding procedures. The Committee agreed that this was a practical area of focus due to the City's plans for growth and the construction projects that are currently underway. There are no new GASB standards that effect the 2014 audit.

Next Meeting Date

Discussion was held concerning the next meeting date and I was decided to hold a special meeting on June 12, 2015 at 9:00 am.

Other Business

Mr. Hoffman provided an update on the status of the RTD light rail extension and shared with the Committee that it is a joint project funded between the City, RTD, and a handful of partners. Construction is projected to start at the end of 2015 or beginning of 2016, with the project estimated to take several years to complete. The extension will be comprised of three stations at Lincoln

Ave., City Center (East side of I-25) and the RidgeGate Parkway interchange. The light rail extension may be the catalyst that is needed for development on the East side of I-25 to begin.

Additionally, Mr. Hoffman provided an outlook of the City and some of the priorities of Council and Staff for 2015, some of which are to maintain the quality of life and to pursue changes in the legal process associated with condominium development.

Mr. Hoffman spoke about the City's plans to purchase at a discount the old library building on Lone Tree Parkway, but any further details on what the building would be used for has not yet been determined.

Adjournment

Vice Chair Gibson moved, Chair Reeb seconded, to adjourn at 10:00 a.m. The motion passed unanimously.

Respectfully Submitted,



Kristin Baumgartner, CPA
Finance Director