



CITY OF LONE TREE
Audit Committee Minutes
December 02, 2015

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, December 02, 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:

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

Chair Daniel Reeb, CPA was absent.

Also present:

Heather Lunde, Accountant

Ms. Baumgartner called the meeting to order at 9:05 a.m.

Review and Approval of September 02, 2015 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Vice Chair Gibson moved, Mr. Frenchman seconded, to approve the September 02, 2015 Minutes as presented. The motion passed unanimously.

Overview of the 2016 Budget Process and Adopted Budget

Ms. Baumgartner provided an overview of the 2016 budget process. The process starts in May with a City Council retreat where Council provides staff with policy direction. During June-August, City staff prepare a draft budget, which is presented to Council in late August/September at a two-day work session. A draft is made available to the public on October 15th on the City's website and a public hearing is held in November. The final budget was adopted at the December 01, 2015 Council meeting.

The adopted budget was distributed and the highlighted areas included: the working reserve percentages for 2015 and 2016, the capital reserve and the larger projects in 2016, revenues (sales tax and reimbursable costs) and expenditures (new staff positions, capital outlay and police department). Specifically, the working reserve, which is equivalent to the City's savings account, is set at 25% of operating costs, which is above the best practice amount of at least 16%. The capital reserve is used to fund capital projects included in the City's ten-year capital plan. The primary projects for 2016 are the Lincoln Pedestrian Bridge and the South East Light Rail Extension. These large projects also contributed to the larger-than-normal revenue projected as reimbursable costs, as these projects are being funded with multiple local partners. The four new positions that were approved are: IT Systems Specialist, Deputy City Clerk, Corporate and Foundation Manager, and a part-time Teen Court Coordinator. The police department applied and received a federal grant managed by the Colorado Department of Transportation to implement an

E-Ticketing system that will increase the safety for the City's officers, by allowing them to have shorter traffic stops. Banking Services is a new expense that the City generally has not had in past years due to the generous earnings credit the City had, which covered all bank fees, but with the contract ending on March 31, 2016 the earnings credit is going to decrease to a market rate, so whether the City stayed with Wells Fargo or transitioned to UMB Bank, the City is going to incur this expense in 2016. Lastly, the improvements budgeted for the Lone Tree Arts Center include sound upgrades in the Main Stage, an assisted hearing system that connects with patron's hearing aids to provide a better listening experience, and lighting improvements in the lobby.

Discussion Items

In November 2015, by unanimous vote, the Business Improvement District (BID) was established that is comprised of multiple property owners in the Entertainment District area of the City that will tax themselves to pay for public improvements. City Council appointed the Board of Directors for the Business Improvement District, which largely consists of property owners, who will have the duty of managing the BID. The BID will be a component unit of the City for audit purposes.

General discussion of the impact of GASB 68 on the City's financial statements was discussed. Ms. Baumgartner shared the City's share of the pension liability from PERA would be approximately \$5 million. PERA is divided into four pools of funds, one of which is municipalities. Of the four pools, this pool is funded at the highest percentage, around 85%.

A question was presented on what the auditor's focus might be for the 2015 audit. Ms. Baumgartner shared that she estimated that since this was the first year with Eide Bailley as the City's auditor, that the focus would likely be high level across all components of the City's operations.

Vice Chair Suzanne Gibson requested that email correspondences be sent to her personal email address instead of her work email address.

Next Meeting Date

Discussion was held concerning the next meeting date and it is tentatively scheduled for Wednesday, March 2, 2016 at 9:00 am.

Adjournment

Vice Chair Gibson moved, Mr. Frenchman seconded, to adjourn at 9:55 a.m. The motion passed unanimously.

Respectfully Submitted,



Kristin Baumgartner, CPA
Finance Director