



CITY OF LONE TREE
Audit Committee Minutes
March 02, 2016

A meeting of the City of Lone Tree's Audit Committee was held on Wednesday, March 02, 2016, 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 Suzanne Gibson, CPA, Lone Tree Resident
Vice Chair Peter Frenchman, CPA, Lone Tree Resident
Scott Sperberg, CPA, Lone Tree Resident
Seth Hoffman, City Manager
Kristin Baumgartner, CPA, Finance Director

Kim Monson, Council Member was not present.

Also present:

Heather Lunde, Accountant

Ms. Baumgartner called the meeting to order at 9:03 a.m.

Introduction of New Members and Election Update

Brief introductions were given by each member. Mr. Sperberg was welcomed to the committee. Ms. Baumgartner provided an update of the status of the election and briefly explained that the election is uncontested, so there will not be an election. Ms. Baumgartner stated that the new Council members will be sworn in at the May 17th meeting. Jackie Millet will be resigning from her current seat as Mayor Pro Tem to be sworn in as Mayor. Once the new Council Members are active, a replacement will be appointed to complete the remaining two years in Ms. Millet's current term. Additionally, Council Member Kim Monson is not running for re-election, so a Council Member will need to be appointed to the Audit Committee after the new Council is finalized. Thank you Ms. Monson for your time and service to this committee and to City Council.

Chair and Vice Chair Nominations

Suzanne Gibson was nominated as Chair and Peter Frenchman was nominated as Vice Chair. Chair Gibson moved, Vice Chair Frenchman seconded, to approve the nomination as stated. The motion passed unanimously.

Review and Approval of December 02, 2015 Minutes

No corrections were noted after the minutes were distributed during the meeting. Chair Gibson moved, Vice Chair Frenchman seconded, to approve the December 02, 2015 Minutes as presented. The motion passed unanimously.

Update on the 2015 Audit

Ms. Baumgartner provided a brief update on the interim testing that was completed in the Fall of 2015, as well as informed the committee that the auditors will be in the office conducting the audit from April 11th-22nd. Additionally, Ms. Baumgartner shared that due to having new auditors, they were going to look closely at all components of the City, rather than focusing on a few areas.

Ms. Baumgartner discussed changes to the 2015 audit report, which will include the implementation of GASB 68 related to pension reporting and GASB 77 related to tax abatement disclosures, the light rail funding, and a new component unit (the Lone Tree Business Improvement District). A background on the Government Accounting Standards Board (GASB) was provided and detailed information on each of the new GASB pronouncements was discussed. GASB 68 on pension reporting will only change year-end financials and has no budgetary impacts. Historically, the City made the annual required contributions and no liability or asset was recorded. With the implementation of this standard in the 2015 audit, each employer in the pension plan(s) will recognize a liability or an asset representing their proportionate share of the plan's underfunded or overfunded status. The pension plan for civilian employees (PERA) will show a liability of approximately \$4.7 million and the pension plan for sworn employees (FPPA) will show an asset of approximately \$836,000. In addition to GASB 68, Ms. Baumgartner briefly discussed a new pronouncement, GASB 77, that expands the disclosures related to tax abatements and will be implemented with the 2016 audit. Additionally, an overview of the light rail funding was shared, including the project background and the partners involved in the project. Lastly, information on the Lone Tree Business Improvement District (LTBID) was provided and how this will be a new component unit with the 2015 audit. The LTBID levied 15 mills at the end of 2015 for collection in 2016, which will generate approximately \$165,000 in property tax revenue. This was the only activity that will be shown for 2015.

Internal Control Overview

Ms. Baumgartner provided background on the organization that establishes the framework for internal controls, which is the Committee of Sponsoring Organizations (COSO). COSO includes three objectives, five elements and seventeen principles. The three objectives were briefly discussed, which include operational, reporting, and compliance. Operational considers the organization's ability to operate effectively and efficiently while safeguarding their assets. Reporting is related to providing reliable information to those who need it. Compliance involves the compliance with all applicable rules and regulations. Lastly, the five elements were discussed, which include: Control environment, risk assessment, information and communication, monitoring, and effective control activities, specifically the design, implementation, and maintenance of the controls.

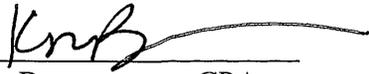
Next Meeting Date

Discussion was held concerning the next meeting date and it is tentatively scheduled for Wednesday, June 1, 2016 at 9:00 am and will have a longer duration to allow ample time for discussion of the results from the 2015 audit. The City's auditors will be present to share the results and answer any questions the committee members may have.

Adjournment

Vice Chair Frenchman moved, Mr. Sperberg seconded, to adjourn at 10:00 a.m. The motion passed unanimously.

Respectfully Submitted,



Kristin Baumgartner, CPA
Finance Director