



City of Urbandale
Audit Committee of the City Council
November 20, 2014

Audit Committee Members

- ✓ Robert Andeweg, Mayor
- ✓ Ron Pogge, Council Member
- ✓ Mike Carver, Council Member
- ✓ Donald J. Brush, Public Member / City Treasurer

Meeting Summary and Action Taken

The Audit Committee of the Urbandale City Council met on Thursday, November 20, 2014, in the smaller conference room adjacent the Council Chambers at the Urbandale City Administrative Offices, 3600 86th Street, Urbandale, Iowa. Audit Committee Members in attendance were Mayor Robert Andeweg, Council Members Ron Pogge and Mike Carver, and Public Member Donald J. Brush. Also in attendance was Nicole Lamb, Finance Director for the City of Urbandale, A. J. Johnson, City Manager, and David R. Cahill, CPA representing Eide Bailly LLP, the independent auditors for the City. The meeting was called to order at 7:30 AM by Chairperson Brush.

The agenda for the meeting was accepted and approved by a motion from Carver and seconded by Andeweg.

The minutes of the Audit Committee meeting of September 9, 2014, were reviewed and approved by the Committee on a motion made by Andeweg and seconded by Pogge.

Each member of the Audit Committee had previously been provided with an initial draft copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Years Ended June 30, 2014, which also included the audited financial statements and other supporting documents.

Mr. David Cahill of Eide Bailly LLP was asked and proceeded to provide the Committee with a summary presentation and review on each of the four primary sections of the CAFR document. These sections are categorized as follows: Introductory; Financial; Statistical; and Compliance.

I - Introductory Section

- Reference was first made to the initial segment of the CAFR document which provides the table of contents for the document along with a copy of the City's Organization Chart. Reference and attention was then given to the inclusion and significance of the "**Certificate of Achievement for Excellence in Financial Reporting**" as was presented to the City of Urbandale by the Government Finance Officers Association (the "GFOA") for its CAFR for the Fiscal Year Ended June 30, 2013. Mr. Cahill stressed the importance of this particular Certificate and such a Certificate is issued only to a limited number of governmental entities on an annual basis. With this most recent recognition, the City of Urbandale has been issued the Certificate of Achievement

for over thirty consecutive years. Appropriate and current financial data and supporting documents will be submitted again this year to the GFOA for consideration of this recognition.

- Reference was then made to the **Letter of Transmittal** that was prepared by the City Manager and Financial Director on behalf of the City of Urbandale. The **Letter of Transmittal** as prepared by the City of Urbandale exceeds the minimal requirements for such a document as prescribed by the GFOA. As prepared by the City, the document provides an excellent overview of the activities of the City over the past fiscal year in addition to providing an appropriate narrative in support of the accompanying financial statements.

II - Financial Section

- The first segment discussed in the financial section of the CAFR was the **Independent Auditor's Report** as issued by Eide Bailly LLP which provided an unmodified opinion on the financial statements of the City for the Year Ended June 30, 2014. An unmodified opinion is an opinion where the outside auditor expresses an opinion that financial statements are presented, in all material respects, in accordance with applicable financial reporting standards and framework. Reference was made to the adoption of the Governmental Accounting Standard Board (GASB) # 63, *Items Previously Reported as Assets and Liabilities*, which resulted in a change in the method of presentation of specific items which are appropriately referenced in the financial statements.
- Reference was then made to the significance of the **Management's Discussion and Analysis** (the "MDA") section of the CAFR as prepared by the City's Financial Management Team and the City Manager, and reviewed by Eide Bailly LLP. It was again noted that this particular section of the report, along with the Letter of Transmittal in the Introductory Section, both provide an excellent overview of the financial position of the City. It was noted by Mr. Cahill that these documents, as prepared by the City of Urbandale's Finance Director and City Manager, exceeds the minimum requirements of GFOA and are certainly top-quality in both their form and the information when compared to similar reports of other governmental entities.
- The next section discussed was the **Basic Financial Statements** presentations starting on page 16 of the draft copy of the CAFR. Reference was made on the *Statement of Net Position (page 16)* as to the newly adopted method on the presentation of deferred revenue (inflows) of resources as established and prescribed under GASB 63. Comment was also made that next year a similar change will be adopted for what will be classified as Deferred Outflow Funds.
- Discussion was then given to each of the financial statement in the section for which each is presented per the reporting format as prescribed by the GASB (Governmental Accounting Standard Board). Reference was given to the reporting standards as to those the funds that consist of ten percent (10%) or more of the total amount of city funds that are required to be reported individually or as a major funds within the report.
- Notes to the Financial Statements as presented on pages 26-49 of the draft copy were referenced and it was noted that this section of the CAFR provides an important overview summary of the significant accounting policies in addition to supporting narrative relating to the financial statements. Mr. Cahill stressed the importance of the footnotes which constitute an integral part of the total financial statement presentation.
- Reference was then made to the Required Supplementary Information (*page 51-53*), in support of the financial statements provides a Budgetary Comparison Schedule of Receipts, Disbursements

and Changes in Balances – Budget and Actual (Cash-Basis) – Governmental and Business-type Funds, along with related notes in support of the budgetary comparison schedules, and a schedule of Fund Progress for the Retiree Health Plan.

Reference was also made and a summary review discussed on the accompanying section of Other Supplementary Statements, Schedules and related financial information (*page 57-63*) on Non-major Governmental Funds, Proprietary Funds, and Agency Funds. It was noted that certain of the information and statements presented in this section are in a format that is specifically intended to meet the financial presentation policies established within the State of Iowa. It was noted that this section of the report provides a comparative financial summary of actual financial results to budget, and a modified reconciliation between the cash to accrual basis of financial presentation.

III - Statistical Section

- **Other Statistical and Financial Information** (Unaudited) relating to the City’s activities as prepared by the City’s Financial Management Team and reviewed by Eide Bailly LLP. It was noted that this is a very informative section within the report with significant data relating not only to financial measurements and trends but also information on debt capacity, population, demographic and economic data, and other statistical data. The information presented in this section has been standardized and is in accordance with the requirements of the GASB. Since the implementation and fulfillment of these reporting requirements, there is a full ten years of comparative data that has been accumulated and assembled for presentation in this section.

Due to an outside scheduled commitment, Robert Andeweg was excused from the meeting at 8:30AM.

IV – Section on Compliance and Internal Controls

This section of the CAFR document consists of the following items which were individually presented to the Audit Committee, and reviewed & discussed with the Committee:

- **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standard*** as issued by Eide Bailly LLP and in compliance with the standards applicable under the Government Auditing Standards as issued by the Comptroller General of the United States.
- **Report on Compliance for the Major Federal Programs and Report on Internal Control over Compliance Required by OMB** (the U.S. Office of Management and Budget) **Circular A-133** as issued by Eide Bailly LLP and in compliance with the standards applicable.
- **Schedule of Expenditures of Federal Awards** as required by the U.S. Office of Management and Budget (the “OMB”) Circular A-133 along with notes in support of the individual fund programs and grants.
- **Schedule of Findings and Questioned Costs** section of the reports provides a summary of observations and findings that were noted by Eide Bailly LLP during the audit engagement. Included in this section is a reference of the reportable individual items noted, recommendation for correction, response from the City’s Management Team, and the conclusion of the Auditors to each of the respective items.

In addition, Eide Bailly, as the City's outside auditors, is required to provide the Mayor and Council, as the City's in-charge Governance representatives, with a summary communication statement commonly known as or referred to as the "**Management Letter**" and professionally referred to as the AU 260 document. A draft copy of this document was presented and reviewed with the Audit Committee.

Mr. Cahill then provided the Committee with an outstanding "Executive Summary" narrative presentation on the significant financial activities of the City for the year along some comparative references to changes in ending balances between the current fiscal year and last year.

The members of the Audit Committee were provided with an opportunity to ask questions and/or to make observations during the entire presentation and were provided with additional information when and where required.

The Committee thanked Mr. Cahill for his presentation. It was the consensus of the Audit Committee to accept the CAFR report as presented and to have the report forwarded on to the City Council for their acceptance and approval at their meeting on November 25, 2014.

Committee Items

At this point, the members of the City's Management Team in attendance were excused from the meeting to provide the members of the Audit Committee the opportunity to independently make inquiry of Mr. Cahill as to any specific and particular observations and/or comments that he might wish to share with the Committee that his firm experienced or noted during their engagement as the outside auditors.. He reported to the Committee Members that the staff and personnel of the City were extremely helpful and cooperative throughout the entire audit engagement, and that they were very appreciative of the quality of the advanced audit field work data that is prepared and made available to them by the City personnel. He further specifically noted that there are very few communities that have a professional financial management team of the caliber as in we have in Urbandale, and an Audit Committee as active and involved as is the case in the City of Urbandale. .

Due to another outside scheduled commitment, Ron Pogge was excused from the meeting at 8:55 AM.

Following this "closed" segment of the meeting, Nicole Lamb, Finance Director and City Manager A. J. Johnson were asked to return to the Committee meeting. Nicci Lamb provided the Committee with an update presentation on the following topic items.

- **MCDC Initiative**
- **Policy Status update on Purchasing Policy**
- **Community & External Funding Policy**

In addition to a the discussion on each of the above items, there was a review and discussion on a letter received from the US Justice Department requesting a response from the City as the corrective procedures being considered or taken by the City to the audit findings reported in the City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Years Ended June 30, 2013.

Having no others items to be brought before the Audit Committee for consideration, the meeting was adjourned at 9:05 AM with the motion by Brush and seconded by Carver.