

The Minutes of the City Audit Advisory Board held Wednesday, July 9, 2008 at 2pm

Call to Order

The meeting of the Audit Advisory Board was called to order by Michael Justus, Board Chair, at 2pm. This meeting was held in Conference Room 206 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, Steve Bowen, Michael Justus, Chuck Pallesen.

Absent: Board Members: Todd Blome and Jim Mastera.

I. Note Open Meetings Law

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

Connor suggested making a sign for the conference room door that says something to the effect of "Audit Advisory Board Meeting in Session, Public Welcome", so that the public would be aware that they can come in if the door is already closed.

II. Approval of May 14, 2008 board minutes

Michael Justus asked for a motion to approve the minutes from the May 14th meeting. Chuck Pallesen moved approval, which was seconded by Barbara Arendt. AYES: Barbara, Steve, Michael, Chuck. NAYS: None. Motion carried, 4-0.

III. Review Council resolution scheduled for vote on July 14, 2008

Don handed out a copy of the resolution that was created by the City Council. He said that the City Council is scheduled to vote on the resolution on July 14th. Don stated that Councilman Dan Marvin forwarded this request to the Law Department to help him create a resolution for the Audit Advisory Board. He stated that the resolution asks that the Audit Board take a look at performing an audit of the fund balances of the various funds within the City and to review those in light of the City's Triple AAA bond rating. Don said he feels this probably came about due to the discussion of the additional funds that were in the Special Assessment Fund. He said that the City Council felt that it might be worth having an independent review of all of those fund balances. He stated that this resolution has been introduced on the City Council's Agenda under the first reading, but the public hearing on this resolution has not yet occurred.

Steve asked if the fund balances would include Lincoln Electric System and District Energy Corporation. The group discussed this question further. Don suggested that he could go back to the City Council and ask for clarification and get back to the group. The group agreed that it would be a good idea to do so. Don told the group that he would submit an email to the City Council to include in their Council Packets so all the City Council members would be aware of their question.

IV. Review background information on fund balances and bond ratings

Peggy handed out copies of the City of Lincoln Statement of Cash Balances to everyone to review. She said that this consists of about 120 or more accounts. She stated that the Fund Groupings for the accounts are as follows: 010-030, General Fund; 100-299, 590-595, 710-715, 725-730, Special Revenue; 300-399, Debt Service; 400-499, Capital Projects; 500-560, Enterprise; 585-588 & 720, Permanent Funds; 600-699, Internal Service; 705, Pension; 745-899, Agency.

Peggy told the group that they reconcile on a daily basis, and these Statements of Cash Balances are posted on the City Website for anyone to access. She said the statements have been posted online since around 1998. Peggy stated that the statements she handed out are of August 31st of our last fiscal year, and then she also gave a copy of the statements for every quarter after that. She said the first three pages of each month are the cash balances followed by the investment balances, if that fund holds its own investments. She said that most of the cash is pooled and invested together, but some funds hold specific investments.

Don said that the specific investments could be a result of a number of things, such as: Special AV Bond Reserve Funds. Don said that the Special Assessment Fund is under the Fund Grouping of #320, and that is where all the money is at. Peggy said that basically if it's under the #300 series, it is set up as a debt service fund, which was set up like that because those monies were pledged towards paying debt off. Don said that they just finished paying off their last bond in 2007.

Don handed out an Annual Review of the Triple AAA Rated U.S. Municipalities handout from Standard & Poor's for everyone to review. Don stated that since the resolution talks about maintaining a Triple AAA Bond Rating, he felt it would be a good idea to hand out some material regarding that. Don said that every two years Standard & Poor's reviews all the Triple AAA rated cities in the United States. The handout is dated June 2005; however, Don thought there might be a new one published at this time. He said in this publication, there were 66 municipalities that had a Triple AAA rate. Don told the group that the City of Lincoln also has a Triple AAA rating from Moody's Investors Services, which is the other rating agency. On the top of page two of Don's handout, it tells what the rating agency looks at when determining whether the city is worthy of a Triple AAA rating. Don said that on page seven of the handout, they will see a table that compares all the Triple AAA rated cities to each other. He said that of the 65 cities, there is only about 10 cities that exceed Lincoln, as far as population goes.

V. Adjournment

Board Chair, Michael Justus, called for adjournment. Chuck Pallesen moved approval, which was seconded by Steve Bowen. The meeting was adjourned at 3:20pm.

Minutes submitted by: Jamie Phillips