

**APPROVED**  
**AUDIT ADVISORY BOARD REGULAR MEETING**  
**CITY OF FORT LAUDERDALE**  
**1st FLOOR CHAMBERS**  
**MARCH 5, 2015, 5:00 PM**

<b>Board Member</b>	<b>Attendance</b>	<b>Cumulative Attendance</b>	
		<b>10/1/14 – 9/30/15</b>	
		<b>Present</b>	<b>Absent</b>
Martin Kurtz, Chair	P	3	0
Jennifer Diehl	P	1	2
Richard Owen	A	2	1
Kimberly Jackson	P	2	1

**Staff**

Kirk Buffington, Director of Finance  
Linda Logan-Short, Deputy Director of Finance  
Laura Garcia, Acting Controller  
Janette Smith, Treasurer  
Pamela Winston, Senior Accountant  
John Herbst, City Auditor  
Marco Hausy, Assistant City Auditor III  
Laura Reece, Assistant Manager of CIP/Grants  
Linda Blanco, Board Liaison

**Other Attendees**

Aazan St. Rose, Crowe Horwath  
John Weber, Partner, Crowe Horwath  
Michelle Blackstock, Crowe Horwath

**Guest Presenters**

John Weber, Partner, Crowe Horwath

**Communication to the City Commission**

Chairman Kurtz discussed his recommendation of Mr. Keith Cobb to serve on the Audit Advisory Board for the vacant position to be appointed by Commissioner Dean Trantalis. Mr. Cobb submitted his application and his highly qualified for the position. Chairman Kurtz indicated he may call Commissioner Trantalis personally to recommend Mr. Cobb.

### **Call to Order**

The Chairman called the meeting to order at 5:08 p.m.

- **Roll Call**

At the March 5, 2015 meeting, three (3) appointed members to the Board were present, allowing for a quorum.

Chairman Kurtz begins the meeting by asking whether there is any public input to be heard before entering into the agenda. Hearing none, he proceeded with the meeting.

### **Review of Minutes for Approval**

- **October 30, 2014**

Chairman Kurtz asked the Board members if they had any questions or comments regarding the October 30, 2014 Board minutes. Being none, a Motion was made by Ms. Diehl to approve the minutes, seconded by Ms. Jackson. In a voice vote, the motion passed unanimously.

- **January 29, 2015**

Chairman Kurtz asked the Board members if they had any questions or comments regarding the January 29, 2015 Board minutes. Being none, a Motion was made by Ms. Jackson to approve the minutes, seconded by Ms. Diehl. In a voice vote, the motion passed unanimously.

### **Draft Comprehensive Annual Financial Report (CAFR)**

- **Crowe Horwath**

Mr. Weber distributed copies of a report entitled "City of Fort Lauderdale – Year End Audit Results" and discussed each page individually. The financial highlights in pages 4 and 5 were taken directly from the City's CAFR. If you don't read all 146 pages of the CAFR, he recommended they read the *Management's Discussion and Analysis* which begins on page 3 and included excellent narrative with summarized financial information on what took place during the year and the differences between current year and the prior year. It's very useful information. Chairman Kurtz pointed out a typo in the *Financial Statement Overview*, on page 4 for the Crowe report; specifically, in the first paragraph, the amount of \$699.1 million should be \$669.1 million. Mr. Weber acknowledged the error and moved on with his presentation.

Crowe's opinion of the audit report in the CAFR is unmodified and Crowe was able to opine that the figures provided therein are correct.

Mr. Weber went into detail regarding the *Prior Period Restatement* on page 6 of his report. He explained the term means that the pending net assets in fund balance of last year's audit report has been restated to correct an error. It has to do with the contribution to the police and fire pension fund. The error is roughly in the neighborhood of \$14 million - \$15 million and the pension fund itself and their auditors recorded a prior adjustment on the pension fund financial statements and in turn, the City recorded one on their financial statements. In looking through all the activity, he really found a lot of confusion in the change from the fiscal year from the pension plan, going from a calendar year end to a September 30 year end. There are a number of actuarial reports that were prepared. One of the reports that Crowe based their audit procedures on last year, did not have a contribution in it required from the City. The pension fund did not record that as a receivable either. The report was filed with the state, which made a determination that they would not make a contribution because there was no City contribution. After several meetings with all the parties involved, the status is that since the restatement is being made on a provision in statute which needs to be followed when a contribution needs to be made, we have asked for confirmation from the City Attorney, from a legal perspective, if she in fact, agrees with our interpretation of the statute and the contribution. The effect of last year's financials, the City had a prepaid asset to the pension fund a little over \$4 million so that was taken off the books and \$10 million was reduced from the beginning net position. So the full contribution amount was \$14- \$15 million but there is a prepaid that the City had when the City were issuing some debt in funding the pension plan. So the net effect is about \$10.2 million roughly. That is presented in the financial statements and is also a comment in the *Internal Controls Compliance Letter* and it is in our Auditor's Opinion under the *Emphasis of Matter* section, where we briefly discuss it and refer the reader to the Notes of the financial statement. It does not affect the actual auditor's opinion. It is an unmodified, clean audit opinion so there is no effect on the overall result of the auditor's opinion.

Chairman Kurtz asked for clarification as to which side made the error. Ms. Logan-Short replied the error was in the pension plan's actuary's side. When we contemplated their fiscal year, we asked "what would that mean to the City?" The City was told that no contribution would be required by the City and it

turned out he was wrong. This would be a proration for a contribution that spanned January through September 2013.

Mr. Herbst stated that there was a disconnect between the accounting side of it and the actuary side of it. When the actuary said that no money was going to be owed, he was referring to our prepayment on the books that would satisfy what needed to be contributed for that shortened plan. Ms. Logan-Short stated at that time, the City had \$14 million, or 13.274 million, and the short plan was 10.223 million, so we had enough in the prepaid to cover it. Mr. Herbst added that what the actuary did not understand from the City's perspective is that it was our intent, financially and budgetarily, to apply the prepayment against our contribution for our next fiscal year. This would have worked just fine, had they not changed the fiscal year for the plan. But having changed the plan's fiscal year, created a timing difference wherein that now became a receivable for the plan because it was no longer within their same calendar year. Ms. Logan-Short confirmed that the issue was not a control issue, it was a one-time issue. Chairman Kurtz asked if there were any contributions that were not made. Mr. Herbst replied that this is ambiguous because the state says there has to be a cash contribution in every plan year, which we were doing. But when we shortened the plan year, it required two payments; so it was two contributions in our fiscal year but one in each of their plan years, and therein lies the disconnect.

Mr. Weber continued his overview of his presentation. He ended by saying that Linda Logan-Short, Laura Garcia, and their team, do a great job of helping them get through the long audit process. He said they appreciate everyone's professionalism and cooperation in getting the audit completed. Chairman Kurtz asked the Board members if they had any questions and if staff had any comments.

- **City Staff**

Ms. Logan-Short stated that Ms. Garcia would be going over some of the highlights from the CAFR. Ms. Garcia mentioned that she would talk about items that John Weber did not mention, like the OPEB, which is Other Post Employment Benefits. We opened an OPEB trust fund this year in September 16<sup>th</sup>. We funded the account with \$8.6 million, of which \$5 million are from the General Fund. The total obligation in that area is \$8.8 million. Pages 66-67 of the CAFR include notes regarding the OPEB. Ms. Garcia also pointed out that the property taxes went up by 3.9% even though we maintained the same millage rate of 4.1193 for the seventh consecutive year. This information is mentioned in the CAFR's

*Letter of Transmittal*, including a taxable assessed value table comparing the last five years. Pages 134 – 137 have schedules showing the assessed values in greater detail. These values should continue to go up considering the growth in the construction industry. The General Fund is at 19.9 which is over our minimum requirement. There is a list of the commission's priority projects funded in FY 2015 on page vii of the Letter of Transmittal. On page 146 of the CAFR is the Capital Asset Stats showing, by function, the different assets the City owns. As Mr. Weber mentioned, our assets increased by \$55.2 million from 2013 – 2014. Our debt decreased by 4.2% so we are at \$802 million. There was no debt for FY 2014 and there is a detailed schedule on page 13. In terms of debt for 2015, we will be doing debt refunding on the water and sewer revenue bonds and page 73 shows some detail about that. Also the City plans to issue debt for the parking fund and \$8 million for the garage at the Aquatic Center. We also issued about \$7.6 million in debt for the WAVE, North Loop for the CRA. All of this is for FY 2015. On page 72 you can see more detail about the prior restatement background, including a schedule. For next year, we will have GASB 68 which affects the City. We have several schedules we need to report on. We have done our research and are on schedule to have this on time. Ms. Logan-Short mentioned that the GASB 67 report showed them and what the plan is reporting on their financial statement, talks about their footnotes and the funding level from the City. And for the GERS plan with the GASB 67 report, we're over 100% funded and for P&F we are in the 90 percentile funding. However, she thinks the prepay issue with the contribution affected that a little bit because the money was not into the plan which affected how much we have as assets in the plan. Once we rightsize, it and correct this entry and fund the 2015 ARC payment, it will help us look better next year for the 68 implementation.

Mr. Herbst and Ms. Logan-Short discussed the issue with FEMA shown on pages 70-71 of the CAFR. In 2014 the City recognized the balance of the liability to FEMA which Mr. Herbst said he recommended be done two years ago. Ms. Logan-Short stated she was not with the City at that time. Mr. Herbst stated that was not a budgeted expense so he asked if staff when will be bringing anything to commission for authorization to have reduced fund balance to do that. Ms. Logan-Short replied that she asked for ratification by commission as a communication for the CAFR and explained it was an unplanned expense of \$8.9 million and we had to take prior action to close this. Mr. Herbst suggested that we also ask for ratification for the pension correction. Ms. Logan-Short stated they are already working on the commission agenda memo for that. Mr. Herbst wants to look at the policy to make sure it says a ratification is required for these instances, rather than a disclosure. Ms. Logan-Short stated they will try to

get this on the March 17 conference agenda and they are currently working out the letter needed from the City Attorney's Office stating we're meeting the legal requirement for the entry. Our auditors will need to review the letter to see if it will meet the legal requirements.

Ms. Logan-Short mentioned that due to her new role as Chief Financial Officer and Deputy Director of Finance, Laura Garcia has filled in to prepare the CAFR and has worked very hard and completed this practically by herself. She wanted to recognize Ms. Garcia's efforts and long hours and wanted to let her know what a fabulous job she did. Mr. Herbst then stated that Gloria of his office had also reviewed it from cover to cover and provided comments.

### **Other Business**

- **External Audit Contract Renewal**

Chairman Kurtz spoke of the current 3-year contract with Crowe Horwath, LLP which is expiring soon. Ms. Diehl recommended a 1-year extension and Ms. Jackson stated she did not have any objections to a contract renewal. Ms. Jackson made a Motion to extend Crowe Horwath's contract for an additional year, seconded by Ms. Diehl, in a voice vote, the Motion passed unanimously.

### **Communication to the City Commission**

Chairman Kurtz stated he would like to recommend to the City Commission, the Board vacancy that has been vacant since Roger Ally left the Board. Keith Cobb, former partner at KPMG for 20 years, who is highly qualified, has applied for the vacant position. The appointment needs to be made by Dean Trantalis, although Mr. Cobb does not live in District 2. Ms. Logan-Short believes it will be able to go to the March 17<sup>th</sup> agenda. Mr. Buffington informed the Board that this will simply be a communication to the City Conference Commission at their meeting. Ms. Diehl made a Motion to recommend Keith Cobb to the Audit Advisory Board vacancy, seconded by Ms. Jackson, in a voice vote, the Motion passed unanimously.

### **Other Updates**

Mr. Herbst reported that the construction auditor is now onboard. Her name is Eileen Reilly and she is now looking at documentation associated with the Aquatic Center as that is our biggest and most at-risk project underway. She will also probably take on the CIP component of the Budget Review.

Mr. Herbst stated they are getting ready to release a report on our RFP review. They are also concluding two audits: one with the cemetery system and the other with the IT Department's radio shop. The Revenue Estimating meetings are set and we sit in on them so we understand what goes into the revenue numbers. By participating in the early budget formation process, we reduce the amount of analysis that needs to be done after the budget is presented to the commission.

Mr. Buffington informed the Board that the position of Procurement Manager has been filled by someone he has known for about ten years. He's very energetic, former Marine, and comes with a great attitude and experience from the cities of Deerfield Beach and Coconut Creek. Mr. Buffington then introduced Janette Smith as the new Treasurer as of February 2<sup>nd</sup>. Mr. Buffington also said that Mike Maier is assuming the security side of things in IT and will be hiring two security analysts that will handle the day-to-day work with his oversight. Mr. Herbst commented that he is concerned about this arrangement. Chairman Kurtz also expressed his concern, considering how critical the area of cyber security is and asked Mr. Herbst to stay on top of whether the current staff arrangements in IT are going to work out.

The next meeting is scheduled for April 30, 2015.

The meeting was adjourned at 6:03 PM.

[Minutes prepared by Linda Blanco, Board Liaison]



# City of Fort Lauderdale – Year End Audit Results

## Agenda

- Scope of Services/Deliverables
- Financial Statement Overview
- Audit Results
- Those Charged With Governance Communication

The accompanying information should be read in conjunction with the audited financial statements and is intended solely for the information and use of the Mayor, City Commissioners, Audit Advisory Board, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

---

## Scope of Services/Deliverables

- Audit Report on the Comprehensive Annual Financial Report
- Internal Control and Compliance Report - Government Auditing Standards
- Single Audit Report
- Management Letter
- Those Charged With Governance Communication

## Financial Statement Overview

- The assets and deferred outflows of resources of the City exceeded its liabilities at September 30, 2014, by \$1.09 billion (net position). Of this amount, \$421.2 million was from governmental activities and \$669.1 million was from business-type activities.
- The City's total net position increased by \$55.2 million in fiscal year 2014. Regarding fiscal year 2014 activities, net position of the business-type activities increased by \$4.9 million, and an increase of \$50.3 million was attributable to the governmental activities.
- The General Fund's fund balance increased by \$5.2 million to \$53.6 million due primarily to an increase in Franchise Fees collections and decreases in General Government and Public Safety expenditures. The unassigned fund balance increased from \$39.7 million in FY2013 to \$50.8 million in FY2014. The increase is due primarily to the reclassifications of \$4.0 million of assigned fund balance that was previously set aside for OPEB and \$3.1 million from nonspendable fund balance that was a result of the prepayment in FY2012 to the Police and Firefighters' Retirement System.

## Financial Statement Overview

- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$53.4 million, or 18.8% of total General Fund expenditures and other financing uses.
- The City's total outstanding debt decreased by \$35.4 million, or 4.2%, during the current fiscal year. There was no new debt issued in the current year. Principal retirements for the governmental activities and business-type activities totaled \$21 million and \$14.4 million, respectively.

## Audit Results

- Audit Report on the Comprehensive Annual Financial Report
  - Unmodified Opinion
- Internal Control and Compliance Report - Governmental Auditing Standards
  - Prior Period Restatement
  - Calculation of Compensated Absences
  - IT Controls (Sum Total and Cash Cloud)
- Single Audit Report - Federal and State
  - Unmodified Opinion
  - No Material Weaknesses, Significant Deficiencies or Findings
- Management Letter
  - No comments

## Those Charged With Governance Communication

- Auditor's Responsibility Under Auditing Standards Generally Accepted In The United States Of America
- Auditor's Responsibility Under Government Auditing Standards
- Significant Accounting Policies And Management Judgments and Accounting Estimates
  - Significant Accounting Policies
  - Management's Judgments And Accounting Estimates
- Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices

## Those Charged With Governance Communication

- Corrected And Uncorrected Misstatements
- Other Communications
  - Other Information in Documents Containing Audited Financial Statements
  - Significant Difficulties Encountered During the Audit
  - Disagreements with Management
  - Consultations with Other Accountants
  - Representations the Auditor is Requesting from Management
  - Significant Issues Discussed, or Subject to Correspondence, with Management
  - Other Finding or Issues We Find Relevant or Significant