

COMMISSIONERS PROCEEDING 1

BOARD OF MORGAN COUNTY COMMISSIONERS Minutes of Special Meeting Audit Presentation September 29, 2014

The Board of Morgan County Commissioners met on September 29, 2014 at 8:34 a.m. with Chairman Jim Zwetzig, Commissioner Laura Teague and Commissioner Brian McCracken in attendance.

Chairman Zwetzig opened the special meeting to present the 2013 audit findings. Morgan County Finance Director Michelle Covelli introduced auditors, Cheryl Wallace, Matt Beerbower and Jennifer Ulrich from RubinBrown LLP Certified Public Accountants & Business Consultants. Jennifer Ulrich went over the 2013 financial statements noting Morgan County does an comprehensive annual financial report with the County receiving the Certificate of Financial Achievement. Ms. Ulrich went over the Independent Auditor's Report which is retained to provide all business-type activities for the year ending December 31, 2013. Ms. Ulrich stated the management is responsible for the preparation and fair presentation of these financial statements and it is the auditor's responsibility to audit the financial statements of all the funds and activity of Morgan County for 2013. Ms. Ulrich noted RubinBrown LLP did review the financial highlights supplied by Morgan County of the County's interpretation of what happened in Morgan County during the year which was reviewed by RubinBrown LLP with an audit being done on the numbers to make sure the numbers were consistent with the numbers that were audited with no exceptions. Ms. Ulrich reported an audit was done on Federal grants to make sure they were consistent with government regulations and compliance with some exceptions. RubinBrown LLP issued comparative information from the audit report from the previous year stating auditing was in compliance and reported a clean opinion with no exceptions to the numbers. Ms. Ulrich briefly went over the Statement of Net Position that states all the assets and all the liabilities of all the funds are divided into two categories; Governmental activities and Business-type activities and with totals of the two activities compared to the prior year, Ms. Ulrich reported as of December 31, 2013 there was \$201,680,049.00 in total assets and \$4,306,662.00 in total liabilities which is up from \$3,691,256.00 from 2012. Ms. Ulrich noted what changed is unearned property tax revenues that will be collected the following year is now under Deferred Inflows of Resources which was implemented by GASB 65 in the amount of \$12,902,797.00 and is no longer under Liabilities. In 2013 there was \$184,470,590.00 in total net position compared to \$189,590,594.00 in 2012. Ms. Ulrich reported Net Position is broken down into three categories: the first is net investment in capital assets in the amount of \$148,550,106.00 compared to \$157,262,909.00 in 2012 due to annual depreciation, the second is the restricted category which shows different categories of funds that are set aside from an external source, the largest amount being \$6,507,662.00 which represents emergency TABOR reserve and the third is the unrestricted category and at the end of 2013 there was \$26,606,581.00 compared to \$24,465,442.00 in 2012. Under Statement of Activities, expenses were in the amount of \$29,484,031.00 for Governmental activities at the end of 2013 and \$2,063,159.00 for Business-type activities for total primary government expenses in the amount of \$31,547,190.00 in 2013. Under Program Revenues, this reflects how much of the total expenditures were recouped from various sources with Charges for Services in the amount of \$1,767,641.00, Operating Grants and Contributions in the amount of \$6,987,625.00 and Capital Grants and Contributions in the amount of \$791,252.00 under Governmental activities. Under Business-type activities, Charges for Services was in the amount of \$1,815,926.00, Operating Grants and Contributions in the amount of \$34,487.00 and Capital Grants and Contributions in the amount of \$46,901.00. Ms. Ulrich noted when you take those revenues and off-set that against expenses, it is intended to show what is left for the taxpayers to support. Ms. Ulrich stated the taxpayers are left to support \$19,937,513.00.00 of total general revenues in expenses and on the accrual basis it shows that there were expenses that exceeded revenue by \$4,964,652.00. Ms. Ulrich reported in Business-type activities the amount of \$165,845.00 was not covered by direct charges. Ms. Ulrich stated under Governmental activities there was a decrease of \$4,964,652.00 and a decrease of \$155,352.00 under Business-type activities. Under Governmental Funds the total fund balance for 2013 was \$28,277,302.00 compared to \$24,234,921.00 for 2012. Ms. Ulrich noted the Governmental fund balance shows the net position of governmental activities in the amount of \$179,484,983.00. Under Statement of Net Position which includes the ambulance service and solid waste management, the total net position was \$4,985,607.00 compared to \$5,140,959.00 in 2012.

Chairman Zwetzig asked about FEMA reimbursement funds with Ms. Ulrich reporting that approximately \$650,000.00 is reflected under fiduciary funds.

RubinBrown LLP auditor, Matt Beerbower, presented the ViewPoints document beginning with the 2013 Observations and Improvements section which summarizes what has been done and improvement recommendations and analysis. Mr. Beerbower noted under SEFA Preparation (material weakness) two federal programs were omitted in the excess of \$645,000.00 noting this is in regard to FEMA funds. The second was FEMA Internal Controls (significant deficiency) where employees administering the FEMA program prepare project worksheets supporting all grant activity. Ms. Williams noted the Federal Government has guidelines that need to be followed and to show there is evidence that the process is in place. Ms. Williams noted there was no guidance with the County having no compliance issues. Commissioner Teague commented that she and Michelle Covelli did go over the work sheets. Mr. Beerbower made three best practice recommendations for the County to consider for next year. The first recommendation is that the County be required to maintain a minimum TABOR reserve with the calculations having errors and was not reviewed by an independent person in order to ensure proper compliance with TABOR. The second recommendation was in regard to bank reconciliations and recommends the Treasurer review and document the review by initials or signature each month to increase internal controls. The third recommendation was a separate review of the Sheriff's Office bank reconciliations suggesting the County reconcile all bank accounts monthly by an individual who did not perform the reconciliation. Mr. Beerbower presented suggestions that the County look at current systems available to see if a cash receipt system for the Clerk and Recorder's Office and Solid Waste Department use a general ledger-type system to track and record activity. Under

2 COMMISSIONERS PROCEEDING

FEMA revenue, it was recommended the County track federal award activity monthly and to verify all activity in the general ledger and match the grant requirements. Under Capital Assets, the recommendation is for the County to record exchanges and or trade-ins consistent with GAAP and for the County to record the building from the Ambulance Fund to the General Fund recording the value of the building at the correct value and depreciate the building at the remaining life of the asset. Mr. Beerbower noted that at the end of December 31, 2012, the Social Services Fund had a deficit fund of approximately \$23,000.00 stating this fund should not have a deficit balance, however, the County has improved monitoring fund balance and ended with a positive fund balance. Mr. Beerbower reported there was no change with the Code of Conduct Policy and noted the County did a great job implementing RubinBrown's recommendations. Under OMB Circular A-133 changes in regard to federal funds beginning January 1, 2015 states the threshold that requires a single audit has changed from \$500,000.00 to \$750,000.00. Under Auditor Communications, RubinBrown's responsibility is to express opinions about whether the financial statements prepared by the County are fairly presented and that the County complied with the requirements of federal programs. Under Qualitative Aspects of Accounting Practices there was not a significant change, however, depreciation of capital assets, estimated liability for closure and post-closure related to the landfill. Mr. Beerbower reported deposits and investments, risk management, long-term liabilities, closure and post-closure costs and the retirement plan are affecting the financial statements.

Mr. Beerbower reported under Auditor Communications the remaining information in the document states it is required that RubinBrown LLP put in writing for the County as the governing body that RubinBrown LLP issued unqualified opinions on financial statements and did not have any disagreements with management with no accounting practices in the records that were unsupported and it was a clean audit and RubinBrown received everything they needed. The final pages of the document requires RubinBrown LLP to get a management representation letter signed by Michelle Covelli stating RubinBrown received everything they needed for the audit with the final audit adjustment included.

Morgan County Clerk and Recorder Connie Ingmire stated in regard to a cash receipt system in the County Clerk's Office, she has checked with other counties our size and everyone is doing the Excel spreadsheet and it would be a huge expense to the County to do something different. Ingmire pointed out the County is on the State system and the Department of Motor Vehicles was the entity that set Morgan County up with this accounting procedure. Information Systems Manager Karol Kopetzky suggested printing additional documentation to see what goes into the spreadsheet and maybe attaching additional reports. Ms. Ulrich suggested submitting additional reports and reconciliations.

We hereby adjourn and are in recess at 9:32 a.m.

Respectfully submitted,

Dee Loose
Deputy Clerk to the Board