Committee Members: Pete McCracken, Chair  
Charles Webber, Member  
Maria Bemis, Member  
Julia Lew, Member  
John Longley, Member  

Staff Member: Georgia Hawley, Secretary

Call to Order  
Roll Call

ORAL COMMUNICATIONS

SCHEDULED MATTERS

1. Approval of February 28, 2007, and March 15, 2007 Minutes

2. Review of Banking RFPs for Depository Services

ADJOURNMENT

In compliance with the Americans with Disabilities Act and the California Ralph M. Brown Act, if you need special assistance to participate in this meeting, or to be able to access this agenda and documents in the agenda packet, please contact the Deputy City Clerk at (559) 782-7464. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting and/or provision of an appropriate alternative format of the agenda and documents in the agenda packet.
Call to Order at 8:30 a.m.

Committee Members: Pete McCracken, Chair
Charles Webber, Member
Maria Bemis, Member
Julia Lew, Member
John Longley, Member

Staff Members: Georgia Hawley, Chief Deputy City Clerk

Public: Steve Pressley, John Lollis

ORAL COMMUNICATIONS
None

SCHEDULED MATTERS

1. APPROVAL OF FEBRUARY 8, 2007 MINUTES

The Minutes of February 8, 2007 were approved as submitted.

2. CAFR REVIEW

Committee Member Bemis stated that Steve Pressley, the City Auditor, was attending the meeting to present the Comprehensive Annual Financial Report CAFR. She mentioned that the City has received a Certificate of Achievement for Excellence in Financial Reporting for the past sixteen years.

Mr. Pressley stated that new reporting models were required by Government Finance Officers Association (GFOA) which started on page 23 of the CAFR. He stated that it inputs the whole City on the equal basis of accounting, and on page 24, it shows the profit and loss for the City overall on the same premise of accounting. He stated that on page 26 it shows the way they used to report on current activity, but on page 27 is shows the reconciliations. Mr. Pressley stated that they blended to show the whole picture of what the City owns and what it owes. He briefly explained the changes in the accounting methods. Mr. Pressley stated that a requirement to the Audit Committee was a report that they would get to the Committee that talks about responsibilities under single audit requirements for grants. He stated that the report was to be finished by March 31, or thirty days after submitting the CAFR report to the Council. Mr. Pressley stated that they would finalize the letter and get it to them.

Chairman McCracken asked about ‘unqualified’ letters.
Mr. Pressley explained the process and stated that there was one opinion letter, but they would be opining on various governmental activities.

Mr. Lollis and Committee Member Bemis spoke on the difficulty of preparing the CAFR, and how they now have to compare the original budget with any adjustments to do the year end budget.

Chairman McCracken asked if Mr. Pressley had any advice to the Committee on what they should be looking at.

Mr. Pressley stated that there were several documents for the Council that would be good for this Committee, especially the Governmental Accounting, Auditing, and Financial Reporting Blue Book. He stated that the Committee should review the information on pension plans and GASB, and what their responsibilities are. The main responsibility is to put out the RFP for auditors, and then to review the reports and budget. Mr. Pressley stated that the Committee should have a broader knowledge than the rest of the Council.

Committee Member Longley asked the Committee if there was anything they found that would concern them if they were Council Members.

Mr. Webber stated that perhaps the Golf Course Fund and the 1.3 million dollar short fall in the grants.

Committee Member Longley explained that was in the VLF, and that was changed by the State.

Mr. Pressley questioned if capital projects, and funding for such, was carried over, or did it fall off if it was not done in the year.

Other items mentioned were:
- the Redevelopment deficit fund balance because of General Fund advances
- the Golf Course lien for money from other funds
- keeping a spotlight on golf course so it’s maintained and not lost in the other Parks and Leisure budget items

Chairman McCracken stated that using separate funds makes things cleaner, like the golf course. He stated that there were also questions by the public on the OHV Budget.

Committee Member Longley spoke on airport and golf course transfers, and their cash losses.

Committee Member Longley stated that, budgetarily, their theory was to offset the cost of overhead. He stated that they wanted to be consistent with the policy, and the accounting for transfers or subsidies was intended to be the account of that payment to the City for overhead.

Mr. Pressley stated that the citizens could question the difference between those funds and the Enterprise funds that pay their way.
Committee Member Longley spoke about strategic resources for the City in terms of economic development, and whether the funding had a value to the City.

Chairman McCracken stated that separation keeps it highlighted, and the Council and public informed.

Mr. Pressley asked if the OHV should be a separate fund, and Committee Member Longley stated that it would probably be a recommendation of the Committee.

Chairman McCracken spoke on the separation of the budgets in the Parks and Leisure Services Department, such as an account for each park, and Mr. Pressley stated that this was part of what the Audit Committee will be reviewing.

Committee Member Longley stated that it would be beneficial to break out the OHV budget. He reviewed the figures and stated that is they were going to get oversight if it, it should be broken out like the golf course.

Committee Member Longley asked where the Committee went from here.

Mr. Pressley stated that the Audit Committee letter would be coming after they finish the single audit. In answer to Committee Member Longley’s question about needed changes to the CAFR, Mr. Pressley stated that the letter of transmittal and some of the schedules could be pulled from the CAFR to make it more compact, but the City had been getting an award for their CAFR for the past sixteen with the details they provide.

Committee Member Bemis stated that it was necessary for the comments, because she had to add them after the review last year.

Mr. Pressley stated that there was a California award that the City didn’t go for because the deadline was sooner. Mr. Pressley read what was needed from the Committee pursuant to the MD&A.

Committee Member Longley stated that the Committee was to do studies as requested by the Council, and review the annual financial report. He stated that real value of the Audit Committee was that the CAFR gets more face time. The Audit Committee makes recommendations and incorporates them into the financial document.

Chairman McCracken stated that they should change this to be a document so they could send out as an annual report to the people.

Committee Member Lew stated that they could change the cover and make it look like a shareholder report.

Committee Member Longley stated that the Committee would present the CAFR to the Council.
Mr. Pressley stated that the City was a Phase Two Government entity, so they were under GASB 34, and a requirement was that they have to report infrastructure after four years, so that will have to be added as of January 30, 2007. He stated that all sorts of things used as infrastructure, so that component may be off as relates to the report. He stated that an appraisal would be required in achieving that goal.

Committee Member Bemis stated that she talked to the financial officer in Tulare and they were having someone come in, so she asked if Porterville could piggyback on their contract for $18,000 to $25,000. She stated that she would have to follow up on he issue.

Mr. Pressley stated that it would involve inventor of the assets, and there were accounting firms that do those figures for assets and infrastructure. They would establish a base year and calculate from there. He stated that such a tool would make it easier to do.

Committee Member Longley stated that they would look at putting the contract for inventory and appraisal on the Council agenda for the second meeting in March. He stated that it would take two to three months to get the appraisal and then it should be resolved by September or October.

Committee Member Lew stated that they may have to do an RFP as this would be $13,000 to $25,000, but she would look into it.

Mr. Pressley stated that there were three to four firms out there if they needed names to sent RFPs.

Committee Member Webber stated that he would like to see them condensing the CAFR and let the public know what was going on in the City. Put out the highlights of what the City was doing for them.

Chairman McCracken stated that they could do a summary and refer to the CAFR. He stated that they could post the whole document on the website.

Committee Member Bemis stated that they do provide copies of the CAFR to the public upon request, and Mr. Lew stated that they could put it on the website and then people could get it online or get a hard copy for a cost.

Mr. Pressley stated that there was a potential of looking like the City was upside down with assets and debt. He stated that it would be better when the infrastructure was included.

**COMMITTEE ACTION**

MOVED by Committee Member Lew, SECONDED by Committee Member Webber that the Committee recommend the approval of the CAFR to the City Council. The motion carried unanimously.

Committee Member Longley stated that this would be on the second meeting in March.

Mr. Lollis stated that he would also do the GASB requirements, and would get out Page 411 and the information from the GFOA website.
Chairman McCracken asked for a document that explains for cities that is easy to read.

Mr. Pressley stated that would be the Governmental Blue Book, or Governmental Accounting, Auditing and Financial Reports.

ORAL COMMUNICATIONS
None

The next regular meeting was scheduled for March 15, 2007 at 1:00 p.m. Chairman McCracken confirmed that a draft RFP for depository services would be presented at that time, and analysis of business licenses paid..

ADJOURNMENT
The Audit Committee adjourned at 9:53 a.m. to March 15, 2007 at 1:00 p.m.

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Georgia Hawley, Chief Deputy City Clerk
INTERNAL CITY AUDIT COMMITTEE MINUTES  
CITY OF PORTERVILLE, CALIFORNIA  
LA BARCA ROOM, CITY HALL  
MARCH 15, 2007 - 1:00 PM  

Call to Order at 1:00 p.m.  

Committee Members  
Present: Pete McCracken, Chair  
Julia Lew, Member  
John Longley, Member  

Absent: Charles Webber, Member  
Maria Bemis, Member  

Staff Members: John Lollis, Acting Deputy City Manager  
Susan Perkins, Purchasing Agent  
Georgia Hawley, Secretary  

ORAL COMMUNICATIONS  
None  

SCHEDULED MATTER  

1. REVIEW OF DRAFT RFP FOR DEPOSITORY SERVICES  

John Lollis thanked Susan Perkins for all the work she had done in putting together the Banking RFP. Mr. Lollis then reviewed the RFP and the following items were noted:  
• there was the new addition of Trust and Custody Services  
• the RFP can be awarded by July 1, but the banking services could not be in place on that date  
• the RFP release date was to be changed to April 2007  
• on Tab R, specify the time frame of July 1, or as soon thereafter as possible.  
• a panel of financial professionals was suggested for rating the RFP, perhaps from other cities, and then bring the proposals to the Committee.  

ACTION  
MOVED by Committee Member Longley, SECONDED by Committee Member Lew that the Audit Committee approve the Banking RFP, with changes, and authorize forwarding the RFP to the Council for approval.  

AYES: Longley, Lew, McCracken  
NOES: None  
ABSENT: Webber, Bemis  

ORAL COMMUNICATIONS  
None
OTHER MATTERS

John Lollis stated that he had looked at business licenses from an historical perspective to see if the trend in unpaid business license renewal fees was increasing or decreasing. He stated that with the current financial data base, he was only able to review ten semi-annual renewal periods (five years), and at a total cumulative unpaid amount of $510,598.73, it equated to about $50,000 a renewal period in unpaid fees. Mr. Lollis stated that of those amounts, Type 2 business licenses comprised 72.19% of the cumulative total, and 85.1% of the January 2007 total.

Chairman McCracken stated that since 2002 there were $510,598 in unpaid business licenses, but some of those people were still in business. Mr. Lollis stated that they could possibly reconcile the vendors with the State Board of Equalization records, but Chairman McCracken pointed that some of the vendors don’t pay sales tax, such as gardners.

Mr. Lollis stated that they had begun to reorganize in Finance to separate business licenses by type and will piggy back on the enforcement aspect. He stated that enforcement would utilize the ____, but not the code enforcement officer.

Mrs. Lew stated that, as legal counsel, she needed to look at the enforcement aspect of the business licenses.

Mr. Longley inquired as to the average business license back payment, and was told it was $25 plus penalties. He stated that they needed to find out if it was economical to enforce this.

Mrs. Perkins stated that they enforced it for one vendor because that vendor owed $1,000.

After discussing limits, it was suggested that all accounts over due $25 to $150 be sent to a collection agency, and everything over $150 to be collected by the City, i.e. small claims court. Mr. Longley stated that they needed to break out the accounts by amount, and Mr. Lollis stated that Finance would do that.

Chairman McCracken stated that they needed to find a specialized agency for the collection, and Mrs. Perkins stated that MRC was such an agency.

Chairman McCracken stated that he had a new business in town, and he was striving to open April 15, 2007.

The next regular meeting was scheduled for April 16, 2007 at 1:00 p.m.

ADJOURNMENT
The Audit Committee adjourned at 1:49 p.m. to April 16, 2007* at 1:00 p.m.

Georgia Hawley, Chief Deputy City Clerk

*The April 16, 2007 meeting was not held as the Single Audit Letter was not ready.