



**Audit & Finance Committee Meeting
Meeting Minutes**

**April 20, 2018
8:30 a.m.**

BOARD MEMBERS PRESENT: Kevin O'Bryan, Steve Strichman, Hon. Monica Kurzejeski and Hon. David Bissember

ABSENT: Andy Ross

ALSO IN ATTENDANCE: Justin Miller, Jim Lozano (conference call), Mary Ellen Flores, Deanna DalPos, Jeff Mirel, Chris Stephens, Matthew Lindemann and Denee Zeigler

Minutes

The audit and finance committee meeting was called to order at 8:33 a.m.

I. Wojeski & Co. audit presentation

Matthew Lindemann spoke to the committee members about the audit process as first year auditors for the LDC noting the deliverables; a report to the board and the audited financial statements. Mr. Lindemann went over the highlights of the report. He advised this is a required communication that we present to the board and noted a couple adjustments to the prior period's financial statements. He advised that an adjustment was made under GASBY 49 to record an environmental remediation liability in the amount of \$965,000. Mr. Lindemann advised that it was something that happened in a prior year and didn't affect the 2017 audit, but we did restate the retained earnings as of the beginning of the year. He advised that can be found in note J in the financial statements. He added that there were costs related to the environmental remediation that were capitalized in the previous period, which ended up in a prior year adjustment of \$263,000 back to our opening retained earning balance for the beginning of 2017. Mr. Lindemann discussed the rest of the report in general. He noted the loans receivable and the appraisal and depreciation of the King Fuels site. The board asked what would happen if we get a purchaser that would take on the environmental clean-up. Mr. Lindemann advised that that under GASBY 49, there are certain steps that have to take place in order to have the liability recorded. He advised that this board does have it completed as of now. Mr. Lindemann noted that we did not have any difficulties getting the information needed to conduct the audit. There was a suggestion to increase the allowances for collectibles, but no other findings or issues.

Mr. Lindemann delineated the responsibilities of all involved in the audit; it is management's responsibility to prepare the financial statements, our responsibility to

audit those financial statements and express an opinion of them. He advised that page one and two are Wojeski's report on you financial statements and the rest of the document belongs to the board. He advised that the board received an unmodified opinion, which is the highest level that can be received.

Chris Stephen went over the balance sheet noting some changes from last year. He advised that the loan receivable portfolio is down, mainly due to a couple of large notes that were collected during the year. Mr. Stephens advised that all of the costs related to properties that we own. He advised that other changes are due to the pollution mediation obligation shows up as a long term liability and the restating of the property development. Overall, the net position is down since last year but still healthy. Mr. Stephens advised there is revenue of \$208,000; about \$53,000 of that is from the IDA as part of a fee sharing program. He added that there is also other income of \$43,000 that was related to unused grants. The board had a general conversation about the payments related to the HUD loan each year. Mr. Stephens noted that statement of cash flows generated about \$400,000 in cash for the year. He advised no significant changes to accounting policies unlike last year. Mr. Stephens talked about the activity of the land and equipment that we own. The board asked what equipment we have. Mr. Stephens noted that Bobcat and security equipment. Mr. Miller advised that we provided cash for those items to be purchased, but the LDC does not title the Bobcat. He added that the cameras were purchased to monitor one of the LDC owned sites. The board had a general discussion about the depreciation of the items on the balance sheet. Mr. Stephens talked in detail about the debt service to the city and advised that this only shows the next five years. Mr. Miller advised that the end date is about 2027. Mr. Stephens spoke about note G which discusses LDC owned properties and the rental income they generate. He advised of a couple of other notes, H and I, regarding the charges related to the excavator and the new agreement for fee sharing with the IDA. Mr. Stephens spoke about note J, which outlines the prior year adjustments that were done to the net position. He also discussed pages 14-15 which talk about our internal controls, but not to the extent to issue an opinion. The board had a general discussion about the additional remediation requirements of the King Fuels site.

Hon. Monica Kurzejeski made a motion to approve the draft 2017 audit as presented by Wojeski & Co. and recommend that it be presented to the full board of the LDC for approval.

Steven Strichman seconded the motion, motion carried.

II. Adjournment

With no additional business to discuss, the audit and finance committee meeting was adjourned at 9:05 a.m.

Steven Strichman made a motion to adjourn the audit and finance committee meeting.

Hon. Monica Kurzejeski seconded the motion, motion carried.