



AUDIT COMMITTEE

AGENDA FOR

Tuesday, November 5, 2013

10:30 a.m.

General Manager's Conference Room

Dennis Sanford – Chair
Gary Croucher – Vice Chair
Michael Hogan

Jim Madaffer
Kenneth Williams

1. Roll call – determination of quorum.
2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee's jurisdiction.
4. Chair's report.
 4-A Directors' comments.
5. Approve Audit Committee Minutes from May 2, 2013 meeting.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION

1. Debrief of Audit Sub-Committee meeting with the Independent Audit firm Macias Gini & O'Connell LLP Dennis Sanford/
Kenneth Williams
2. Discussion of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013 to include: Rod Greek, CPA
 - a. Letter of Transmittal
 - b. Management's Discussion and Analysis
 - c. Financial Statements
 - d. Notes to the Financial Statements
 - e. Required Supplementary Information
 - f. Other Supplementary Information
 - g. Statistical Section
 - h. Required Continuing Disclosure



3. Report by auditor Macias Gini & O'Connell LLP of the final FY2013 audit results, including: Kevin Starkey, CPA
- a. Audit Committee Letter
 - b. Management Letter
 - c. Auditor Opinion Letter
4. Review and acceptance of the draft audited CAFR for the fiscal year ended June 30, 2013. If accepted, direct staff to deliver the CAFR to the Board with a recommendation to accept and file. (Action)
5. Review and acceptance of draft Audit Committee Annual Report summarizing its activities, actions and recommendations to the Board. If accepted, direct staff to prepare the documents necessary to deliver the report to the Board with recommendations as follows: (Action)
- a. Audit Committee recommendations
 - i. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
 - ii. Accept and file the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2013.

III. ADJOURNMENT

Doria F. Lore
Clerk of the Board

NOTE: This meeting is called as an Audit Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.



October 30, 2013

Attention: Audit Committee

Draft audited Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. (Action)

Staff recommendation

Review and accept the draft Comprehensive Annual Financial Report for fiscal year ended June 30, 2013.

Discussion

Each year the Finance department prepares the annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These financial statements are the responsibility of the Water Authority's management. The financial statements are then audited in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards* (GAS). Macias Gini & O'Connell LLP (MGO), the Water Authority's Certified Public Accountants work for and report their findings to the Board of Directors through the Audit Committee. MGO provided the Water Authority Board of Directors with an unqualified opinion on the financial statements.

MGO is also required to report to the Board of Directors and management regarding responsibilities under GAAS and GAS, internal control over financial reporting, compliance, and other matters. The report is based on the audit of financial statements performed in accordance with GAS.

Management will present the financial highlights for the fiscal year ended June 30, 2013 and MGO will present their audit results at the audit committee meeting. Attached are various documents related to the annual financial audit. The specific documents on which the auditor expresses an opinion are 1) the financial statements, and 2) notes to the financial statements.

In addition, the independent auditors have performed auditing procedures to ensure that all information included with the auditor's opinion letter has been reviewed for consistency with the financial statements and other information gathered during the audit. The information subject to these procedures includes 1) the introductory section, 2) the Management's Discussion and Analysis, 3) the supplemental information, 4) statistical section, and 5) the Continuing Disclosure.

Upon acceptance of these documents, the Finance department will deliver the Audit Committee Annual Report along with the Comprehensive Annual Financial Report (CAFR) to the Board with a recommendation to accept and file.

Prepared by: Rod Greek, Controller
Reviewed by: Tracy M. McCraner, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments: 1) Transmittal Letter
2) Auditor Opinion Letter
3) Management's Discussion and Analysis

- 4) Financial Statements
- 5) Notes to the Financial Statements
- 6) Required Supplementary Information
- 7) Other Supplementary Information
- 8) Statistical Section
- 9) Required Continuing Disclosure
- 10) Letter on Internal Controls over Financial Reporting
- 11) Management Representation Letter



November 13, 2013

Attention: Board of Directors

Audit Committee Annual Report (Action)

Audit Committee recommendation

1. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
2. Accept and file the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2013.

Fiscal Impact

There is no fiscal impact associated with the recommended action.

Background

On August 27, 2009 the Board approved the establishment of an Audit Committee. The action was driven by the desire to separate oversight responsibilities for the audit function from the Administrative & Finance Committee, which is responsible for oversight of financial policy such as budgeting, financing, rates and charges.

Previous Board action: On August 27, 2009 the Board adopted Ordinance No. 2009-05 establishing the Audit Committee.

Discussion

The Committee's work during the year focused on oversight of the annual financial audit for fiscal year 2013. The Water Authority's auditor, Macias Gini & O'Connell, LLP (MGO) provided the Water Authority with an unqualified (or clean) opinion on the financial statements for the fiscal year ended June 30, 2013. No Management letter comments or instances of noncompliance or deficiencies in internal controls were reported.

Audit Committee Annual Report

In discharging its responsibilities, the Audit Committee held two public committee meetings and there was one independent meeting between two MGO representatives and two Audit Committee representatives. Following are descriptions of the business conducted at the various meetings.

- May 2, 2013: Staff introduced the audit team, who introduced themselves and gave a brief history of MGO. The main topics for the meeting included discussion regarding the 2013 work plan, audit process, roles & responsibilities, and internal controls, as well as interim fieldwork and deliverables. The Committee requested MGO meet with two Committee Members (Dennis Sanford and Ken Williams) without staff present in September 2013 to discuss the audit progress.
- September 25, 2013: Chair Dennis Sanford and Committee Member Ken Williams met with MGO with staff present. Both Committee Members provided feedback to staff and stated that the meeting went well. There were no concerns expressed by MGO and MGO communicated there were no required adjustments found during the

fieldwork. The main area of discussion was Pension & OPEB Liability. MGO answered questions by both Committee Members. Both Chair Sanford and Director Williams expressed no concerns with the status of the Water Authority's pension related liabilities.

Mr. Williams prepared a summary for the full committee to be shared at the November 5, 2013 Audit Committee meeting.

- November 5, 2013: Chair Sanford and Director Williams shared the results of their independent meeting held on September 25, 2013 with MGO representatives Kevin Starkey, CPA and Miyuki Freeman, CPA.

Kevin Starkey, CPA from MGO attended the meeting and explained the different auditor reports. The Committee then reviewed and discussed each of the basic financial statements, the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows for fiscal years 2013 and 2012. The review of the basic financial statements included discussions about items in the Management's Discussion and Analysis, and various detailed items in the Notes to the Financial Statements.

The Audit Committee also reviewed a draft of the Audit Committee Annual Report. Upon review and acceptance of both reports, the Committee directed staff to deliver the Audit Committee Annual Report along with the CAFR to the Board with a recommendation to accept and file.

Comprehensive Annual Financial Statements

The Audit Committee directed staff to deliver the Fiscal Year 2013 CAFR to the Board along with the Audit Committee Annual Report. The CAFR includes the Letter of Transmittal from the General Manager and Director of Finance/Treasurer, Auditor's Opinion Letter, Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Other Supplementary Information, Statistical Section, and Required Continuing Disclosure.

Prepared by: Dennis Sanford, Audit Committee Chair

Attachments: A) Water Authority Comprehensive Annual Financial Report for Fiscal Year 2013 in PDF format (physical copy to be provided at the Board meeting)