

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

MINUTES

October 23, 2014

A1. ROLL CALL

Chairman Ewin called the meeting to order at 9:00 a.m. A roll call sheet listing Audit Oversight Committee member attendance is attached.

A2. APPROVAL OF MINUTES

Mr. Gloria moved for approval of the minutes of the June 12, 2014, Audit Oversight Committee meeting. Mr. McClellan seconded the motion, and the vote was 4 to 0 in favor, with Mr. Cox and Mr. Mathis absent.

B. COMMITTEE DISCUSSION ITEMS

1. Draft of Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR)

Erin Dunn, MTS Controller, provided a brief overview of the MTS independent audit and the draft fiscal year 2014 Comprehensive Annual Financial Report (CAFR). Gary Caporicci with Pun & McGeady continued the presentation on the draft fiscal year 2014 CAFR. He reviewed the Pun & McGeady audit team; management responsibilities and auditor responsibilities. Chairman Ewin asked Mr. Caporicci if he could clarify the Board's responsibilities. Mr. Caporicci replied that the Board's responsibility is governance. Mr. Caporicci discussed the approach to the audit; summary statement of net position; summary statements of revenues, expenses and changes in net position; summary statement of cash flows; and the schedule of funding progress of defined benefits plans. Chairman Ewin inquired what the projected numbers will be next year for the defined benefit plans. Larry Marinesi, Chief Financial Officer, replied that last year there was an increase of approximately 13% and they are expecting to see increased numbers again next year for the defined benefit plans. Chairman Ewin asked how the CAFR will be adopted if deadlines are not met due to the delayed implementation of CALPERS audit procedures. Ms. Dunn stated the deadline to adopt the CAFR is December 31, 2014, and it is planned that the CAFR will be adopted at the November 20, 2014 Board meeting. Lastly, Mr. Caporicci discussed the schedule of funding progress of other post-employment healthcare plan and the audit results.

Action Taken

Mr. Gloria moved to receive a report on the draft Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR). Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor, with Mr. Mathis absent.

2. Internal Audit Activity Update Report

Toufic Tabshouri, MTS Internal Auditor, provided a presentation on the internal audit activity update. He reviewed his administrative processes; audit standards; completed

Audit Oversight Committee Meeting – MEETING MINUTES

October 23, 2014

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audits; audits in progress; consultations and other activities. Chairman Ewin inquired if there was any other additional information to report to the committee. Mr. Tabshouri replied there was no other additional information at this time and the committee will be informed of any new updates and information in the future.

Action Taken

Informational item only. No action taken.

C. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

Chairman Ewin thanked everyone for his time as the committee chairman and said that he has very much enjoyed acting as chairman.

D. PUBLIC COMMENTS

There were no public comments.

E. NEXT MEETING DATE

The next Audit Oversight Committee meeting will be determined.

F. ADJOURNMENT

Chairman Ewin adjourned the meeting at 9:28 a.m.

Chairman



Attachments: Roll Call Sheet

Pun & McGeady handout "SDMTS Audit Oversight Committee Presentation"

AUDIT OVERSIGHT COMMITTEE
SAN DIEGO METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) October 23, 2014

CALL TO ORDER (TIME) 9:00 a.m.

RECESS _____

RECONVENE _____

CLOSED SESSION _____

RECONVENE _____


ADJOURN 9:28 a.m.

BOARD MEMBER (Alternate)	PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
EWIN (Chair) <input checked="" type="checkbox"/>	9:00 a.m.	9:28 a.m.
GLORIA <input checked="" type="checkbox"/> (Emerald) <input type="checkbox"/>	9:00 a.m.	9:28 a.m.
MATHIS <input type="checkbox"/>		
OVROM <input checked="" type="checkbox"/> (Bragg) <input type="checkbox"/>	9:00 a.m.	9:28 a.m.
ROBERTS <input type="checkbox"/> (Cox) <input checked="" type="checkbox"/>	9:03 a.m.	9:28 a.m.
CUNNINGHAM <input type="checkbox"/> (McClellan) <input checked="" type="checkbox"/>	9:00 a.m.	9:28 a.m.
Transportation Committee Rep Slot (Mathis)		

SIGNED BY THE CLERK OF THE BOARD:



CONFIRMED BY THE GENERAL COUNSEL:





**SAN DIEGO
METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
PRESENTATION**

October 23, 2014

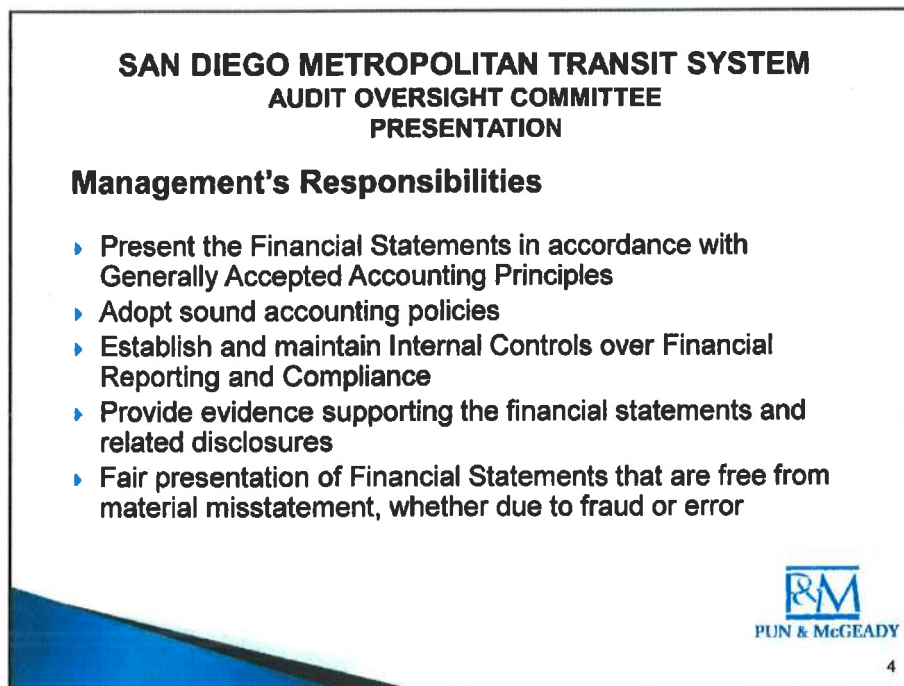
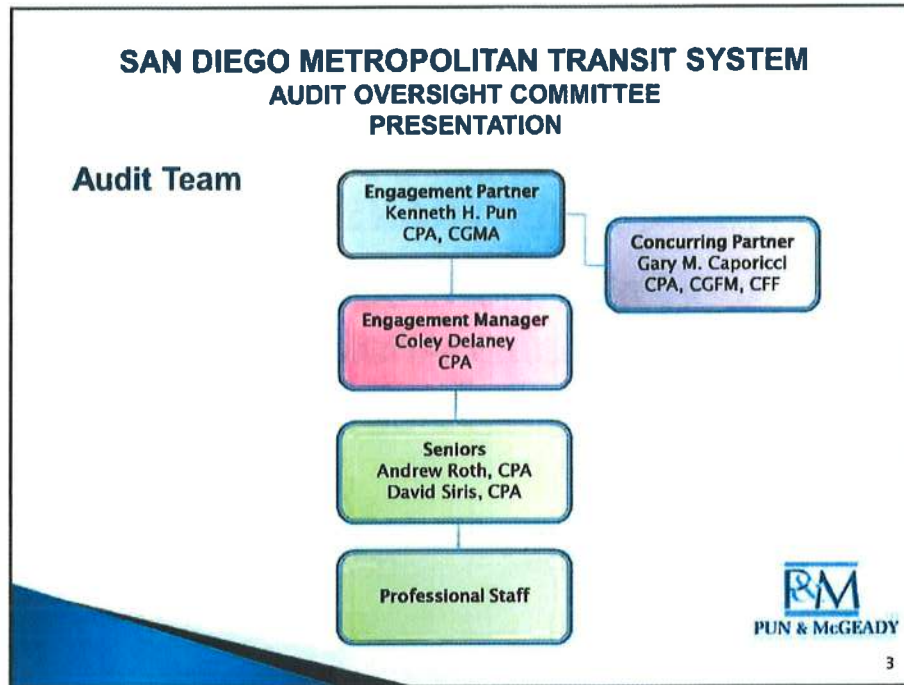
**Presented by:
Gary M. Caporicci, CPA, CGFM, CFF**



**Review of
2014
Independent Audit**

Pun & McGeedy LLP

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**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
PRESENTATION**

Auditor's Responsibilities

- ▶ Assess Audit Risk of Internal Controls Over Financial Reporting and Compliance
- ▶ Determine compliance with Generally Accepted Accounting Principles in the United States of America
- ▶ Determine the fairness and accuracy of Financial Statements presentation
- ▶ Issue Audit Opinion on the Financial Statements
- ▶ Issue Recommendations to Management, if any



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**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
PRESENTATION**

Approach To The Audit



- P&M's Audit Approach for MTS
 - Phase I – Detailed Planning
 - Phase II – Risk Based Review of Internal Controls Over Systems and Compliance
 - Phase III – Validation of Account Balances
 - Phase IV – Review Financial Statements and Issue Audit Opinion



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San Diego Metropolitan Transit System Summary Statement of Net Position June 30,

	2014	2013
Assets:		
Current assets	\$ 175,094,000	\$ 160,133,000
Non-current assets	133,489,000	156,026,000
Property and equipment, net	1,512,775,000	1,416,261,000
Total Assets	1,821,358,000	1,732,420,000
Liabilities:		
Current liabilities	85,077,000	62,946,000
Long-term liabilities	152,722,000	175,787,000
Total Liabilities	237,799,000	238,733,000
Deferred inflows of resources:	497,000	589,000
Net Position:		
Net Investment in Capital Assets	1,395,206,000	1,296,217,000
Restricted	6,742,000	7,255,000
Unrestricted	181,114,000	189,626,000
Total net position	\$ 1,583,062,000	\$ 1,493,098,000



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San Diego Metropolitan Transit System Summary Statements of Revenues, Expenses and Changes in Net Position For the years ended June 30,

	2014	2013
Revenues		
Operating revenues	\$ 104,425,000	\$ 96,559,000
Nonoperating revenues	217,605,000	191,017,000
Total Revenues	322,030,000	287,576,000
Expense		
Operating expenses	343,566,000	327,929,000
Nonoperating expenses	7,268,000	7,534,000
Total Expenses	350,834,000	335,463,000
Change in net position before Capital Contribution	(28,804,000)	(47,887,000)
Capital Contribution	118,768,000	132,182,000
Change in Net Position	89,964,000	84,295,000
Net Position:		
Beginning of Year	1,493,098,000	1,408,803,000
End of Year	\$ 1,583,062,000	\$ 1,493,098,000



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**San Diego Metropolitan Transit System
Summary Statement of Cash Flows
June 30,**

	<u>2014</u>	<u>2013</u>
Cash flows from Operating	\$ (133,299,000)	\$ (145,901,000)
Cash Flows from Noncapital Financing	206,102,000	203,981,000
Cash Flows from Capital and Related Financing	(85,114,000)	(98,275,000)
Cash Flows from Investing	<u>125,000</u>	<u>193,000</u>
Changes in cash and cash equivalents	<u>\$ (12,186,000)</u>	<u>\$ (40,001,000)</u>



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**San Diego Metropolitan Transit System
Schedule of Funding Progress
of Defined Benefits Plans
For the year ended June 30, 2014**

	<u>SDTC Transit *</u>	<u>SDTI Trolley **</u>
Actuarial Value of Assets	\$ 148,452,000	\$ 84,011,000
Entry Age Normal Actuarial Accrued Liabilities	<u>(241,331,000)</u>	<u>(93,892,000)</u>
Unfunded Actuarial Accrued Liabilities	<u>\$ (92,879,000)</u>	<u>\$ (9,881,000)</u>
Funded Status	<u>62%</u>	<u>89%</u>
Actuarial Valuation Date	July 1, 2013	June 30, 2012

* SDTC Employee Retirement Plan
** CALPERS



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**San Diego Metropolitan Transit System
Schedule of Funding Progress
of Other Post Employment Healthcare Plan
For the year ended June 30, 2014**

	<u>MTS</u>	<u>Transit</u>	<u>Trolley</u>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Entry Age Normal Actuarial Accrued Liabilities	(3,855,000)	(23,111,000)	(9,545,000)
Unfunded Actuarial Accrued Liabilities	<u>\$ (3,855,000)</u>	<u>\$ (23,111,000)</u>	<u>\$ (9,545,000)</u>
Funded Status	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Actuarial Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013



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**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
PRESENTATION**

Audit Results

- Unmodified Opinion
- Financial Statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements



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**SAN DIEGO METROPOLITAN TRANSIT SYSTEM
AUDIT OVERSIGHT COMMITTEE
PRESENTATION**

Other Results

- No disagreements with Management
- No material weaknesses or significant deficiencies in internal controls were noted
- No accounting issues



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**Thank You
For Allowing Pun & McGeedy LLP
to provide services to
San Diego Metropolitan Transit System**



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