Audit Committee Meeting Minutes September 9, 2019

I. CALL TO ORDER at **12:15 PM**

II. ROLL CALL
Present: Melissa Baron, Daisy Maxion, Martin Castillo, Maureen Pasag, Eric Pinlac, Kim Napoli, Kabir Dhillon, Josephine Capital, Debbie Chaw, David Robydek, Chris Knopik.

Absent: Doris Lagasca

III. ACTION ITEM - Approval of the Agenda
Motion to approve the agenda by **D. Maxion**, second by **M. Pasag**, motion **PASSED.**

IV. ACTION ITEM– Approval of the Minutes September 11th 2018
Motion to approve the minutes of September 11th, 2019 by **D. Maxion**, second by **M. Castillo**, motion **PASSED.**

V. PUBLIC COMMENT – Public Comment is intended as a time for any member of the public to address the committee on any issues affecting ASI and/or the California State University, East Bay.
No public comment.

VI. NEW BUSINESS ITEMS:

A. *A. ACTION ITEM:* **2018 – 19 Financial Audit Results**
Clifton, Larson, Allen will present the results of the financial audit of ASI for 2018-19
Motion to adopt the financial audit results for 2018-2019 by **D. Maxion**, second by **M. Castillo**, motion **PASSED.**
D. Robydek states that there is a report titled Financial Statements and Supplementary Information from June 2019 and wants to point out some highlights. For those who are new to the committee the Associated students is a component of the University and some things are supposed to be audited. In order to do an external audit, we must start planning early in the year, then come on site and discuss with Maureen, Kim, Josephine and Debbie to do inner work. We review internal controls and ensure that deficiencies in the way the controls are designed would be pointed out and reported. After the fiscal year closes on June 30th, we would then come out in August and look at the final financial statements results for the year and vouch transactions, confirm balances and put a two-page opinion on how the year went. We should be proud of our Management team who present to us a clean audit report results that we continuously get in these meetings but isn't the case in other campuses. We could issue this report today, it is only two pages that we look at,

since management prepares these forms for us. In the second paragraph it states that management responsibilities for drafting these financial statements, in the next paragraph auditors are responsibilities are to express an opinion on the financial statements. In the bottom of page two it states that the opinion of these financial statements are correct. Page three to six are management discussion analysis, we will talk about some of the highlights in this section and provide a framework for any questions you have. On page three, it describes the financial statements at what they are, but I believe the best way to get through it, is to start on page four. Page four summarizes the net position, balance sheet, it presents your total assets, and liabilities. If you look at the total assets you have in 2018 compared to 2019, you'll see that it is consistent and increase around one percent or roughly between $30,000.00 to $36,000.00. In liabilities, it is very similar to 2018 through 2019 again roughly $30,000.00. The difference between total assets and liability will be the net position, that did increase over the year by just a couple of thousands of dollars. We have a steady result; your current assets are at 4.7 million are investments, so over time you have accumulated resources. Revenues have exceeded expenses and that produces returns that create additional resources to the organization. Non-current assets are your investments and capital assets. There is a foot note dedicated to those on page five. There are 100,010 new furniture and fixtures that have been purchased over time, as well as $240,000 of equipment and purchasing that, it is considered as an asset. Your nine current liabilities are comprised of obligations to pay pension benefits, post-retirement health-care benefits. Those liabilities are common and are a part of CalPERS pension system. Over time, an obligation to pay those benefits increases and we put money aside and invest to satisfy those obligations. Sometimes, the estimated obligation, the pensions promised, exceeds the investments and results in a liability on the balance sheet. The accounting entries and the liabilities on your end are not derived, but recorded by management and are provided by CalPERS. **E. Pinlac** asks are we going to have to adjust how much we put aside for OPEB or are those already calculated in the year. **D. Robydek** states that the liability does adjust for assets and there are assets set aside. For the OPEB, we do not have assets set aside in a revocable trust. You can designate OPEB assets and set aside items, but it would not count against your liability calculations unless you place them in a revocable trust. On page 29, we have the board designated in that position and there are about 2,000 designated to OPEB. **D. Chaw** asks if it is enough and do they need to add more. **D. Robydek** states that in total, there are a million current operations in working capital and some set aside for OPEB. Fifteen percent of fund balance is generally a good reserve, but the question is how much should we set aside for an OPEB obligation. **C. Knopik** states that the Board has designated about $200,009 and if you look at the current benefit payments, it's about three years' worth of benefit payments that has been set aside as a board designated reserve. I would have review last years audit reports to see if the numbers correlate. **D. Robydek** says if you don't put them in a revocable trust, you get the benefits of the projected earnings to offset your liability. **M. Baron** asks if

management thinks it is a good decision to put the money aside, does the Board get a say or is it on the management side. The response You would take a Board action. **D. Robydek** states it is a big decision. **C. Knopik** says It takes legally binding documents drawn out by an attorney to create the trust and the board will need to take formal action. **D. Robydek** continues that page five are the operating results and operating revenues, which are student fees were down by two-percent, $26,000 down from 2018-2019. You also had a decrease of about five-percent, $100,00 in operating expenses and adjusting for that, the anticipated decline in 2019 of $160,000, which is an improvement from the prior year. It was offset by a surplus of operating revenues. Most of the operating expense decrease was contributable to the OPEB and pension cost. On page seven to nine are the financial statements that corelate to the summary results, but in more detail. There were no new accounting standards this year and was a quiet year for standards. On page 15, there is the investment portfolio and the details of the types of securities that ASI is invested in. There is an investment policy that you have to be compliant with. **D. Shaw** states that the 1.475 invested in Morgan Stanley is the amount that is supposed to help cover the future liabilities for OPEB and does not know if it is enough. **M. Baron** asks if it is included in the reserve for student government. **D. Shaw** responds that it is currently a part of ASI's overall asset base. **E. Pinlac** says that it has not been fully designated for OPEB. **D. Shaw** states that there was no formal documentation that was signed. **E. Pinlac** says that there were no action or documentation about the designation. **M. Baron** asks would you guys advise having the assets in a designated account. **D. Chaw** states that putting it in a trust would be a legal action. But you have other reserves for ASI. **E. Pinlac** adds that the reserve policy outlines OPEB and operating expenses. We have exceeded those areas and are fully funded in reserves. **D. Shaw** asks if it is designated in another account in terms of counting. **M. Pasag** states we have only one account. **D. Robydek** adds that on page 19 to 28, are disclosures related to the pension and OPEB obligations and is quite expensive. On page 29, the amounts noted are listed and $209,000 set aside for OPEB and $609,000 designated. Note 9 discloses the affiliates and is a routine disclosure. The rest of the schedules are supplementary information that management is required to prepare to comply with the chancellor's office financial recording requirements. The financial statement is due September 20th and management is eleven days ahead of schedule. **M. Baron** states that she was talking to Doris about give-away items and keeping track of how much is given out and how much is left and wants to know the back-end process of that. **E. Pinlac** says that it is different and our financials are audited and the reason why we maintain those records is that if we get audited for student activities from the chancellor's office. We do not specify which auditors we are planning for. In the last few years, ASI has done a great job of spending the revenue that is given every year. Revenue decreased because head count decreased. **C. Knopik** states that there is a communication letter that goes out to the entire audit committee that summarizes high level things.

Motion to adopt the 2018-2018 financial audit results by All, motion **PASSED**.

34:45

VII. ROUND TABLE REMARKS

No roundtable remarks.

VIII. ADJOURNMENT at **12:50 PM**

Minutes Reviewed by:
Chair of the Finance Committee
Name: Melissa Baron

Minutes Approved On:

Date:

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