

SITE AUTHORITY STANDING AUDIT COMMITTEE AGENDA
Monday, September 11, 2023, 9:30 a.m. Via a Zoom Conference Call
California State University Channel Islands - Islands Cafe Private Dining Room 1996
One University Drive, Camarillo, CA 93012

Site Authority Audit Subcommittee Members: Councilwoman Martita Martinez-Bravo, Councilwoman Laura Hernandez

Site Authority Board Members Present: Laurie Nichols (Alternate)

Staff Invited: Barbara Rex, Stephanie Bracamontes, Paula Roberts, John Lazarus, Minna Chang

Independent Auditors Invited: Nicole Stan and Aaron Filene both with Cohn Reznick

1. **Nicole Stan, Cohn Reznick called to order at 9:35 a.m.**
2. Cohen Reznick issued a non-qualified opinion which is the highest level of assurance given. Nicole Stan presented the Site Authority Financial Statements. She stated that no adjustments have been made and there are no issues that would stop them from issuing the highest level of assurance given. The Governmental Accounting Standards Board ("GASB") No. 94 needed to be implemented this year. It mirrors the lease accounting that was adopted from last year's GASB No. 87. The Governmental Accounting Standards Board allows the reader to see every lease because it is now recorded. Nothing has changed within the organization. Adjustments needed to be made for implementing GASB No. 94. Regarding the Management Discussion, the total assets have increased by \$2.3 million, mainly due to the implementation of GASB No. 94. The renewal of the CI Power lease increased to approximately \$664,000. \$636,000 of cash was transferred to the CAM reserves investment with Cal Trust. Liabilities included a decrease of \$385,000 due to the implementation of the GASB No. 94 and the CI Power penalty of \$612,000. This is offset by the \$1 million received from the prepayment related to the age-restricted apartments. Ms. Stan continued presenting the operating revenue. She stated that the revenue increased by \$1.3 million. Due to the CI power sales. GASB No. 94 did not have any write-offs this fiscal year, which had the largest impact on the financials.
3. Ms. Stan continued with presenting the footnotes of the financial statements. Stating that nothing has changed except for GASB No. 94 implementation. Increasing capital assets and obligations. It is pointed out that in capital assets compared to last year to the current year, the beginning balance will not agree, because of the adoption of GASB No. 94. Ms. Stan stated the supplemental information is an expanded detail of what the Chancellors office requires. She confirmed that there are no significant deficiencies. Management is responsible for communicating any significant matters that they are aware of. As communicated by management, nothing has changed with the planned scope. She informed the Audit Committee that they are independent and able to give an independent report. GASB No. 94 is a significant transaction but not an unusual transaction because it was an adoption that everyone had to do that year. Cohen Reznick agreed with the CSUCI management and their position under corrected and uncorrected misstatements.
 - a. Councilwoman Martita Martinez-Bravo asked Ms. Stan to provide more detail regarding management override of control and improper revenue recognition. She asked if there were any specific details or negative comments on it. Ms. Stan stated those are given by default to provide an unbiased opinion after a large transaction is stated. Cohen Reznick

audited it in detail and no issues were found and was reported appropriately. Councilwoman Martinez-Bravo asked to elaborate on revenue recognition. Ms. Stan provided an example of a situation where the organization spends too much money and the loss is too great, they try to manipulate the timing when they report it. Councilwoman Martinez-Bravo asked about best practices and if CSUCI has been switching companies for the audit. Ms. Stan stated Cohen Reznick switches directors around the Cal State system to ensure a fresh view but who are familiar with the Cal State. Stephanie Bracamontes confirmed the rotation is every five years. Mr. Lazarus stated the Site Authority switched to Cohen Reznick three years ago because of that level of familiarity.

- b. Barbara Rex asked how long the former auditor was working with Site Authority. Stephanie Bracamontes stated since the Site Authority's establishment. Ms. Rex stated that additional resources have been added in the past couple of years. These include adding an accountant from the Chancellor's office and making organizational changes structurally to help add focus and integrity. Ms. Stan confirmed these growth controls. Ms. Bracamontes added that all of the management had one-on-one interviews with Cohen Reznick. Ms. Stan confirmed the individual interviews.
 - c. John Lazarus explained the difference between the Site Authority and the Financing Authority. The Financing Authority was created to pass money from Ventura County back to the Site Authority to pay for parking, police, and the special tax for the bonds taken out. There are no generated funds, which is why they are separate legal entities. The Financing Authority authorized the bonds for the community infrastructure. Ms. Bracamontes added that the Financing Authority has the power to issue debt. Councilwoman Martinez-Bravo asked if Anacapa Canyon would be exempted from the special tax. Mr. Lazarus confirmed there will not be a special tax for Anacapa Canyon because Kennedy Wilson paid for the infrastructure. Meaning they have defeased the debt that was attached to the original development. Instead of financing the infrastructure through the special tax which would be paid back through the residents. Anacapa Canyon has built the cost into the sales price for the single-family homes and townhomes. Mr. Lazarus stated that it doesn't change the numbers dramatically.
4. Ms. Stan continued presenting the Financing Authority audit report with a clean opinion. She confirmed everything on the report has stayed the same, with no complexities everything is consistent with last year. Cohen Reznick is not aware of any issues, the planned scope was the same, and everything was recorded appropriately. They didn't find any issues with significant risk, accounting estimates were proper, there was no suspected fraud, no disagreements with management, and no other significant matters were issued.
 - a. Councilwoman Laura Hernandez asked what documents would be approved. John Lazarus explained the four documents that were sent to her would be approved. Which is the draft audit report, and the communication to the audit community for the Site Authority and the Finance Authority.
 5. **ACTION ITEM:** Request the Audit Committee to approve Audited Financial Statements. (John Lazarus)

Motion was made by Councilmember Martita Martinez-Bravo and seconded by Councilwoman Laura Hernandez

6. Ms. Stan stated that Cohen Reznick is going through its final approval process with the audit report. Once approval is received, they will issue the management representative letter to be signed. The final draft of the audit report will then be issued. Ms. Stan shared that CSUCI is the first team to have the audit report done. She explained that the audit fee has a 5% yearly increase.
7. Ms. Stan stated that an executive session is recommended but not mandatory.
8. Ms. Stan shared that Cohen Reznick is willing to provide any educational presentations. Fraud and cybersecurity presentations are always popular.
9. Call to adjourn the meeting at 10:30 a.m.