

FINANCE/AUDIT/PERSONNEL/INSURANCE COMMITTEE MEETING
APPROVED MINUTES

February 26, 2010

DIRECTORS PRESENT: Dan Wilkins and Lou Reinkens

STAFF PRESENT: Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Cindy Gustafson, General Manager
Tony Laliotis, Director of Utilities
Deb Rose, Senior Accountant
Bob McClintock, Advisor to the Committee
Ginger Charlton, District Clerk

The meeting was called to order at 8:30 a.m.

Mr. Dykstra reported that the auditors were on their way and that he would go over the items that they weren't involved with first.

1. Finance Department Activity Report

Mr. Dykstra reported on what staff has done with Finance and Human Resources in the past two weeks and what they plan to focus on in the next 30 days.

Director Reinkens asked that the training plan for the new Human Resources Administrator be made available to the Board. He also requested that each field that this Committee represents (Finance, Audit, Personnel, Insurance, Real Estate, and Safety) have a bullet on the agendas, even when there is nothing to report. Ms. Gustafson said that staff is trying to reformat all of the reports, and the goals for the Strategic Plan are what will be reported to the Committees.

7. Review of 2009 Proposed Final Transfer from the Governmental Fund to the Enterprise Fund and Designations of Retained Earnings

Mr. Dykstra said that the auditors have asked that the District do more of these transfers during the year. He said that to balance the capital sections he is proposing to transfer another \$2.3 million for a total of \$2.6 million for 2009. Director Reinkens asked that a paragraph be added that we are following our objective of not using the money for operations and are using it for capital. He also asked that the General Fund calculation have the ratio computed, presented, and compared with what our target is.

Mr. Dykstra went over the categories in the Enterprise Fund and noted that \$1,032,713 was set up in a Property Tax Reserve for Water. Ms. Gustafson said that she thinks it's important to continue to track the numbers in the reserves separately even if we have it as a combined account for use as we need it. HDR and the cost of services study and the reserves that the Board sets are going to be very important to the rate payers and the tax payers to see that we are building the reserves adequate to the recommendations in future years. Mr. Dykstra said that he would split it out half and half and begin to track it forward. Director Reinkens said that he thinks it would be wise to display the target reserves that the consultants recommend.

Mr. Dykstra introduced Gary Caporicci and Frank Leung when they arrived.

2. Management's Evaluation of Internal Controls

Mr. Dykstra reviewed the list of risk areas, the mitigating factors, and answered questions of the Committee. Mr. McClintock suggested making sure that every employee takes vacations and that their duties are rotated while they are out so that a fresh set of eyes occasionally sees what goes on in that department. While discussing financial statement risks, Mr. Caporicci said to consider adding the compliance side because items can be mischarged against grants. Mr. McClintock added that refunds can sometimes be an issue.

3. Presentation of 2009 Financial Statement Audit Findings by Caporicci & Larson, Certified Public Accountants

Mr. Caporicci went over the engagement letter that he gave to the District for the evaluation of the procedures the District currently has in place for the review and selection of Technical Consultants.

Mr. Caporicci went over the Year End Exit Conference for 2009 and reported that from an audit perspective, risk at the District is low. He reviewed the open items for 2010 and explained that the report that they issue will be dated today.

Mr. Leung reviewed the current year observations for Cash and Investment and Employee Travel Reimbursement and said that the problematic instances that were found were minor. He said that there should be more formal accounting/operating policies and procedures regarding the recording of journal entries and for month end/year end closing procedures. He also said that the District has drafted a fraud policy that needs to be approved by the Board. The investment policy hasn't been updated since 1998 and the Board needs to review it to make sure they believe it is still relevant to the District. Mr. Caporicci said that investment policies are typically reviewed yearly.

Mr. Caporicci explained the new GASB Standards and said that at the client training this summer they will be reviewed in more detail.

5. Related Party Transaction – Update on Agreed-upon Procedures Work by Caporicci & Larson, Certified Public Accountants

Mr. Leung went over the procedures that were followed by the accountants and said that they haven't found anything out of place. They will add a note concerning related party disclosures that will give the Board the information that they need. The auditors said that the District's procedures that are in place are solid and internal controls are strong.

6. Meeting between Committee Members and Representatives of Caporicci & Larson without Management Present

Everyone that wasn't a member of the committee or representative of Caporicci and Larson left the room.

4. Walkthrough of 2009 Draft Financial Statements

Mr. Dykstra went over the key highlights of the statements and said that a new asset line is being added for other post employment benefits, net. Since we are ahead of the schedule, we get to record an asset. If we fall behind, it will be a liability. Mr. Caporicci said that the net cost of services to the District was \$3.2 million and the property taxes were \$5.4 million, which is very good. He also said that the public needs to know that the District took all the excess revenue from the General Fund this year and moved it over to build up the reserve. He said that is very rare and most governments have to do the exact opposite.

Director Wilkins asked that when the package comes to the full Board, any areas where there were notable differences between what was estimated in the budget and what came in be highlighted.

9. Public Forum

Jim Jarrard said that he noticed that we don't note any decreases in cost by operational efficiencies and we should be able to gain efficiencies when we do the same thing year after year. Ms. Gustafson said that when the report that Director Wilkins asked for comes out, the operational efficiencies will be seen more easily. That will probably take place in April. Mr. Jarrard also asked about the pension obligations of the District and if it was a negotiated item. Ms. Gustafson explained the District's obligations.

10. Meeting Review and Staff Direction

Director Wilkins needed to leave but was concerned that something might need to be done for item #8. Mr. Dykstra said that he got the Committee's input and reviewed that they are in agreement on the transfer, setting up the reserves in the manner indicated, and that they would like a little more presentation on how we track against HDR. There is nothing new on the appropriations limit and we're not even close to the limit.

9. Adjournment

The meeting adjourned at 10:35 a.m.

Prepared by Ginger Charlton

Ginger Charlton, District Clerk