

FINANCE COMMITTEE MEETING
APPROVED MINUTES

April 19, 2011

DIRECTORS PRESENT: Lou Reinkens and Ron Treabess (committee members)
Judy Friedman (observer)

COMMITTEE/STAFF PRESENT: Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Cindy Gustafson, General Manager
Bob McClintock, Audit Committee Consultant
Matt Homolka, District Engineer
Kelli Twomey, Director of Resource Development & Community Relations
Ginger Charlton, District Clerk

OTHERS PRESENT: Carmen Wilson, Audit Engagement Partner – Caporicci & Larson

The meeting was called to order at 4:00 p.m. Mr. Dykstra introduced Carmen Wilson and handed out revised audit engagement letters.

1. Review and Approval of Audit Engagement Letters

Mr. Dykstra explained that the audit engagement letters were revised to change the venue for any action to enforce the agreement to be settled in San Francisco instead of New York. The committee agreed with the rest of the language in the letters.

2. Meeting between Committee Members and Representative of Caporicci & Larson, Inc. without Management Present

All management members left the meeting. Ms. Wilson said that she was impressed with the accounting staff and said that she had never seen this size client present her with the risk analysis in such a formal way.

Director Reinkens voiced a concern about the way contracts are originally selected by two members of the Board who are serving on the Consultant Selection Committee. When add-ons to the contract are needed, other committees are authorizing them and the two original Board members aren't involved in it. He feels that this is an area that needs to be addressed in the policy. Director Treabess said that he feels it should be brought back to the Board for discussion because two Board members are involved in each decision and he doesn't feel that the full Board would agree with changing the policy.

Mr. McClintock asked if the senior auditors had any concerns during the meeting between audit staff, Mr. Dykstra and Ms. Gustafson. Ms. Wilson said they didn't find anything and a clean audit was indicated.

Director Reinkens asked about the review by the auditor in Florida. Ms. Wilson said that he asked about GASB 51 and moved \$40,000 in prepaids in the net assets to reserves because the money was already spent on something. The auditor also noted that proprietary fund designations (unrestricted amounts) were only disclosed in the notes. In the past they were also disclosed on the face of the proprietary fund statements and they were not there anymore.

Mr. McClintock asked if there were things that Mr. Dykstra could do to stay ahead of the curve. Ms. Wilson said there wasn't and that Mr. Dykstra is doing a good job of staying ahead of the curve for the District. Mr. McClintock asked about the competency level of Jim's staff and if they are getting enough training. Ms. Wilson said that she will check back with the team but she felt that there was confidence in all staff. Mr. Dykstra will be asked to look at the training budget and come back with an assessment of his staff's training.

Regarding note 15 on page 52 of the Basic Financial Statements, Mr. McClintock said that he thought it would provide more clarity if there was another column on the chart that listed the contract amount that went along with each one of the projects as well as the current year's expenditures. Director Reinkens again questioned the procedures regarding add-ons to contracts being authorized by various committees. Ms. Wilson said that on the agreed upon procedures report, the District and the Attorney General's office came up with the procedures and it doesn't include contracts; it includes amounts paid. If the procedures are changed, then we have to get buy-in from the Attorney General. She added that for disclosure in the footnotes, they tend to disclose what has been paid. If the commitments are significant, they put a comment right above it that states the contract commitments. Any significant items for related parties would be identified. She also said that putting the contract amount next to the project names could get a little confusing because they could be for different years.

3. Public Forum

Director Friedman said that she appreciates the recommendations regarding staff training. Mr. McClintock agreed and said that it is especially important when the District's culture is to encourage promotion from within.

4. Meeting Review and Staff Direction

There was no further direction.

13. Adjournment

The meeting adjourned at 4:45 p.m.