

AUDIT COMMITTEE MEETING
APPROVED MINUTES

April 16, 2009

DIRECTORS PRESENT: Lou Reinkens, Judy Friedman (Committee members)
Erik Henrikson, Ron Treabess

STAFF PRESENT: Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Cindy Gustafson, General Manager
Alan Harry, Director of Development & Public Information
Bob McClintock, Advisor for the Committee
Deb Rose, Senior Accountant
Tony Laliotis, Director of Utilities
Bob Bolton, Director of Parks & Recreation
Ginger Charlton, District Clerk

The meeting was called to order at 3:00 p.m.

1. Presentation of 2008 Financial Statement Audit Findings by Caporicci & Larson, Certified Public Accountants

Gary Caporicci, Senior Partner and Co-Founder of Caporicci and Larson, introduced himself and Priscilia Octarina, Audit Manager. They reviewed a "Presentation to the Audit Committee" and answered questions of attendees. Ms. Octarina reviewed the two adjustments that they made and explained the changes. Mr. Caporicci said that they did not consider the adjustments significant at all.

2. Review of 2008 Final Draft Financial Statements

Mr. Dykstra reviewed the Final Draft and explained the various Statements. In the summary he reported that we are continuing to improve our financial health, the rate increases have supplied a mechanism to fund capital projects, and the information that post-employment medical benefits were capped was put in the report. He added that banks are still willing to lend to us, we are closely monitoring our costs, and we are aggressively seeking grant funding for infrastructure projects.

Director Reinkens asked about GASB 34 and an active preventative maintenance program and how depreciation schedules would work with it. Mr. Caporicci explained how it would work and said that it's a lot more work than doing depreciation.

Regarding District retirement plans for miscellaneous employees, Mr. Dykstra said that CalPERS took smaller pension plans like us and put us into risk pools. That complicated the disclosures because the numbers are for the entire pool and don't really relate to the District.

Director Reinkens said that it looks like we will be getting a lower rate and a refund on Workers' Compensation this year. He added that there has been some new legislation on Workers' Comp that permits claims to go to a judge and have him play doctor which may cause some growth in claims.

Director Reinkens asked if some Directors were supposed to be interviewed for this audit. Mr. Dykstra said that in the past we have always rotated who is interviewed among Directors and managers. Mr. McClintock said that at next fall's planning meeting someone should make a note about giving input on the interviews.

4. Review of Draft #1 for Whistleblower Policy

Mr. Dykstra said that at the last meeting the Committee discussed setting up this policy. Mr. McClintock asked what Mr. Dykstra used as far as a draft and asked if our attorney had reviewed it. He said that this type of policy will sit on a shelf until something happens and then it will be imperative that every word was scrutinized. Mr. Dykstra responded that he used the one from the University of California as a model. He said that legal counsel has not reviewed it yet but he will have our labor attorney and Mike Sexton review it soon. He said that after the attorneys have reviewed it, he will bring it to the Board for adoption and implementation.

5. Management's Evaluation of Internal Controls

Mr. Dykstra explained how he put the list together and determined the risk factors. He believes that they set up the controls so that it's a manageable amount of risk without putting more resources to the control than is justified by the potential exposure. Mr. Caporicci said that Mr. Dykstra did a very good job on the list. Mr. McClintock said that the reason the list was prepared was not to reduce or eliminate the risk but to put the risk on paper and have it be a living document for instances in the future. Mr. McClintock said that when the Committee meets to go over the planning of the 2009 audit in the fall, he would expect this to be a part of the discussion. It will also give the auditors a chance to see how this measures up with their perception of risk.

6. Public Forum

There was no input.

7. Meeting Review and Staff Direction

There was no additional direction to staff. Everyone was adjourned from the meeting except for the auditors and Committee members.

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

Mr. Dykstra explained that the auditors work a lot with management and this item allows them to help protect the District if there is any cause for worry about fraud taking place.

8. Adjournment

The meeting adjourned at 4:40 p.m.

Ginger Charlton, District Clerk