

AUDIT COMMITTEE MEETING
APPROVED MINUTES

December 12, 2008

DIRECTORS PRESENT: Lou Reinkens and Kelly Atchley

STAFF PRESENT: Bob McClintock, Advisor for the Committee
Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Alan Harry, Administrator of Planning & Public Works
Deb Rose, Senior Accountant
Ginger Charlton, District Clerk

The meeting was called to order at 9:10 a.m.

1. Presentation by Caporicci & Larson, Certified Public Accountants

Gary Caporicci, Senior Partner and Co-Founder of Caporicci and Larson, introduced himself and Priscilia Octarina. He gave a presentation on the audit process which included an overview of what they do in an audit and the role of the Audit Committee. The next meeting of the Committee will probably be at the end of February. They will do a presentation to the full Board when the financials are drafted. Mr. McClintock brought up the need for assuring that the policy that was set in place for consultant selection is being complied with since the community has raised concerns about a conflict of interest between the General Manager and Auerbach Engineering. Mr. Caporicci will review the policy and then meet with Mr. Harry to test the situation. Director Reinkens asked how whistleblower complaints would be handled. It was determined that the General Manager would handle the complaint and then the Audit Committee would review what took place and respond to the whistleblower.

2. Review and Approval of 2008 Audit Engagement Letter from Caporicci & Larson

Mr. Dykstra reviewed the Audit Engagement Letter and noted that it contains a good explanation of what the auditor's responsibilities are, what ours are, and the role of the Committee. Mr. Dykstra said that it looked like we were going to need a single audit this year because we received a lot of money from the State Revolving Fund loan. It was determined that the money we received was money that had been repaid on prior loans so it is considered State money and we won't need the single audit. Mr. Caporicci also noted that all of the single audit rules are going to be changing because the Inspector General just completed a study and the results said that the work was not adequate. Mr. McClintock noted that a correction needed to be made on page 9 of the Audit Engagement Letter updating the following sentence: "Our ~~2004~~ 2008 peer review report accompanies this letter."

Motion to approve the Audit Engagement Letter as revised: Atchley/Reinkens/2-0

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

Mr. Dykstra explained that the auditors work mainly for management and this item allows them to help protect the District if there is any cause for worry about fraud taking place. Priscilia reviewed the moderate risks that were found and went over how the auditors handle them.

4. Review of Audit Committee Charter

Mr. McClintock said that the charter was pretty well defined with respect to interaction with the auditors, but he would like to discuss how much should flow through the audit committee. He was particularly concerned about the whistleblower area and if it should be monitored by the Audit Committee and if there should be a responsibility to keep them informed. That item was already listed in the charter and now it needs to have a procedure drafted for it. Mr. McClintock's second concern was speaking to management's responsibility for maintaining financial systems and self-evaluating risk. Mr. McClintock said that management needs to create the operating procedures necessary to report information back to the Committee annually unless something comes up that needs to be looked at sooner. Mr. Dykstra said that at the February meeting the Committee will get a report from the auditors on their work and the whistleblower issue will be addressed. He said that an annual report could be done where risk areas, I.T., and areas that don't have a high level of risk can be discussed which would be beneficial to the Committee and allow them to understand how things work. The audit can then be used as a collaborative source.

5. Public Forum

There was no participation.

6. Meeting Review and Staff Direction

- *Mr. Dykstra said that at the next meeting staff will come back with the procedures for whistleblower-type situations and getting the Audit Committee inserted in that role.*
- *Staff will come back with a skeleton of what should be included in the annual report.*
- *Staff will make sure that Mr. McClintock gets all the monthly reports from all the Divisions for a few months and then he can say which ones he wants to keep receiving. The other Committee members receive the reports in the Board packet automatically.*

Director Reinkens asked about GASB 34 and a preventative maintenance program. A discussion was held on those items and the alternative method that some districts are using.

The Committee will get their available dates to Mr. Dykstra for the next meeting.

7. Adjournment

The meeting adjourned at 10:50 a.m.

Ginger Charlton, District Clerk