

FINANCE COMMITTEE MEETING
APPROVED MINUTES

March 11, 2011

DIRECTORS PRESENT: Ron Treabess and Judy Friedman

COMMITTEE/STAFF PRESENT: Jim Dykstra, Treasurer/Director of Accounting & Employee Services
Cindy Gustafson, General Manager
Bob McClintock, Audit Committee Member
Matt Homolka, District Engineer
Ginger Charlton, District Clerk

OTHERS PRESENT: Carmen Wilson, Audit Partner, Caporicci & Larson LLP

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

1. Caporicci & Larson Audit Approach Presentation

Mr. Dykstra introduced Carmen Wilson, the District's new audit partner from Marcum LLP. Ms. Wilson reviewed the mergers that occurred over the past year that caused her to be representing Caporicci & Larson. She then reviewed her background and presentation. The committee discussed having the related party transaction special audit done again this year and they agreed that it should be done annually as long as Ms. Gustafson is the General Manager. The committee also asked for a brief summary of what cycle testing the auditors will be doing this year. Ms. Wilson explained exposure drafts and what is going on in the State with pensions and their effect on budgets. Mr. McClintock added that Ms. Wilson had never seen any other governmental clients that went through the evaluation of risk and controls and he felt staff should get a pat on the back. He suggested addressing the work areas and areas of emphasis in order to tie the two together.

2. Management's Evaluation of Internal Controls

Mr. Dykstra reviewed the report and answered questions of the committee.

3. Department Activity Report

Since the committee members had already reviewed the report, Mr. Dykstra asked if there were any questions and there were none. The committee agreed that the Executive Summary from the Little Hoover Report was interesting.

4. Bills Paid and Payable Approval

There were no questions.

5. Expense Report Approvals

Mr. Dykstra reviewed the report and there were no questions.

6. Investment Schedule

Mr. Dykstra reviewed the report. There were no questions.

7. 2011 Cash Flow Projection

Mr. Dykstra reviewed the report and there were no questions.

8. Review of Unaudited December 31, 2010 Financial Statements

Mr. Dykstra handed out new balance sheets because the ones in the packet didn't have the depreciation calculations. There were no questions.

Director Treabess asked if the grant report was going to be discussed because he wanted to discuss the redevelopment grant for Lake Forest. He asked if there is anything we can do to protect that money from the State. Mr. Homolka noted that we are planning to go to bid in June and start construction in August. Staff will give a legislative update at the Board meeting.

9. Review of Reserve Designations

Mr. Dykstra handed out new retained earnings background information for this item. Ms. Gustafson said that we were looking at establishing reserves for our water capital and our sewer capital based on the rates. We have the extra reserve for the property tax for water and there has been discussion about establishing a larger reserve for our Parks capital. Mr. Dykstra reviewed the proposed increases to equity designations and answered questions of the committee.

10. Review of Transfer from the General Fund to the Enterprise Fund

Ms. Gustafson reported that this transfer is one of the lowest ones that the District has had to do for quite a while. That is a function of rates coming up to pay for water and sewer operations and getting out of the dependence on property tax for those.

Director Treabess said that the County's CEO sent out a directive that said at midyear the District's should do a true up on county maintenance money that comes to the Districts that shows what they actually put in above and beyond. Ms. Gustafson said that we have the numbers and we have a form from the County to fill in that shows what has happened. Director Treabess said that TOT may cover our overage.

11. Public Forum

There was no public input.

12. Meeting Review and Staff Direction

There was no further review.

13. Adjournment

The meeting adjourned at 10:20 a.m.

Ginger Charlton, District Clerk