

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
MONDAY, NOVEMBER 19, 2018 AT 4:00 P.M.
AT THE DISTRICT OFFICE, 201 VALLECITOS DE ORO,
SAN MARCOS, CALIFORNIA

Director Martin called the meeting to order at the hour of 4:05 p.m.

Present: Director Martin
 Director Sannella
 General Manager Pruiam
 Finance Manager Owen
 Accounting Supervisor Glenn
 Administrative Secretary Johnson

Others Present: Shannon Ayala, DavisFarr LLP

ITEM(S) FOR DISCUSSION

FISCAL YEAR 2017/2018 AUDIT

Shannon Ayala of DavisFarr LLP, the District's auditing firm, facilitated a presentation on the District's draft audit result for the fiscal year ended June 30, 2018 as follows:

- Audit Reports
- Internal Controls
- Audit Results
- Compliance Results
- Areas of Audit Focus
 - Information Systems Testing
 - Other Post Employment Benefit Obligations
 - Utility Billing Testing

Ms. Ayala stated DavisFarr LLP will be issuing an unmodified opinion dated November 27, 2018 which is the highest level of opinion available for an audit. She reviewed the Independent Auditor's Report which included recommendations in three areas: system controls over adding new vendors, enhancement to IT controls to periodically review inactive user accounts, and prior period adjustment related to construction in progress.

General discussion took place regarding the auditor's recommendations.

Ms. Ayala stated no material audit adjustments were detected during the audit; however, she reviewed a few immaterial audit adjustments that were made. The minor immaterial adjustments included adjusting the Local Agency Investment Fund investments to reflect fair market value, reclassifying an amount designated as "due to other agencies" that was no longer due, an adjustment to receivables to expense the

recycled water business plan, and the removal of inventory related to a capital asset. Staff proactively made the adjustments to the audit rather than addressing them later in the current year.

General discussion took place during which Director Martin requested additional information on the recycled water business plan.

Finance Manager Owen provided a presentation on the draft Audited Financial Report which included the following:

- Contents
- Financial Highlights
- Current Year to Prior Year Analysis
 - Net Position
 - Revenues
 - Expenses
- Restrictions, Commitments and Limitations
- Capital Assets
- Next Year's Budget and Rates

Question and answer took place during the presentation. Director Sannella requested information on the average increase for customers in the District's pump zones. Staff will research and provide this information.

General Manager Pruim stated that he anticipates the final audit result will be presented to the full Board at the December 5 Board meeting.

The consensus of the Committee was to hold a kick-off meeting with the auditing firm prior to the start of each audit to discuss any areas the Committee would like the auditors to delve deeper into. This is something that was done with the previous auditors but was not done this year.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 5:05 p.m.