



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF MEETING OF THE FINANCE AND AUDIT COMMITTEE
Thursday, June 7, 2018 at 3:00 p.m.
560 Magnolia Avenue, Beaumont, CA 92223**

Directors present:	Chairman Hoffman Director Diaz
Directors absent:	None
Staff present:	General Manager Dan Jagers, Director of Finance and Administrative Services Yolanda Rodriguez, Senior Finance and Administrative Analyst Bill Clayton, Accountant III Lorena Gonzales, Accountant III Sylvia Molina, Accountant III Bruce Kincaid, Accounting Technician Sally Hernandez; RAMS representatives Scott Manno and Brianna Schultz
Members of the public who registered	None

CALL TO ORDER

Chairman Hoffman called the meeting to order at 3:01 p.m. at 560 Magnolia Avenue, Beaumont, California.

PUBLIC INPUT

None.

ACTION ITEMS

1. Adjustments to the Agenda

The Committee adopted the agenda as presented.

2. Review and Acceptance of the May 3, 2018 Minutes of the Finance and Audit Committee

The Committee accepted the minutes of May 3, 2018 as presented.

3. Receive and File the Check Register for the Month of April 2018

The Committee received and filed the April 2018 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the April 2018 Budget Variance Report
- b. Review of the April 30, 2018 Cash/Investment Balance Report

- c. Review of the April 2018 Cash Flow Report
- d. Review of Check Register for the Month of May 2018
- e. Review of May 2018 Invoices Pending Approval
- f. Presentation and Discussion of Audit and Comprehensive Annual Financial Report For the Fiscal Year Ended December 31, 2017- DRAFT

Chairman Hoffman introduced the District auditor representatives Scott Manno and Brianna Schultz from Rogers, Anderson, Malody and Scott, LLP (RAMS). Ms. Schultz drew attention to the draft document and noted the auditors are responsible only for pages 10, 11 and 12. Everything else was provided by staff.

The opinion of the auditor is reflected in the transmittal letter, stating that in all material respects, the financial position of the District is presented fairly. That means this is an unmodified, clean opinion with no significant findings.

The auditor was on site for eight days and spent two weeks testing processes and internal controls. Ms. Schultz indicated this was a challenge as the first year, and the auditor "dug deep."

Director Diaz asked about pension obligations. Ms. Schultz indicated they rely on the CalPERS actuarial valuation to determine the actual liability on the balance sheet. This is also audited at the CalPERS level. Ms. Schultz indicated the management letter comments included some suggestions for management consideration; the caps on vacation and sick leave accruals (currently there are none), and the timeliness of the documentation (i.e. date on the bank reconciliations).

In response to Director Diaz, Mr. Manno drew attention to page 110 and explained the table showing indicators of what happens when the CalPERS rate change occurs. If the rate goes down, the District will need to pay more. He pointed out that next year, retiree health care will add more information to the statements.

Director of Finance and Administrative Services Yolanda Rodriguez reviewed highlights of the report and pointed out this is the first year the District will produce a Comprehensive Annual Financial Report (CAFR), which will be submitted for consideration for an award.

Mr. Clayton pointed out that water importation pass-through charges are exceeded by the \$4.3 million expense of water purchases. The pass-through charges may be too low; the costs are not being recovered. Mr. Jagers pointed out that rates must be examined, and indicated an upcoming rate study.

Chairman Hoffman asked about impact of new homes on existing homes related to rates. Mr. Jagers explained some factors affecting rates and the importance of preparing for the future.

After review and discussion, the Committee recommended presenting the Financial Reports and the Audit and Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017 to the Board for approval.

5. San Gorgonio Pass Water Agency rate study and potential impacts on BCVWD

General Manager Jagers updated the Committee. The San Geronio Pass Water Agency (SGPWA) is examining a funding strategy for the water deal it entered, and is considering a rate increase. The water supply has been historically dependent on imported water, but there are other sources, including conservation and recycled water, and demand is changing. As a result, the demands cast in the Urban Water Management Plan are likely now overstated, and need is overestimated. The White Papers were crafted to cast a real outlook for the community to estimate the needs over time.

BCVWD is the largest consumer of imported water and will be most affected by the SGPWA actions.

6. Action List for Future Meetings

- a. Bogart Park update (at Engineering Workshop)
- b. SGPWA rate study discussion
- c. BCWD water rate study discussion

ANNOUNCEMENTS

Chair Hoffman read the following announcements:

- Regular Board meeting: June 13, 2018 at 7:00 p.m.
- Engineering Workshop June 28, 2018 at 6:00 p.m.
- District Offices will be closed Wednesday, July 4 2018 in observance of Independence Day.
- Finance and Audit Committee meeting: July 5, 2018 at 3:00 p.m.
- Regular Board meeting: July 11, 2018 at 7:00 p.m.
- Personnel Committee meeting: July 23, 2018 at 5:30 p.m.

ADJOURNMENT

Chair Hoffman adjourned the meeting at 4:21 p.m.



David Hoffman, Chairman to the
Finance and Audit Committee of the
Beaumont-Cherry Valley Water District