

County of Butte

Audit Committee

Butte County Administration Conference Room

25 County Center Drive, Oroville, CA

May 1, 2014

Minutes

Call to Order

The Butte County Audit Committee meeting was called to order by Maureen Kirk at 1:00 pm.

Committee Members Present:

Supervisor Kirk; Paul Hahn, CAO; Greg Iturria, CFO; Peggy Moak, Treasurer and Tax Collector; David Houser, Auditor-Controller

Also Present:

Thomas Limper, Deputy CFO; Susie Rees, Butte County Staff

Sandy Sup, Gallina LLP

Grand Jury Members: Nancy Negri, Sally Mitchell, Dennis Anderson, Mike Gilchrist

I. Review and Approve

Minutes from October 31, 2013 meeting – Motion made to approve, motion seconded. Motion carried unanimously.

II. Discussion

- A. Report from Gallina – Sandy Sup
 - i. Gallina completed a successful audit
 - a. The Comprehensive Annual Financial Report (CAFR) has been generated for fiscal year 2012-2013.
 - i. The County will hear in July from the Government Finance Officers Association (GFOA) regarding award of the Certificate In Excellence for Financial Reporting.
 - ii. The County received a clean opinion.
 - iii. The Financial Statements fairly represent the finances of the County.

- iv. David Houser added that the CAFR is submitted annually to the GFOA and reviewed by five separate reviewers. Butte County has received an Excellence in Financial Reporting award every year for the past 7 years.
 - 1. He added that Ruth Wright has taken over the preparation of the CAFR and has programmed the financial system to generate the report. This was not an option prior to the system upgrade.
- v. Paul Hahn added that the Auditor's Office is very instrumental in generating our CAFR. It is a very labor intensive process to upgrade the finance system but he has heard it is going quite well.
- vi. Greg Iturria mentioned that it will be a good 2-3 years before the upgrade is complete and the processes are streamlined but labor will be reduced in the long run.
- vii. Peggy Moak said that the Treasurer's Office is working on enhancements and on streamlining documents as well. She is excited about the possibilities with the system upgrade project.
 - b. Sandy Sup discussed the implementation of GASB 63 and 65.
 - i. The County decided to implement GASB 65 early.
 - 1. GASB 65 changes the name of the financial statement in the CAFR from Statement of Assets to Statement of Net Position
 - a. It includes reporting deferred inflows and outflows on the Government Balance Sheet.
 - i. Deferred inflows are revenues that have been earned but not recognized. For example, if a government grant is earned but the money is not sent within 60 days it is considered a deferred inflow.
 - b. Paul Hahn added that the State owes Butte County \$3.5 million in unpaid mandates. It quit reimbursing counties years ago. The mandates must be paid within 15 years. This year, the Governor has recognized these monies as part of the "Wall of Debt" that needs to be paid down. Butte County will start seeing repayments in FY 15/16.

III. Public Comment

- B. Questions from the Grand Jury
 - a. Sandy asked if the CAFR is presented to the Board of Supervisors.
 - i. Greg Iturria indicated that it is not presented to the Board but is made available to the public.
 - ii. Dennis Anderson asked where the County currently stands in regards to debt.
 - 1. Sandy Sup said that on page 15 there is a government wide financial statement that shows long term liabilities and page 56 shows the details of the liabilities. The largest debt is the pension obligation bonds.
 - iii. Nancy Negri asked if these numbers are better or worse compared to last year.
 - 1. David Houser answered that they are overall better.
 - 2. Paul Hahn added that we are in much better shape.
 - a. We are starting to chip away at the principle and trying to fund the unfunded liability of Other Post-Employment Benefits (OPEB) in advance starting with the FY 14/15 budget.
 - b. Maureen Kirk added that post employee benefit claims will decrease as employees hired after January of 2010 no longer qualify for these benefits.
 - iv. Dennis Anderson asked if there were any problems with internal controls.
 - 1. Sandy Sup answered no. There was only one recommendation about recording overpayment of Worker's Comp monies.

2. David Houser added that premiums accrue and refunds are issued immediately. We recognize these as prior year revenue. GASB 10 states that they have to be recognized as a reduction in expenditures.
3. Sandy Sup stated that the recommendation can be found on page 7 of the Management Report.
- v. Dennis Anderson asked if Gallina looked at County use of credit cards.
 1. Sandy Sup answered no.
 2. David Houser added that the focus is on protecting the County and there is strict control of credit cards.
 3. Paul Hahn added that the policy about what can and cannot be charged is very strict.
 4. Dennis Anderson asked if vouchers have to be turned in within a certain time period.
 5. David Houser answered yes.
- vi. Dennis Anderson asked if there had been any misappropriation of funds.
 1. Sandy Sup answered no.
 - b. A question was asked about the timing of the Grand Jury Report.
 - i. The report will be released on or about June 27.
 - ii. The Grand Jury is considering putting in a recommendation that Grand Jury selection be done by a mix of random selection and application.
 1. Most Counties in California do it by application.
 2. The downside is you can end up with people that have specific agendas.
 3. Some Counties also have Grand Jurors for 6 or more years whereas Butte County is only 2 years.
 - a. Mike Gilchrist asked if this Grand Jury had been properly involved and asking the right questions.
 - i. Both David Houser and Paul Hahn answered that, yes, they had been very involved and asked well thought out questions, keeping the County on its toes.
- C. Meeting was adjourned by Maureen Kirk