

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
MAY 20, 2008**

CALL TO ORDER: The meeting was called to order by the Chair, Director Barkhurst, at 1930 hours. He noted that there was a quorum of the Board present. The Agenda was approved as presented.

MEMBERS PRESENT: Directors Barkhurst, Kilburn, Pickard, and Sorell
Director Griffith had given prior notice that he would not be able to attend the meeting as he would be out of town.

STAFF PRESENT: Chris Burt, Facilities Supervisor
Shirley Burt, Administrative Assistant
Melvin Matthews, General Manager

PUBLIC COMMENT: No one from the Public wished to comment at this time.

Director Barkhurst called the Board's attention to two pieces of correspondence that was in their Board Packet. The first item was from the Registrar/Recorder's office explaining the \$12,000. expense for the November election and the second item was a report from the office of Mr. Kruse reporting that Mr. Dear had been elected to the LAFCO Board.

ETHICS TRAINING FOR 2008

Director Barkhurst reminded the Board that all members are required to take the Ethics Training bi-annually. He stated that he had taken the training on line and gave the following information as to where to find it online " --www.fppc.ca.gov-- scroll down to AB1234." He noted that Directors Barkhurst and Griffith had completed the training and that Directors Kilburn, Pickard, and Sorell need to take the training in 2008.

AUDIT FOLLOWUP

Director Sorell noted that the General Manager had prepared a detailed memo about one of the chief issues expressed by the auditor which is Electronic Banking and the concern as to whether adequate check and balances are in place since the General Manager is not a signature on the checking account but has the authority to implement electronic transfers which gives "de facto" authority.

Director Barkhurst stated that it is more than "de facto" since he has the single signature authority to drain whatever checking accounts are linked to the electronic payments .

Director Sorell stated that there is no turning back -- i.e. there is no way the District is going to return to paper checks because the Auditor recommends this, but a procedure needs to be set up to provide the appropriate checks and balances.

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AUDIT FOLLOWUP (continued)

The **General Manager** stated that after the issue was raised, he provided the Auditor with a second memo although a formal letter regarding her concerns was never received. He thought that the Auditor was basically satisfied that our procedures regarding electronic transactions and what they were used for was really just as safe as paper checks.

Director Barkhurst questioned the Treasurer as to whether there is a way to put a transfer limitation on the accounts that are subject to debit by electronic transfer and **Director Sorell** stated that it is worth looking into.

Director Sorell noted that there are some things that this particular bank can not do such as providing images of checks, but that he and the General Manager had thought that attaching a copy of the bill to the electronic receipt would provide the proper audit trail and that procedure is already in place.

The **General Manager** stated that he is presenting these bills well in advance of the actual bank debit.

Director Barkhurst stated that his only concern is trying to prevent future audit exceptions.

Director Sorell stated that the dollar limit is something that should absolutely be implemented. and that he has done that in the past with other organizations.

Director Barkhurst stated that he knows there is a way do it but that he did not think it was feasible as the transfer would have to be done by one or preferably two Board Members rather than the General Manager. He further noted that that it would be difficult but that it is the only way to have a secure check and balance setup.

Director Sorell stated the Board members could show up once a week.

The **General Manager** explained that these debits are set up by the vendor.

Director Sorell noted that if these debits are set up by the vendor then the District doesn't have the same control issues. The only question remaining is when the General Manager is initiating the electronic payment.

Director Barkhurst questioned as to what accounts the General Manager is initiating payment and the **General Manager** replied that there are none at the present.

Director Barkhurst stated that therefore the question is should some limitations be set up in anticipation of the General Manager initiating a payment.

The **General Manager** stated that there are limitations already setup on the ACH transfers.

Director Sorell questioned as to the amount of the limit and the **General Manager** stated that it is fairly low but he does not know the exact amount and would research the matter.

Director Barkhurst asked if there was any further comment on the issues and hearing none he directed the Board's attention to the next Agenda item.

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GENERAL MANAGER'S REPORT

The **General Manager** noted that his report is in their packet and asked for questions. **Director Sorell** questioned as to when the street would be repaired at the Fairpoint Street Project and the **Facilities Supervisor** stated that the final work should be done by Friday May 23. There were no more questions regarding the report.

REVIEW OF MINUTES

The minutes of April 15, 2008 were reviewed and unanimously approved as presented.

REVIEW OF FINANCIAL REPORTS

Director Sorell reviewed the Financial Reports for May 31, 2008 noting that the Power expense is again low and that the Maintenance Supply category continues to run over budget and asked if that was going to continue.

The **General Manager** stated that it will decrease and that he will present a revised budget as soon as he has made sure that everything is properly coded to maintenance supplies as many of the items are for the new trucks, and facility needs, such as circuit breakers, etc.

Director Sorell questioned whether there had been an allowance made in the budget for the increase in postage and the **General Manager** replied that he had and that this item is still under budget for the year but that a lot depends upon the number of mailings that will be needed.

Director Sorell questioned the number of fund transfers and the **General Manager** replied that the transfer from Bank of America was the closing out of the FEMA Account and the other transfers were to obtain funds from LAIF to cover the purchase of the two trucks.

Director Sorell questioned the increase in the annual assessment from the Raymond Basin Management Board and the **General Manager** replied that the Board had agreed to set up a contingency fund and that it had been in the budget that the Board had reviewed..

Director Sorell stated that a revised forecast needs to be done so that the Board can determine where the District is headed financially and that power is the big wild card.

The **General Manager** replied that this year the District is in good shape as one facility has been moved to a lower rate schedule at the suggestion of our Edison Representative and everything has been done to save energy including shifting time of use schedules. He noted that things have gone well for three years in a row and that he thinks the budget as projected for power will hold for this year.

Director Barkhurst stated that at the next Board Meeting there needs to be a Mid Year Operations Review.

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ITEMS FOR NEXT AGENDA

Mid Year Operations Review.

ADJOURNMENT

The **General Manager** called the Board's attention to the draft Foothill Family Letter that he has modified and that he would like to send it out as a billing insert with the Board 's approval. **Director Barkhurst** questioned whether all of the Agencies in the Foothill District had approved of this letter and whether these same Agencies had approved of the changes that the General Manager had made.

The **General Manager** replied that he sought the approval and there is very little that has been changed.

The meeting was adjourned at 2010 hours. The next meeting will be on June 17, 2008. Director Kilburn notified the Board that she would not be available for the next meeting.

Respectfully submitted,

Shirley L. Burt
Secretary to the Board