



AUDIT COMMITTEE

November 10, 2011

Minutes

CALL TO ORDER / ROLL CALL

Chair Price called the Audit Committee meeting to order at 10:05 a.m. Committee members present were Chair Price, Vice Chair K. Williams, Directors H. Williams, and Wilson. Director McIntosh was absent. At that time, there was a full quorum of the Committee. Staff present was Deputy General Manager Kerl, Deputy General Counsel Gallien, Director of Finance Sandler, Controller Greek, Accounting Supervisor Ziomek, and Senior Accountant Matsuo. Also present was Richard Kikuchi and Kelly Culver from Lance, Soll and Lunghard, LLP.

ADDITIONS TO AGENDA

There were no additions to the agenda.

PUBLIC COMMENT

There were no members of the public who wished to address the committee.

CHAIR'S REPORT

Vice Chair Price announced that Vice Chair K. Williams and Director Wilson had met with the auditors, Richard Kikuchi and Kelly Culver from Lance, Soll & Lunghard, LLP (LSL) just before the Audit Committee meeting to discuss the results and any findings of the audit.

Director Wilson reported that all findings were positive.

Vice Chair K. Williams asked how to handle future reporting out of such findings, and commented that it was common practice in his past experience with not-for-profit entities for Directors to meet with auditors without staff present.

After discussion of this item, which included questions regarding both the Brown Act and open and closed sessions, Ms. Kerl recommended that staff work with the General Counsel's office to address the issue and that the item be added to the next Audit Committee agenda.

APPROVE AUDIT COMMITTEE MINUTES

Vice Chair K. Williams moved the motion; Director Wilson seconded the motion, and the September 28, 2011 meeting minutes were approved.



ACTION/DISCUSSION

1. Report by auditor Lance Soll and Lunghard of the final audit results, including:
 - a. Auditor opinion letter
 - b. Audit committee letter
 - c. Management letter

Mr. Greek introduced the item beginning with key dates and deadlines, and then reviewed the roles and responsibilities of the Audit Committee, Water Authority management, and auditors. He concluded by thanking the engagement team of LSL, and then turned it over to LSL to explain the audit.

Ms. Culver stated that the 2011 Financial Audit was broken down into three parts: Interim Audit, Year-End Audit, and the Comprehensive Annual Financial Report. She went into detail of each component.

Mr. Kikuchi explained the other required communications during the audit, which were the Opinion Letter, Audit Committee Letter, SAS 114 Letter, and the Management Letter.

Ms. Culver announced that new auditing standards had been implemented, such as SAS 118, SAS 119, and SAS 120.

Mr. Kikuchi expressed to the Audit Committee and staff his gratitude for working with the Water Authority for the past 6 years.

2. Discussion of the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011 to include:
 - a. Letter of Transmittal
 - b. Management's discussion and analysis
 - c. Financial statements
 - d. Notes to the financial statements
 - e. Statistical Schedules
 - f. Continuing Disclosure

Mr. Greek introduced the Comprehensive Annual Financial Report (CAFR) and explained each section of the CAFR, which was the introductory section, financial section, statistical section, and the continuing disclosure. He also explained each component of the financial section, which was the Auditor Opinion Letter, Management's Discussion and Analysis (MD&A), Financial Statements, Notes to the Financial Statements, and the Supplemental Schedule.



Mr. Greek announced the next steps in the audit process.

Committee members asked questions and staff answered them.

3. Review and acceptance of the draft audited CAFR for the fiscal year ended June 30, 2011. If accepted, direct staff to deliver the CAFR to the Board with a recommendation to accept and file. (Action)

Director Wilson moved the motion; Vice Chair K. Williams seconded the motion, and the recommendation to accept and file the draft audited CAFR were accepted.

4. Review of draft Audit Committee Annual Report summarizing its activities, actions and recommendations to the Board.
 - a. Audit Committee recommendations
 - i. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
 - ii. Accept and file the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2011.

Director H. Williams moved the motion; Vice Chair K. Williams seconded the motion, and the recommendations were accepted.

ADJOURNMENT

There being no further business to come before the Audit Committee, Chair Price adjourned the meeting at 11:23 a.m.