

CLEAR CREEK COMMUNITY SERVICES DISTRICT

Board of Directors: Johanna Trenerry - Chair; Irwin Fust - Vice;
Dave Zabaldano - Director; Murray Miller - Director; Cedric Twight
Director

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FINANCE COMMITTEE MEETING

Tuesday, October 26, 2021, 6:30 PM

District Office Board Room

5880 Oak Street, Anderson CA 96007

Minutes were transcribed via video. Anyone needing to confirm minutes may go to YouTube and look for CCCSD October 26, 2021 meeting.

MINUTES

DIRECTORS: Cedric Twight and Dave Zabaldano

STAFF: Administrative Assistant Kristen Thomas

AUDIENCE: Scott McVay, Kaitlyn Patrick, Sara Lincoln, Terry Lincoln, Ken Longcrier, Jackie, Longcrier, TJ Ray, Chuck Jones, Gaylene Grabeal, Sally Lunn, Brenda Konicek, and Joanne Blomquist.

CALL TO ORDER: Director Twight called the meeting to order at 6:30 p.m.

PLEDGE OF ALLEGIANCE: Director Twight led the pledge.

OPEN TIME: No speakers

NEW BUSINESS:

- A. **ACCOUNTING FINDINGS - DISCUSSION:** Director Zabaldano stated he had started reviewing the 2020 audit report and traced the numbers through to determine accounting flow. He stated he started looking into certain areas a little deeper and found areas that needed to be addressed. 1. The first finding was that the District did not correct or post the discrepancies found in the 2019 and 2020 audits. He stated this throws off all the balances in the account payables and receivables. His first recommendation was that this be corrected and updated. 2. The next issue was the capital asset ledgers and not retiring some assets. He stated District needs to develop a capital asset program and have it put together properly. Ken Longcrier asked when this ledger was last done properly. Director Zabaldano indicated that the auditors were maintaining the assets but could not find where the District was maintaining those records. 3. Depreciation on the assets or expenses are not being maintained and Director Zabaldano recommended that this be corrected. 4. Reconciliation of general ledger and two sub ledger accounts. The

sub ledgers are not reconciling to the general ledger which creates overstatements and understatements. In general there should be a mechanism for auto posts because manual entries cause errors. 5. There are numerous hanging accounts that haven't been used in over two years. Typically, they are researched and cleaned up at the end of the fiscal year.

So those were the major findings that were uncovered. Director Zabaldano indicated that there was something off about water receivables that is very strange and we will recommend that the outside auditor do specialized testing. Chuck Jones asked what was meant by specialized testing. Director Zabaldano indicated that with a financial audit, it would determine what is driving those figures and why there are significant discrepancies over \$200,000. Scott McVay asked whether this could lead to potential theft. Director Zabaldano stated that yes there is that potential and that's why the Finance Committee will be recommending the specialized testing. In audit words, it creates a condition where records could be misstated. Scott McVay asked what the difference was between the sub ledgers and the general ledger. Director Zabaldano reported that the significant difference was over \$500,000 and more investigating was necessary. Scott McVay asked in light of these discrepancies was a forensic audit going to be called for. Director Zabaldano indicated just the ledger accounts as everything else appears to be running through correctly. Director Twight stated that the Finance Committee would look into all malfeasance as they are uncovered. Scott McVay asked that timekeeping issues be added to the forensic audit. Chuck Jones added that it is very difficult to accept the report of excessive OT usage for a few employees. Scott McVay asked for basic standards for time card reporting. Ken Longcrier asked how there could be such a budget discrepancy. He stated that as community members we have to balance our checkbooks and the District should be required to also. Scott McVay also reported that an employee received 5 raises in one year and asked whether the Board approved those raises. Director Twight mentioned he had heard a prior Board member say they didn't want to micromanage the staff and he was shocked. Both Director Twight and Director Zabaldano indicated their role was to oversee the General Manager and the District. Director Twight thought it would be better to present the time card findings at a separate Finance Committee meeting rather than at a Board meeting.

Gaylene Grabeal asked who would be handling this expanded audit. Director Zabaldano indicated that upon Board approval, the new audit team can add it to their review. A customer asked when the last time things were good with the books. Director Zabaldano said the last time the books were reasonable and complete was 2018. Brenda Konicek asked the Finance Committee if they were confident with the temporary bookkeeper being utilized. Director Zabaldano said there was no reason not to be confident and didn't feel it was his role to oversee. Brenda was concerned about the outsourcing, the ability to look at P&L's monthly, and not waiting until the end of the year. The community thanked Director Zabaldano for his attention on the finances. Director Twight also thanked Director Zabaldano for his efforts. Director Twight stated that the next Finance meeting is tentatively scheduled for November 23, 2021.

B. SUPPLEMENTAL WATER - DISCUSSION: Director Twight reviewed the water rates developed by the CAC and the drought rate formula. He stated that it was envisioned that the drought rate would be implemented early in the year to cover all the costs in purchasing water. Director Twight noted another concept was the Supplemental Water Program. He pointed out that customers with very little water usage would have their cost per HCF go sky high. Director Twight believed that the Board should shop for the maximum amount of water for the benefit of all customers. While he believed that the Supplemental Water Program had merit, there was some legal issues that needed to be addressed. Director Zabaldano added his concerns that the District should be securing water for the needs of all the customers and a Supplemental Water Program targets just the agriculture customers. He stated agriculture customers would then have to pay a much higher price for water. Scott McVay noted that this program would preclude figuring out how to pay for the water when customers can prepay. He stated then the District wouldn't purchase more water than would be used.

A lengthy discussion followed between the Directors and the community on the program's merits, cost allocations, water purchases, equitability, and administrative costs. Director Twight said he would like to see a past usage analysis and run this through the drought rate rather than the Supplemental Water Program. Director Twight stated that his recommendation is to resolve the water issue by purchasing enough water during a drought and use the drought rate to pay for the cost. This also demonstrates to water purveyors that we are in control of water usage during a drought. Director Zabaldano agreed with Director Twight's recommendation. He felt the Supplemental Program just pushes the extra cost onto agriculture customers.

QUESTIONS/PUBLIC COMMENTS: Jackie Longcrier asked that the Board talk to the larger ranchers in the District to get their feel on the usage. Gaylene Grabeal asked about whether the District is making the payments on purchased water. Staff Kristen said yes, September was \$27,000 and latest was \$26,800. Joanne Blomquist confirmed that the District's reserves were going up slowly. Jackie Longcrier asked about the customers who aren't paying. Staff Kristen indicated that there are a few customers using lots of water without paying for it. Some customers cut the locks off the meters. Some meters are removed and customers still stick hoses into the lines to siphon off water. There is also water theft going on between parcels.

ADJOURNMENT: Director Twight adjourned the meeting at 8:30 p.m.

Submitted by

Beverly Fickes, Volunteer

Cedric Twight, Director

*Paul Kelley
for Board Members*

Dave Zabaldano, Director