

Finance Committee Meeting Minutes
San Juan Water District
December 10, 2024
4:00 p.m.

- Committee Members:** Pam Tobin, Director (Chair)
Manuel Zamorano, Director (Alternate Member)
- District Staff:** Paul Helliker, General Manager
Donna Silva, Director of Finance & Human Resources
Andrew Pierson, Engineering Services Manager
Entela Fallstead, Senior Accountant
Teri Grant, Board Secretary/Administrative Assistant
- Members of the Public:** Jennifer Farr, DavisFarr, Certified Public Accountants
Anthony Wong

1. Presentation of Independent Audit Results by DavisFarr, Certified Public Accountants - Fiscal Year Ending June 30, 2024 (W & R)

Ms. Silva introduced Jennifer Farr from DavisFarr, Certified Public Accountants, and explained that they conducted the independent audit of the District's financials for fiscal year ending June 30, 2024. Ms. Farr informed the Committee that they started the audit procedures in June 2024 and moved onto the final audit in October 2024 after the District's financial books were closed.

Ms. Farr reported that completed their work and issued an unmodified audit opinion on the financial statements on December 5, 2024. She explained that an unmodified audit opinion means that the financial statements are fairly stated in all material respect so that's the highest level of audit opinion that can be received.

Ms. Farr explained that their audit approach was to look at internal controls for purposes of planning the audit, but no opinion is expressed on internal controls, and they evaluated the key control areas and performed certain tests of the controls. For the financial statement numbers, they substantively tested the assets and liabilities to determine that they are materially correct. She explained that, for revenue and expenses, they use an analytical approach which means if an expense is significantly higher than the prior year then they would conduct additional testing to verify the accuracy of the expense.

Ms. Farr stated that the areas of focus for the audit included the SRF loan transactions for the Hinkle Reservoir and Eureka Pipeline projects since they are a higher risk of error due to the significance of the transactions. She informed the Committee that there will be a required single audit on the federal grant awards since the grant amounts exceeded \$750,000, which she expects to completed by March 31, 2025.

Ms. Farr informed the Committee that the unpredictability test this year was on purchasing compliance. She explained that they looked at the five larger vendor payments to verify purchasing policy compliance. She reported that due to the nature of inventory purchases typically not exceeding the \$50,000 threshold, District staff did not identify that one transaction required Board approval. District staff identified this issue prior to the auditors' testing and took action to obtain retroactive Board approval prior to the start of the audit. She informed the committee that there were no material weaknesses in internal controls.

Ms. Farr informed the Committee that they found the books to be in excellent condition and District staff were prepared for the audit and responsive to their inquiries. There were no audit adjustments that were material in order to correct any accounting errors and no material instances of noncompliance. She commended staff for their high level of competency. She informed the Committee that they are completing the State Controller's report as well.

In response to Director Tobin's question, Ms. Farr explained that Fair Value Hierarchy means that you need to let the reader know how good your estimates are for fair value estimates. She reported that the District only has the fair value of investments that qualify under this standard.

In response to Director Zamorano's question, Ms. Silva explained that the uncorrected misstatement detected during the audit process happened because there was interest earned in June, that wasn't paid until July. The District did not record \$46,000 of interest income and interest receivable as of June 30, rather it was recorded when received in July. Ms. Farr stated that the amount was immaterial to the financial statements taken as a whole.

The Committee commended the Finance Staff and the auditing firm for their good work.

2. Review General Manager Reimbursements (W & R)

The Committee reviewed the October credit card charges for the General Manager and found them to be in order and there was no reimbursement request from the General Manager.

3. Review Check Register from November 2024 (W & R)

The Committee reviewed the November 2024 check register and found it to be in order.

4. Review of Legal Bills (W & R)

The Committee reviewed the legal bills and found them to be in order.

5. Esri Small Utility Enterprise Agreement (SUEA) Renewal (W & R)

Mr. Pierson reviewed the staff report which was provided to the Committee members. He explained that using the GIS system with Esri has been a tremendous benefit to the District and is a great product. GM Helliker commented that Esri is the primary software used for GIS in the industry.

The Finance Committee recommends that the Board consider a motion to approve executing a three-year Small Utility Enterprise Agreement (SUEA) with Esri, the software firm that provides the licensed software for the District's Geographic Information System (GIS)

6. Other Finance Matters (W & R)

There were no other matters discussed.

7. Public Comment

There were no public comments.

The meeting was adjourned at 4:32 p.m.