

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, August 11, 2009

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- d. Finance Committee Minutes and Recommended Actions from
the July 7, 2009 Meeting (Lane)

Attendees

Board: Director Lane (Chair), Doug Siden, Ayn Wieskamp
Staff: Pat O'Brien, Dave Collins, Cinde Rubaloff, Deborah Spaulding,
Dave Sumner, Pam Burnor, Susan Gonzales, Ann Scheer, Davio Santos.

Public: Bick Hooper

I. Draft 2008 Comprehensive Annual Financial Report, Single Audit, and Management Comments

Director Lane acknowledged that the District received the Distinguished Budget Presentation Award and Budget Manager Pam Burnor reported that we have received the award for the past five years. The committee congratulated staff for their fine work.

AGM Dave Collins noted that this special session is to review the annual financial documents in a completed form, with the addition of Management Discussion and Analysis (MD&A) and additional schedules. AGM Collins also reported that the documents were emailed to the PAC Finance Sub-Committee for review and comments. CFO Cinde Rubaloff commented that the documents have been reviewed, edited for format, and will have one more final review by the Finance Department.

The meeting began with a discussion related to the auditor's *Report to the Board of Directors and Management* issued by Caporicci and Larson. Director Lane inquired about the two "significant deficiencies" included in this report.

CFO Rubaloff responded that because the auditor required the posting of correcting entries as prior period adjustments, they had to be classified as "significant deficiencies" in their report.

The first prior-period adjustment related to posting of the 2006 debt issuance. It was not booked completely and failed to capitalize the cost of issuance and calculate the deferred gain on refunding.

The second adjustment was related to the fixed assets. In prior years, the District had booked the cost of improvement projects constructed on District-owned property as capital assets. However, upon review of related legal documents (lease), it was determined that the improvements didn't actually belong to the District. CFO Rubaloff reported that we are now aware of the implications of various District agreements, and have developed a process to determine correct ownership before we post capital assets to the District's books.

One of the capital projects subject to the prior period adjustment was the Tom Bates Field. AGM Collins explained that this property is owned by the District. The District sought and received the grant from the State for construction of improvements. The District constructed improvements to the property, which is owned by the District, but leased to the City of Berkeley. According to the lease agreement, the improvements belong to the lessee, not the lessor, until the lease expires. Thus the District should not have capitalized the cost of construction of the improvements to our books.

Director Wieskamp inquired if we are going to develop some kind of "check-off list" for future instances of this type, when the District has funding from so many different sources. CFO Rubaloff answered that staff is now aware that this is an issue and that there are some unusual agreements. Finance has had meetings with the Land Department discussing the process we should implement to review documentation.

There was discussion about responsibility for the improvements at Tom Bates Field and GM Pat O'Brien responded that the property is leased to Berkeley, so they have responsibility for maintenance until the lease is terminated.

There was further discussion about whether Berkeley or the Joint Powers Agreement participants are responsible, and GM O'Brien clarified that we are leasing to Berkeley and so although Berkeley has a JPA with the other cities, the lease of the property is solely with the City of Berkeley.

Director Wieskamp asked if Berkeley would be recording the improvements as their asset. CFO Rubaloff responded affirmatively and stated that Berkeley has the same auditors as the District, so the auditors are going to check and see if Berkeley did record it as their asset. AGM Collins stated that someone needs to record the asset, but two agencies can't record the same asset. CFO Rubaloff stated that this emphasizes how important it is for all parties to have an awareness of this issue.

AGM Collins related the complications of the asset ownership issue to the Iron Horse trail, where we have licenses, leases, easements, and various ways of holding title. Some improvements have been constructed by the District, and some have been constructed by others for us. We have to go back and look at each agreement to understand

exactly who holds title to the improvements. Director Lane asked if we doing that; AGM Collins responded that it has been done.

Director Lane suggested another example of this issue could be the dog park at Crown Beach – whose asset is it? Discussion followed.

In conclusion, CFO Rubaloff summarized that related to the issue of asset ownership, the District is not required to review items previously booked as capital assets during the implementation of GASB 34. The amount capitalized at that time was an estimate of the District's capital asset value. Going forward, we need to ensure only District-owned assets are capitalized in the District's financial statements.

Bick Hooper commented that this matter has no consequences in the future other than what appears on our financial books, as it doesn't have implications on the liabilities, maintenance or other District responsibilities. CFO Rubaloff responded that these are GASB 34 rules, which apply for financial reporting purposes only.

Public Comments

Davio Santos stated that in his view the District is a financially healthy organization and asked Finance Committee members and staff if they agreed with that statement. Further, he stated that some of the things that are troubling the District haven't really happened yet. He hoped that the Board realizes that there is a way to see ourselves as one entity and that the CAFR supports the stance that we are in a good financial place right now, thanks to a lot of good people. He concluded with the statement that at this particular time the District seems to be doing quite well.

GM O'Brien responded with the statement that the future is the issue. It's particularly an issue at this time with assessed valuations' projected drop and the uncertainty about ERAF. We will know a considerable amount by the end of August, as we will have the certified AV reports from both counties at that time. He also stated that one would hope that we will have more information on ERAF at that point also.

Davio Santos asked about current information related to ERAF. GM O'Brien answered that ERAF is being discussed by the "big five," and we know that ERAF could take up to 8% of all property tax; this is the Governor's and the State Finance Department's proposal. We also know that Contra Costa County estimates an 8% decline in assessed valuation (which was clarified to be 7.7% by AGM Collins) and Alameda County estimates a 3% decline. GM O'Brien reminded the group that these are estimates and we don't have the documented numbers.

Director Lane stated that the Board is aware of the turbulence around us. The condition of the economy is one that we are taking very seriously, and the implications of the steps we must take now that will impact the future.

Director Lane recommended that the Finance Committee present the Financial Reports to the full Board at its second meeting in July, with the recommendation for acceptance. So moved by Director Siden, seconded by Director Wieskamp.

Park Advisory Committee Chair Bick Hooper, also the Finance Sub-Committee Chair, reviewed the results of the PAC Finance Sub-Committee's meeting and PAC meeting in June, at which the 2008 CAFR was reviewed. He reminded the group about the PAC's approval of the 2008 CAFR without the MD&A, which was not available at the meeting.

Subsequent to the meeting, the MD&A was received and reviewed, and he was now comfortable with the **final recommendation from the PAC for acceptance of the 2008 CAFR.**

Director Siden wanted to commend Finance Department staff on the thoroughness of the financial statements, and expressed appreciation for CFO Rubaloff's opening transmittal letter included in the CAFR document.

The meeting was adjourned at 12:45PM.

The next meeting is scheduled for Wednesday, July 22nd at 12PM in the Board Room.