



Finance Committee Members

Rick Baker, Gary Carey, Stephen Kepley (Chair)

FINANCE COMMITTEE

Wednesday, May 8, 2019, 4:00 p.m.

Rapid Administrative Office, 300 Ellsworth Avenue, SW

AGENDA

PUBLIC COMMENT

1. MINUTES – February 20, 2019 Finance Committee meeting
2. DISCUSSION
 - a) Finance Review – Presentation on:
 - Review of Key Impacts to FY 2019 Budget (revenues and expenses, including pension plans & payments, healthcare plans & costs)
 - Cash Flow Review
 - Year-to-date Revenues and Expenses Report
 - b) Development and Use of Reserve Fund (verbal report)
 - c) Board Policy on Paying Unfunded Pension Liabilities (verbal report)
 - d) FY 2020 Draft Budget Guidelines (many topics, including compensation adjustment recommendation)
 - e) Update on FY 2018 Office of Inspector General (OIG) Audit of BDO Seidman (verbal report)

*Documentation for items 2a and 2d will be provided at the meeting.



**MINUTES OF
FINANCE COMMITTEE**

February 20, 2019

ATTENDANCE

Committee Members Present: Gary Carey, Stephen Kepley (Chair)

Committee Members Absent: Rick Baker

Staff: Michael Bulthuis, Robin Crothers, Andrew Johnson (CEO), Linda Medina, Brian Pouget, Dina Reed, Mike Wieringa

Others: John LaFramboise (BDO Seidman), Troy Schnabel (Watkins Ross)

Mayor Kepley called the meeting to order at 4:08 p.m.

PUBLIC COMMENT – no comments

1. MINUTES – November 6, 2018

Mayor Kepley asked for corrections to the minutes. None were offered. The minutes of the November 6, 2018 Finance Committee meeting were approved as written.

2. DISCUSSION

a) FY 2018 Audit

Mr. LaFramboise reviewed the Audit Wrap-Up that was provided to the Board along with the FY 2018 Audit Report. The auditors provided a clean, unmodified opinion.

Mr. LaFramboise informed the Committee that the federal Office of Inspector General (OIG) has pulled The Rapid's audit for inspection. This is a quality control review. He stated that BDO will have all workpapers available to the OIG. It is not clear at this time what the reason(s) was for this OIG review. This is the first time he has been involved in an OIG audit. He will keep the Rapid management and Board informed on the progress.

In response to a question from Mayor Kepley, Mr. LaFramboise commented that he does not know at this point if it is appropriate to ask specifically why The Rapid's audit was chosen. He will check with colleagues who have experience with OIG reviews.

Mayor Carey suggested that we find out if any other transit systems that have been notified of an OIG review.

The auditors noted that cooperation of management during the audit was excellent. The management representation letter included information on two corrected misstatements and one uncorrected misstatements related to accounts that the auditors brought to the attention of management. These were considered to be immaterial. There was one control deficiency communicated to management that was identified as a result of the audit that was not considered to be a material weakness.

Mayor Kepley asked if the audit included a review of cash handling. Mr. LaFramboise responded that the auditors do a high level review of this process.

Mr. LaFramboise highlighted various sections of the audit report and answered questions from the Committee.

b) Pension

Mr. Schnabel reviewed the Actual Valuation Reports and Pension Accounting Reports for the administration and union pension plans. Discussion was held regarding the funding status of the plans and other pertinent information. Mr. Schnabel answered questions from the Committee.

2(c) Budget Process

Ms. Medina explained the budget process which consists of preparation, development, review and adoption over the period of February-August. The budget is typically adopted at the August Board meeting.

Ms. Reed noted that budget assumptions are discussed and determined in May. This includes consideration of salary increases. There are still some employees needing to get to the mid-point of the new salary program which will take two years. These issues will come to the Finance Committee at their May 8 meeting.

2(d) Cash Management

Ms. Medina reviewed the cash management procedures and vault room procedures. Cash handling for the TVM's is also included in the vault room procedures.

Mayor Kepley indicated that he would like the Finance Committee to have an opportunity to observe the vault room process. Perhaps this could be done on May 8 when the Committee has its next meeting.

Ms. Medina answered questions from the Committee on these procedures.

The meeting was adjourned at 5:35 p.m.



Robin Crothers, Board Secretary