The Meeting was called to order at 4:02 p.m. by Trustee Heitmann.

Members: Trustee Heitmann and Trustee Hernández

Staff: Sue Johnson, Mary Anne McNeil and Deborah LaTeer

Guests: Representatives from Vavrinek, Trine, Day & Company: Rick Alonzo, Partner and Chris Chitlik, Supervisor

There were no public comments.

The District’s general audit firm, Vavrinek, Trine, Day & Company, reviewed the audit requirements for the district and explained some new auditing standards.

Rick Alonzo reiterated that the auditors work for the Board. The Auditors reviewed the progress they had made during their interim audit work. Committee members asked questions related to specifics. Interim work included detailed review in Admissions and Records and Financial Aid, which is concluded over the summer. The auditors are also verifying that new internal controls have been implemented over these areas. Internal controls are reported for Federal compliance only, but other recommendations, if necessary, are included in the Management Letter Comments section of the audit.

Mr. Alonzo, again, thanked the Board for their involvement and commended District staff for their cooperation and organization during the recent interim visit.

Ms. Johnson explained that the FY2010-11 Tentative Budget does not include any new information that has not been discussed by the Board. She confirmed that this is developed on a worst case scenario budget for the upcoming budget year. She further explained that because the Board took action, through the Budget
Assumptions in March and elimination of positions in April, the site budgets are consistent with those actions. Should the State adopt a budget, which results in a greater reduction, the Board has authorized the use of reserves to mitigate the shortfall. At this time, that scenario is not expected.

Sue stated she is expecting a late State adopted budget again this year, because of the significance of the State shortfall and the division in the Legislature regarding priorities. Staff is working towards having the Board adopt the Adoption Budget in September, but it may be delayed until October if the approved State budget is very late.

The Committee recommended that the Tentative Budget be forwarded to the full Board for approval.

GASB 45 (RETIREE HEALTH LIABILITY) IRREVOCABLE TRUST
Ms. Johnson reviewed the District’s currently Retiree Health Liability, as of the Actuarial Study (December 31, 2008). The amount of the liability is approximately $174 million. To date, the district has approximately $9.2 million in an internal service fund specifically for the retiree health liability.

In order to maximize the return on the District’s investment and thus reduce the District’s overall liability and annual contribution, it is recommended that the District establish an irrevocable trust for investing the district’s funding of this liability.

The funds in an irrevocable trust can only be used for the purpose for which it was established (i.e., retiree health benefits). The funds would yield a higher rate of return in a trust as interest rates are based on longer term investments.

In order to assist endeavor, the Audit, Budget, Foundation Relations Committee recommends that the District contract with RPM Consultant Group to assist in the development and implementation of comprehensive GASB 45 process. If approved, RPM Consultant Group would present Request for Proposal (RFP) process objectives to the Committee for approval; conduct the RFP process, including analysis of the results; discuss, provide and explain to the Committee so that the Committee can make an informed recommendation to the full Board. If a vendor is then selected, RPM will then finalize contracts and agreements.

The Committee recommends this item be brought to the full Board for approval.

OTHER BUSINESS
None

Meeting adjourned at 6:10 p.m.