

Minutes of Meeting
Fairgrounds
May 17, 2016
3:00 p.m.

The Kootenai County Board of Commissioners: Chairman Dan Green, Commissioner Marc Eberlein, and Commissioner David Stewart met to discuss the following agenda items. Also present were Chief Deputy Prosecutor Barry Black, Buildings & Grounds Director Shawn Riley, Finance Director Dena Darrow, Senior Staff Accountant Keith Taylor, Staff Accountant Melissa Merrifield, and Deputy Clerk Alicia Lynch. Also present were North Idaho Fair General Manager Dane Dugan, Fair Board Vice Chair Zach Bane, and Fair Board members Dave Nussear and Linda Rider.

- A. Call to Order:** Chairman Dan Green called the meeting to order at 3:00 p.m.
- B. Changes to the Agenda:** There were no changes to the agenda.
- C. Old Business:** There was no old business discussed.
- D. New Business:**

Procurement and Construction

Chief Deputy Prosecuting Attorney Barry Black advised the Board that Buildings & Grounds Director Shawn Riley had raised concerns regarding repairs at the Fairgrounds paid for by the Idaho Counties Risk Management Program (ICRMP) that were outside of the standard procurement procedures. He explained that repairs to the Fairgrounds due to the November 2015 Windstorm were paid directly by ICRMP instead of passing through the County as was standard procedure. Chairman Green asked if the same regulations applied to the Fair Board that applied to the County. Mr. Black replied that there were no special provisions exempting the Fair Board from the standard regulations.

Mr. Riley explained that ordinarily the County would pay for repairs and would be reimbursed by ICRMP, minus the County's deductible.

Mr. Black recommended the Board withdraw all bids, though there was only one responsive bidder, and authorize Iron Mountain Construction Management, LLC to move forward with the Fairgrounds repairs.

Commissioner David Stewart moved to approve the contract with Iron Mountain Construction Management, LLC and direct staff to move forward with repairs at the Fairgrounds as described in the bid and to ratify the contract.

Chairman Green mentioned that there was no contract. Mr. Black commented that there also was no bid, and he requested the Board authorize Iron Mountain Construction Management, LLC to proceed with their work and to acknowledge that the ICRMP payment was outside of the County's ordinary scope.

Commissioner Stewart amended his motion, and moved to authorize Iron Mountain Construction Management, LLC to commence repairs at the Fairgrounds and to acknowledge that the County was honoring an agreement between Iron Mountain Construction Management, LLC and ICRMP. Commissioner Marc Eberlein seconded the motion. There being no further discussion, Deputy Clerk Lynch called the roll:

Commissioner Stewart: Aye
Commissioner Eberlein: Aye
Chairman Green: Aye

The motion carried.

Consideration of Fairgrounds Resolution

Chairman Green opened discussion of draft resolution 2016-60.

Fair Board member Linda Rider requested the Board remove the language stating the Buildings & Grounds Director would ensure the statutory requirements in the capital projects and purchases sections of the resolution. Chairman Green said that he did not believe it was necessary to assign a representative to ensure requirements because the point of the statement was to ensure that statutory requirements were met. Commissioners Stewart and Eberlein agreed to remove the Buildings & Grounds Director from the capital projects and purchases sections of the resolution.

Ms. Rider requested that the Resolutions listed in the final paragraph of the draft resolution be provided. She said, "I made a request for records of any Resolutions from 1985 to present, and got absolutely no response." Chairman Green asked if she received a response stating that the records did not exist. Ms. Rider clarified, stating "I got a response that [the records] didn't exist to the [request for] assets that got moved in 2002 and 2003 off of [the County's] records. [The County] took them off. The notes in the audit said that they were...Fairground buildings so they were taken off of [The County's] asset list and be put onto ours. And then we depreciated them."

Fair Board member Dave Nussear confirmed that all of the capital assets had been depreciated in the years since the audit Ms. Rider referenced. Ms. Rider continued, "It was almost \$3 million dollars worth of buildings that came off of [the County's] asset list. In 2003 it is listed in [the County's] financial notes that say [the assets] were moved. And then in 2007 [the County] had another one that was a ten-year spreadsheet that showed assets and it was put on that one as well."

Chairman Green explained that an asset list was used for insurance purposes and was not used on the County's balance sheet.

Mr. Black requested a sentence read *...which are in excess of statutory dollar thresholds*, instead of *excess of dollar thresholds*. The Board agreed to the change.

Chairman Green said the revised resolution would be adopted at the May 24, 2016, Business Meeting.

Chairman Green mentioned that the Board had postponed a decision regarding whether the Auditor's office would get involved in the Fair Board's financials. He commented that it might be necessary to increase the Facilities Budget to include expenses for Fairground construction and maintenance. He asked his fellow Commissioners whether the \$150,000 County contribution to the Fair was intended to pay for the construction expenses or would it be a contribution in addition to the construction expenses. Chairman Green inquired what would happen if the Board provided \$150,000 with the understanding that construction would be done, but it was discovered at a later date that the liabilities to the County remained unaddressed.

Commissioner Eberlein said that the Americans with Disabilities Act (ADA) issues needed to be addressed. Ms. Rider commented that \$150,000 would not be enough money. Chairman Green said that he would feel more comfortable providing a large sum of money to the Fair if he knew that the Fair Board's systems had been reviewed. He clarified that he was seeking a systems audit. Chairman Green added that he had heard statements from North Idaho Fair General Manager Dane Dugan that gave him pause.

Commissioner Stewart asked if the discussion needed to be postponed further until the Board decided whether the internal audit team would remain under the Clerk or be moved to the BOCC's reporting structure. Chairman Green replied that the audit function would remain the same regardless of where the internal audit team reported. He emphasized that the County appropriates a large sum of money to the Fair and he said he did not believe it was unreasonable to audit the Fair. Commissioner Eberlein agreed.

Ms. Rider asked if the Fair Board's annual audit of finances and procedures held no value. Chairman Green said that the annual audit examined the Fair's finances. Ms. Rider countered saying "they tell us those kinds of things too. Because we have adjusted those kinds of things in our process as our auditor has pointed them out." Chairman Green requested clarification from Finance Director Dena Darrow, a Certified Public Accountant. He prefaced his request by adding that he did not ask Ms. Darrow to be present.

Ms. Darrow reported that the Magnuson, McHugh & Company, P.A. annual audit was a financial audit that did not provide an opinion of internal controls. She clarified that recommendations regarding controls had been specifically related to financial procedures that affected financial statements.

Chairman Green emphasized that the internal audit would be to audit processes and how to improve office procedures, and that it would not be an audit comparable to the Internal Revenue Service.

Senior Staff Accountant Keith Taylor said knowing that Magnuson, McHugh & Company, P.A. had documented findings regarding the Fair's financial statements diminished his assurance in the Fair's accounting. He said that there were discrepancies in bookkeeping that raised questions for him. Chairman Green asked if Mr. Taylor was concerned with the accuracy of the Fair Board's fund balances. Mr. Taylor replied yes, and added that there were open questions.

Ms. Rider commented that with less than 100 days to the Fair it would be very cumbersome for the internal audit team to come in now.

Chairman Green inquired what the time frame of the audit would be. Staff Accountant Melissa Merrifield replied that the majority of the internal audit would be in-office and not on-site with Fair staff. She estimated the internal audit team would need three to four days of on-site work followed by three months of the internal audit team's time compiling data and researching statutes. She added that she was not currently working on the Fair audit and did not know what work had already been accomplished. Mr. Nussear interjected that Magnuson, McHugh & Company were in the middle of their audit of the Fair at this time.

Chairman Green explained that the internal audit would be a different category of audit than the fiscal audit done by Magnuson, McHugh & Company. Mr. Nussear inquired if the County's team could operate in conjunction with Magnuson, McHugh & Company, which would be less disruptive to the Fair. Vice Chair Zach Bane explained that the Fair Board was not attempting to avoid participating, but he said that complying with requests was time-consuming and this was the Fair's busy season.

Chairman Green said he supported the audit starting as soon as possible because the Board of County Commissioners was already in Fiscal Year 2017 budget discussions. He explained that when he learned that the Fairgrounds facilities were the County's responsibility he realized that in prior years he had abdicated his responsibilities regarding the Fair's facilities.

Ms. Rider made reference to what she believed to be a prior audit, "Can I read you the footnotes that were in that [County audit]?" Chairman Green requested the name of the document she would be reading from. Ms. Rider replied that it was the Comprehensive Annual Financial Report (CAFR) of the County. Ms. Darrow clarified that the document was not an audit. Ms. Rider accepted the correction and continued, "It's a report. Is it a correct picture? Would you say?" Ms. Darrow confirmed that it was a financial report of the component units of the County. She added that the Fair was represented as a component unit and that audited numbers provided by Magnuson, McHugh & Company, P.A. would have been used in the report.

Ms. Rider said, "Well this is the whole picture, this is talking about not just [the Fair] but the whole County."

Mr. Taylor inquired what page she was reading from and added that the statistical section was not an audited section of the County's financial statements. Ms. Rider replied that she did not have a page number to provide him.

Ms. Rider continued, "In 2003 in that financial report it said in the financial statement, the notes to the financial statements said that the component unit's buildings were removed from the County inventory and will be accounted for by the Kootenai County Fairgrounds. And the amount was \$2,947,000 and some more. And then in the 2007 report, under Capital Asset Values by Function, last ten fiscal years reflects the change

as a footnote in [years 2]002 and [2]003, \$100,000 for machinery and equipment, and \$2,928,000 from buildings belonging to North Idaho Fair & Rodeo were removed from the Culture and Recreation line of [the County's] assets."

Chairman Green asked her what she meant.

Ms. Rider replied, "Well both places it would reflect those buildings would belong to the Fair in Idaho."

Chairman Green replied that the Board had received Legal opinion stating that was not accurate and he said that he would operate going forward on the current Legal opinion.

Mr. Taylor explained that where the County reported assets did not infer ownership. He said that the CAFR was not showing ownership but what department or entity buildings sit upon. Ms. Darrow added that it was a distribution of assets all under the same umbrella. Ms. Rider thanked them for the clarification.

Chairman Green questioned Commissioner Stewart's reasoning for postponing the audit until after the reporting line structure was decided. Commissioner Stewart said that there were several unknown variables involved and decisions to be made, which was why he would like to wait. Chairman Green mentioned that Clerk Jim Brannon had come to him about the internal audit of the Fair and that Chairman Green had requested that the Clerk wait until after the resolution was drafted before the internal audit team proceeded. Commissioner Eberlein said he had a similar conversation with Clerk Brannon. Commissioner Stewart pointed out that Clerk Brannon had suggested moving the reporting line of the internal audit team under the BOCC based on CliftonLarsonAllen's recommendations.

Commissioner Eberlein said that if the internal audit was minimally invasive he didn't see why it couldn't proceed now. He said there was a threshold of how much interference would be tolerable. Chairman Green told Mr. Dugan that if the internal audit team was interfering with their activities to call the Board. Mr. Dugan said that he would comply with internal audit requests, but he pointed out that when the auditors weren't present there were still email requests that took time away from his staff. He added that June 1, 2016, launched the Fair's busiest season leading up to the Fair. Chairman Green said he was not sympathetic to the Fair on this matter because the Airport completed their audit while running 365 days a year.

Mr. Bane requested a timeline of when the needed information should be provided, "and not just random emails *[internal audit] need[s] the middle initial of this employee and a description of this employee*, things that don't seem very relevant to that type of audit."

Commissioner Eberlein said that the County had obligations to meet and concerns about the Fair and requested the Fair Board cooperate with the internal audit team.

Chairman Green requested that a new primary contact from the internal audit team be provided to the Fair. Ms. Darrow said that an audit plan would be provided. Chairman

Green informed the Fair Board their new contact would be either Ms. Merrifield or Staff Accountant Nancy Curotto. Mr. Dugan stated that would solve a lot of problems.

Commissioner Stewart said that because he was the liaison to both the Fair and the Clerk he believed that contact should go through him. Chairman Green requested that Commissioner Stewart keep his fellow Commissioners informed.

Ms. Rider commented that the Fair Board has become more engaged and would not rely on their General Manager to be the only contact to the Commissioners. She requested that future communications also include the Fair Board members. The Board agreed to her request.

Commissioner Stewart clarified for the record that statements made regarding him sending threatening emails to the Fair Board were not true. Chairman Green thanked him for his comments.

- E. Public Comment:** This section is reserved for citizens wishing to address the Board regarding a County related issue. Idaho Law prohibits Board action on items brought under this section except in an emergency circumstance. Comments related to future public hearings should be held for that public hearing. There were no public comments.

Chairman Green adjourned the meeting at 3:45 p.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: _____
Alicia Lynch, Deputy Clerk
