

**Minutes of Meeting
Fair Board
September 8, 2016
10:30 a.m.**

The Kootenai County Board of Commissioners: Chairman Dan Green, Commissioner Marc Eberlein, and Commissioner David Stewart met to discuss the following agenda item. Also present were Treasurer Steve Matheson, Clerk Jim Brannon, Chief Deputy Clerk Pat Raffee, Finance Director Dena Darrow, Senior Staff Accountant Keith Taylor, Staff Accountant Melissa Merrifield, Chief Deputy Prosecutor Barry Black, Civil Deputy Prosecuting Attorney R. David Ferguson, Buildings & Grounds Director Shawn Riley, and Deputy Clerk Randi Davis. Also present were Fair Board Chair Gerald Johnson, Vice Chair Zach Bane, Fair Board members Dave Nussear and Linda Rider, Fair Finance Committee member Suzanne Metzger, Fair Board consultant Mary Richter, and Fair Assistant General Manager Alexcia Jordan. Also present were Coeur d'Alene Press staff writer Ryan Collingwood, and citizens Shawn Schlager, Pat Cook, Sue Nussear, Merlin Berger, Bob Bingham, and Tina Kunishige.

- A. Call to Order:** Chairman Dan Green called the meeting to order at 10:30 a.m.
- B. Introductions:** There were no introductions.
- C. Changes to the Agenda:** There were no changes to the agenda.
- D. Old Business:** There was no old business discussed.
- E. New Business:**

Meeting with Fair Board Chair Gerald Johnson to discuss recent changes and updates related to the Fair

Fair Board Chair Gerald Johnson discussed the success of the County's annual Fair through August 24 to August 28, 2016. Chairman Green asked when the Fair board would know the net revenue, and Mr. Johnson confirmed he would know the amount within a week.

Mr. Johnson said Fair General Manager Dane Dugan was now a consultant for the Fair Board, and the Fair Board would finalize his position at their next meeting on Tuesday, September 13, 2016. Chairman Green asked whether Mr. Dugan was working on a contract basis or part-time. Mr. Johnson said that Mr. Dugan had submitted a letter of resignation to the Fair Board effective September 1, 2016, and had been paid out his annual and sick leave, but the Fair Board hadn't met to act on his resignation yet. Mr. Johnson added that Marketing and Resource Development Manager Ty Thomas resigned on August 17, 2016, to work for another company.

Commissioner David Stewart asked whether Mr. Dugan would be compensated for his consultations, and Mr. Johnson said that would be determined soon. Chairman Green encouraged Mr. Johnson to contact Legal or Human Resources if the Fair Board needed assistance with the decision.

Commissioner Marc Eberlein pointed out that a sign in the Fair parking lot said parking fees would be used to improve the parking lot. He asked whether those funds had been separated into their own accounting line item. Mr. Johnson confirmed he would make sure they were, and said improvements had been made to the parking lot. Commissioner Eberlein suggested changing the language on the sign to state that parking fees would be used to improve the Fairgrounds, and not specifically the parking lot.

Mr. Johnson said the Fair's Financial Committee consisted of citizen Suzanne Metzger and two Fair Board members, with consultant Mary Richter acting as an advisor. He stated the Fair Board was planning on implementing new financial procedures in the near future. Mr. Johnson said Magnuson McHugh & Co.'s Fiscal Year 2015 external audit opinion letter had been suspended because of the Clerk's recommendation for a forensic audit. Chairman Green asked why the letter was suspended. Ms. Metzger said the opinion letter couldn't be released because a forensic audit had been requested while the external audit was already underway.

Commissioner Eberlein asked whether there had been material deficiencies found in the past four out of five years, and what the definition of a material deficiency was. Ms. Metzger confirmed none had been found in the past year. Ms. Richter said a material deficiency would refer to an instance when internal controls were not properly finding all material items.

Mr. Johnson stated that a forensic audit of the Fair would be an accusation of criminal wrongdoing. Chairman Green asked whether a conversation between the Clerk and Magnuson McHugh & Co. about specific concerns would allow the company to release its opinion letter. Commissioner Stewart said the Clerk would have to seek legal counsel before releasing information to an outside agency. Ms. Metzger stated material deficiencies weren't a basis for a forensic audit, and that the Fair Board would be willing to discuss any concerns with the Auditor's office.

Upon request from Chairman Green, Treasurer Steve Matheson said he understood both sides of the argument. He stated the Fair had taken measures to make financial corrections, and that more work could be done to reach conclusions before a forensic audit was done. He said that the red flags which surfaced during the internal audit and since were important and should be addressed. Chairman Green asked whether it mattered when a forensic audit was done if criminal activity existed, and Treasurer Matheson confirmed it could be done at any time.

Commissioner Eberlein agreed with the Treasurer that more research could be done without a forensic audit. Clerk Jim Brannon stated the Commissioners had requested the internal audit of the Fair's financial processes that was completed by the internal audit team, and he supported a forensic audit as a next step.

Chairman Green said he respected the Clerk's opinion, and stated that the goal of the Fair internal audit was to ultimately improve County operations. He said the Fair had done well in reaching out to experts, and suggested taking a deeper look at the Fair's

financial procedures over the next two months before a forensic audit was done. Commissioner Eberlein agreed.

Chairman Green asked whether the Clerk had any concerns about continuing to work with the Fair. Clerk Brannon replied it was the Commissioners request to have the internal audit done, and encouraged them to decide whether they would support a forensic audit. He stated he was not accusing the Fair of criminal activity.

Commissioner Stewart stated he supported a forensic audit of the Fair. Commissioner Eberlein said a forensic audit would look for criminal activity, and asked whether the Clerk thought there was apparent criminal activity. Clerk Brannon confirmed he was not suggesting there was any criminal activity in the Fair, but that he could not be certain there was not any criminal activity either.

Commissioner Eberlein stated he would support taking a deeper look at the Fair's financial procedures to find more information that might point to the need for a forensic audit. Chairman Green agreed and said he needed more conviction to support a forensic audit. He said a forensic audit was possible in the future if additional information was found.

Commissioner Stewart moved to approve a forensic audit on the Fair books. Civil Deputy Prosecuting Attorney R. David Ferguson pointed out that the decision for a forensic audit was not on the agenda. Chairman Green suggested placing the forensic audit decision on the agenda for the next Commissioners' Debriefing meeting. Commissioner Stewart asked whether his motion was improper, and Mr. Ferguson said the decision for a forensic audit was not on the agenda. Commissioner Stewart withdrew his motion.

Chairman Green said he would make sure the decision was placed on the agenda for the Commissioners' Debriefing meeting on Monday, September 12, 2016.

- F. 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 11:31 a.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: _____
Randi Davis, Deputy Clerk
