

Minutes of Meeting
Fairgrounds
April 19, 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 Clerk Jim Brannon, Chief Deputy Clerk Pat Raffee, Finance Director Dena Darrow, Senior Staff Accountant Keith Taylor, Staff Accountants Melissa Merrifield and Nancy Curotto, Chief Deputy Prosecutor Barry Black, Civil Deputy Prosecuting Attorney R. David Ferguson, Buildings & Grounds Director Shawn Riley, BOCC Administrative Supervisor Nancy Jones, and Deputy Clerk Alicia Lynch. Also present were North Idaho Fair General Manager Dane Dugan and Fair Board Chair Gerald Johnson, Vice Chair Zach Bane, and members Dave Nussear and Karleen Meyer, and citizen Merlin Berger.

- A. Call to Order:** Chairman Dan Green called the meeting to order at 3:00 p.m.
- B. Changes to the Agenda:** Chairman Green moved the Review of Draft Resolution to the first item of business as he felt it informed the Discussion of the County's role in the financial operational functions of the Fairgrounds.
- C. Old Business:** There was no old business discussed.
- D. New Business:**

Review of Draft Resolution

Chairman Green said that he drafted the Fairgrounds Resolution with the Fair Board's recommendations in mind, and he opened the discussion to update the proposed draft.

Fair Board Chair Gerald Johnson requested confirmation that the Fair Board would continue to operate a year-round facility. He also asked for clarity regarding Buildings & Grounds' role regarding the clause *"oversight of all projects related to the ongoing physical maintenance of all Fairgrounds property as well as any and all new capital and non-capital construction and remodel projects."*

Buildings & Grounds Director Shawn Riley explained that his department was responsible for the oversight of any changes to the buildings or grounds in a material way, i.e. changing the landscape or painting the exterior of the buildings. But he said this would not include routine maintenance of the lawn or replacing light bulbs. He said that his role was to make sure that all improvements to the County buildings were up to County standards, City codes, and were compliant with the Americans with Disabilities Act (ADA). Commissioner Marc Eberlein suggested changing the language of the draft resolution so it would exclude routine maintenance.

Fair Board Vice Chair Zach Bane said projects were often done by volunteer labor and the materials were donations. Chairman Green said he would not want to discourage volunteers but that the County was ultimately responsible for the facilities. Mr. Riley

suggested the Fair keep him informed of their projects and he would let the Fair Board know when something needed to be escalated to the Commissioners.

Discussion of the County's role in the financial and operational functions of the Fairgrounds

Mr. Johnson related the Fair Board's willingness to use the County's accounting system (LOGOS) but requested that the Fair's conversion to that system be postponed until after the 2016 Fair, and perhaps through the end of calendar year 2016.

Commissioner David Stewart asked if the Clerk was in favor of the Fair using LOGOS and what the time frame for the conversion would be.

Clerk Jim Brannon said he was in favor of the Fair using LOGOS but that LOGOS might not be the best solution to providing transparency of the Fair's finances.

Chairman Green asked Chief Deputy Prosecutor Barry Black if statute allowed the Fair to keep their funds separate from the County. Mr. Black replied that the Fair could keep funds separate from the County, even in a separate banking establishment, but should the Fair cease to exist the funds would return to the County's General Fund. He added that state law still applied to the Fair's accounting processes.

Clerk Brannon emphasized that a full system conversion would not be simple and analysis of the Fair's numbers was needed prior to a conversion. He also questioned if the Fair used LOGOS then would part of the accounting responsibility fall on the Auditor. He asked for clarification regarding who was responsible for the Fair's accounting.

Senior Staff Accountant Keith Taylor reported that the standard conversion time was six months but that he had not seen the Fair's accounting procedures, nor consulted with Information Systems. Mr. Riley added that he would need to check with Information Systems to see if the Fair's use of LOGOS would mean installation of new fiber optic cables.

Chief Deputy Clerk Pat Raffee said that in her opinion the sentence stating *...the Fair Board shall make provisions for regular review of accounts and internal control to ensure use of best financial practices and adherence to Idaho Code...* was a separate matter from whether or not the Fair used LOGOS. She questioned the Fair Board regarding whether internal controls identified by the external auditors in their 2014 Audit had been completed. Ms. Raffee noted numerous opportunities for misunderstandings in the Fair's current accounting procedures and financial reports.

Chairman Green agreed with Ms. Raffee's assessment. He pointed out that the individual balancing the Fair Board's books was the same person that issued their checks, which was against a fundamental accounting separation of duties.

Staff Accountant Nancy Curotto inquired whether the Fair was using the non-profit version of QuickBooks or the standard QuickBooks software. General Manager Dane Dugan replied that the Fair was currently using the standard QuickBooks version. Ms.

Curotto explained that the Non-Profit version of QuickBooks came with an audit trail feature and additional features that would assist the Fair in keeping their donations and pledges clearly delineated.

Mr. Johnson said that the Fair Board was agreeable to implementing good accounting procedures, and that he and the Fair Board welcomed guidance from the Auditor's department and the internal audit team. Fair Board member Dave Nussear said that he had no opposition to the internal audit team's help; and that he thought it would be a home run for all concerned.

Chairman Green inquired whether the Fair Foundation was contributing to Mr. Dugan's salary and asked if that was an appropriate use of foundation dollars.

Mr. Merlin Berger, former Fair Foundation Board Member and President, explained that the Foundation was separate from the Fair and was not under the Fair Board's control. He said that the Fair Foundation no longer had a Director and that the non-profit dollars the Foundation provided to Mr. Dugan was for him to act in the capacity of Foundation Executive Director. Mr. Dugan added that with his salary from the Foundation came obligations to speak on the Foundation's behalf and represent them as their Director, but he acknowledged that the financial reports didn't clearly describe the funding responsibilities of the two separate entities.

Ms. Curotto questioned whether the Foundation and the Fair Board were in compliance with Internal Revenue Services (IRS) code, regarding 501 C3 nonprofit organizations, in particular the provision which stated that *none of (a nonprofit's) earnings may inure to any private shareholder or individual.*

Clerk Brannon asked whether Mr. Dugan received two separate W2s, one from both the Fair and from the Foundation. When Mr. Dugan replied in the negative, Clerk Brannon recommended two separate W2s as confirmation of Mr. Dugan's two paid responsibilities to two different legal entities.

Commissioner Stewart expressed concern with the Fair Board having an employee that served two separate entities. Chairman Green pointed out that Mr. Dugan was not a County employee.

Chairman Green suggested Mr. Dugan and Clerk Brannon meet to discuss an internal audit. He asked if there were any other concerns the Fair Board had regarding the draft resolution.

Mr. Bane requested clarification regarding the County's monetary responsibilities, particularly those related to the ADA improvements. Chairman Green replied that the Board would determine its contributions to the Fairgrounds during the budget discussions.

- 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 3:52 a.m.

Respectfully submitted,

JIM BRANNON, CLERK

DANIEL H. GREEN, CHAIRMAN

BY: _____
Alicia Lynch, Deputy Clerk
