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TO: NCPA Finance Committee

FROM: Donna Stevener, AGM/CFO Finance/Administrative Services

SUBJECT: October 19, 2016 Special Finance Committee Meeting Minutes

Finance Committee Attendees:

**Committee
Members**

Madeline Deaton	Alameda	call-in
Ann Hatcher	Santa Clara	call-in
Jordan Ayers	Lodi	call-in
Matt Michaelis	Gridley	call-in
Philip McAvoy	Roseville	attended

NCPA Staff

Donna Stevener
Sondra Ainsworth
Trisha Hubbard

Attended:

Consultants

Mike Berwanger	PFM
Rian Irani	PFM
Tyler Old	PFM
Harry Kightlinger	PFM
Gene Carron	Orrick
Michael Smoot	Moss Adams
Julie Desimone	Moss Adams

Public
None

1. & 2. Call Meeting to Order and Roll Call

Chair Madeline Deaton called the meeting to order at 9:34 a.m. and roll call was conducted as listed above.

PUBLIC FORUM

Ms. Deaton asked if anyone wished to address the Committee on matters within the jurisdiction of the Committee. No one from the public was present at the site or at any of the teleconference locations.

REPORTS AND COMMITTEE ACTION ITEMS

3. Review of the June 30, 2016 Audited Financial Statements and Related Reports

Sondra Ainsworth provided a brief review of changes in the financial statements from last year. She then introduced Julie Desimone, partner at Moss Adams to discuss the audit.

Ms. Desimone and Michael Smoot, audit manager of Moss Adams reviewed a PowerPoint presentation with a report to the Finance Committee regarding the fiscal year 2016 financial audit. Ms. Desimone complimented NCPA staff on their preparedness for the audit and their open, responsive answers to all inquiries. Ms. Desimone indicated that staff is very knowledgeable. She indicated that the expected final results are a clean "unqualified" opinion, which is the desired outcome. No adjusting entries were posted to the financial

statements based on the audit work and there were no adjusting entries that were “passed” due to immateriality. In addition, Ms. Desimone indicated that no material weaknesses or significant deficiencies in the NCPA internal control systems were noted during their testing. This year the auditors took a deeper dive into the controls around power purchasing and found no concerns in that area

Mr. Smoot discussed the auditor’s responsibilities. The financial statements belong to NCPA and they are drafted by staff. The auditors role is to obtain reasonable assurance on the financial statements as a whole, not look at every transaction. The auditor opinion is that the financial statements are free of material misstatement and unlike the requirements for a publicly traded company, they do not issue an opinion on internal controls.

Mr. Smoot indicated management’s accounting policies are described in Note B of the financial statements and that no aggressive or unusual accounting policies were used. He also said that estimates included in the financial statements are typical for the industry. There were no disagreements with management and no difficulties performing the audit. No other independent accountants were consulted, i.e. no “opinion shopping”. As part of the review, they make sure there are no independence issues and Moss Adams remains independent from NCPA. To add further assurance of independence, a partner not involved in the audit conducts a concurring review every year.

Mr. Smoot then discussed a new accounting standard, GASB 72, that came into effect this past year. NCPA is already recording at fair value, therefore there were no changes to the numbers. The main impact was in the footnote disclosures with the addition of another page and one half of disclosures in Footnote D about the fair value of assets and liabilities. Mr. Smoot then indicated that on the horizon for June 30, 2018 is GASB 75. This new GASB relates to accounting and reporting for Postemployment Benefits Other than Pensions. It will require adding the retiree medical liability to the balance sheet, similar to what occurred a few years ago with GASB 68 and the pension liability.

Motion: A motion was made by Jordan Ayers and seconded by Matt Michaelis recommending that the Finance Committee accept and file the 2015-16 Annual Financial Statements and Associated Audit Report and Letters. A vote was taken by roll call with the following results:

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Madeline Deaton, Chair	Alameda	YES
Ann Hatcher	SVP	YES
Jordan Ayers	Lodi	YES
Philip McAvoy	Roseville	YES
Matt Michaelis	Gridley	YES

Voting Results: 5 Ayes, 0 Noes, 0 Abstain, 0 Absent

4. Approval of the Sixteenth Supplemental Indenture of Trust to Amend the Geothermal Project Number 3 Indenture of Trust

Donna Stevener provided background on the need to amend the Geothermal Bond Indenture to reflect current project participation by Turlock Irrigation District and the removal of Palo Alto as a project participant on July 1, 2019 when the Geothermal 2009A bonds are retired. In addition to this clarification amendment, amendments to the due dates for the financial

audit and elimination of a requirement for a bond compliance letter are also requested. The primary bond holder for Geothermal, Bank of America, has agreed to the amendments and will provide signed consent forms agreeing to the changes.

Motion: A motion was made by Jordan Ayers and seconded by Ann Hatcher recommending approval of the Sixteenth Supplemental Indenture of Trust to Amend the Geothermal Project Number 3 Indenture of Trust. A vote was taken by roll call with the following results:

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Madeline Deaton, Chair	Alameda	YES
Ann Hatcher	SVP	YES
Jordan Ayers	Lodi	YES
Philip McAvoy	Roseville	YES
Matt Michaelis	Gridley	YES

Voting Results: 5 Ayes, 0 Noes, 0 Abstain, 0 Absent

NEW BUSINESS

5. Other items of interest to the Finance Committee

Jordan Ayers announced his retirement on December 2nd. His last Finance Committee meeting will be in November. Ms. Stevener congratulated him on his retirement. Ms. Stevener explained the appointment process to the Finance Committee. The NCPA Chairman will recommend a new appointment to the Committee to replace Mr. Ayers and it will be affirmed by the full Commission.

6. Next Finance Committee Meeting

The next regular Finance Committee meeting is scheduled for November 9, 2016 at 10:00 a.m.

ADJOURNMENT

Meeting was adjourned at approximately 10:17 a.m.