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October 27, 2014

TO: NCPA Finance Committee

FROM: Donna Stevener, AGM Finance/Administrative Services

SUBJECT: NCPA Finance Committee Meeting Minutes of October 27, 2014

Finance Committee Attendees:

Committee Members

Gary Plass
Jordan Ayers
Monty Hanks

Healdsburg
Lodi
Roseville

Attended:

Call-in
Call-in
Call-in joined at
1 :39 pm

Bob Orbeta
Jan Pepper

Alameda
Santa Clara

Call-in
Call-in joined at
1 :39 pm

Consultants

Will Frymann PFM
Mike Berwanger PFM
Gene Carron Orrick

Julie Desimone Moss Adams

NCPA Staff

Donna Stevener
Kevin Wallace

Public

None

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

Chairman Gary Plass called the meeting to order at 1:33 p.m. and roll call was conducted as listed above.

3. Approve Minutes of October 6, 2014

Minutes for the October 6, 2014 meeting were approved as presented.

1st Bob Orbeta

2nd Jordan Ayers

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Jan Pepper	Santa Clara	Absent
Monty Hanks	Roseville	Absent

Voting Results: 3 Ayes, 0 Noes, Abstain 2 Absent

PUBLIC FORUM

Mr. Plass 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

1. Review of June 30, 2014 Audited Financial Statements and Related Reports

Ms. Stevener reviewed the draft financial statements and discussed changes from the previous year. As shown on pages 22 & 23 of the financial statements, a new pronouncement, GASB 65 went into effect for this fiscal year. Two new categories were added to the Statement of Net Position on page 12, Deferred Outflows of Resources and on page 13 Deferred Inflows of Resources. Two different accounts were reclassified; Unamortized excess costs of refunding which was previously netted against the long-term debt account and deferred revenues, a regulatory credit related to deferred collections from members. Other changes in revenues and expenses were due to the Lodi Energy Center operations. Last year the plant was only in operation for seven months and this fiscal year the plant was in operation for the entire fiscal year. On the disclosure side, an additional description of the accounting policy for accounts receivable was added to the footnotes this year.

Monty Hanks and Jan Pepper joined the meeting at 1:39 p.m.

Ms. Stevener introduced Julie Desimone, partner from Moss Adams, the auditing firm. Ms. Desimone reviewed a PowerPoint presentation with a report to the Finance Committee regarding the fiscal year 2014 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 and then acknowledged Kevin Wallace for all of his assistance with the audit. She indicated that the audit had a clean "unqualified" opinion, which is what you want and that no adjusting entries were posted to the financial statements based on the audit work. In addition, there were no adjusting entries that were "passed" due to immateriality. In addition, Ms. Desimone indicated that they found no material weaknesses in the NCPA internal control systems during their testing.

Ms. Desimone discussed the responsibilities of the auditors versus management. She reminded the Committee that the auditors don't opine on internal controls, but do disclose any weaknesses to the Audit Committee if they found any. None were found at NCPA. She indicated that they also review information technology controls and test reports from the systems. Their procedures surrounding fraud include discussing internal controls with different NCPA employees each year and in the course of their work found no concerns in these areas. She also reminded the Committee that the auditors don't look at every transaction; they look at risks and then perform audit tests based on the risk assessment. Auditors need to obtain reasonable assurance on the financial statements as a whole. The financial statements belong to NCPA and their opinion is that the financial statements are free of material misstatement.

Ms. Desimone indicated that Moss Adams agrees with all of management's accounting policies described in Note B and said that estimates included in the financial statements are typical of the industry. There were no disagreements with management, no opinion shopping and no independence issues with Moss Adams as a firm or with individual personnel assigned to the audit.

Ms. Desimone reminded the Committee that Ms. Stevener had described the new accounting pronouncement that impacted the fiscal year 2014 financial statements, GASB 65. She then discussed upcoming GASB accounting standards that will be effective next year. GASB 67/68 relate to Pensions. In 2014 CalPERS will have to report individual pension obligations for each member, and then in 2015 each entity will have to book obligations for pensions on the balance sheet, with more disclosures in the footnotes. Guidance on the new pension accounting is expected in the next six months.

Ms. Stevener again thanked Kevin Wallace and his staff for an excellent job in completing the audit this year.

Motion: Recommend the Commission accept and file the June 30, 2014 audited financial statements and related reports.

1st Jordan Ayers

2nd Monty Hanks

<i>Representative</i>	<i>Member Org</i>	<i>Vote</i>
Gary Plass, Chairman	Healdsburg	Yes
Bob Orbeta	Alameda	Yes
Jordan Ayers	Lodi	Yes
Jan Pepper	Santa Clara	Yes
Monty Hanks	Roseville	Yes

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

CLOSED SESSION

5. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (b) of Government Code section 54956.9: One case.

OPEN SESSION

Chairman Gary Plass reported there was no reportable action taken during closed session for item 5.

NEW BUSINESS

6. Other Items of Interest to the Finance Committee

Nothing to report

7. Next Finance Committee Meeting

The next meeting is scheduled for November 12, 2014 at 10:00 a.m

ADJOURNMENT

Meeting was adjourned at approximately 2:00 p.m.

cc: Jim Pope