

NOVATO SANITARY DISTRICT

Finance Committee Meeting Minutes

Meeting Date: December 4, 2017

A regular meeting of the Finance Committee of Novato Sanitary District was held at 2:00 p.m., Monday, December 4, 2017, at the District office, 500 Davidson Street, Novato.

COMMITTEE MEMBERS PRESENT: Members William C. Long and Jean Mariani.

STAFF PRESENT: General Manager-Chief Engineer Sandeep Karkal, Finance Officer Laura Creamer, and Administrative Secretary Julie Hoover.

ALSO PRESENT: Erik Brown, Technical Services Manager, NSD
Katherine Yuen, Partner, Maze and Associates
Whitney Crockett, CPA-Supervisor, Maze and Associates

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

APPROVAL OF MINUTES:

- Consider approval of minutes of September 6, 2017 meeting. Director Mariani requested two changes to the minutes. She stated that the bullet points with paragraph 5 on page 2 are repeated elsewhere in the minutes and should be removed from this paragraph. Additionally, she stated that there was a typographical error on page 4, paragraph 1, bullet point 2: "required financing documents have been ~~drafter~~, **drafted**, and ". Director Long agreed with the two modifications, and the minutes were approved as amended.

FISCAL YEAR (FY) 2016-17 DRAFT ANNUAL AUDIT:

- Receive report from the District's independent outside auditor, Maze and Associates, and review draft Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2017 and 2016, including draft audited financial statements. The General Manager introduced Katherine Yuen and Whitney Crockett of Maze and Associates. He stated that Ms. Yuen would present the Comprehensive Annual Financial Report for the fiscal years ended June 30, 2017 and June 30, 2016 including draft audited financial statements.

Ms. Yuen presented an overview of the District's Annual Audit and stated that Maze and Associates had concluded, based on their audit, that there was a reasonable basis for rendering an unmodified (unqualified) opinion. She stated that the District's financial statements for the fiscal year ended June 30, 2017 are fairly presented, and conform to Generally Accepted Accounting Principles (GAAP). Ms. Yuen noted that the unmodified opinion is the highest rating given (cleanest possible opinion). She stated that there were no major reporting changes and no material weaknesses when internal controls were reviewed.

Ms. Yuen stated that there was one new pronouncement in regards to the District's presentation of the Other Post Employment Benefits (OPEB) liabilities. She stated that the Governmental Accounting Standards Board Statement No. 45 (GASB 45) was being

replaced by Governmental Accounting Standards Board Statement No. 75 (GASB 75). She stated that GASB 75 requires that the full OPEB liability be presented on the District's financial statements at the end of fiscal year 2018, or June 30, 2018. She noted that prior to this, only a portion of OPEB liabilities were required to be presented on the District's Financial Statements. Discussion followed between the Committee Members, and Maze and Associate representatives Ms. Yuen and Ms. Crockett.

Members Mariani and Long requested edits to the Independent Auditor's Report, also known as the "Management Letter". The General Manager stated that staff would update the draft report and provide the revised version for Board approval at its December 11, 2017 meeting. Committee Members Mariani and Long thanked the Maze and Associate representatives for their work in preparing the audit. Ms. Yuen and Ms. Crockett left the meeting.

-Consider making a recommendation to the District Board to accept the audit and CAFR, subject to minor edits. Committee Member Mariani made a recommendation that the District Board accept the audit and CAFR, subject to minor edits, and Committee Member Long concurred.

- Receive draft "Memorandum on Internal Control and Required Communications for Year ended June 30, 2017" from the District's independent outside auditor, Maze and Associates. Committee Member Mariani made a recommendation to receive the draft "Memorandum on Internal Control and Required Communications for Year ended June 30, 2017" from the District's independent outside auditor, Maze and Associates, and Committee Member Long concurred.

ADJOURNMENT: There being no new business to come before the Committee, the meeting was adjourned at 2:37 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Hoover, Recording