Simultaneous Meeting of the RCRC Executive Committee, GSFA Executive Committee, and NHF Board of Directors

Wednesday,
February 19, 2020
10:30 A.M.

1215 K Street, Suite 1650
Sacramento, California 95814

Rural County Representatives of California Executive Committee
Golden State Finance Authority Executive Committee
National Homebuyers Fund Board of Directors

Simultaneous Meeting

Wednesday, February 19, 2020 – 10:30 a.m.
1215 K Street, Suite 1650
Sacramento, CA 95814

Agenda

10:30 A.M.

I. Call to Order: Simultaneous Meeting of the Rural County Representatives of California Executive Committee, Golden State Finance Authority Executive Committee, and the National Homebuyers Fund Board of Directors

II. Review and Approval of May 22, 2019 Simultaneous Meeting Minutes - ACTION **Page 1**
(Members absent from the meeting will be recorded as abstained unless the Member indicates otherwise)

III. Public Comment
At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than three minutes per speaker.

IV. Special Order of Business:
Moss Adams LLP's Discussions with Management and the Executive Committee **Page 3**
Lisa McCargar, Chief Operating Officer/Chief Financial Officer
Milena De Melo, Controller

V. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please call (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items during the public comment period. In order to facilitate public comment, please let staff know if you would like to speak on an agenda item. The agenda for this meeting of the Executive Committees of the Rural County Representatives of California and the Golden State Finance Authority and the Board of Directors of the National Homebuyers Fund was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, at least 72 hours prior to the meeting.

Rural County Representatives of California Executive Committee
Golden State Finance Authority Executive Committee
National Homebuyers Fund Board of Directors

Simultaneous Meeting

Wednesday, May 22, 2019
10:00 a.m.
1215 K Street, Suite 1650
Sacramento, CA 95814

Minutes

Call to Order and Determination of Quorum

RCRC Chair, Supervisor Matt Kingsley, Inyo County, and GSFA and NHF Chair, Supervisor Kevin Cann, Mariposa County, called the simultaneous meeting of the RCRC Executive Committee, the Golden State Finance Authority Executive Committee, and the National Homebuyers Fund Board to Directors, to order at 10:04 a.m. A quorum was determined at that time; those present were as follows:

Supervisors in Attendance	County
Rex Bohn	Humboldt
Matt Kingsley	Inyo
Bob Williams	Tehama
Kevin Cann	Mariposa
Diane Dillon	Napa
Daron McDaniel	Merced
Michael Kobseff	Siskiyou
Jack Garamendi	Calaveras
Kuyler Crocker	Tulare

Absent Members

Aaron Albaugh	Lassen
Stacy Corless	Mono

Others in Attendance

Greg Norton, RCRC President and CEO
Craig Ferguson, RCRC Vice President
Lisa McCargar, RCRC Chief Financial Officer
Paul A. Smith, RCRC Vice President of Governmental Affairs
Justin Caporusso, RCRC Vice President of External Affairs
Barbara Hayes, RCRC Chief Economic Development Officer
Maggie Chui, RCRC Governmental Affairs Specialist
Sarah Bolnik, RCRC Economic Development Specialist

Arthur Wylene, RCRC General Counsel
Elizabeth Jensen, RCRC Accountant
Kate Jackson, Partner, Moss Adams
Kevin Reynolds, Manager, Moss Adams

Approval of Minutes of the November 14, 2018 Simultaneous Meeting
(Members absent from the meeting will be recorded as abstained unless the Member indicates otherwise)

> **Supervisor Rex Bohn, Humboldt County, motioned to approve the minutes of the November 14, 2018 Simultaneous Meeting. Supervisor Bob Williams, Tehama County, seconded the motion. Motion passed unanimously.**

Public Comment
None

Special Order of Business:
2019 Annual Exit Conference
Lisa McCargar, Chief Financial Officer, introduced Ms. Kate Jackson, Partner at Moss Adams, and Kevin Reynolds, Manager at Moss Adams to the NHF Board of Directors, the GSFA Executive Committee, and the RCRC Executive Committee.

Ms. Jackson distributed a power point handout to all of the members and reviewed the audit process with the group. Ms. Jackson and Mr. Reynolds reviewed the areas of audit emphasis and asked if any of the members had any questions or areas of concern. RCRC staff was excused, and the members of the NHF Board of Directors, GSFA Executive Committee, and RCRC Executive Committee were offered the opportunity to ask Ms. Jackson any questions they may have outside of staff's presence.

Adjournment
RCRC Chair, Supervisor Matt Kingsley, Inyo County, and NHF and GSFA Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the RCRC Executive Committee, GSFA Executive Committee, and NHF Board of Directors, at 10:40 a.m.

To: RCRC Executive Committee

From: Milena De Melo, Controller
Lisa McCargar, Chief Operating Officer/Chief Financial Officer

Date: February 11, 2020

Re: Moss Adams LLP's Discussions with Management and the Executive Committee

---

Summary

The Discussions with Management and the Executive Committee provide information useful to Executive Committee members in exercising their fiduciary responsibility acting in their capacity as the Audit Committee. Within that capacity, the Executive Committees of RCRC and Golden State Finance Authority, and the Boards of Golden State Finance Authority and Environmental Services Joint Powers Authority, are responsible for overseeing the annual audits.

Under the U.S. Generally Accepted Auditing Standards (GAAP) and Government Auditing Standards (GAS), Moss Adams, LLP, our Auditor, is required to communicate the Auditor's responsibility and the planned scope and timing of their audit procedures. Auditor's responsibility is summarized below:

1. Express an opinion on whether the Financial Statements are fairly presented
2. Perform an audit in accordance with GAAP
3. Consider internal controls over financial reporting
4. Communicate findings that are relevant to Executive Committee's role

The Audit of 2019 Financial Statements started with interim fieldwork in November 2019 and will continue with final fieldwork with substantive testing of details in February 2020. Issuance of financial statements for all four entities is scheduled for end of March of 2020. Moss Adams will present their final reports and findings to the Executive Committee upon completion.

This information is presented here, as required, with no action required.

Attachment

- Discussions with Management and the Executive Committee

MOSSADAMS

Discussions with Management and the Executive Committee

Rural County Representatives of California (RCRC) and Affiliates (GSFA, NHF & ESJPA)

Executive Committee

Rural County Representatives of California and Affiliates

Dear Executive Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for governmental organizations. We're pleased to present our audit plan for Rural County Representatives of California, National Homebuyers Fund, Inc., Golden State Finance Authority, and Rural Counties' Environmental Services Joint Powers Authority ("the Agencies"), for the year ended December 31, 2019. We'd also like to discuss current-year developments and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.

Your Dedicated Team

Kate Jackson, CPA
Engagement Reviewer and Partner

Ashley Osten, CPA
Concurring Reviewer and Partner

Joe Trone, CPA
Senior Audit Manager

Nature of Services to be Provided

Relationships between Moss Adams and Rural County Representatives of California and Affiliates:

- Annual financial statement audits for all 4 entities for the year ending December 31, 2019
- Non-Attest Services:
  - Assist management with drafting the financial statements for the year ending December 31, 2019
  - Discussion of accounting and audit concerns, as needed

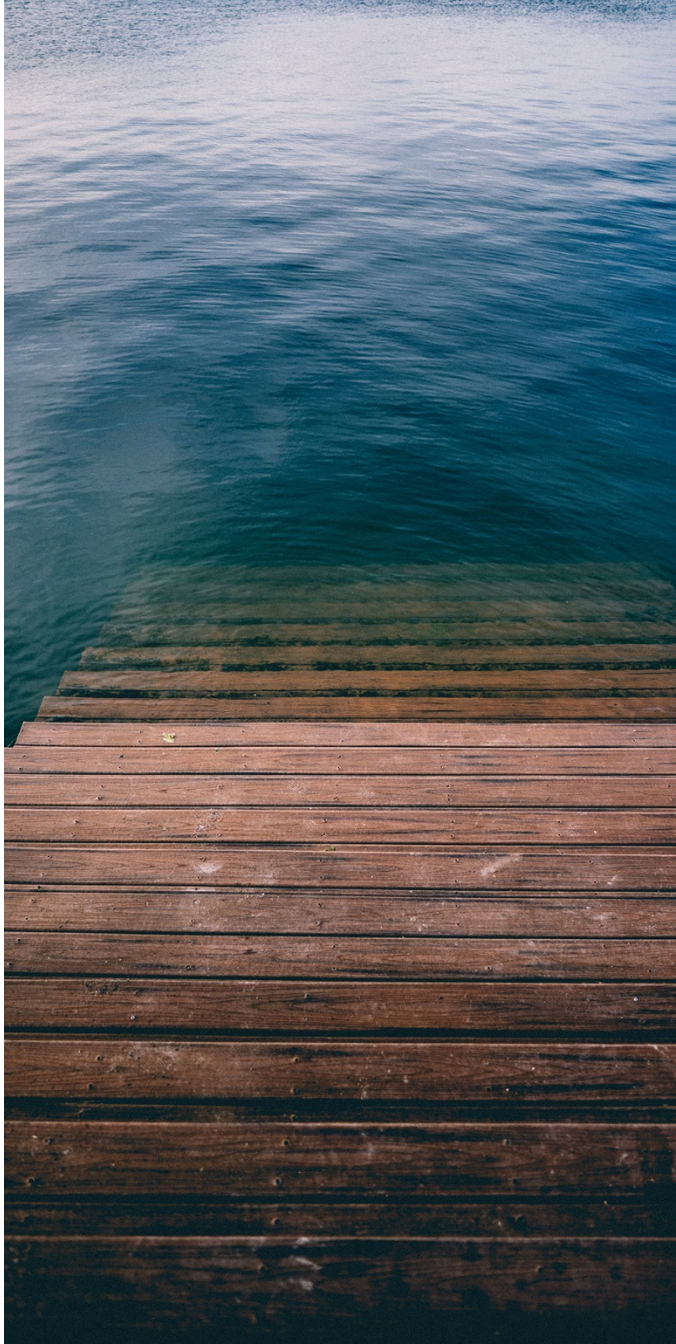
Required Communications to Those Charged with Governance

Now

- Auditor’s responsibility under U.S. and government auditing standards
- Planned scope and timing of audit

Later

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues



Our Responsibility

Our responsibility under US Generally Accepted Auditing Standards and Government Auditing Standards.

1	2	3	4
To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.	To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and Government Auditing Standards issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the Agencies' financial statements are free of material misstatement.	To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.	To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Audit Process

Internal Controls

- Includes information technology

Analytical Procedures

- Revenue and expenses
- Trends, comparisons, and expectations

Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence

What's Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the consolidated financial statements.

=

It's calculated using certain **quantitative** (total assets) and **qualitative** factors (covenants, expectations, and other industry factors)

It identifies:

1. Significant risk areas
2. Nature, timing, extent, and scope of test work
3. Findings or misstatements

Significant Audit Areas

	Internal controls over financial reporting
	To Be Announced (TBA) Securities and commitments to purchase MBS securities (Platinum & Sapphire Housing Program)
	Platinum & Sapphire program revenue
	GASB 68 Net Pension liability
	GASB 75 Net OPEB liability

Consideration of Fraud

To identify fraud-related risks of material misstatement, we:

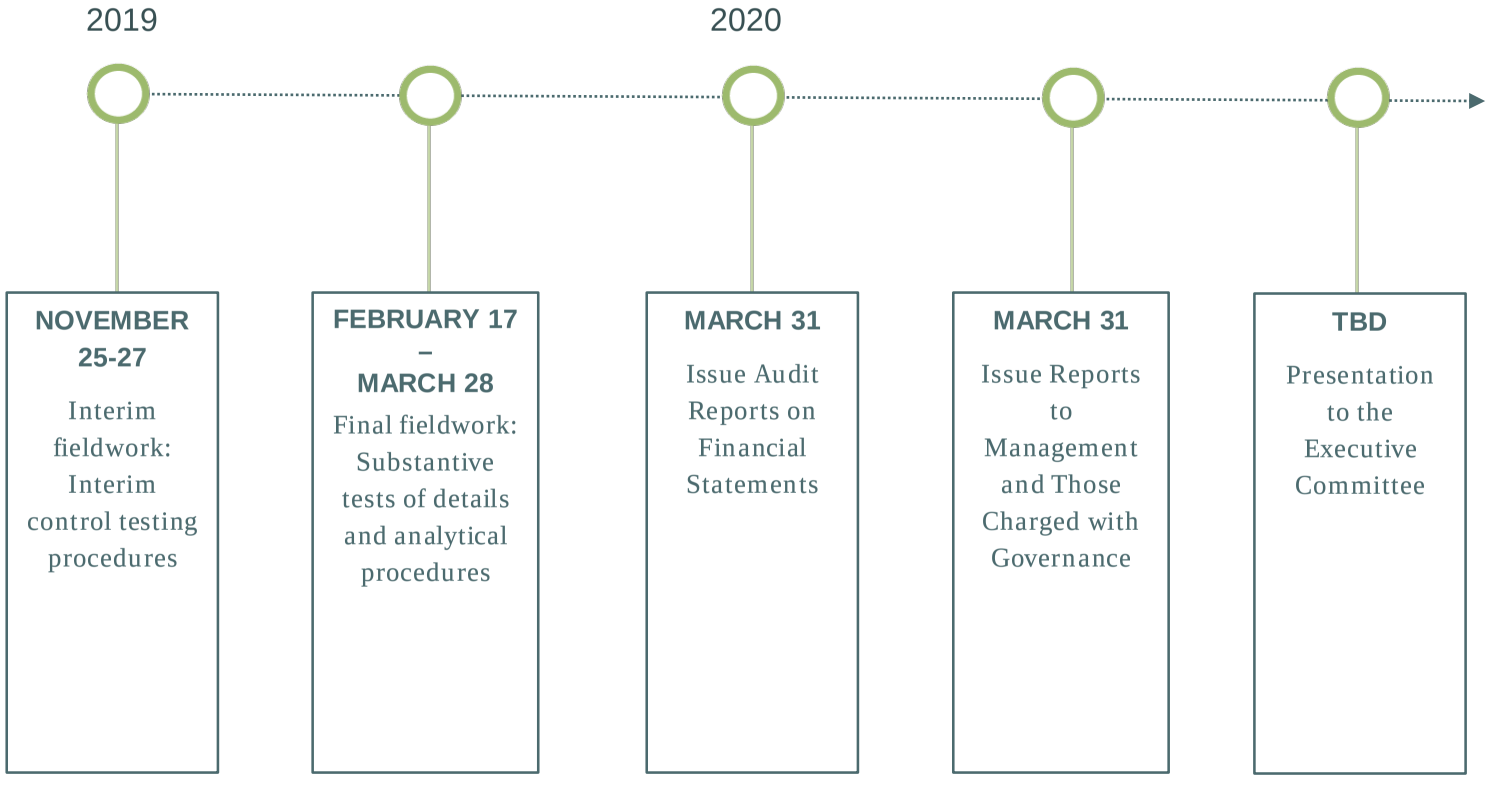
- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Auditors must consider fraud to "improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit."

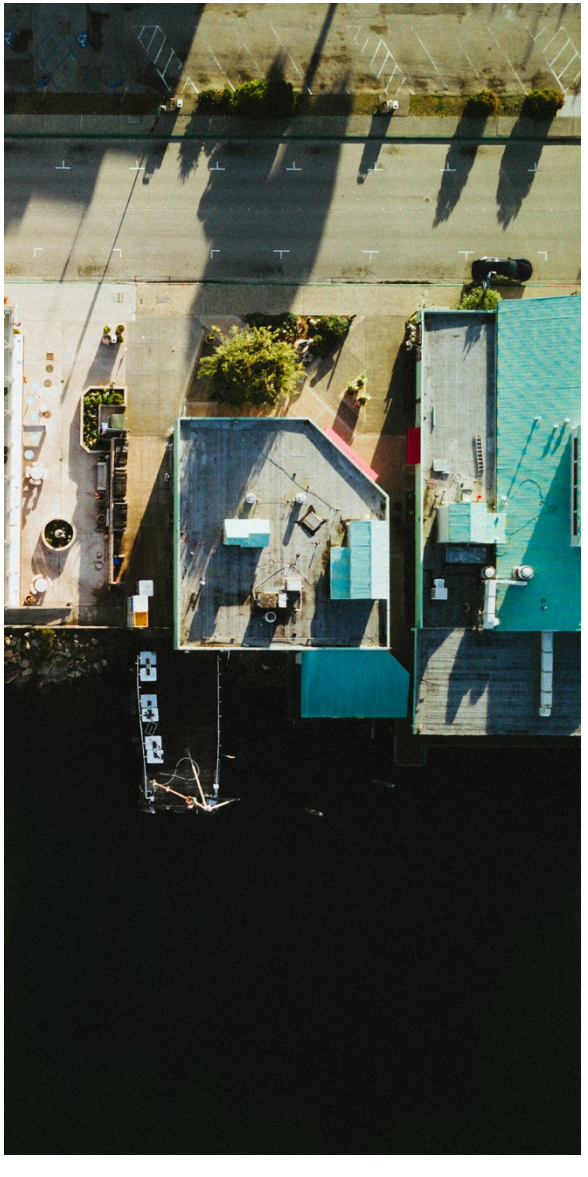
Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions

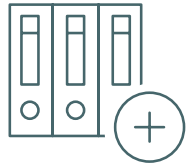
Audit Timing



Accounting Standard Updates



New Standards
Effective Dates – December 31, 2019

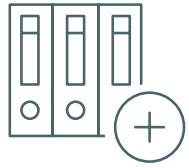


Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

[GASB 88]

- The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.
- It also clarifies which liabilities governments should include when disclosing information related to debt
- Effective fiscal years beginning after June 15, 2018

New Standards
Effective Dates in Future Periods

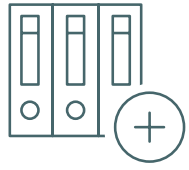


Leases

[GASB 87]

- Would treat all leases as financings (no classification of capital v. operating) similar to FASB ASU 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

New Standards
Effective Dates in Future Periods



Accounting for Interest Cost Incurred before the End of a Construction Period

[GASB 89]

- Interest cost capitalization will no longer be required
- Requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred
- Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

MOSSADAMS

About Moss Adams

Industry Focus

Here you'll discover the advantage of industrial grade expertise. Beyond technical acumen, our professionals are steeped in the market sectors they serve. Our keen understanding of industry trends and challenges permits us to anticipate and respond to opportunities for our clients that might otherwise go untapped.

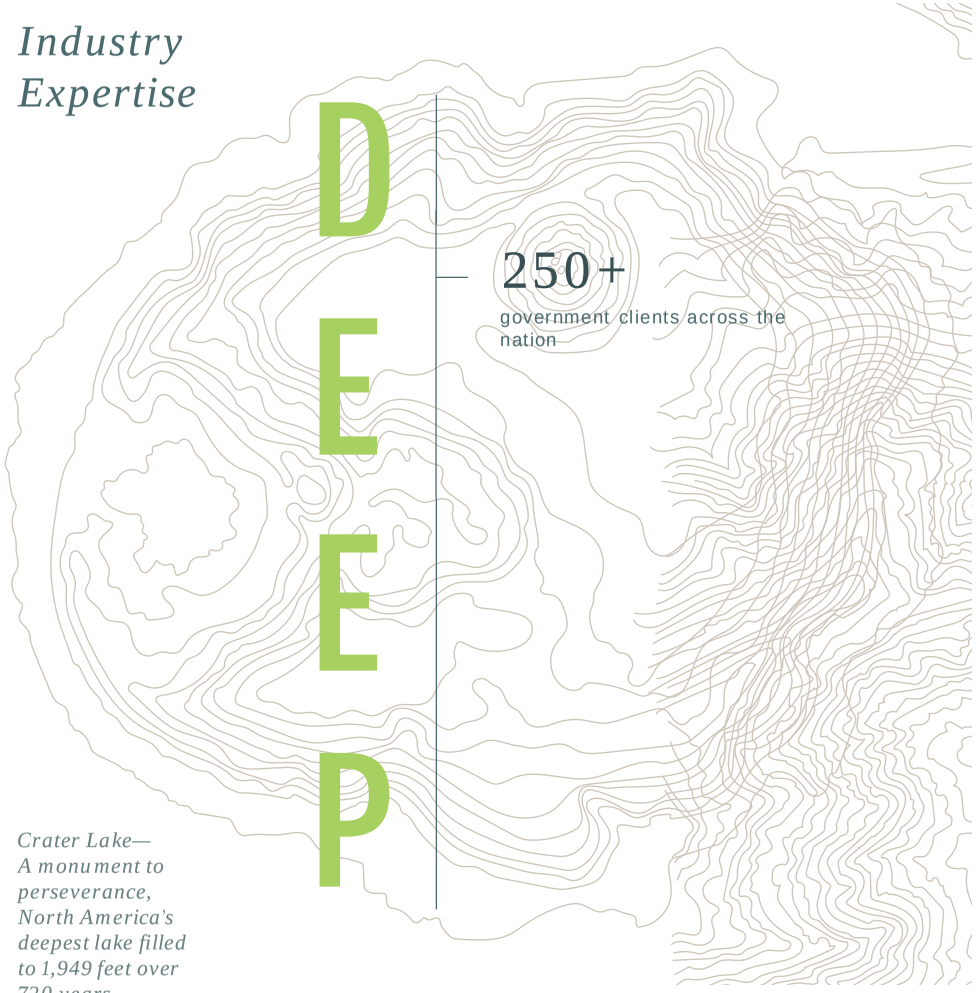
AEROSPACE	AGRIBUSINESS	APPAREL	AUTOMOTIVE & DEALER SERVICES
COMMUNICATIONS & MEDIA	CONSTRUCTION	ELECTRIC UTILITIES	FINANCIAL SERVICES
FOOD & BEVERAGE	FOREST PRODUCTS	GOVERNMENT	HEALTH CARE
HIGHER EDUCATION	HOSPITALITY	LIFE SCIENCES	MANUFACTURING & CONSUMER PRODUCTS
NOT-FOR-PROFIT	OIL & GAS	PRIVATE CLIENTS	PRIVATE EQUITY
PROFESSIONAL SERVICES	REAL ESTATE	RESTAURANTS	RENEWABLE ENERGY
RETAIL	TECHNOLOGY	TRANSPORTATION & LOGISTICS	TRIBAL & GAMING
WINE, BEER & SPIRITS			

30+
Industries served

Government

The need to do more with less is a challenge facing all governmental entities—creating an opportunity for innovation. Tighter budgets breed novel approaches to reducing cost and risk while maintaining the level of service and transparency that constituents expect. Working with professionals who specialize in serving governments and work directly with standard-setting and professional organizations, such as the GASB, GAO, AICPA, and Government Finance Officers Association means they understand and can help address those complex issues, enabling you to better serve your communities.

Industry Expertise



Crater Lake—A monument to perseverance, North America's deepest lake filled to 1,949 feet over 720 years.

Data as of March 2018

Insights and Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key.
These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

We'll keep you informed to help you stay abreast of critical industry issues.

Moss Adams closely monitors regulatory agencies, participates in industry and technical forums, and writes about a wide range of relevant accounting, tax, and business issues to keep you informed.

We also offer CPE webinars and events which are archived and available on demand, allowing you to watch them on your schedule.

Connect With Us

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and is presented in the format that fits your life.

LinkedIn: www.linkedin.com/company/moss-adams-llp

Twitter: @Moss_Adams

Subscribe to our emails: www.mossadams.com/subscribe

RSS feeds: www.mossadams.com/RSS

YouTube: http://www.youtube.com/mossadamsllp

Kate Jackson, Partner
Kate.Jackson@mossadams.com
(916) 503-8197

Joe Trone, Senior Manager
Joe.Trone@mossadams.com
(916) 503-8271

THANK YOU