

**VALLEY SANITARY DISTRICT
BUDGET & FINANCE COMMITTEE MEETING MINUTES**

September 7, 2021

Valley Sanitary District conducted this meeting in accordance with California Governor Newsom's Executive Orders N-29-20 and COVID-19 protocols.

A regular meeting of the Valley Sanitary District (VSD) Budget & Finance Committee was held via videoconference on Tuesday, September 7, 2021.

1. CALL TO ORDER

Chairman Dennis Coleman called the meeting to order at 1:05 p.m.

1.1 Roll Call

Directors Present:

Chairman Dennis Coleman

Committee Member Scott Sear

Staff Present:

Jeanette Juarez, Business Services Manager, and Holly Gould

1.2 Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

None.

3. DISCUSSION / ACTION ITEMS

3.1 Discussion Item Year End Audit Progress for the Fiscal Year Ending June 30, 2021

Jeanette Juarez, Business Services Manager, presented this item. This year the District contracted Davis Farr LLP as the independent auditing firm. The auditors were onsite completing their fieldwork from August 24 -26, 2021. The auditors estimate to have financials ready for review by September 10, 2021. Jeanette met with the auditing partner assigned to this engagement, Jonathan Foster, to review auditor identified entries. The auditor identified three (3) entries; Other Postemployment Benefits (OPEB) prior period adjustment (Material and will be required to be reported), additional payroll accrual entry (not material), and a reclassification of certain payables as prepaid expenses (not material). Following the results of the entries, it was determined by the auditor that a prior period adjustment will have to be executed for the OPEB implied subsidy liability that was not included in the FY20 financial statements. It was determined that the previous auditors used an earlier version of the

actuarial valuation report to calculate the entry for the OPEB liability instead of an updated report. The auditor will include a statement disclosing that a previously issued financial statement(s) has been restated for the correction of a material misstatement in the respective period and a reference to the note(s) to the financial statements that discuss the restatement. The adjustment is a non-cash adjustment and will not impact cash flow. This adjustment will change the net position. Director Coleman requested that staff discuss with Davis Farr LLP quality control so this type of oversight does not reoccur. A discussion took place on the complacency of the auditing firms and switching actuaries. The engagement partner will provide the information to the Budget & Finance Committee and the full Board once the financials are complete and approved.

3.2 Discussion Item The California Infrastructure and Economic Development Bank (IBank) Invitation to Apply for Financing

Jeanette Juarez, Business Services Manager, presented the item. She reported that IBank has completed its review of the audited financial statements and other materials provided in connection with the financing requested by the District for the Training and Office Building and Laboratory Building Project. IBank has extended the District an invitation to apply for financing under IBank's Infrastructure State Revolving Fund Program ("ISRF Program"). Once the application is submitted, IBank will complete its review and underwriting of the Requested Financing generally within 90 days of receipt of the District's completed ISRF financing application. The estimated cost for both projects is \$16.5M. The District will request \$15M in financing from IBank and uses local funds as match funding. The financing costs were included in the fiscal year 2020/21 rate study as a planning strategy to meet long-term needs while maintaining affordability to customers. This is the first in a series of projects that will require financing as is presented in the CIP and rate study. Jeanette will bring this item before the full Board as an action item. Director Sear suggested informing the full Board why staff decided to move forward with IBank as opposed to other banking institutions.

4. **FUTURE MEETING ITEMS**

Staff plans to have a presentation for the year end audit at the November committee meeting. They will also discuss the Request for Proposal (RFP) for the financial advisor services and update the committee on the progress of the new accounting system Caselle.

5. **ADJOURNMENT**

There being no further business to discuss, the meeting adjourned at 1:58 p.m. The next regular committee meeting will be held on November 2, 2021.

Respectfully submitted,

Holly Gould, Clerk of the Board
Valley Sanitary District