



Board of Directors
Howard Rudd, Chair
John Norman, Secretary/Treasurer
Nick Alexander
Louise Walker

AGENDA
Special Board Meeting
December 12, 2019 @ 8:00 a.m.
Conference Rooms 1 & 2
311 Vernon Street
Roseville, CA

- I. Silent Roll Call**
- II. Non-Agenda Public Comment**
- III. Action Items**
 - a. Approve the November 14, 2019 Special Board Meeting Minutes
 - b. Accept the RCDC FY2018-19 Audited Financial Statement Report
- IV. Closed Session**
 - A. Conference with Real Property Negotiator**
 - a. Property – 238 Vernon Street, Roseville, CA
 - b. Agency Negotiator – Mike Isom, CEO
 - c. Negotiating Party – Thomas Roth
 - d. Under Negotiation – Purchase, Price and Terms of Payment
 - B. Conference with Legal Counsel – Existing Litigation (Subdivision (a) of Section 54956.9)**
 - Ryan v. City of Roseville, et al.
USDC – Eastern District of California Case #2:17-cv-01453-MCW-DB

 - Ryan v. City of Roseville. et al.
Placer County Superior Court Case #SCV0041974
- V. Board and Staff Comments**
- VI. Adjournment**



Meeting Minutes
Special Board Meeting
November 14, 2019

Present: Chairman Howard Rudd, Secretary/Treasurer John Norman, and Director Alexander

Corporate Counsel: Larry Larsen, Law Offices of Gregory D. Thatch

Corporate Staff: CEO Mike Isom and Board Secretary Amy Ruiz

II. Non-Agenda Public Comment

Chairman Rudd opened the floor for public comment

None Received

III. Action Items

a. Approve the July 25, 2019 Board Meeting Minutes

Secretary/Treasurer Norman made a motion to approve the minutes for the July 25, 2019 Board Meeting. Director Alexander seconded the motion.

Votes: Motion Carried 3-0

Yes: Chairman Rudd, Secretary/Treasurer Norman, Director Alexander

IV. Closed Session

A. Conference with Real Property Negotiator

- a. Property – 238 Vernon Street, Roseville, CA
- b. Agency Negotiator – Mike Isom, CEO
- c. Negotiating Party – Jahanshir Javanifard
- d. Under Negotiation – Purchase, Price and Terms of Payment

B. Conference with Legal Counsel – Existing Litigation (Subdivision (a) of Section 54956.9)

Ryan v. City of Roseville, et al.
USDC – Eastern District of California Case #2:17-cv-01453-MCW-DB

Ryan v. City of Roseville. et al.
Placer County Superior Court Case #SCV0041974

Nothing to Report.

V. Board and Staff Comments

None

VII. Adjournment – 9:57 a.m.



**RCDC Special Board Meeting
December 12, 2019
Staff Report**

**Mike Isom, CEO (916-774-5527)
Melissa Hagan, Administrative Analyst (916-774-5476)**

Item III-B (Action): Accept the RCDC FY2018-19 Audited Financial Statement Report

RECOMMENDATION

The RCDC Audit Committee recommends that the Board accept the FY2018-19 Audited Consolidated Financial Statement Report as prepared by Eide Bailly LLP.

BACKGROUND & DISCUSSION

During the week of August 12, 2019, Eide Bailly, LLP of Sacramento, an independent certified professional accounting firm, performed their fieldwork and testing as it related to the RCDC's financial transactions and operations for the year ending June 30, 2019. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The consolidated financial statements were issued a clean opinion by the auditors in their Independent Auditor's Report included in the financial statement report. Eide Bailly identified one significant deficiency related to internal controls during the audit.

Of particular note this year is a change in the reporting framework of the financial statements from Financial Accounting Standards Board (FASB) to Governmental Accounting Standards Board (GASB) standards. Historically, because the RCDC is a non-profit entity, the audit and financial statements were prepared under FASB standards. While the previous financial statements prepared under FASB standards provided useful financial information, the auditors concluded that the statements are more appropriately reported in the GASB framework due to the RCDC's structure as a component unit of the City of Roseville. The change in reporting framework does not affect the RCDC's non-profit status, and the corporation is still required to file state and federal non-profit tax returns.

On December 4, 2019, Philip White, CPA, of Eide Bailly, met with the RCDC Audit Committee comprised of members Louise Walker and Nick Alexander to provide an overview of the audit process, the financial statements, the required communications, and an explanation of the audit issue related to internal controls.

During the overview to the committee, Mr. White explained that the objective of the audit of financial statements is to provide an expression of an opinion on the fairness with which the financial statements present, in all material respects, the financial position, the results of operations, and its cash flows, in conformity with generally accepted accounting principles. The auditor accomplishes this by examining records and reports, testing transactions, reviewing operating practices, procedures and documentation, and by verifying assets and liabilities by comparing those items to internal and external documentation. Through the process of gathering appropriate and sufficient evidence, the auditor provides reasonable assurance, not absolute assurance that the statements are free of material misstatement, whether due to fraud or error.

GROWTH • PROSPERITY • OPPORTUNITY

P.O. Box 696, Roseville, CA 95678 • 916-774-5334 • www.rosevillecdc.com

During the testing and understanding of these processes, Eide Bailly discovered a significant deficiency in internal control related to the preparation of financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The auditing firm produces the financial statements and accompanying notes from financial documents and schedules extracted from the accounting system and prepared by accounting staff. This has been the historical practice for the RCDC and is common for an organization of our size. The auditors suggest, however, that staff with the necessary knowledge, skills and experience produce the financial statements and accompanying notes in order to mitigate the possibility of misstatement.

Despite this deficiency, it did not adversely affect the opinion by the auditors that the “financial statements present fairly, in all material respects, the financial position of the Organization at June 30, 2019.”

Attachments

- A. FY2018-19 Audited Consolidated Financial Statement Report
- B. 2019 RCDC AU-C 260 Conclusion
- C. 2019 RCDC AU-C 265 Conclusion



November 13, 2019

To the Board of Directors
Roseville Community Development Corporation, Inc.
Roseville, California

We have audited the governmental activities and general fund of the Roseville Community Development Corporation, Inc. (a non-profit organization) (Organization) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 13, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated March 29, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, 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.

We have provided our findings regarding control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated November 13, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. As discuss in note 6 to the financial statement, the Organization corrected for an error in the framework of accounting. The financial statements were previously reported under the Financial Accounting Standards Board framework for not-for-profit entities. The financial statements were adjusted to the Governmental Accounting Standards Board (GASB) reporting framework. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Organization's financial statements relate to the Organization's contingency relating to its strategic pause.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No uncorrected misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated November 13, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

Modification of the Auditor's Report

We have the following emphasis of matter modifications in our auditor's report:

We have added an emphasis of a matter paragraph for adjustments to beginning net position and beginning fund balance as a result of errors in previously reported amounts and a change in accounting framework.

This report is intended solely for the information and use of the Board of Directors, and management of Roseville Community Development Corporation and is not intended to be, and should not be, used by anyone other than these specified

This report is intended solely for the information and use of the Board of Directors, and management of Roseville Community Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California



November 13, 2019

To the Board of Directors
Roseville Community Development Corporation, Inc.
Roseville, California

In planning and performing our audit of the financial statements of Roseville Community Development Corporation, Inc. (Organization) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiency to be a material weakness:

Internal Control over the Preparation of Financial Statements

The Organization does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for an organization of your size, it is incumbent upon management to appoint an individual with the necessary skills, knowledge, and experience to evaluate the nonaudit services. The absence of this person increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the entity's internal control. This resulted in the financial statements reported under the incorrect reporting framework.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California