

MEMORANDUM

To: IVGID Audit Committee

From: Clifford F. Dobler and Linda Newman

Dated: November 25, 2020

Subject: Memorandums by Clifford F. Dobler and Linda Newman regarding accounting errors and irregularities in the Incline Village General Improvement District Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019

Linda Newman and Clifford F. Dobler have submitted 27 memorandums ("Points") to the Audit Committee ("AC") regarding accounting irregularities which are believed to have negatively impacted the fair and accurate reporting of the District's financial statements and footnotes in the District's 2019 CAFR as well as previous CAFRs. Failure to address these points now could result in deceptive accounting and reporting practices in the District's current and future fiscal year CAFRs as well as other financial statements presented to the Board, the public and State and Federal regulatory agencies.

Under IVGID Board policy 15.1.3.3 the Audit Committee is to: *"Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern."*

At the June 30, 2020 AC meeting, Director of Finance Navazio was scheduled to present a status report on 14 points. At that meeting, the agenda item was never heard.

At the August 19, 2020 AC meeting, Mr. Navazio presented his report on the 14 points. The AC decided to engage an outside accounting firm to review 4 of the 14 points.

On September 1, 2020, the Audit Committee supported the selection of Moss Adams, an independent CPA firm, to review the existing Accounting and Reporting methods on the 4 points.

It was our understanding that the specific transactions disclosed in the four points would be addressed by Moss Adams. However, the contract was only to provide guidance on IVGID's existing accounting treatments and methods. Specific transactions, we assume, will not be addressed. The report by Moss Adams has not been presented to the AC.

Sometime in October, Chair Dent had a telephone conversation with Eide Bailly Audit Engagement Partner Tiffany Williamson on some of the 27 points. That conversation was communicated to Mr. Dobler, but not to Ms. Newman. Based on that telephone conversation, Mr. Dobler was told that certain points were considered immaterial and other points would require a restatement of the 2019 CAFR. Mr. Dobler asked Chair Dent if he could obtain Eide Bailly's conclusions in writing. Nothing, to date, has been received. Chair Dent informed Mr. Dobler that a meeting to cover some of the 21 points

would be held via Zoom with Ms. Williamson and Mr. Navazio on November 6, 2020 . That meeting was cancelled.

During October and November of 2020, Mr. Dobler submitted to the AC 4 of the 27 points regarding additional errors in the 2019 CAFR. He subsequently withdrew and resubmitted one point.

On November 19th, Ms. Williamson gave a generic presentation on “materiality” without addressing any of the 27 points and whether or not the District’s improper accounting was or wasn’t “material.”

Also, at the AC meeting on November 19, 2020 , Mr. Dobler presented five of the now outstanding 27 points and gave his opinion on each. The AC as a whole took no action and did not assign responsibility for the new points.

Amazingly, when Mr. Dobler, requested written AC responses to the initial set of new points, Trustee Treasurer and AC member Sara Schmitz responded that he should write the responses. It should be clear from the memorandums that the only response is for management to correct the errors, inaccuracies, omissions and violations of Generally Accepted Accounting Principles and for the District to restate the 2019 and previous CAFRs to provide complete and accurate financial statements.

We are extremely concerned and disappointed that the Audit Committee Chair has not yet adhered to the requirements of Board Policy 15.1 and assigned ALL the concerns to the appropriate organizational leader as required by Board Policy 15.1. We are also concerned about the absence of any written responses from the Audit Engagement Partner on the points addressed and the conclusions rendered. Please request this at your earliest convenience.

It should be noted that Director of Finance Navazio, who has never been licensed as a CPA and has limited experience working at our District, has repeated his opinion at the November 19th AC meeting that the 2019 CAFR does not require restatement. His commentary conflicts with Eide Bailly Audit Engagement Partner Williamson’s verbal statements to Chair Dent.

There has, to date, never been an in-depth discussion regarding the 27 points by the AC as it relates to restatement of the 2019 CAFR and possibly previous CAFRs. As these points add up to millions of dollars that have not been accounted for properly which distort the financial condition of the District as well as the management of its operations, we believe that ALL of these concerns must be satisfactorily resolved.

Mr. Dobler and Ms. Newman respectfully request written responses to the 27 points submitted to the Audit Committee and what actions will be instituted to ensure that the District’s prior and current CAFRs will be presented fairly and accurately.

We also request that this Memorandum be placed as an item for review, discussion and possible action on the next Audit Committee agenda.