

MINUTES

AUDIT COMMITTEE MEETING OF DECEMBER 8, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Wednesday, December 8, 2021 at 3:00 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member) (Chair)

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member, Chairman). Absent on roll call was Matthew Dent (Trustee). Trustee Dent joined the meeting at 3:04 p.m.

District General Manager Winqest introduced Melissa Crosthwaite of BB&K who will be working with the District. Audit Committee At-Large Member Dobler asked if District General Counsel Nelson was taking a hike? District General Manager Winqest said no. Trustee Schmitz asked if Ms. Crosthwaite was licensed in Nevada; Acting District General Counsel Crosthwaite said yes, she is licensed in Nevada and that she looks forward to being good support to District General Counsel Nelson.

B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

There were no public comments made at this time.

C. APPROVAL OF AGENDA (*for possible action*)

Audit Committee Chairman Tulloch asked for any changes; none were made. The agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (*for possible action*)

D.1. Receive and discuss a presentation on the District's FINAL Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021 (Presented by Director of Finance Paul Navazio and Jennifer Farr, Partner, Davis Farr, LLP)

Audit Committee Chairman Tulloch said that there are a lot of questions from the Audit Committee and asked that everyone try to keep things moving

forward. Director of Finance Navazio gave an overview of the submitted materials. Audit Committee Chairman Tulloch said that he doesn't see a copy of the Management Representation letter; Director of Finance Navazio said that is correct and that Staff can provide that letter. Audit Committee Chairman Tulloch said that without that letter the packet is incomplete; Director of Finance Navazio said it will be provided. Audit Committee Chairman Tulloch asked that it be sent right away. Director of Finance Navazio said he will do that. Ms. Jennifer Farr gave an overview of the Annual Comprehensive Financial Report (ACFR) that is included in the packet. Audit Committee Chairman Tulloch said he appreciates all the work by Davis Farr and the District Staff. The scope of the work is relatively limited and your opinion is about balancing the two sides of the books and not expressing an opinion on the quality of the results; assessing that the statements are fair. Ms. Farr said yes, that is very accurate. Audit Committee Chairman Tulloch asked if this is the standard audit that you do for government agencies? Ms. Farr said that this audit didn't have an expanded scope and an expansion is done with a list of scopes of work. Audit Committee Chairman Tulloch said that this is more for the benefit of the community and most of our community members have experience in the corporate world versus government. Director of Finance Navazio said that the Management Representation letter was just e-mailed. Trustee Schmitz said the Management Representation letter was dated last Monday and asked if there was a reason it wasn't included? Director of Finance Navazio said no, it was part of our internal procedures, if there was an expectation, that is just on him as there was no intent. Trustee Schmitz said it is part of the Audit Committee procedure so we will just go forward. Audit Committee At-Large Member Dobler said having something and just giving it to us puts us at quite a disadvantage which isn't fair. Last year's letter listed all the changes required by Eide Bailly so we were able to track the changes that the auditors made which are close to 25 and now we are absent that and we had a discussion at the last meeting that we didn't have a red-line of the ACFR so again we are at quite a disadvantage which isn't fair. Director of Finance Navazio said that he doesn't think it was the Management Representation Letter that would have been included in that list. Ms. Farr said it is not requirement for them to be listed in the Management Representation letter. In previous meetings, you were provided with the original trial balance and she agrees that was before these final adjustments; it can be provided again. Audit Committee Chairman Tulloch asked if it was more of a red-lined version? Audit Committee At-Large Member Dobler said it is really about the quality of our management which the auditors review. They then make adjustments and we have no way of knowing what

adjustments the auditors have recommended. He doesn't understand why we have a different philosophy and without this list, he can't assess the management. Audit Committee Tulloch said he would like to cut this off and stated that what we would like to see is the list of the adjustments made. Director of Finance Navazio said that Eide Bailly included the ones that Management passed on and that they identified. He is not sure that they have items that were suggested by Davis Farr and passed on and he thinks that all of the adjustments suggested by Davis Farr are included within the document. Audit Committee Chairman Tulloch asked if all were included? Ms. Farr said two adjustments were not made and they are noted on page 7. Audit Committee At-Large Member Dobler said he just has a challenge and has no way of evaluating our compliance with many things. At the last meeting, he ran through many things for changes, and you said you made them. Now he has 4 that are outstanding and 2 areas that are not in compliance with GAAP. Audit Committee Chairman Tulloch asked Audit Committee At-Large Member Dobler to identify the 2 areas and move onto those points. Audit Committee At-Large Member Dobler said on agenda packet page 32, Statement of Revenues and Expenses, Changes in Fund Balance, within the capital project funds for both Beaches and Community Services, there are expense items that are in the range of \$705,000; Beach Fund has \$234,000 – they should have not been in the project capital fund. Referencing GASB 54 and NRS 354.4995, the District is putting expenses that we know are capital project expenses in there and that is a violation as they are not going to the respective Special Revenue Fund. Director of Finance Navazio said that we discussed it with the auditors after the meeting of November. Having those reflected in there is not in violation of GAAP and GASB as we did discuss it and kept them in that fund. Ms. Farr agreed with what was said by Director of Finance Navazio. Audit Committee At-Large Member Dobler said so the definitions in GASB 54 and NRS 354.4995 have no bearing, they don't matter, are unimportant and we have 2 people making decisions on 2 items that are specific and he doesn't buy in to that. Audit Committee Chairman Tulloch said that these are probably expense items that have been left in the capital assets and they will be transferred or identified as a prior year adjustment and charged off. Director of Finance Navazio said no, they are expensed, paid for as a cash outlay and they are expensed in the Capital Project Fund, and it is because of the last year of the Governmental Fund/Special Revenue Funds so they have been expensed and going forward, having moved to Proprietary Funds, thus they will be in the Community Services Fund. They are written off, they are not capital assets and they were just expensed out of the Capital Projects Fund. Audit Committee Chairman Tulloch said so these items have been expensed

and they have been taken out of the Capital Project budget allocations – is that correct? Director of Finance Navazio said yes. Audit Committee Chairman Tulloch said so money for capital is being allocated for expense? Director of Finance Navazio said no, it is expensed where they were budgeted and our review showed they did not meet capital fund thresholds so we expensed them in the fund where they were budgeted and charged. Audit Committee Chairman Tulloch said so the money collected from facility fees, etc. has been allocated to capital and some of that has been reallocated to expense – is that correct? Director of Finance Navazio said had we, at the budget time, determined that these were to be expensed, then the facility fee collected for it would have been in the Special Revenue Fund and not the Capital Fund. So the revenue was there for the expense and the question is whether it was capitalized or not as it is the same funding source. Trustee Schmitz said to summarize the capital fund is a budgetary fund and within it there may be projects that some may be capital assets and some may be maintenance, either depreciated or come out of this fund – is that a correct summary? Director of Finance Navazio said yes, he thinks so. Trustee Schmitz said so they are not expensed against another funding source? Audit Committee At-Large Member Dobler said so definitions don't matter? Trustee Schmitz said perhaps there is specific language? Audit Committee Chairman Tulloch said he is similarly concerned when we are collecting fees for capital and having these monies applied to expenses. Trustee Schmitz said there is no distinction between maintenance and procuring capital assets? If there is a problem with language, please read them to us. Audit Committee At-Large Member Dobler read from GASB 54 and NRS 354.4995 and stated that the expenses should not be in there as we are talking about reporting in accordance with GASB and the NRS. On agenda packet page 29, Statement of Activities, it has to do with the general revenues of the Facility Fee and considering it general revenue. He brought it up last year and that is that the Facility Fee should be charges for services, GASB 34 is quite clear, paragraph 38 and paragraph 48. Moss Adams reported it isn't being handled according to GAAP, so why are we having it as a general revenue – brought it up last year and this year – it is still considered general revenue and it is not because it cannot be used by General Fund or Utilities Fund. Why they are there is beyond him however he is guessing we have a decision by our Chief Financial Officer that is to heck with the Moss Adams report. Director of Finance Navazio responded that prior and current auditors believe it is appropriate this way as does Management. Regardless of terminology, these are not revenues that are generated by our activities, not tied to use of the venue, and we are comfortable and we discussed it with the auditors as well as at the last

meeting so it is appropriately reflected where it is. Ms. Farr said for it to be a charge for services, it has to be an exchange transaction such as paying a fee for golf or paying a fee for something be given to you. A fee will never be a transaction. This gets back to are they really restricted by enabling legislation, because it is not and not an exchange category, it is not and your prior auditor agreed with that methodology. Audit Committee Chairman Tulloch said he takes exception to the statement about agree with the client to get more business. Director of Finance Navazio said it is a non-exchange transaction which is the key. Audit Committee At-Large Member Dobler said exchange or non-exchange doesn't matter and has no bearing. Director of Finance Navazio said revenues collected by fund is folks paying for those services. Audit Committee Chairman Tulloch said is it compliant with GASB and GAAP – had two auditors say it is. Does it have any impact on taxes? Doesn't think it does. It is more of an availability charge, is that correct? Audit Committee At-Large Member Dobler said GASB and the resolution says it directly benefits the owners and he doesn't agree with that. Audit Committee Chairman Tulloch said we will make note of that and that he pays a large part of his taxes for education and gets no advantage. Audit Committee At-Large Member Dobler said then the resolution is telling the public a lie but you are getting benefit. Audit Committee Chairman Tulloch said he understands and that there are some that get no benefit. Accept what you are saying, these benefits are potentially out there and whether they take advantage or not is the issue. Director of Finance Navazio said for most people looking at this, showing the Facility Fee as a revenue, it shows how the cost isn't covered and that there are other reasons why it helps with the information. Without the benefit, we wouldn't have been able to charge the fee. Audit Committee Chairman Tulloch said most of the residents regard it as a tax, it is a grey area, and this is charging these fees without any guarantee of getting something therefore, in his simple world, it is a tax. Audit Committee At-Large Member Dobler said the misallocation of the investment earnings, did 2019 and 2020, it is clear that they were charging the interest to the General Fund, it is his estimate that \$531,000 that was collected belongs to Beach and Special Revenue fund. Allowing an additional \$500,000 to go into the General Fund is incorrect. Staff said no big deal while he believes that it is horrible that it has not been adjusted especially when he brought it up 3 or 4 times. Audit Committee Chairman Tulloch said he would concur, just divvy it up, and he asked Staff if they understand what Audit Committee At-Large Member Dobler is coming from? Audit Committee At-Large Member Dobler said you are overstating your fund balance and that is material, not fair, and not right. Audit Committee Chairman Tulloch said he thought it was being corrected? Director of

Finance Navazio said we went through it and presented an item to the committee several months ago. In the past, up to 2021, the interest earnings were not allocated based on pool cash and pooled investment. They were allocated out and we did have some money market earnings that could have been spread and allocated and they were allocated to the funds that purchased them. Starting with this year, we are doing a pooled cash and pooled investment and they will be allocated; we are transitioning to that. What Audit Committee At-Large Member Dobler is referring to is a past action. Audit Committee At-Large Member Dobler said because you decide to set up 1 fund and throw all this cash in to it - what is going on? Audit Committee Chairman Tulloch asked for an explanation about the allocation – methodology? Director of Finance Navazio said there is money invested in securities, money in money market accounts, and then in State agencies and then money earned on our regular account. Audit Committee Chairman Tulloch said if we have \$10 million invested and \$8 million is from Community Services and \$2 million from General Fund and then the interest is going back 20/80 – he must be missing something here. Controller Williams went over, in detail, the District's investments and various monetary holdings to Audit Committee At-Large Member Dobler continued his challenges and Audit Committee Chairman Tulloch stated that he is very uncomfortable with all of this. Audit Committee At-Large Member Dobler said he is not confused at all. Trustee Schmitz said as it relates to Management's responses to the deficiencies, agenda packet page 111, what she had suggested was, when it comes to Management's responses on the bank accounts and user accounts, there needs to be an employer termination process in place. Her suggestion was that the employee process or checklist be executed immediately upon termination or a change of the Trustee on the Board. This talks about periodic review, her feeling is it should be an immediate process and have an internal audit just to verify that the checklist process is being used in an expeditious fashion. Audit Committee Chairman Tulloch said it makes sense as every place he has worked, all privileges are revoked immediately. He thought after our last meeting, we agreed cut off immediately. Director of Finance Navazio said yes, we are doing it and agreed to it. On the checks, we have outstanding checks so there is a clearing process but we let the committee know we are doing this. Trustee Schmitz said she would like to see the checklist and to talk to Information Technology and Human Resources to get that in place. District General Manager Winquest said he has no issue with what Trustee Schmitz is saying. When an employee resigns, upon verification by Human Resources, we do terminate access to recreational privileges and then it happens with Information Technology and others. He has seen it occur

timely, seen where it hasn't and chalk it up to transition and it is an operational issue that we will report back to this committee. He hasn't seen a rampant error process and we will strive to put that on paper and get it to the committee. Trustee Schmitz said thank you and appreciates the internal review process. On the bottom of agenda packet page 99, environmental conditions of the data center, read management response, so we have offsite storage and redundancy so that we are up and running the next day? Director of Finance Navazio said we do have offsite redundant storage. Trustee Schmitz said storage is different than running systems? Audit Committee Chairman Tulloch said we discussed this at the last meeting. Director of Information Technology Gove said he can't confirm 24-hour turnaround, we do have both redundant storage and compute storage but he can't say 24 hours and he can't make that guarantee. Do have fail over and it is a manual process. Trustee Schmitz said she appreciates it and it might be something that we might want to assess the risk and how long would it take as there is a business risk. Director of Information Technology Gove said it is a focus of his department, we are working to get there, there is a lot of financial investments that need to be made and we are going about them in the best way possible. It is something that is a concern, we have considered it, and we can respond. The rest of the building is a tinder box, thus putting sprinklers in that one room, it would be financially unfeasible to do that. Audit Committee Chairman Tulloch said he appreciates that and there is a cost benefit analysis. Far be it from him to suggest a paper to the Board from you and District General Manager to do so. He asked if there is a Halon system option? Director of Information Technology Gove said yes, completely agree, but in the middle of a wood building the choice is poor. Audit Committee Chairman Tulloch said thank you. Trustee Schmitz said what changes did Ms. Farr make where she was highlighting at our last meeting that Audit Committee At-Large Member Dobler was pointing out? Ms. Farr said she has the document from the last meeting – a lot of wording changes/suggestions – big ones are summarized in the report that was included. Audit Committee Chairman Tulloch said are there any major ones that aren't covered? Audit Committee At-Large Member Dobler said one of the major ones is the reporting and financial statements – Note 4 regarding capital assets – numbers didn't tie out to anything, there is a huge variance. Pages 37 and 38, Note 4, draw your attention to page 38, walk through it – have five columns, before had 4, added a column called adjustments. Prior period adjustments - just the Utility Fund, take a look at equipment and vehicles to be depreciated and look at the adjustments, taking out \$20,000 but take a look at the accumulated depreciation \$1.2 million – realistically thinks the beginning balance was obviously wrong but we aren't talking

about that and making this major adjustment and he has no idea what happened – he would like an explanation. Ms. Farr said she thinks that the Director of Finance and the Controller worked on that adjustment. Audit Committee At-Large Member Dobler said we are talking about a major difference and something big is going on here. Controller Williams said what happened was last year in the annual report, this note had an error as a number was swapped and the correction of that swap was made. Audit Committee Chairman Tulloch said no explanatory note? Controller Williams said no because the net effect was zero. Audit Committee At-Large Member Dobler said ok. Audit Committee Chairman Tulloch said let's make sure there is a footnote on that. Audit Committee Chairman Tulloch said on page 20, Financial Highlights, the prior period adjustments are hidden away and that he appreciates that we have highlighted the material weaknesses. There has been \$3.5 million written off, there is no mention that this is a major impact, written off because of whatever; that is something that should be lowlighted and something where taxpayers deserve a little more information. He does have a concern about covering up expenses in the past and noted that there were no bonuses paid out for financial performance. District General Manager Winqest said no bonuses as that is not a practice at the District. Audit Committee Chairman Tulloch said so annual performance assessments do not include budget versus actuals? District General Manager Winqest said that it is a small group but he hasn't seen anything like you are suggesting. Audit Committee Chairman Tulloch said he wasn't make any assumptions but rather just clarification for himself. District General Manager Winqest said there have been no performance bonuses since 2014. Audit Committee Chairman Tulloch said it is more of a general statement. He does have a concern about the prior period adjustment, 55% of the facility fees, and that it is a general comment. If you are striving for transparency, we have to do so with both the positive and negative. Audit Committee At-Large Member Dobler said on page 20, two things are fascinating to him, have 5 items, saying nothing about the Utility Fund, highlighting all the good things and our net position fell by 2.2%. Had to book a liability for \$1.4 million for tax liability and that is a pretty big highlight as that was the agreement in 2020 and it is a big hit in both of these cases so to him it is a highlight. Audit Committee Chairman Tulloch said the refund is outside of his control and that highlights should include the lowlights as well. Appreciative that we have increased the transparency on the transmittal letter. Director of Finance Navazio said the intention of the bullets and highlights is largely to summarize page 20. Audit Committee Chairman Tulloch said he would like to move on to writing off the \$3.1 million in expenses on the pipeline and that Audit Committee At-Large Member

Dobler deserves a lot of credit for highlighting it as every one of us will be happy to put it in the rearview mirror. We have gone through your changes and he still see lots of items under the \$5,000 limit, so perhaps you can give the committee some clarification around the mismatch. Director of Finance Navazio said there is some land and there is no capitalization policy for land and if there are some shared assets within Public Works, they will show up in two places. Audit Committee Chairman Tulloch said are we identifying as two assets or just splitting them? Controller Williams said that the asset depreciation can't be split so we have to split the asset to have the depreciation go to the appropriate department. Audit Committee Chairman Tulloch said that wouldn't account for a meter or a pump. Director of Finance Navazio said that this has been both ways, there is some GASB information coming forward, and it all has to do with how they are being used. There may be some items that need clarification and/or painstaking review and a lot of dialogue was conducted with Ms. Farr and her team. Audit Committee Chairman Tulloch said he understands about aggregating assets. When the Board's policy is very clear and you can't aggregate, assuming your review would take into account the current policy. Director of Finance Navazio said yes, we are using the current policy. Audit Committee Chairman Tulloch asked about the exercise bicycles and if this needed another run through and adjustment? Audit Committee At-Large Member Dobler read from the policy noting that it is to be applied to individual items and not a group of items and that if Staff followed the policy, most of it wouldn't be on there. Director of Finance Navazio said that there is a judgment call – 20 computers versus exercise bicycles. Staff went through this and had a lot of discussion on this and based it on their use. Audit Committee Chairman Tulloch said that the policy is very clear and they should be individual assets. Director of Finance Navazio said we are updating the policy and there is GASB guidance coming out. Audit Committee Chairman Tulloch said these are past items and what is the point of having policies when they are not followed? Director of Finance Navazio said that there is a judgment being made and the committee members may have a different approach to it. Trustee Schmitz said a policy is a policy not a guideline and if we have a Board policy, they should be upheld and if not they should be brought forth and modified. Audit Committee At-Large Member Dobler said you said you are following the policy? Director of Finance Navazio said how we interpret these policies and application. Trustee Schmitz said so even though the policy says you don't group like items, and the policy says you don't do it, etc. perhaps this should be brought before the Board to weigh in. Audit Committee Chairman Tulloch said they are individual items in the asset register. Audit Committee At-Large Member Dobler said when the policy was

re-done in 2016, they put in that threshold so there can be no question, they are to be expensed. Director of Finance Navazio said we went through and clearly identified things that didn't belong and cleaned it up. Trustee Schmitz said how it is cleaning up when grouping items for capitalization? Director of Finance Navazio said we wrote off a significant amount of assets, also expensed significant items that were accumulated in capital in process and there was a lot of them. There were several discrete efforts to clean up fixed assets, what was on the books, depreciated and what was in process and now we have determined items that we thought should remain. We did a significant clean-up of the asset list. Audit Committee Chairman Tulloch said he appreciates that and the concern is that we have applied this effort and it is a half effort, he came up to over \$500,000 that were below the threshold. Under governmental accounting, paid for by capital to make business performance look better and now moving back to Special Revenue Fund. He shares the concern of Trustee Schmitz and that raises the question of what other policies are we applying judgment to. Do appreciate the amount of effort and the concern is Staff has more work to do. Director of Finance Navazio said he would be happy to look at the list and see where the committee may have a different opinion. Audit Committee Chairman Tulloch said he did a simple sort by cost. Snowmaking guns – not split between different budgetary items. Drinking fountains – not split. This sort helps us to understand where it occurred. On the repair to Mountain Golf Course cart path, did you confirm about writing it off when we have done a full re-build? Director of Finance Navazio said when that project is complete, replacement should be capitalized and the first question is did you write off the initial asset? Every one of these is a candidate for discussion and why we provided this information. Trustee Dent said he is very concerned about the interpretation of the policy given that the Director of Finance is responsible for the policies. It should be clear in each policy and if we need examples, do so. This has been an ongoing problem for the past 6 years that should be addressed with a consultant but we haven't done that and he knows that Moss Adams is working on some aspects of this. He appreciates the discussion on the ACFR and we are running a little long. Reminder as a part of our charter, we are to provide a report to the Board and expect the Board to have it before approval. Make sure that is included and not on the agenda unless we have it from the Audit Committee. Four out of the last five years, we have had prior period adjustments that are cleaning up the past; we need to get this figured out. Material weakness and deficiencies – we need a deeper dive and we need to have Davis Farr dive in to a few of these and we need to spend the money so as to clean it up and put it behind us. Audit Committee Chairman Tulloch said if we have specific policies that says shall,

then we have internal controls issues, if the policy says shall then not open to judgment call. Trustee Schmitz said she concurs with Trustee Dent as there is very clear language so this is going to be a significant issue without making these revisions. Part of Ms. Farr's responsibility is that policies are being adhered to and thus she would like to hear her opinion. Ms. Farr said that the adjustments are not material to the audit report, and your prior auditor concluded the same. Trustee Schmitz said because it is not material, we are not going to do the right thing? Ms. Farr said it is not her decision rather the Audit Committee and the Board of Trustees. Audit Committee Chairman Tulloch said he would concur with that and that this is a glaring red flag to him. This is really a Board issue as it becomes non-compliance with Board policy. Audit Committee At-Large Member Dobler said last year when Moss Adams gave their report, it said expensed, GASB Concept 4, we expensed a couple of these preliminary reports and the only two we did. He prepared a memorandum that went to the Audit Committee in May. \$1.2 million and 13 items, most of the stuff for Effluent Pipeline, were pre-planning. He did submit the memorandum and Director of Finance Navazio got a copy and he ignored it. You can't do some but not the other. There is \$1.17 million that needs to be charged off to be consistent with what we have done and to be in agreement with Moss Adams. Audit Committee Chairman Tulloch said he shares the concern about consistency, application, and project pre-planning – much larger recommendation and how they are being presented to the Board and all the costs. All the pre-planning costs are done as an expense. Audit Committee At-Large Member Dobler said that is what the policy says. Audit Committee Chairman Tulloch said he wants to highlight this to both Trustees and make that recommendation. He does appreciate the efforts and we have made great progress. Everyone is relieved that the \$1.3 million on the pipeline is resolved. He is more concerned about consistency and the following of the policies. He has had some very good discussions and asked how does the committee want to move things forward. Trustee Schmitz said we haven't seen the Management Representation letter, we need to assign someone to write our recommendation letter to the Board of Trustees and compliance to the policies and then the appreciation for the work Staff has done on these assets and we will still have an issue to bring before the Board. Audit Committee Chairman Tulloch said points well taken. Trustee Dent said he understands Trustee Schmitz' comments and we are just receiving this presentation and that he has no issue with moving forward. Audit Committee At-Large Member Dobler said what he has seen today and the larger amount of the prior period adjustments which is about \$8 million, he can't see how this report can be recommended. He understands that Davis Farr has given

an opinion, not for recommending that this is satisfactory or even near satisfactory, he never got a phone call and he did most of the work on it. District Clerk Herron said you don't have a motion whoever she will defer to District General Counsel. District General Counsel Crosthwaite said there is no motion that is necessary to be made and clarified that if you want to do a motion you may. Audit Committee Chairman Tulloch asked if they could pass on a recommendation letter? District General Counsel Crosthwaite said yes you can. Audit Committee Chairman Tulloch asked the Audit Committee what they would like to do. Trustee Schmitz said, as one Trustee and one who believes, that her recommendation would be that additional changes be made and that the report be revised. Trustee Dent said it sounded like a motion to him. Audit Committee Chairman Tulloch said there is another alternative - pass that across to the Board with recommendations, allow Staff to do that clean up or pass it across as is – the other option – it gets cleaned up before it goes to the Board or go to the Board with some of the recommendations. Trustee Schmitz said that the area of cleanup is to do some updates in the Management discussion and analysis and she thinks that Director of Finance is on board with that and that we should get clarity there. Director of Finance Navazio said he appreciates the feedback, comfortable as is, are needing to have the report at their next meeting, which is an agenda packet that is going out at the end of this week. If Ms. Farr and her team need to review that, we would need to turn that around quickly, on December 14 and we are approaching the date of December 31 for the report to be filed unless an extension is requested by the Board of Trustees. Audit Committee Chairman Tulloch said are we also required for our report to follow that timeline? Director of Finance Navazio said it is up to the committee. Audit Committee Chairman Tulloch asked with the timeline, District Clerk Herron outlined the timeline. Director of Finance Navazio said that the Board isn't meeting after December 14. Audit Committee At-Large Member Dobler said we are backed into a corner, the Audit Committee report is going to the Board of Trustees, capitalization is a major issue and he doesn't see how we make a recommendation to the Board in one day. It is wrong for us to hide behind it as the capitalization has been an issue for years. He is not going to get backed into a corner, we can ask for an extension, and do our report in a timely fashion. We really need another meeting to discuss what we are going to put into our report. He is done with being shoved around by Management deadlines. Audit Committee Chairman Tulloch said he shares the concerns a bit about the turnaround. Any report we draft to the Board should be circulated to the committee. He would like to seek some guidance from the two Trustees. Trustee Dent said we need some time to draft a letter, don't think it is something that we do

overnight, and that we sign off on a letter, follow Board policy and given the fact that we have some concerns, we don't need to rush and that he is not comfortable and we shouldn't be pushed into a corner. He doesn't see it as a big issue, don't see why we are rushing, don't see why we are here, is our plan wrong, with these deadlines, he doesn't see the rush. The right decision would be to have an extension and do this right and we need the time to do it, have to have a meeting to work through what goes in there, need to discuss that and proceed. We don't have the time to do that and he doesn't think the Board should do that approval and violate Board policy. Trustee Schmitz said she concurs and for all the good work that has gone in to it, disappointed, following Board policy should be a given, disappointed in that, something that the District General Manager and Director of Finance should discuss, and we should work on our recommendation and not following our policy is an internal control. Audit Committee At-Large Member Dobler said we are in violation of GASB and GAAP, we need an extension of time, he took a long time to do that report and we need to be thorough and do our job the best we can and if the Board wants to approve it, they can do whatever they want. Don't like the idea of a gun to his head, never has. Audit Committee Chairman Tulloch said circulate to the committee; District General Counsel Crosthwaite said the direction is that this is a receive and file type of action and that you do have some flexibility to receive and file. Audit Committee Chairman Tulloch said that part of our policy is to provide a report on the AFCR. Trustee Schmitz read the last step of the policy. Audit Committee At-Large Member Dobler said put it on an extension and be done with it. District General Counsel Crosthwaite said the committee should ask Staff to draft the letter. Audit Committee Chairman Tulloch went over a timeline and asked if that was the course of action? Audit Committee At-Large Member Dobler asked how many days do we have to put together a letter? District Clerk Herron went over the timeline. Audit Committee Chairman Tulloch said he will do a draft report to the Board. Trustee Schmitz asked for some clarification on meetings; Audit Committee Chairman Tulloch said he wants to have a meeting on December 17.

E. MEETING MINUTES (for possible action)

E.1. Meeting Minutes of October 26, 2021

Audit Committee At-Large Member Dobler abstained. Audit Committee Chairman Tulloch said that the minutes were approved as submitted.

F. PUBLIC COMMENTS*

There were no public comments made at this time.

G. ADJOURNMENT (*for possible action*)

The meeting was adjourned at 5:37 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

*In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.