

**FINANCE COMMITTEE
MINUTES
April 17, 2025**

A meeting of the Finance Committee was held on Thursday, April 17, 2025, at 8:30 a.m. The Finance Committee offered both in-person and virtual connection.

Chairwoman Ann Nichols announced a quorum was present.

COMMITTEE MEMBERS PRESENT:

In-Person: Ann Nichols-Chairwoman, Kevin Karney -Vice Chairman, Pat Edelman, Seth Clayton, Bill Long, Greg Felt and Leann Noga.

COMMITTEE MEMBERS ABSENT AND EXCUSED:

None

OTHERS PRESENT:

In person: Stephanie Shipley, Chris Woodka, Lee Miller, Gordon Dillon, and Meg Scarlett, SECWCD staff, April Hendricks and Pete Jaacks, Burns Figa & Wills Attorneys, Mitch Downs and Alexis Shorey, CBIZ EBK.

Virtual: Patty Rivas, SECWCD.

APPROVAL OF MINUTES:

Chairwoman Nichols confirmed that members of the Committee received their copy of March 20, 2025, minutes and asked if there were any corrections or additions. Hearing none, Mr. Clayton moved, seconded by Mr. Edelman, to approve the March 20, 2025, minutes. Motion unanimously carried.

PRESENTATIONS:

2024 Draft Audit

Mrs. Noga informed the committee that the audit has not yet been finalized, but if all goes as planned, the final audit will be presented at the May meeting. She then turned the meeting over to Mr. Downs to provide an update on the audit's progress.

Mr. Downs began by thanking the District for its patience, noting that the audit process underwent significant changes this year due to EBK's acquisition by CBIZ. He explained that the 2024 Annual Audit is currently in draft form and still under review by their Engagement Quality Review (EQR) team. Ms. Shorey provided the committee with an overview of the draft audit reports, which had been distributed to all members. She outlined the areas reviewed during the audit process, including accounts payable, debt balances, budget-to-actual comparisons, legal compliance, internal controls, and payroll entries. She also commended the District's staff and management for their preparedness and responsiveness.

One item noted was a trial balance classification adjustment—moving current compensated absences to the noncurrent section of the report. Additionally, a Letter to the Board will address a significant

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deficiency involving a related party transaction that was not disclosed in the notes of the Financial Statements. Mr. Downs explained the concept of a related party transaction and its materiality threshold. He confirmed that if such a transaction is material, it must be disclosed in accordance with accounting principles generally accepted in the United States of America. Mr. Downs answered questions from the committee members and acknowledged that the District can expand the related party note to include that the water and storage rates are applicable to all District customers and to clarify that no nefarious misconduct occurred. Committee members expressed frustration and disagreement with classification of a significant deficiency conclusion.

Mr. Downs also shared a potential additional significant deficiency identified by the EQR team related to the fair market measurements and investment leveling disclosure note. He stated that he received this information late the prior evening and that his team will reach out to Mr. Mehelich for clarification on how the investments were leveled and the methodology he used. The EQR reviewer believes that approximately \$17 million may need to be reclassified from Level 2 to a Level 1, which is generally a more favorable designation. Mr. Downs assured the committee that further analysis will be conducted before any final determination is made.

Chairwoman Nichols noted that the discussion needed to conclude in preparation for the Board Meeting scheduled at 9:00 a.m. Mr. Downs confirmed he would return in May to continue the discussion and, hopefully present the final audit reports for approval.

ACTION ITEMS:

None

INFORMATION ITEMS:

None

OTHER BUSINESS:

None

NEXT MEETING:

The next Finance Committee meeting is scheduled for May 15, 2025, at 8:30 am.

ADJOURN:

Chairwoman Nichols adjourned the meeting at 9:06 a.m.

Respectfully submitted,

Meg Scarlett
Accountant