

BOARD MEMBER ARRIVES

Mrs. Johnson arrived at the Board meeting at 9:09 a.m.

PUBLIC HEARINGS/RESPONSE TO PUBLIC COMMENT (continued)

Mr. Small pointed out what he considered discrepancies and deficiencies in the architect selection process and in the actions taken following the complaints brought forth regarding the process. He asked Board members to speak with him regarding employing Policy Governance® to improve the selection process.

Records – Tad Greener

Mr. Greener spoke about his inability to remedy a problem despite his repeated efforts to contact the appropriate responsible administrator.

Dr. Kohut-Rost agreed to speak with Mr. Greener.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Presentation and discussion of the annual Independent Auditors' Report for the Fiscal Year Ended June 30, 2008, by representatives from Kafoury, Armstrong & Co., as recommended in Reference 3.01

Ms. Miramontes presented the three auditors' reports contained in the Comprehensive Annual Financial Report (CAFR) that relate to the audit of the financial statements and federal monies, compliance with laws and regulations and internal control over financial reporting, and select federal programs.

Mrs. Janison asked when the district last had an overall examination as opposed to a review.

Ms. Miramontes stated what was presented here is what is required by the Nevada Revised Statutes (NRS).

Mrs. Janison asked Dr. Rulffes when the district last had a comprehensive examination of the district.

Dr. Rulffes stated the MGT Audit was the last performance audit conducted on overall district operations.

Ms. Miramontes stated this audit is a comprehensive financial audit, and that the report on fund balances presented here is what is required by the state.

Trustee Edwards asked, referring to page 17, where note 11 was located.

Ms. Miramontes guided Trustee Edwards to page 59.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mr. Saucedo asked who the cognizant agency for the district was.

Ms. Miramontes responded the cognizant agency was the Department of Education.

Mr. Saucedo asked if there were any high-risk, type B programs?

Mr. Biel stated the only high-risk, type B program was the 21st Century Community Learning Centers.

Mrs. Moulton asked for an explanation of type A and type B programs.

Mr. Saucedo answered programs qualify for a particular type based on their financial threshold.

Trustee Edwards inquired about how the determination is made of whether or not a program is high risk.

Ms. Miramontes stated there is a long list of criteria that is considered. She stated, for example, if a program has not been audited in the past three years, that program is automatically high risk; or if there was an audit, but there were no problems, then the auditors look at whether the program is new to the district or if it is the last year for the program, among other factors.

Mr. Biel continued with the presentation, touching on management comments and data risk rankings from the prior year. He went on to discuss findings and recommendations for the current year.

Trustee Edwards commented that the number of schools with clean audit reports decreased from last year, but there was an improvement on the number of schools classified as high risk and Priority 1 (P1). She asked if issues are being resolved.

Mr. Biel explained there are some remaining issues, but one recommendation was to establish a certification process for banking starting at the elementary school level.

Trustee Edwards asked why implementation of this process has taken a year.

Dr. Rulfes asked Ms. Robles to address that issue.

Ms. Robles explained implementation of this process involved a team of people from several departments involved in this project as well as their regular duties. She said in addition this, obtaining approval from the union took some time because this involved a job description modification. She stated that before the certification process recommendation, additional training to administrators for oversight and additional training for bankers was attempted this year.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Trustee Edwards asked, given how frequently employees move, how quickly would a person be able to be trained.

Ms. Robles stated their standard recommendation to all schools is to have a person trained as a backup at all times.

Trustee Edwards asked how soon a person would be able to be trained if the need presented itself.

Dr. Rulfes stated there is some training available upon demand.

Ms. Robles explained the banking helpdesk office conducts one-on-one training in addition to classes targeted to banking, and the Business Services Specialists (BSS) in every region are available to assist in any business process at the schools in their region.

Dr. Kohut-Rost added each region does have a BSS that provides immediate direct support to schools where there is a need.

Mrs. Moulton asked for an explanation of unclean audits.

Ms. Robles stated there are four categories: clean, no reportable issues; at risk, a school that has so many deficiencies that assurance cannot be provided; Priority 1 (P1), may have some deficiencies in some areas that need to be revisited; and normal, normal compliance issues.

Mrs. Moulton asked if there was any evaluation of the principals as a part of this process.

Dr. Rulfes answered that previously Dr. Kohut-Rost spoke about the need to address the issue of recurrences of incidents as addressed by Ms. Robles in principal evaluations.

Dr. Kohut-Rost stated each assistant region superintendent or region superintendent receives a copy of the report that the Internal Audit Department provides to the principal. She stated that as a former region superintendent, she would review that report with the principal as part of the supervision and evaluation process to ensure any issues of concern were being addressed.

Mr. Weiler stated the concept of a clean audit is comparable to receiving a perfect score and is an extremely high standard to expect all schools to receive a clean audit.

Motion to accept the auditors' report and recommendations for fiscal year ended June 2008 and the auditors' statements.

Motion: Johnson Second: Moulton

Mr. Layton stated he believed the Board's concern was justified. While he noted the audit did not reveal any significant problems, he encouraged the Board to follow through.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mrs. Moulton asked the Audit Committee members for their opinion.

Mr. Saucedo stated he believed the Board was on the right track, and he would be interested to see which areas are having the predominant problems. He added there needs to be accountability at the local level.

Mr. Layton stated he would like to see the types of errors identified by the auditors and the number of errors in the particular schools to see if there is a pattern.

Mr. Bilotta requested a definition of the ratings used by the auditors.

Ms. Penaflor asked how the 100 schools that were audited were selected.

Dr. Ruffes explained that every school is not audited every year, and there is a process for determining which schools are audited. He offered to provide the report generated by the Internal Audit Department which shows the frequency of occurrences.

Ms. Robles stated elementary schools are audited every three years, and secondary schools are audited every 18 months.

Ms. Penaflor asked once the schools that have clean audits are dropped from the list, if more schools are added in their place.

Ms. Robles explained that schools are on a rolling schedule. She added that when schools have clean audits, it leaves room for more schools to be audited; and when schools have recurring audits, that leaves less room for other schools to be audited.

Trustee Edwards asked if the motion could exclude schedules 1 through 4. She asked the Audit Committee members for their impressions of how the district is reflected in the auditors' report.

Mr. Layton stated he was impressed in looking at the information presented.

Mr. Saucedo stated the Audit Committee did not have the opportunity to review the report to the extent he had hoped because they did not receive the report far enough in advance. He stated he believed the district had a good product.

Mr. Weiler explained the process, including the timeline, and explained why it would be difficult to present an auditors' financial report any earlier.

Ms. Miramontes stated she believed a draft copy of the auditors' report could be provided earlier.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Mrs. Janison agreed that the Audit Committee should have been given the opportunity to review the report in more detail in order to be able to give the trustees their expert opinion.

Mrs. Moulton suggested that this report should be placed on the Audit Committee's next agenda for discussion, which would allow them time to adequately review the report. She offered to bring any questions or concerns back to the full Board after the Audit Committee meeting.

Mrs. Johnson clarified that the motion was for state requirements only.

Vote on Mrs. Johnson's motion was unanimous.

Ms. Miramontes continued with the auditors' report, covering governance policies EL-5: Financial Planning and Budgeting, EL-6: Financial Condition and Activities, EL-8: Asset Protection, and EL-9: Compensation and Benefits.

Mrs. Scow mentioned that she previously asked Ms. Miramontes if every area covered in the audit is also addressed in the Board's policies.

Ms. Miramontes commented that the only area not covered in the Board's policies that is focused on during the audit process is investments.

Mrs. Scow suggested looking at adding investments to the Executive Limitations.

Mrs. Johnson asked if there is ever a review conducted of the institutions that help the district handle their investments.

Mr. Weiler answered there are two components of the district's investment program, one, investments made through the state's investment pool; and two, direct investments made by the district of only highly rated investments which are secure.

Mr. McIntosh stated the district only invests in federal agencies which have an AAA rating or better, which are rated by nationally recognized credit rating agencies. He added the district has an investment committee and a cash and investment manager who provides information on a monthly basis.

Mrs. Johnson asked if information such as how the district looks at standards and how often that is reviewed is reported in the monitoring reports.

Mr. Weiler stated he did not believe that information was in the monitoring reports.

Mrs. Johnson suggested placing that information in a public report would augment the EL-8: Asset Protection report and would give the public some confidence.

PRESENTATION OF THE ANNUAL INDEPENDENT AUDITORS' REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (continued)

Dr. Rulfes offered to provide the Board with a copy of the investment guidelines and the Board-adopted investment policy.

APPROVE INDEPENDENT AUDITORS' NARRATIVE REPORT OF RECOMMENDATIONS AND DISTRICT RESPONSES TO RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008, AND INDEPENDENT AUDITORS' STATEMENTS ON NEVADA REVISED STATUTES COMPLIANCE

Approval to accept the district's responses to the independent auditors' recommendations for the fiscal year ended June 30, 2008, with the written narrative and responses being incorporated by reference into the minutes of this meeting, and with the entire report being transmitted and filed as required in NRS 354.624; and approval to accept the independent auditors' statements on NRS compliance for the fiscal year ended June 30, 2008, including the necessary corrective actions, with the statements being transmitted and filed as required in NRS 354.6245, as recommended in Reference 3.02.

This item was taken in conjunction with Item 3.01.

AUDIT COMMITTEE ADJOURNMENT: 10:37 a.m.

Motion: Layton Second: Bilotta Vote: Unanimous

APPROVE BUDGET REVIEW

Approval of assumptions and conditions for the development of the 2008-2009 Amended Final Budget, development assumptions for the 2009-2010 Tentative Budget, and future budget development process, as recommended in Reference 3.03.

Mr. McIntosh presented to the Board the current year's budget, including changes that have taken place over the last six months; a draft of the amended final budget development for 2008-2009; and some brief assumptions for the tentative budget for 2010.

Mrs. Johnson asked for Mr. McIntosh's opinion of the future of the ending fund balance.

Mr. McIntosh stated staff plans to ask the Board for a waiver of the 2 percent ending fund balance to reduce it to 1 percent in 2010 in order to accomplish a one-time savings to the district of \$22 million. He said the goal of the district would be to remove the temporary suspension and increase the ending fund balance in the future.

Dr. Rulfes noted that if the room tax passes and funds become available, it would happen after the district has made the cuts. He offered that if those revenues that become available are beyond what the district included in the budget, the Board may want to consider, at that point, applying some of those dollars back to the fund balance.

APPROVE BUDGET REVIEW (continued)

Mrs. Moulton asked for an explanation of the transfer from the Edison Foundation Special Revenue Fund.

BOARD MEMBER LEAVES

Mr. Mason left the Board meeting at 11:49 a.m.

APPROVE BUDGET REVIEW (continued)

Mr. McIntosh stated staff is recommending that those funds that are sitting in the special revenue fund be used for instructional supplies.

Mrs. Moulton asked about the effect on the district's bond rating, referring to the state's action of lowering its bond rating because of fiscal challenges.

Mr. Weiler commented that it would be cause for concern if a local entity or political subdivision is rated higher than the underlying state. He stated, however, the district does have very stringent debt service reserve requirements. He explained the district is required to maintain a reserve account to protect bond interest.

Mr. McIntosh continued with his presentation of the major assumptions for the 2009-2010 proposed tentative budget development.

Mrs. Moulton asked for the equivalent in dollars to 14 percent.

Mr. Weiler answered \$120 million or \$370 per student.

Mrs. Moulton asked if lowered fuel cost was helping the district.

Mr. McIntosh answered at the peak of fuel cost in May, the district paid approximately \$1.8 million per month, and last month the district paid \$1.2 million for fuel.

Trustee Edwards agreed with Mrs. Moulton that it would be helpful to see a specific number of the amount that has been cut per pupil.

Mr. McIntosh offered to add items from the current year to the schedule that explains the amount of cuts that had been made thus far.

Dr. Rulfes asked if the Board would be willing to include the 2 percent ending fund balance waiver in the motion.

Mrs. Moulton asked if this was a change significant enough to be placed on an agenda.

Mr. Hoffman stated he believed the Board would be acting within the law in including that assumption.

APPROVE BUDGET REVIEW (continued)

Mrs. Moulton stated she would prefer that it be an individual agenda item.

Trustee Edwards agreed that the waiver should be brought back as an agenda item.

Motion to accept.

Motion: Edwards Second: Janison

Trustee Edwards asked if Regulation 4370 would be included with other assumptions.

Mr. Weiler stated if the suspension of Regulation 4370 were to occur, it would come forward through the process of the budget for next year.

Dr. Rulfes stated it is his interpretation that it is globally included in the 14 percent along with other potential budget cuts yet to be determined.

Vote on Trustee Edwards' motion was unanimous.

Mr. Mason was not present for the vote.

APPROVE ITEMS 4.01 THROUGH 4.04

Approval of Items 4.01, 4.02, 4.03, and 4.04 in compliance, as follows:

Motion: Johnson Second: Janison

Mrs. Moulton asked, with regard to Reference 4.03, page 2 of 4, if there was an increase from \$1 million to \$3 million regarding district liability claims.

Mr. Weiler stated he would review that information.

Regarding page 4 of 4, Mrs. Moulton stated the district increased the painting life cycle from 10 years to 17 years. She asked how these types of cuts in facilities affects the schools in terms of cost.

Mr. Weiler explained that this is a result of the inability to maintain the painting cycle with the ever-increasing square footage of space because of a lack of resources.

Mrs. Moulton asked if the district is on schedule to be able to use the funds for modernization and upgrades as outlined in Reference 3.03, page 37 of 38.

Mr. Weiler stated the district is behind where it would prefer to be, but there is an aggressive plan in place to get the work executed and completed.

Mrs. Scow requested that the Kafoury, Armstrong & Co. reports be attached to the monitoring reports when presented to the Board.

APPROVE ITEMS 4.01 THROUGH 4.04 (continued)

Vote on Mrs. Johnson's motion was unanimous.

Mr. Mason was not present for the vote.

APPROVE MONITORING REPORT – EL-5: FINANCIAL PLANNING/BUDGETING – 2007-2008

Approval regarding the monitoring report for Governance Policy EL-5: Financial Planning/Budgeting – 2007-2008, as recommended in Reference 4.01.

APPROVE MONITORING REPORT – EL-6: FINANCIAL CONDITION AND ACTIVITIES – 2007-2008

Approval regarding the monitoring report for Governance Policy EL-6: Financial Condition and Activities – 2007-2008, as recommended in Reference 4.02.

APPROVE MONITORING REPORT – EL-8: ASSET PROTECTION – 2007-2008

Approval regarding the monitoring report for Governance Policy EL-8: Asset Protection – 2007-2008, as recommended in Reference 4.03.

APPROVE MONITORING REPORT – EL-9: COMPENSATION AND BENEFITS – 2007-2008

Approval regarding the monitoring report for Governance Policy EL-9: Compensation and Benefits – 2007-2008, as recommended in Reference 4.04.

PUBLIC HEARINGS/RESPONSE TO PUBLIC COMMENT (continued)

Accessibility of Backup Material – Karen Gray

Mrs. Gray notified the Board that she was unable to receive a copy of the auditors' report before the Board's vote.

Trustee Edwards suggested placing a copy of backup material that may be voluminous or costly to distribute, such as the auditors' report, on the table in the hallway where the public can review it.

ADJOURN: 11:14 a.m.

Motion: Edwards Second: Moulton Vote: Unanimous

Mr. Mason was not present for the vote.