

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **4:00 p.m.** on **March 30, 2023** via Livestream/Zoom only.

Public comment is allowed and the public is welcome to make their public comment via telephone (the telephone number will be posted to our website on the day of the meeting). The meeting will be available for viewing at <https://livestream.com/accounts/3411104>. (Remote only meeting permitted by AB 253 as Audit Committee contains non-elected members.)

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
Vito Brandle (At-Large Member), Mick Homan (At-Large Member), Raymond Tulloch (Trustee), and Sara Schmitz (Trustee), Chris Nolet (At-Large Member)

B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration. The Audit Committee may address matters brought up during public comment at the conclusion of the comment period but may not deliberate on any non-agendized item.

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

The Audit Committee may make a motion for a flexible agenda which is defined as taking items on the agenda out of order; combining agenda items with other agenda items; removing items from the agenda; moving agenda items to an agenda of another meeting, or voting on items in a block.

-OR-

The Audit Committee may make a motion to accept and follow the agenda as submitted/posted.

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

1. Election of Audit Committee Officers for the 2023 Term. **Pg. 3**
2. Review and discuss possible next steps on potentially outstanding accounting and financial reporting matters identified by the former Audit Committee and through past Correspondence, as well as discuss process for addressing future matters brought before the Committee. (Requesting Committee Members Homan and Nolet) **Pg. 4-9**
3. Independent Auditor's Draft Report: Agreed-Upon Procedures Related to Capitalization of Assets (Requesting Staff Member: Director of Finance Navazio). **Pg. 10-21**
4. Consider recommendation to the Board of Trustees to include supplemental funding in the FY2023/24 budget for audit-related activities (Requesting Committee Member Nolet). **Pg. 22**
5. Discuss and possibly provide direction for a liaison of the Audit Committee to meet with the District's Independent Auditor to review 2021/22 audit procedures (Requesting Committee Member Nolet). **Pg 23**

Incline Village General Improvement District

Incline Village General Improvement District is a fiscally responsible community partner which provides superior utility services and community oriented recreation programs and facilities with passion for the quality of life and our environment while investing in the Tahoe basin.

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NOTICE OF MEETING

Agenda for the Audit Committee Meeting of March 30, 2023 - Page 2

6. Whistleblower Policy, as adopted by the Board of Trustees on January 11, 2023 (Requesting Trustee Tulloch)
Pg. 24-30
 7. Review, discuss, and determine if any further action is required for correspondence and memos received by Audit Committee.
- E. LONG-RANGE CALENDAR
1. Discuss and provide input to inform 2023 Audit Committee meeting schedule, work plan priorities and long-range calendar *Pg. 31*
- F. MEETING MINUTES (for possible action)
1. Meeting Minutes of February 7, 2023 *pg. 32-48*
- G. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- H. ADJOURNMENT (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Monday, March 27, 2023 at 9:00 a.m., a copy of this agenda (Audit Committee Session of March 30, 2023) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following three locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne Vorderbruggen Building (893 Southwood Boulevard, Incline Village, Nevada; Administrative Offices)
2. IVGID's website (www.yourtahoeplace.com/Board of Trustees/Meetings and Agendas)
3. State of Nevada public noticing website (<https://notice.nv.gov/>)

/s/ Melissa Robertson

Melissa Robertson

District Clerk (e-mail: mnr@ivgid.org/phone # 775-832-1268)

Audit Committee Members: Vito Brandle (*At-Large Member*), Mick Homan (*At-Large Member*), Raymond Tulloch (*Trustee*), Sara Schmitz (*Trustee*) and Chris Nolet (*At-Large Member*).

Notes: Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another meeting; moved to or from the Consent Calendar section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Those items followed by an asterisk (*) are items on the agenda upon which the Board of Trustees will take no action. Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to call IVGID at 832-1100 at least 24 hours prior to the meeting. **IVGID'S agenda packets are available at IVGID's website, www.yourtahoeplace.com; go to "Board Meetings and Agendas".**

MEMORANDUM

TO: Audit Committee

THROUGH: Indra S. Winquest
District General Manager

FROM: Melissa N. Robertson
District Clerk

SUBJECT: Election of Audit Committee Officers for the 2023 Term

DATE: March 30, 2023

District Clerk Melissa Robertson will conduct the elections of officers and the term of the elected officers will be March 30, 2023 through December 31, 2023.

District Clerk Robertson will open the agenda item by stating that the nominations for officers of the Audit Committee is now open and that she would like to begin with the position of Audit Committee Chair. Nomination(s) from the Audit Committee members will be taken and it is acceptable for a Audit Committee member to nominate themselves to an officer position. It is also acceptable for a Audit Committee member to nominate a slate of officers. Once all nomination(s) are made, District Clerk Robertson will close the nomination(s) and call for a vote on each nomination(s). This process is repeated for each officer position. The exception would be if a slate of officers were nominated.

The officers for the Audit Committee are Chair and Vice-Chair.

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

SUBJECT: Review and discuss possible next steps on possibly outstanding accounting and financial reporting matters identified by the former Audit Committee and through past Correspondence, as well as discuss process for addressing future matters brought before the Committee. (Requesting Committee Members Mick Homan and Chris Nolet)

DATE: March 30, 2023

I. RECOMMENDATION

It is recommended that the Audit Committee review and discuss possible next steps on potentially outstanding accounting and financial reporting matters identified by the former Audit Committee and through past correspondence, as well as discuss process for addressing future matters brought before the Committee.

II. BACKGROUND

This agenda item is a follow-up to a report presented to the Audit Committee at their meeting of February 7, 2023 which provided a summary of potential matters identified by the former Audit Committee, as well as selected matters from Correspondence received by the Committee.

In considering the report, the Audit Committee's discussion focused on two general areas:

- 1) Disposition- How best to evaluate each of the potential matters and determine what follow-up action(s), if any, are warranted, with specific recommendations to be forwarded to the Board of Trustees.
- 2) Process – The Committee also discussed the need for a formal process to review and consider matters brought to the attention of the Committee to ensure that these matters are a) evaluated, b) follow-up actions tracked, and c) brought to timely closure. In this preliminary discussion, the Committee identified the need to distinguish between matters brought

to the Committee's attention through formal agenda items (either by management, the Independent Auditor, the Board of Trustees and Audit Committee members), and matters received by the Committee through correspondence (members of the public).

Following the discussion, the Audit Committee reached a general consensus to designate one member of the Committee (Mick Homan) to work with staff to review the list of potentially outstanding matters and return to the Committee with additional information and a framework for the Committee to consider possible recommendations, where appropriate, to bring closure to each matter.

Additionally, it was noted through Public Comment and Committee member input, the list of outstanding matters presented in the February 7th report may not have represented a complete list of matters warranting review by the Committee through this process.

Since the meeting of February 7th, two new members have been appointed to the Audit Committee to fill vacancies. Specifically, at their meeting of February 8, 2023, the Board of Trustees appointed Trustee Schmitz to fill a vacancy created by the expiring term of Trustee Tonking, and Mr. Chris Nolet was appointed to fill the vacant At-Large position (created by Trustee Tulloch's re-appointment to the Committee as a Trustee).

New Committee member Nolet subsequently offered to work with Committee member Homan and staff on this follow-up report, with the first order of business being to review the list of outstanding matters and identify any that warrant adding in order to ensure a comprehensive list for review and disposition. Mr. Nolet and Mr. Homan then held a series of meetings with management to review the list of matters, and consider a framework within which to evaluate each matter and develop preliminary recommendations for consideration by the full Committee.

A number of the matters have been previously addressed, or deemed, by either the Audit Committee or, in some cases, the Board of Trustees to not warrant further action. Nonetheless, they are presented herein for background information purposes as a number of these same matters are recurring topics brought to the attention of the Audit Committee. As such, the Audit Committee may wish to recommend follow-up action, as deemed appropriate.

Attachment A to this memorandum provides an updated summary of potentially outstanding matters identified through this process (including matters that appeared on previous Audit Committee agendas, as well as through general correspondence).

The summary is presented in (roughly) chronological order, with matters identified as pertaining to one or more of the following categories:

- Capitalization of Fixed Assets – includes matters related to application of generally-accepted accounting principles, applicable Board policy, and Moss Adams recommendations.
- Financial Reporting / Annual Comprehensive Financial Report (ACFR) – includes matters raised related to the information provided in the District’s Annual Comprehensive Financial Report. May include questions about financial statement, Notes, or Supplemental Information contained in the report(s).
- “Other” – includes matters that do not impact the financial statements contained in the District’s formal financial statements (examples include disclosures, and presentation of information).
- Moss Adams Recommendations – stemming from recommendations provided through three separate consulting engagements, most notably an *Evaluation of Certain Accounting and Financial Reporting Matters*.

For each matter identified, the summary table provided in Attachment A also identifies, where applicable, a potential stated dollar impact (or estimate), and whether the dollar impact is deemed “material.”

Process for the Audit Committee to address matters brought to its attention

The Committee is requested to discuss and provide direction on establishing a formal process of handling matters that are brought to its attention through correspondence. A proposed process would include:

- 1) Which items should be referred to management and/or independent auditor for review;
- 2) Possible assignment of an Audit Committee liaison to work with management and/or independent auditor to analyze matters so referred,
- 3) Return to full Audit Committee with report and recommendation on follow-up actions, if any.
- 4) All matters brought to the attention of the Audit Committee should be logged and tracked for timely resolution/disposition.

III. ATTACHMENTS

- A. Summary Table - Matters Identified by Former Audit Committee and ongoing Correspondence.

SUMMARY OF MATTERS IDENTIFIED BY AUDIT COMMITTEE AND CORRESPONDENCE

As of March 30, 2023

Matter #		Capitalization of Fixed Assets	Financial Reporting ACFR	Other	Potential Impact on Financial Statements	Material (Y/N)	Preliminary Audit Committee Observations
AC Meeting agenda items:							
	o Meeting Date: 2/7/2023						
	Item D.4. - Possible Follow-up action on Correspondence						
1	12/14/2022 Audit Finding (Nolet)			x			
2	D.4.a 1/9/2023 Observations and potential corrections to ACFR for June 30, 2022 (Dobler)		x				
3	D.4.b 1/14/2023 Lack of FULL disclosure in Note 18 of the ACFR FOR FISCAL YEAR ENDING JUNE 30, 2022 and false approval of contracts to avoid requirements under NRS and Board Policies (Dobler)		x				
4	D.4.c 1/21/2023 Unauthorized change in reporting from fiscal 2021 to 2022 for the Community Services venues (Dobler)		x				
5	D.4.d 1/23/2023 Item E.3A - Report - Facilities (Weddings and Events) - Multiple errors or lack of complete information - Board Packet 12-14-2022 (Dobler)			x			
6	D.4.e 1/30/2023						
7	D.4.f 1/31/2023 Follow-up on my memo on January 9, 2023 - Investment Earnings 2022 fiscal year ACFR (Dobler) Violation of GASB #34 - Improper Reporting of Internal Services Fund as part of Proprietary Funds 1) Statement of Net Position (Exhibit B), 2) Statement of Revenues Expenses and Changes in Net		x				
	o Meeting Date: 4/13/22						
8	D.3 Effluent Pipeline (Dobler)	X					
9	D.4 Golf Courses (Dobler)	X					
10	D.5 Claims Payable (Dobler)		X				
11	D.6 Expensing Net Costs (Dobler)		X				
12	D.7 Note 22 (Dobler)	X					
13	D.8 Burnt Cedar Pool (Dobler)						
	o Meeting Date: 6/1/22						
14	D.1. Water and Sewer Pump Station Improvements (Dobler)						
		X					
15	D.2. Wetlands Effluent Disposal Facility (Dobler)	X					
	D.3. Management Response to ACFR (Management)		X				
See #12	D.4 Note 22 - Prior Period Adjustment (Dobler)						
			X				
16	D.5. Accounting and reporting of Facility Fees (Dobler)			x			
	o Meeting Date: 6/16/22						
17	D.2. Wastewater Treatment Plant Improvements (Dobler)	X					
18	D.3 Burnt Cedar Water Disinfection Plant (Dobler)	X					
	o Meeting Date: 9/28/22						
19	D.6. Correspondence Wastewater Treatment Plant Improvements (Dobler, 7/10/22)	X					
Correspondence from Mr. Cliff Dobler							
See #19	Date: July 10, 2022 - Wastewater Treatment Plant Improvements	X					
20	Date: August 15, 2022 - Charge off: Capital asset costs 2021 ACFR	X	X				

SUMMARY OF MATTERS IDENTIFIED BY AUDIT COMMITTEE AND CORRESPONDENCE

As of March 30, 2023

Matter #	Capitalization of Fixed Assets	Financial Reporting ACFR	Other	Potential Impact on Financial Statements	Material (Y/N)	Preliminary Audit Committee Observations
Correspondence re FY2021/22 ACFR						
o Dobler Correspondence:						
See #2		X				
	Date: 1/9/23 – Observations and Potential Corrections 2022 ACFR					
See #3		X				
	Date: 1/14/23 - Lack of Full Disclosure in Note 18 of ACFR					
See #4		X				
	Date: 1/21/23 – Unauthorized Change in Reporting					
See #6		X				
	Date: 1/30/23 – Investment Earnings					
See #7		X				
	Date: 1/30/23 – Internal Service Funds					
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Additional Memorandums identified by Mr. Dobler:						
AC Meeting agenda items:						
o Meeting Date: 6/9/21						
21			X			
	E.4.a Funding Public Parks from the General Fund (memo 4/4/21)					
22		X				
	E.4.b Cash Position of Utility Fund (memo 5/9/21)					
23			X			
	E.4.d Close-out of MOU with Incline Tahoe Foundation					
24			X			
	E.4.g Review, discuss and recommend that 89 parcels acquired from Washeo County be updated (public purpose restriction, assets of CS fund) - memo 6/1/21					
o Meeting Date: 11/19/20						
25	X					
	D.7.c. Air Pressure Release Valve					
Correspondence from Mr. Cliff Dobler						
26	X					
	Date: June 30, 2020 - Effluent Pipeline Costs FY2019 and FY2020					
27	X					
	Date: November 23, 2020 - Meters and Equipment Costs Charged to Effluent Pipeline					
28	X					
	Date: February 14, 2022 - Rebuttal to February 9, 2022 statements made by Paul Navaio, Director of Finance regarding accounting and reporting operating expenses in Capital Project Funds					
<hr/>						
• Moss Adams Report Recommendations						
o AC Meeting 4/13/22 - Item D.2 – Moss Adams Recommendations						
1			X			
	Account and report on central services cost allocations using an Internal Services Fund with a detailed schedule of individual expenditure line items to be allocated.					
2						
	Cease using contra-accounting (punch card accounting) within Community Services effective July 1, 2022.					
3			X			
	Reflect revenues from the Facility Fee within each activity/fund/cost center at the time of budget adoption.					
4			X			
	Report the Facility Fees as nonoperating revenue in the statement of revenues and expenses, as non-capital related financing activities section in the statement of cash flows and as program revenue in the statement of activities.					
5			X			
	Modify the newly updated capitalization policy to include the following:					
a.		X				
	The different stages of a project and the types of costs incurred in the different stages.					
b.		X				
	The accounting treatment of costs incurred in the different stages.					
c.			X			
	What elements or criteria need to be met for expenditures associated with a repair project to be eligible for capitalization based on the concept of service capacity in addition to the extension of useful life of an asset.					
o Board Meeting of 6/29/22 – Item H.5. - Status Report on Moss Adams						

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

SUBJECT: Independent Auditor’s Report: Agreed-Upon Procedures Related to Capitalization of Assets

STRATEGIC

PLAN REFERENCE(S): Long Range Principle #2 - Finance

DATE: March 30, 2023

I. RECOMMENDATION

It is recommended that the Audit Committee receive a report (Attachment 1) from the District’s Independent Auditor, Davis Farr, LLP, on Agreed-Upon Procedures related to capitalization of fixed assets.

II. BACKGROUND

This agenda item was presented to the Audit Committee at their meeting of February 7, 2023. Action on this item was deferred until the March meeting in order to allow for the District’s Independent Auditor to discuss the report and address any questions raised by the Committee.

In their Annual Report to the Board of Trustees, dated March 9, 2022, the Audit Committee recommended that the annual financial audit for the fiscal year ended June 30, 2022 be augmented through supplemental engagements focusing on a review of the District’s internal controls. Following authorization by the Board of Trustees, the Audit Committee executed two supplemental engagement letters with the independent auditor to perform additional “agreed-upon” procedures to review the following areas:

- 1) Capitalization of Assets
- 2) Purchasing/Contracts

This agenda item serves to transmit to the Audit Committee a report, Attachment 1, prepared by the District’s Independent Auditor (Davis Farr, LLP) in response to a supplemental engagement to review compliance with policies, practices and procedures related to capitalization of assets.

The Audit Committee received the final report from the supplemental engagement related to purchasing/contracts at their meeting of December 5, 2022:

<https://www.yourtahoeplace.com/uploads/pdf-ivgid/D.2. - General Business - Supplemental Engagements.pdf>

Following is a summary of the scope of the work outlined in the Engagement Letter for the agreed-upon-procedures related to capitalization of assets (Attachment B):

Capitalization of Assets:

- Review of applicable Board Policies, Practices and internal accounting procedures
- Review detail of all capitalized costs for the fiscal year ended June 30, 2022; summarize the expenses by project, type of asset, and transaction amount.
- For the period July 1, 2021 through December 31, 2021, obtain supporting documentation for all capitalized costs less than \$5,000. Determine if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0
- For the period January 1, 2022 through June 30, 2022, obtain supporting documentation for all capitalized costs less than \$10,000. Determine if transactions met the capitalization requirements of Board Policy 8.1.0
- For projects exceeding \$50,000 for the fiscal year ended June 30, 2022, perform the following procedures:
 - Review the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project
 - Determine if the capital project met the capitalization requirements
- Prepare a report for the Audit Committee that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies, practices or procedures.

The report (Attachment A) prepared by Davis Farr, LLP summarizes the work performed, highlights findings of their review.

The report prepared by DavisFarr, LLP does not include any findings or recommendations requiring management's response.

III. ATTACHMENTS

- A. Report prepared by Davis Farr, LLP – Agreed-Upon Procedures Related to Purchasing and Contracts

B. Engagement Letter - Agreed-Upon Procedures Related to Purchasing and
Contracts

INDEPENDENT ACCOUNTANT’S REPORT

Audit Committee
Incline Village General Improvement District
893 Southwood Boulevard
Incline Village, NV 89451

We have performed the procedures enumerated below, in reviewing Incline Village General Improvement District’s (“District”) capitalized assets for the fiscal year ended June 30, 2022. District is responsible for adhering to the District’s Board of Trustee’s Policies and Practices (“Policies”).

The Audit Committee has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement to assist the District in evaluating adherence with the Board of Trustee’s Policies for the fiscal year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed, and the results of those procedures are as follows:

1. We obtained an understanding of the District’s policies, practices and procedures for capitalizing assets during the fiscal year ended June 30, 2022. For purposes of this engagement, Board Policy 8.1.0 updated and approved in January 2022 will be effective for costs incurred or assets received after January 1, 2022.

Results: We reviewed the following policies, practices and procedures and included the policies as attachments to this report.

Policy Name	Dated	Attachment
Board Policy 8.1.0	Updated January 2022	Exhibit A
Board Policy 8.1.0	Effective July 2016	Exhibit B
Board Policy 9.1.0	Effective July 2016	Exhibit C
Board Practice 2.9.0	Effective July 2016	Exhibit D

2. We compared the Board of Trustee’s policies and practices to the District’s Policies and Procedures Manual for Accounting & Financial Control and provided a listing of any inconsistencies. We obtained the Government Finance Officers Association capital assets best practice policies and identified any differences with the Board of Trustee’s policies and procedures.

Results: The Government Finance Officer’s Association best practices pertaining to Capitalization Thresholds for Capital Assets. These best practices include:

- a. A government may establish a single capitalization threshold for all of its capital assets, or it may establish different capitalization thresholds for different classes of capital assets;
- b. Establish a minimum capitalization threshold of \$5,000 for any individual item;
- c. Establish a minimum capitalization threshold of at least a two-year useful life for any individual item;
- d. Indirect costs pertaining only to capital projects should be capitalized, general overhead costs such as human resources services or the district's office staff not exclusively performing capital work should not be allocated to capital projects and capitalized.

During our fieldwork, we noted that the District does use different capitalization thresholds for different classes of assets. These thresholds range from no threshold (land and right to use assets); to \$10,000 for equipment, vehicles, and venue improvements; and finally at \$25,000 for building, structures and service infrastructure. In addition, no asset is capitalized if it has a useful life of less than three years.

Although our procedures did not test the calculation of how overhead was calculated and applied to construction in progress, the description used to capitalize overhead was titled "CIP Engineering Charges", indicating that the nature of the overhead being capitalized was not considered general overhead. This is consistent with best practices.

Finally, although we did not find any exceptions to the capitalization threshold component of the Board's policy, we noted that individual ski rental assets purchased from American Sports Winter and Outdoor were capitalized, although their individual asset values were less than \$5,000. The Board's policy does state that, "Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets." This is consistent with generally accepted accounting practices.

- 3. We obtained detail of all capitalized costs for the fiscal year ended June 30, 2022. We summarized the expenses by project, type of asset, and transaction amount.

Results: The detail provided included the following capitalized costs. Projects with costs under \$100,000 are summarized as Other Projects.

Asset	Amount
Burnt Cedar Swimming Pool Project	\$3,216,455
Mountain Golf Course Cart Path Reconstruction	\$491,932
Replace Snow Grooming Equipment	\$400,000
Effluent Export Pipeline Project	\$269,703
Purchase of Replacement Rental Shop Equipment	\$255,707
Slott Peak Watermains and PRV 3-1 Improvements	\$224,195
Recreation Center Lobby Restroom Remodel	\$195,753

Four Snowmaking Fan Guns	\$154,159
Recreation Center Expansion	\$121,063
Other Projects (less than \$100,000 of costs)	\$761,784
Total capital asset additions	\$6,090,751

4. For the period July 1, 2021 through December 31, 2021, we obtained supporting documentation for all capitalized costs less than \$5,000. We determined if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0 as follows:
- Amount capitalized agrees to supporting documentation
 - Initial useful life was more than two years
 - Capitalized item met the \$5,000 capitalization threshold (i.e. multiple invoices were split but combined to over \$5,000)
 - Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

Results: We identified 30 transactions totaling \$66,945 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

All charges were properly recorded as either construction in progress or combined with other charges and capitalized as a complete asset that exceeded \$5,000. No exceptions were noted as a result of our procedures.

5. For the period January 1, 2022 through June 30, 2022, we obtained supporting documentation for all capitalized costs less than \$10,000. We determined if transactions met the capitalization requires of Board Policies 8.1.0:
- Amount capitalized agrees to supporting documentation
 - Initial useful life was three years or more
 - Capitalized item met the \$10,000 capitalization threshold (\$25,000 for certain assets)
 - If capitalization threshold was applied to a network or group of items:
 - Asset was part of a group purchase for similar assets (example: golf carts when they are components of a fleet; banquet facility furnishings)
 - Item is a component of a system or network (components of a computer/telephone network; snow-making system)
 - District documented justification for grouping the assets
 - Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

Results: We determined that there were 105 transactions totaling \$284,330 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

All charges were properly recorded as either construction in progress or combined with other charges and capitalized as a complete asset that exceeded \$10,000.

For the Effluent Storage Pond at the Water Recovery Facility, the District expensed 80% of the project costs and capitalized 20% of the project costs incurred. We were

provided rationale for the determination. However, the amount capitalized was subjective and not tied to specific invoices.

6. We selected a sample of 30 transactions greater than \$5,000 for the period July 1, 2021 through December 31, 2021 and greater than \$10,000 for the period January 1, 2022 through June 30, 2022 (15 transactions for each period). We determined if the transactions met the capitalization requirements as follows:
 - a. Amount capitalized agrees to supporting documentation
 - b. Initial useful life was two (or three) years or more, as applicable to the period
 - c. Item was not for a repair or maintenance that does not extend the original useful life of expand the capacity of the asset
 - d. Item was not a feasibility study for purposes of determining whether or not to move forward with a project
 - e. Transaction was not related to master plan costs that are not specific to a capital project

Results: We determined that there were 11 transactions totaling \$198,867 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, journal entries to close out funds, and construction in progress. No exceptions were noted as a result of our procedures.

7. For projects exceeding \$50,000 for the fiscal year ended June 30, 2022, we performed the following procedures:
 - a. Reviewed the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project
 - b. Met with the project manager to obtain additional information about the nature of the project
 - c. Determined if the capital project met the capitalization requirements as follows:
 - i. Initial useful life is three years or more
 - ii. Items was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
 - iii. Item was not a pre-planning activity or feasibility study
 - iv. Transaction was not related to master plan costs that are not specific to a capital project
 - d. If the project is a replacement project, the replaced asset was removed from the accounting system

Results: We determined that there were 15 projects that met this definition. We did not test CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

For replacement projects, we verified the replaced asset was removed from the accounting system with the exception of the Fan Guns Purchase and Replacement Project. The District did not remove the replaced asset because it was not previously capitalized. Additionally, we noted certain assets were not yet replaced because the replaced capital asset had not been completed yet. Per management, the replaced asset will be removed at the completion of the project.

We were engaged by the Incline Village General Improvement District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tenant's accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirement related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the Audit Committee of the Incline Village General Improvement District and should not be used by anyone other than those specified parties.

Irvine, California
January 24, 2023

DRAFT



May 15, 2022

Incline Village General Improvement District
Attn: Audit Committee
893 Southwood Boulevard
Incline Village, NV 89451

We are pleased to confirm our understanding of the additional services we are to provide for the Incline Village General Improvement District ("District"). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

We agree to apply procedures to the District's capitalized assets for the fiscal year ended June 30, 2022. The District is responsible for complying with the District's Board of Trustee's Policies and Practices ("Policies").

The Audit Committee has agreed to and acknowledged that the procedures to be performed are appropriate to meet the intended purpose of the engagement to assist the District in evaluating compliance with the Board of Trustee's Policies for the fiscal year ended June 30, 2022. The procedures we will perform may not address all the items of interest to a user of our report and may not meet the needs of all users of our report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

These agreed-upon procedures are included on the attached schedule. These procedures will be applied for the purpose of reporting our findings in regard to the results of the procedures performed as compared to the Policies. The procedures we will perform are for the intended use of the following specified parties: the Board of Trustees, the Audit Committee, and Management of the Incline Village General Improvement District.

We will conduct our engagement in accordance with the attestation standards for agreed-upon procedures engagements established by the American Institute of Certified Public Accountants. The agreed-upon procedures are not designed to constitute an examination or a review of the subject matter. Therefore, we will not express an opinion or a conclusion on the subject matter. We have no obligation to perform any procedures beyond those agreed to as enumerated in this letter of engagement. However, the procedures may be expanded or modified by mutual agreement with the Audit Committee during the engagement. If additional time is necessary as a result of the modified procedures, we will discuss it with the Audit Committee and management and arrive at a new fee estimate as soon as reasonably practicable. If, for any reason, we are unable to complete the procedures, we will not issue a report as a result of this engagement.

At the conclusion of our engagement, we will request certain written representations from management about the subject matter information and related matters. We will issue a written report listing the agreed-upon procedures performed and our related findings. This report will be intended for use by and restricted to the use of the specified parties as identified above, and our report will contain such restricted use language.

We plan to begin our procedures in August 2022 after the year end accruals and accounting entries are recorded to close the fiscal year ended June 30, 2022. Our fees will be billed at the hourly rates in our proposal for audit services dated December 14, 2020 which range from

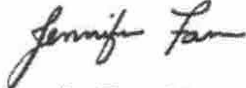
\$90-\$180 per hour based on the personnel used. We will also bill the District for any travel costs incurred, if applicable. We estimate the fees for this engagement will range from \$6,000-\$10,000 based on the number of transactions tested.

Jennifer Farr is the engagement partner for the services specified in this letter. Her responsibilities include supervising Davis Farr LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the agreed-upon procedures report.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement including our respective responsibilities. If you have any questions, please let us know.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Very truly yours,



Jennifer Farr, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Incline Village General Improvement District.

By:  _____

Title: AUDIT COMMITTEE CHAIR

Date: 5/23/22

Procedures to be Performed

1. We will obtain an understanding of the District's policies, practices and procedures for capitalizing assets during the fiscal year ended June 30, 2022. For purposes of these procedures, Board Policy 8.1.0 updated and approved in January 2022 will be effective for costs incurred or assets received after January 1, 2022. We will include the following policies and practices as exhibits in our report:
 - Board Policy 8.1.0 (updated January 2022)
 - Board Policy 8.1.0 (effective July 2016)
 - Board Policy 9.1.0 (effective July 2016)
 - Board Practice 2.9.0 (effective July 2016)
2. We will compare the Board of Trustee's policies and practices to the District's *Policies and Procedures Manual for Accounting & Financial Control* and provide a listing of any inconsistencies. We will obtain the Government Finance Officers Association capital asset best practice policies and identify any differences with the Board of Trustee's policies and practices.
3. We will obtain detail of all capitalized costs for the fiscal year ended June 30, 2022. We will summarize the expenses by project, type of asset, and transaction amount.
4. For the period July 1, 2021 through December 31, 2021, we will obtain supporting documentation for all capitalized costs less than \$5,000. We will determine if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0 as follows:
 - a. Amount capitalized agreed to supporting documentation
 - b. Initial useful life was more than two years
 - c. Capitalized item met the \$5,000 capitalization threshold
 - d. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
5. For the period January 1, 2022 through June 30, 2022, we will obtain supporting documentation for all capitalized costs less than \$10,000. We will determine if transactions met the capitalization requirements of Board Policy 8.1.0 as follows:
 - a. Amount capitalized agreed to supporting documentation
 - b. Initial useful life was three years or more
 - c. Capitalized item met the \$10,000 capitalization threshold (\$25,000 for certain assets)
 - d. If capitalization threshold was applied to a network or group of items:
 - i. Asset was part of a group purchase for similar assets (example: golf cards when they are components of a fleet; banquet facility furnishings)
 - ii. Item is a component of a system or network (components of a computer/telephone network; snow-making system)
 - iii. District documented justification for grouping the assets
 - e. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
6. We will select a random sample of 30 transactions greater than \$5,000 for the period July 1, 2021 through December 31, 2021 and greater than \$10,000 for the period January 1, 2022 through June 30, 2022 (15 transactions for each period). We will determine if transactions met the capitalization requirements as follows:
 - a. Amount capitalized agreed to supporting documentation

- b. Initial useful life was two (or three) years or more, as applicable to the period
 - c. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
 - d. Item was not a feasibility study for purposes of determining whether or not to move forward with a project
 - e. Transaction was not related to master plan costs that are not specific to a capital project
7. For projects exceeding \$50,000 for the fiscal year ended June 30, 2022, we will perform the following procedures:
- a. Review the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project.
 - b. Meet with the project manager to obtain additional information about the nature of the project
 - c. We will determine if the capital project met the capitalization requirements as follows:
 - i. Initial useful life is three years or more
 - ii. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
 - iii. Item was not a pre-planning activity or feasibility study
 - iv. Transaction was not related to master plan costs that are not specific to a capital project
 - d. If the project is a replacement project, determine if the replaced asset was removed from the accounting system
8. We will request written representations from the District's Management stating that the accounting records we examined are accurate.
9. We will prepare a report for the Audit Committee that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies, practices or procedures.
10. We will meet with Management and the Audit Committee to report on the results of our procedures prior to finalization of our report.

MEMORANDUM

TO: Audit Committee

FROM: Chris Nolet
Audit Committee Member

SUBJECT: Consider recommending to the Board of Trustees to include supplemental funding in the FY2023/24 budget for audit-related activities.

STRATEGIC

PLAN REFERENCE(S): Transparency and Fiscal responsibility

DATE: March 30, 2023

I. RECOMMENDATION

It is recommended that the Audit Committee consider a recommending to the Board of Trustees to include supplemental funding in the FY2023/24 budget for audit-related activities.

II. BACKGROUND

The draft preliminary budget being developed for FY2023/24 provides funding to cover the cost associated with the annual audit of the District's financial statements, consistent with the terms of the multi-year contract with the Independent Auditor, DavisFarr, LLP. This amount for FY2023/24 is \$50,300.

For the current year (FY2022/23), the budget for audit-related activities was augmented by \$20,000. This funding covered the cost of two supplemental engagements performed by DavisFarr, related to a review of compliance with Purchasing and Contracts policies and procedures as well as compliance with Capitalization polices.

Based on the results and findings in recent financial audits as well as a desire to better identify potential internal control issues impacting the District's financial reporting, it is recommended that the Audit Committee consider recommending that the Board of Trustees again provide supplemental funding in the FY2023/24 budget, in the amount of \$50,000.

MEMORANDUM

TO: Audit Committee

FROM: Chris Nolet
Audit Committee Member

SUBJECT: Discuss and possibly provide direction for a liaison of the Audit Committee to meet with the District's Independent Auditor to review FY2021/22 audit procedures.

STRATEGIC

PLAN REFERENCE(S): Transparency and Fiscal responsibility

DATE: March 30, 2023

I. RECOMMENDATION

It is recommended that the Audit Committee provide direction for a liaison to meet with the District's Independent Auditor to review FY2021/22 audit procedures and inform development of proposed audit work plan for the fiscal year ending June 30, 2023.

II. BACKGROUND

The audit of the District's financial statements is conducted by the District's Independent Auditor, DavisFarr, LLP, pursuant to a multi-year contract approved by the Board of Trustees on March 10, 2021. The Audit Committee, in turn reviews and approves an annual Engagement Letter with the Independent Auditor that spells out the specific elements of each annual audit.

Prior to the Audit Committee reviewing the Engagement Letter and related audit work plan for the financial audit for the fiscal year ending June 30, 2023, it is recommended that a liaison of the Audit Committee meet with the Independent Auditor to review the elements of the FY2021/22 audit to help inform the Committee's direction related to the upcoming FY2023/24 audit work.

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

SUBJECT: Whistleblower Policy, approved by the Board of Trustees, January 11, 2023.

STRATEGIC

PLAN REFERENCE(S): Transparency and Fiscal responsibility

DATE: March 30, 2023

I. RECOMMENDATION

That the Audit Committee receive the Whistleblower policy, adopted by the Board of Trustees on January 11, 2023.

II. BACKGROUND

Under Board Policy 15.1.0 the Audit Committee is charged at item 2.8, as follows:

2.8 To annually review and refine as necessary the whistleblower procedures for the receipt, retention, and treatment of complaints received by the District, from the public or anonymous submissions by employees of the District, regarding accounting, internal accounting controls, auditing matters, or suspected fraud for recommendation to the board of trustees for consideration and possible approval.

2.8.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.

2.8.2 Ensure employees of the District have an anonymous method for concerns to be submitted

When the Audit Committee was restructured July 2020, pursuant to Policy 15.1.0, there was no Whistleblower policy in existence. Subsequently at several meetings during 2020 and 2021 the Audit Committee reviewed discussed and

developed a draft Whistleblower Policy for consideration by the Board of Trustees. At their meeting of January 11, 2023, the Board of Trustees formally approved a Whistleblower policy (see attachment).

Consistent with Board Policy 15.1.0, Section 2.8, the Audit Committee may wish to consider placing on its long range calendar a discussion and review of the Whistleblower policy.

Attachment:

- Whistleblower Policy, as adopted January 11, 2023



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

General

The Incline Village General Improvement District (IVGID) expects its employees, Trustees, and volunteers to observe high standards of business and professional ethics in the conduct of their duties and responsibilities. Employees and representatives of IVGID must practice honesty and integrity in fulfilling their responsibilities and comply with all IVGID Policies, Practices, Resolutions and Ordinances and other applicable laws and regulations. Moreover, IVGID is committed to transparency and fostering a “speak up” culture. This Whistleblower Procedure implements Board of Trustees Policy 15.1.0(2.8).

In addition, IVGID encourages its employees, volunteers, other stakeholders of the District, and the public to share their questions, concerns, suggestions, or complaints with their supervisor, Venue Manager, Trustees, General Manager, or the Audit Committee Chair.

The Whistleblower Procedure includes the following:

- The methods for submission of suspected Misconduct may be reported by employees, Trustees, volunteers, other stakeholders of the District, and the public on a confidential and anonymous basis to the extent permitted by applicable law.
- The process to be followed when a submission of concern is received.
- The receipt, retention, and treatment of suspected Misconduct submissions received by the Audit Committee regarding IVGID Policies, Practices, Resolutions, Ordinances and other applicable laws and regulations. The protection of employees, Trustees, volunteers, other stakeholders of the District, and the public reporting concerns from retaliatory actions.

Reporting

It is the responsibility of all employees, Trustees, and volunteers to report Misconduct and/or reasonable suspicions of Misconduct in accordance with this Whistleblower Procedure. Other stakeholders of the District and the public may also report Misconduct in accordance with this Whistleblower Procedure.

“Misconduct” means (a) questionable or improper accounting or auditing matters, (b) violations and suspected violations of federal, state, local laws, and (c) violations and suspected violations of IVGID Ordinances, Policies, Practices and



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

Resolutions. “Misconduct” does not include minor, immaterial matters or routine workplace complaints or disciplinary matters which shall be processed under applicable Human Resources policies and/or applicable Memorandum of Understanding.

Trustees, employees and volunteers have the following options for reporting concerns that involve Misconduct and/or or reasonable suspicions of Misconduct:

- A. Discuss any suspected Misconduct with their **immediate supervisor**.
- B. Report the suspected Misconduct to the **Director of Human Resources**.
 - 1. If the Misconduct was reported verbally to the Director of Human Resources, the reporting individual, with assistance from the Director of Human Resources, shall reduce the Misconduct to writing.
- C. Report the suspected Misconduct to the **Chair of the Board of Trustees**.
 - 1. Should the suspected Misconduct implicate one or both of the General Manager or the Chair of the Audit Committee, this is the recommended reporting option.
- D. Report the suspected Misconduct to the **Chair of the Audit Committee**.
- E. Report the suspected Misconduct to any other **Trustee**. It is recommended that if a Trustee receives a report it is copied to the Chair of the Audit Committee – unless the Chair of the Audit Committee is implicated - to be investigated in accordance with the procedure described in the section **Receipt, Retention, and Treatment – Role of the Audit Committee Chair**.
- F. Submit concerns of suspected Misconduct anonymously using the IVGID website. Such submittals will automatically be routed to the Audit Committee Chair with a copy to the General Counsel.

The public may also submit suspected Misconduct and/or or reasonable suspicions of Misconduct to:

- A. The Audit Committee Chair by email at AuditCommittee@ivgid.org.
- B. Anonymously using the IVGID website. All anonymous allegations of Misconduct will be sent directly to the Chair of the Audit Committee with a copy to the General Counsel.
- C. Mail to 893 Southwood Blvd. to the attention of the Audit Committee Chair, Strictly Confidential – Addressee only, Incline Village NV 89451



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

Upon receipt of suspected Misconduct, the receiving party shall take swift action which shall include investigating or referring it to Human Resources if it is not subject to this procedure. Investigations may include an independent third party reviewer, the Human Resources department and/or legal counsel, as applicable.

No Retaliation

This Whistleblower Policy is intended to encourage and enable Trustees, volunteers, stakeholders of the District, the public and employees to report Misconduct and/or reasonable suspicions of Misconduct within IVGID for investigation and appropriate action. With this goal in mind, no Trustee, volunteer, member of the public, employee or other stakeholder of the District who, in good faith, reports Misconduct shall be subject to retaliation, harassment or public disclosure except to the extent required by applicable law or, in the case of an employee, adverse employment consequences. Moreover, any volunteer, Trustee or employee who retaliates, directly or indirectly, in violation of this procedure, against someone who has reported Misconduct and/or or reasonable suspicions of Misconduct in good faith is subject to discipline up to and including removal from the volunteer position, or termination of employment, or being censured as a Trustee.

Acting in Good Faith

Anyone raising concerns of Misconduct and/or reasonable suspicions of Misconduct must be acting in good faith and have reasonable cause for believing the information disclosed indicates Misconduct. Any allegations that prove to be made maliciously or knowingly false will be viewed as a serious disciplinary offense. For employees, this may result in termination. "Good faith" does not mean that the reporting person must be positive that their report is correct, but rather that the person is providing all of the information they have and that they believe it to be true at the time of reporting.

Confidentiality

To the extent permitted by applicable law, reports of Misconduct or suspected Misconduct will be kept confidential on a "need-to-know" basis, consistent with the need to conduct an adequate investigation. To the extent permitted by applicable law, the party leading the investigation shall make every reasonable effort to ensure the identity of the reporter is not disclosed if such reporter wishes to remain confidential. If an internal investigation could materially increase the risk of confidentiality being compromised, the use of an independent third party to



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

conduct the investigation is recommended. Improper or unauthorized disclosure of reports of Misconduct or resulting investigations will be viewed as a serious offense and will result in applicable disciplinary procedures being followed, up to and including termination of employment if provided under such procedures.

Receipt, Retention, and Treatment – Role of the Audit Committee Chair

The Audit Committee Chair will track and provide quarterly reports on the following statistics:

1. The number of reported concerns regarding Misconduct received through the IVGID website or direct reporting to the Audit Committee Chair, or passed to the Audit Committee Chair for investigation by another party receiving a report.
2. The average time to resolve or respond to those concerns.
3. The number of repeated concerns regarding Misconduct submitted.

The Board of Trustees will review all concerns under the whistleblower procedure s/he receives. The following are potential, but not exclusive, options of action for the Board of Trustees which shall be determined in consultation with General Counsel, unless the Counsel is implicated:

1. Delegate the investigation to the General Manager when the submission is outside the Audit Committee responsibilities as defined in Board Policy 15.1.0, Section 2.0.
2. Engage an external independent resource to investigate and provide recommended corrective actions.
3. Delegate the investigation to the General Manager or General Counsel.

If a concern under the whistleblower procedure is delegated to the General Manager, s/he is expected to take immediate action while keeping the Audit Committee Chair informed of the status of the investigation and corrective action taken. To ignore a concern under the whistleblower procedure will result in action pursuant to applicable disciplinary procedures, up to and including termination for inaction. The Audit Committee Chair shall retain ultimate responsibility to ensure that allegations of Misconduct under the whistleblower procedure are investigated and resolved in a timely fashion. The Board of Trustees has the authority to take additional action as s/he deems appropriate should s/he deem the investigation and corrective action is not being dealt with in a timely manner.

Receipt, Retention, and Reporting – Role of the General Manager



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

The General Manager will track and provide quarterly reports to the Audit Committee chair on the following statistics:

1. The number of reported concerns under the whistleblower procedure regarding Misconduct received through direct reporting to the General Manager or Human Resources Director, or passed to the General Manager for investigation by another party receiving a report.
2. The average time to resolve or respond to those concerns.
3. The number of repeated concerns regarding Misconduct submitted.



AUDIT COMMITTEE LONG RANGE CALENDAR

** We are in the process of updating the **template** for the Long Range Calendar which will go into effect in April. The Audit Committee will have its own separate Long Range Calendar. In the meantime, below are potential Long Range Calendar items for the Committee to review, discuss and determine whether the item should go on the calendar and when, etc.

- Consider establishing regular meeting schedule for future AC meetings (Homan)
- Discussion of Regular, Recurring Items to include on Long-Range Calendar (quarterly basis (Homan/Tulloch)
- Scope of financial audit for fiscal year ending June 30, 2023
 - Engagement Letter
 - Supplemental Agreed-Upon Procedures
- District Update – System of Internal Controls (policies, practices and procedures)
- Establish Procedure to handle Audit Committee “correspondence” (Homan)
- Follow-up on Supplemental Engagement re Purchasing – Request for total of transactions over \$5,000 (Tulloch)
- Audit Committee Review of Whistleblower Policy (as adopted 1/11/23)

MINUTES

AUDIT COMMITTEE MEETING OF FEBRUARY 7, 2023 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chair Michaela Tonking on Tuesday, February 7, 2023 at 6:01 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Mick Homan (Member-At-Large), Raymond Tulloch (Trustee), and Michaela Tonking (Committee Chair). Vito Brandle (Member-At-Large) joined the meeting at 6:14 p.m.

B. PUBLIC COMMENTS

Cliff Dobler read from a prepared written statement which is attached hereto.

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

Chair Tonking asked for changes to the agenda and asked for a flexible agenda. Trustee Tulloch stated that there have been many memorandums submitted by members of the public that are not on the agenda; he suggested getting a full list of outstanding memorandums for the new Audit Committee to address. Chair Tonking stated she would still like to have some of that discussion which should include how correspondence will be handled moving forward and discuss agenda items 3 and 4 together. Member-at-Large Homan stated he thinks the Committee could discuss the memorandums and have a discussion on a process of how correspondence will be handled. Trustee Tulloch stated he does not think a new agenda item can be created to discuss the process of correspondence moving forward. District General Counsel Melissa Crosthwaite stated it would be fine to combine the discussion for agenda items 3 and 4; she explained that they could be tabled too but that is up to the Committee, as long as they are staying within the confine of the agenda item descriptions. Trustee Tulloch stated he sees an issue with discussing the process for correspondence, as he does not see that as an agenda item. Member-at-Large Homan mentioned that the agenda states “discuss next steps” which could be open ended. Chair Tonking stated the way the correspondence has been listed is a new format on how it is handled so she believes this is a process discussion. Trustee Tulloch stated he sees the agenda item as to only “review and discuss possible next steps on outstanding accounting and financial reporting issues”. District General Counsel Crosthwaite stated the agenda item includes the language “and through past correspondence” so she thinks this can be accomplished with items 3 and 4. She stated the Committee could table the item and have Staff work on something very specific. She continued

Minutes

Audit Committee Meeting of February 7, 2023

Page 2

that if the Committee would like to discuss a process, this is within the “next steps” portion of the agenda item so there is room to be able to discuss it; if she thinks the Committee is going beyond the scope of that, she will jump in. Trustee Tulloch stated there is only a partial listing of the outstanding issues and there are more than 20 that are outstanding. Chair Tonking stated that many of the issues were postponed by the previous Audit Committee and she thinks it is the perfect time to discuss it and determine if those issues that were previously postponed should be addressed by the new Audit Committee.

Trustee Tolluch made a motion to remove agenda items 3 and 4 from the agenda.

Member-at-Large Brandle arrived at the meeting and was caught up to speed on the discussion that has ensued thus far. Director of Finance Navazio acknowledged that there have been dozens of memorandums and Staff focused on items that were submitted to the prior Audit Committee where action was deferred and additional new items. He continued that there were memorandums that were submitted and agendaized at prior meetings; per the meeting minutes, the Committee took no action or in some cases, they were forwarded to the Board of Trustees and they either took action or did not take action. He stated Staff did not go back and look at every memorandum that was submitted to the Committee; one or two might have been missed but the intent was not to have a comprehensive list of every memorandum that has ever been to the Committee; it was to identify the memorandums that have been sent to the Committee recently where the Committee did not discuss or provide direction. Member-at-Large Homan stated that from a process and Board policy standpoint, there are a number of them that carry over from the prior Audit Committee, including a number of them from Mr. Dobler when he was on the Committee, and some other memorandums that have come in subsequent to that time. He continued that he thinks the Committee needs to have a discussion on how they will be handled; he sees them a bit different coming from a member of the public versus a member of the Audit Committee so he would like to discuss that as part of the process moving forward. Member-at-Large Brandle asked if the Committee proceeds with the agenda item(s) regarding submitted memorandums, if it excludes them for discussing other items that may have been missed? District General Counsel Crosthwaite stated that this can be discussed now and also agendaized in the future if the Committee feels there was something that was missed.

There was no second to the motion; the motion died.

Chair Tonking made a motion for a flexible agenda. Member-at-Large Homan seconded. Chair Tonking called the question and the motion passed unanimously.

D. GENERAL BUSINESS ITEMS (for possible action)

D.1. Follow-up on Final Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022 as presented to the Board of Trustees at their meeting of December 14, 2022 and filed with the State of Nevada Department of Taxation. (Requesting Staff Member: Director of Finance Navazio)

- a. Board memorandum prepared for meeting of December 14, 2022**
- b. Correspondence from State of Nevada Department of Taxation, dated January 24, 2023**

Director of Finance Navazio provided an overview of the submitted materials. Member-at-Large Homan referenced the letter submitted by Mr. Dobler on January 9, 2023 and Staff's responses; he stated they are consistent with his understanding of accounting rules and his reading of the financials; he is satisfied with the answers. He referenced the table and stated that the reason why the accounting rule is out there is to ensure you are disclosing balance sheet obligations to ensure there are no liquidity issues that you are facing because of things you have committed to in the future; he does not get concerned that there are a couple of items on there. He continued that he does not see a need to revise it to take them out especially given that the authorities have already been informed. He stated it is an area where most are concerned about leaving things off the list and it is offline information which is a difficult process for most entities to ensure that there things on the list. He continued that he would not mind going through that process and that the policy is for identifying items that are put on the list to ensure obligations are being captured. Member-at-Large Brandle stated that if one error were chosen, it is good that more items were added, rather than left off the table. He asked what fixes are being done to ensure that the future and subsequent events do not get missed? He continued that he can survive with adding too much, but missing items is where the issue is and he wants to ensure that they do not fall back into another mistake in another year. Director of Finance Navazio stated that with Tyler Munis, one of the things that is happening is when contracts or

purchase orders are approved and put in the system, those dollars are being encumbered. He stated that at year-end, Staff would be in a much better position to put a list together of all of the contracts and purchases where dollars were not spent but there are still encumbrances. He continued that perhaps the conversation should be at what dollar figure Staff cuts that list off because it is an exhaustive list. He stated that what Staff has done in the past, and absent any formal encumbrances, was identify the contracts associated with the higher visibility projects that there may be an interest in without effort to be comprehensive. He continued that going forward; Staff should be able to produce a list as of June 30th of all of the unexpended encumbrances and then the question is if there is a dollar threshold that would be appropriate that could be used in efforts to be consistent in using the list in the future. District Controller Martin Williams mentioned that the Tyler system has a contract module, which would track all contracts so there would be 1 system and 1 record to have the entire package. Trustee Tulloch referenced pages 4 and 5 with regards to providing Mr. Dobler responses to his memorandums and asked if it was a complete response that addresses all issues raised or if it is a selective response? Director of Finance Navazio stated that if Staff was asked to respond to correspondence from the January 9th and January 14th memorandums, the presented responses are what would have been prepared. Trustee Tulloch asked if responses have been provided with regards to all of the issues raised by Mr. Dobler on January 9th and January 14th? Director of Finance Navazio stated he would need to go through it, but that was the intent, for at least the ones that warrant a response. Trustee Tulloch requested an explanation on the ones that warrant a response. Director of Finance Navazio stated he would like to take his statement back, and this is Staff's response to the memorandum of January 19th. Chair Tonking asked if Trustee Tulloch feels there is an area missing that he would like some feedback on. Trustee Tulloch stated he is trying to determine if the response is to everything raised in the memorandums from January 9th and January 14th; the memorandum from January 9th is comprehensive, and seems to have been dealt with 3 bullet points. Chair Tonking stated that the Director of Finance has indicated the areas he responded to and felt as if they were ones with errors or he felt should be addressed by the Committee; she asked if there are an areas within the memorandum that he would like the Committee to discuss or to receive a management response to. Trustee Tulloch stated he would like a management response explaining how they define what is warranted vs. not warranted. He continued that he would also like a clear answer as to whether everything has been responded to. Director of Finance Navazio referenced the memorandum dated January 9th and stated Staff responded to the

comments in the memorandum and incorporated a response to the part of the memorandum from January 14th that was related to note 18. Trustee Tulloch asked if Staff responded to everything in the memorandum. Chair Tonking stated that she believes Staff has responded to the essence of the memorandum and this is something that can be discussed under agenda item 3. She asked Trustee Tulloch if there is an area from the memorandum that he feels is not answered that he would like management's opinion on. Member-at-Large Homan stated he looked at the January 9th memorandum and the responses side by side and it looks like the points that were raised by Mr. Dobler were addressed. He referenced the contractual committee table that was discussed and stated the Director of Finance answered this.

D.2. Review and discuss draft report from Davis Farr, LLP related to supplemental engagement to review compliance with Capitalization policies and procedures and best practices (Requested by: Director of Finance Navazio; Prepared by Jennifer Farr, Partner, Davis Farr, LLP)

Chair Tonking stated Ms. Farr was not able to join the meeting; Director of Finance Navazio is present to answer questions, knowing that some of them might have to go to Ms. Farr. She continued that this is a draft report so any feedback would be key on this report. Director of Finance Navazio provided an overview of the submitted materials. Member-at-Large Homan stated the report is great and demonstrates the progress that Staff has made to solve many problems that were identified in the past; he thanked Staff for turning it around getting the result in the report. He continued that hopefully there are processes in place with the new system so that this is sustainable and there is no need to come back to this. He suggested that perhaps on a periodic basis, this be re-visited to ensure they are continuing to keep the good processes and controls in place. He asked for the rationale in them not testing the CIP Engineering overhead charges. District Controller Williams stated he could not answer that; the Auditors were given the backup for those charges, but why they chose not to test them, is a decision they made. He continued that the engineering charges have never been brought up as an area of concern; the overall engineering charges in any assets that are capitalized is minimal. He stated they probably did not bother testing them because most of them are a few hours or a few hundred dollars. Trustee Tulloch asked when Ms. Farr would be available to answer these questions and stated he challenges the statement that engineering charges are not normally more than a few thousand dollars. He referenced the effluent storage pond and stated he has concerns when he sees that 80% of the

project cost has been expensed and capitalized 20% of the project cost incurred. He stated this is a project that has not been billed and it appears that the capitalizing is subjective and not tied to specific invoices; he asked what the asset is that has been created. Director of Finance Navazio stated that for some time, the project that was defined regarding the effluent storage pond was the pond-lining project; there was a lot of work that went into planning, engineering and designing of the effluent pond lining project. He continued that late last fiscal year; the Director of Public Works came before the Board of Trustees with the updated assessment and a recommendation, supported by the Board of Trustees, to pivot from a project to line the existing pond to a storage tank project. He stated that from that point forward, Staff essentially drew a line and proceeded with a design and construction of a storage tank; the cost associated with this will be capitalized and looking back at the cost that were incurred to date related to the predecessor pond lining project, Staff looked at expensing those costs as the pond was not going to be lined. He continued that there are costs that are eligible to capitalize that would have been incurred regardless if it were for the pond lining or the storage tank; this was discussed with the Auditors and Staff provided them with the information and brought the Engineering team in on the conversation. He stated that while the memorandum stated there was some subjectivity in making that decision, it was reasonable and the Auditors did not have a concern; the alternative would have been to expense everything up until that decision point and then capitalize from that point forward, but then Staff would be expensing costs that are eligible and appropriate to capitalize. Trustee Tulloch asked to be pointed to the asset that was created. Director of Finance Navazio stated the asset does not exist yet and has not capitalized it yet; the 20% is in construction and progress and is on the balance sheet for the financial statement for the year ended June 30th. He continued that it would be capitalized and included in the calculations of the capital assets that will be depreciated once the tank is constructed and put in service. Trustee Tulloch stated that the project and costs were associated with lining the pond, pivoting to the storage tank and then a 3rd solution, so he is unclear as to what cost are eligible to be capitalized that contribute to the solution on the table. Director of Finance Navazio stated this was reviewed with the Auditor and if this is an item that the Committee wants Staff to bring back, they could so that. Trustee Tulloch stated he would like to see the details and that \$750,000 was previously capitalized for pond lining that is non-existent. Director of Finance Navazio stated it was not capitalized; it was in construction and progress while going down that path and when there was a pivot, Staff wrote off a portion that was no longer appropriate to maintain in construction and progress and retained

the portions that were appropriate; the Auditor did not see a problem with how this was done. Trustee Tulloch stated this was prior to the Director of Finance's tenure. Chair Tonking stated this would be a good item to agendaize; she can organize a time for Trustee Tulloch and Ms. Farr to discuss further. She continued that a list of the questions from this meeting will be collected to ensure that Ms. Farr receives them and can respond to them. Trustee Tulloch stated he would also like to have a review of the engineering charges be agendaized. Chair Tonking stated she agrees that the engineering charges, minor or not, should be addressed and understood for transparency purposes. Trustee Tulloch stated he is surprised the packet does not include a review of the Moss Adams recommendations and is wondering why Davis Farr did not include that as part of their review. Director of Finance Navazio stated the purpose of having the agreed upon procedures is so there is clarity at the front end as to what the work will entail; the focus was on compliance with Board policy. He continued that the capitalization policy was updated in January; the Committee specifically directed the Auditors to use the District's Capitalization policy that was in effect from July 1st to December 30th for all transactions occurring during the first 6 months of the year and the new updated Capitalization policy that was in place as of January 1st for transactions through the end of the fiscal year. He noted that the Auditor's procedures, as outlined in the memorandum and approved by the Committee last May, was to apply the compliance with Board policy. Trustee Tulloch stated he blames the guy that signed the letter. Director of Finance Navazio stated that Committee Members had input into the scope of work; there was a lot of detail and discussion about it. He continued that the Audit work that was performed was in accordance with the procedures that they outlined and that the Committee signed off on.

D.3. Review and discuss possible next steps on outstanding accounting and financial reporting issues identified by former Audit Committee and through past Correspondence. (Requesting Trustee Audit Committee Chair Michaela Tonking)

Chair Tonking provided an overview of the submitted materials. Member-at-Large Homan stated laying it out on a matrix spreadsheet is a good way to get everything listed and noted all of the prior Audit Committee items need to be listed. He continued that he would like to see quantitatively what the numbers are as this will allow the Committee to look at it and make a judgment call on whether it is material or not. He stated that Chair Tonking's observation on getting a volunteer assigned to work with management as a first pass through on some of the items and come back to the Committee,

especially if everyone is getting the memos, is a good process. He continued that he thinks that Committee needs to have a discussion on what to do with correspondence from the public that is received going forward; this will depend somewhat on what the Board of Trustees would like them to do. He stated that he would like some legal perspective on if there is a requirement that the correspondence get publicly addressed by the Committee. He continued that he is not sure if they should select a volunteer during this meeting to be a liaison or wait, as there will be will be new Committee Members and solicit them to figure out who is best to fill the role. Chair Tonking explained that the Board of Trustees receives correspondence and some of it gets agendaized and some of it is responded to individually. She referenced the Whistleblower policy and the importance of staying within the policy. She stated the Committee could receive correspondence and decide if there is no action required if it is not within the Whistleblower policy; hopefully a liaison can direct the process. She continued that she agrees that there is not currently a full Audit Committee and there is a Board of Trustees meeting coming up where there may be new members on the Committee so perhaps they hold off on assigning the liaison. Director of Finance Navazio referenced the process of correspondence and asked that there be clarification as to whether or not there is an expectation that Staff is providing a response to memorandums as they come in. He continued that it is his recommendation that correspondence be forwarded to the Committee as it is received and that the Committee refer to Staff as to what items they would like them to respond to. Trustee Tulloch stated he thinks the question of materiality is an important point since in the 3 years he has been on the Committee, he has seen the definition of materiality move all over the place; he thinks the Committee needs to come up with a more consistent definition as it changes every time the question comes up. He continued that it sounds like a process is being developed and he is not sure if it is consistent with the agenda or if it should be agendaized for the new Committee. He stated that all of the correspondence should be published as part of the Audit Committee package and the Audit Committee should decide if there should be follow-up required. Chair Tonking asked District General Counsel if she would jump in if they are moving away from agenda. District General Counsel Crosthwaite stated that she would jump in and that the Committee is speaking generally about correspondence so far and how it will be handled which is fine. She suggested that the appointment of a liaison be put off until the next meeting. She stated that there is all types of correspondence that could be submitted; she is not aware of any general requirement that every single correspondence has to have a particular action by Staff or any of the bodies. She continued that it is a case-by-case

basis as to what type of correspondence it is and how it is addressed, if it is addressed. Chair Tonking stated she hopes ideas can be presented in order to create an item to be voted on. Trustee Tulloch stated that if it is going to be agendized then the ideas should be surfaced at that time at the next meeting. Member-at-Large Homan stated he agrees that it should be agendized as far as the decision and the liaison; he noted that the new Audit Committee might not want to have a liaison so it would be pointless to do that now. He continued that in effort to try to get this moving along and try to get some of this resolved, it would be a good idea to have some options that the Committee can start on at the next meeting so they aren't freeform thinking and they can focus on a couple of options that the Committee could refine to get it moving. Member-at-Large Brandle asked if a motion could be made now to get some activity, with the anticipation of a possible new majority on the Committee coming on board who may want to change it later. Chair Tonking responded with no because it is not agendized for this meeting. District General Counsel Crosthwaite referred the Committee back to the language on the agenda. Member-at-Large Brandle stated that as the Committee looks at correspondence and next steps and regarding materiality, it is probably easier for Staff to come in with dollar amounts and let the Committee factor in the materiality. He continued that he would prefer to have a liaison because of the volume and he would aim more towards action of the Committee because he feels that their inability to answer memorandums or feedback fast enough causes them to cycle; he would like to deliver more to the community. Chair Tonking referred to correspondence that had been deferred by the previous Audit Committee and stated that she thinks this method would allow those to have some sort of action set so that the Committee would know where everything stands as they enter into each new meeting. She also reminded Committee Members that if they need to use their cell phones, that they do not end up on the screen. Member-at-Large Brandle asked if there is any kind of double jeopardy that occurs if an item is addressed once and it cannot be brought up again. District General Counsel Crosthwaite stated that there is no double jeopardy; the Committee can change their minds about things and re-agendize them. She stated if they wanted to change their mind at a meeting about something, there is a process for a motion to re-consider. Member-at-Large Brandle asked if the Committee has the choice on whether to agendize something or not. District General Counsel Crosthwaite stated that if the desire of the Committee is to not look at a particular agenda item, nothing requires them to. Member-at-Large Homan asked if it would be appropriate to direct Staff to work with 1-2 Audit Committee Members to come up with some recommendations for the next Audit Committee meeting on how to handle this going forward in

effort to get this moving? District General Counsel Crosthwaite stated a motion for this is not necessary and the Committee could direct Staff to reach out to 1 or 2 members to put something together for the next agenda. Chair Tonking stated she is onboard with this idea if there are 1-2 Members who are interested in volunteering for the role. Member-at-Large Homan stated he is willing to volunteer. Trustee Tulloch stated he understands the desire of everyone wanting be action man and dive in and do things; he is reluctant to having a Committee liaison work with Staff to provide responses to comments by the public. He continued that this is defeating the objective of an independent Audit Committee and he thinks the committee needs to be sensitive to that, as well as be careful with having 2 Members work with Staff to come up with a process and an agenda item as to not violate the Open Meeting Law. He stated that individual Committee Members could express a response to a member of the public but only as an individual and not as a Committee view. Chair Tonking stated it was not her understanding that the liaison members would be responding to the memorandums, but rather helping flag certain memorandums by importance for the Committee to review in effort to keep the process moving. She stated her understanding from the Open Meeting Law training; they are allowed to collaborate with 2 members. District General Counsel Crosthwaite stated her understanding of what the direction is includes having Staff work with 2 members to put together an item on the agenda that would explore certain next steps; it is fine to have 2 members which is less than a quorum. Trustee Tulloch stated there is an Audit Committee of 4 present and asked what the quorum is. District General Counsel Crosthwaite responded that it is a 5 Member body, so 3 is a quorum. Member-at-Large Brandle stated he thinks the Committee should prioritize transparency and wanted to make it clear that there should never be a point where the Audit Committee does not see something; this was not what he intended to represent. He continued that the volunteer liaison(s) should only be focused on helping to keep the Committee focused. Chair Tonking summarized that Member-at-Large Homan volunteered to be a liaison to work with Staff on preparing an agenda item on possible next steps. She referenced agenda item D.3. and asked if anyone had any concerns with the correspondence that was received that they would like to have as an agenda item in the future. Member-at-Large Homan asked if Trustee Tulloch would like to volunteer with him; he stated he wants to ensure they come up with something that they can all agree to as far as the agenda item and options. Trustee Tulloch stated he is deeply conscious about nominating 2 volunteers and noted that Member-at-Large Brandle and Homan could be nominated, due to the upcoming potential changes with the Audit Committee Members, but then corrected that statement and

mentioned he is happy with Member-at-Large Homan taking the lead on this instead. He referenced Excel spreadsheets and asked that the font size be increased to make it easier to read. He referenced the statement that the State Department of Taxation does not concur with Moss Adams recommendations; he asked if there is notification from the State Department of Taxation in writing. Director of Finance Navazio stated it is in reference on how the facility fee is reflected; it includes more than 1 conversation with the Department of Taxation when the issue first came up with regards to reporting the facility fee as a non-operating expense as opposed to an operating expense. He continued that their comment was that not only did they believe it was appropriate as an operating expense but it had been reported as such consistently in the past when the community services funds were enterprise funds. He stated he does not have it in writing; this item was previously communicated to the Committee and Board of Trustees and it was one of the considerations as an issue that appears to still be outstanding. Trustee Tulloch stated that it would be strong language coming from the Department of Taxation; he would like to see this in writing. Director of Finance Navazio stated he would follow up with them and explained that it is a comment in the State forms that the District files with the State as part of the budget. He continued that they requested that the facility fee be reported as an operating revenue on those forms. Trustee Tulloch stated it is a serious statement by the Department of Taxation and it raises red flags for him; it raises questions over whether the Moss Adams recommendations can be accepted or not. He continued that he is surprised that the State Department would give a ruling such as that. Director of Finance Navazio stated this was not a recent conversation and that it was a discussion that happened at the time the issue came up a year and a half ago. Trustee Tulloch asked that it be followed up on and to get something in writing. Member-at-Large Homan stated it would be helpful to know in the context of the Moss Adams report, if it was an observation of it being a best practice or if it were a requirement under the rules; it would have some bearing on the strength of the documentation that would be needed to overcome that. Director of Finance Navazio agreed that it would be helpful to bring this back; he can circle back with the Department of Taxation. He noted the packet includes an attachment from a report that came to the Audit Committee and Board of Trustees specific to this issue that shows the history of how the District has historically reported the facility fee for as far back as they could go when the community services funds were enterprise funds; the issue is operating vs. non-operating but is a non-issue in the years when the District reported them as governmental funds. He continued that Moss Adams made an opinion; past and current Auditors have looked at it.

He stated he would bring back any relevant comments from the State Department of Taxation; it is a long-standing practice and interesting issue to continue to discuss. Trustee Tulloch stated regardless if it was a long-standing practice, many of the them have changed and he has a concern as this issue raises serious ethical questions for him. Director of Finance Navazio stated suggested bringing the Auditor, Moss Adams and the State to the table and let them hash it out. Trustee Tulloch stated he sees many things that state, “no action needed” and asked for a further explanation on these items.

D.4. Review, discuss and determine if any further action is required for the following correspondence and memos received by Audit Committee. (Requesting Trustee: Audit Committee Chairwoman Michaela Tonking)

Date	Subject	Author
12-14-2022	Audit Finding	Chris Nolet
1-9-2023	Observations and potential corrections to AFCR for June 30, 2022	Cliff Dobler
1-9-2023	GFOA Certificate of Achievement (GFOA
1-14-2023	Lack of FULL disclosure in Note 18 of the ACFR FOR FISCAL YEAR ENDING JUNE 30, 2022 and false approval of contracts to avoid requirements under NRS and Board Policies	Cliff Dobler
1-21-2023	Unauthorized change in reporting from fiscal 2021 to 2022 for the Community Services venues	Cliff Dobler
1-23-2023	Item E.3A - Report - Facilities (Weddings and Events) - Multiple errors or lack of complete information - Board Packet 12-14-2022	Cliff Dobler
1-30-2023	Follow-up on my memo on January 9, 2023 - Investment Earnings 2022 fiscal year AFCR	Cliff Dobler
1-31-2023	Violation of GASB #34 - Improper Reporting of Internal Services Fund as part of Proprietary Funds 1) Statement of Net Position (Exhibit B), 2) Statement of Revenues Expenses and Changes in Net Position (Exhibit C) and 3) Statement of Cash Flows (Exhibit D). Page 24 to 27 of the June 30, 2022 Annual Comprehensive Financial Report.	Cliff Dobler

Chair Tonking stated she feels the list of correspondence should end up in whatever the Audit Committee decides on; she proposes that for now they remain in the same format shown on this meeting agenda but is open to feedback. Member-at-Large Brandle asked if this review would exclude the January 9th and 14th correspondence as they were addressed earlier? Chair Tonking stated there was discussion on those items and she does not believe there is any further action long term needed by the Committee. Member-at-Large Homan stated there was just one item with respect to the contractual tables that needs to be followed up on. It was noted that the Committee Members would provide feedback on some of the items at this time. Member-at-Large Homan referenced the January 21st correspondence

and the question that was raised as to why the supplemental information is no longer provided; he stated it is a good question and would be interesting to know why the format changed. He referenced the January 30th correspondence and the questions that were raised about cash, cash equivalents, investments, etc. and stated there are some good points raised about longer term maturities being included in cash and cash equivalent; he mentioned it would be nice to have an explanation on what is being done with this and why. He referenced the January 30th correspondence again and noted that the internal service funds are included in the sub-total rather than after; he is not concerned about a lack of disclosure as all of the data is there and can be calculated, but it is more of a formatting question. He continued that there was correspondence from Mr. Nolet regarding cash reconciliation and he raised a good point about the account itself being material; he asked how to get around not having a material weakness, which is a question for the Auditor. Chair Tonking stated that is good feedback to get management response on with the correspondence that has been received; she noted there have been some grammatical or date inconsistencies but it's not necessarily that the data is not there. Member-at-Large Homan stated he does not get too concerned over grammatical inconsistencies and has no problem with the language being cleaned up over time. Director of Finance Navazio stated he would need to follow up on the Auditor on many of these items, including some direction they provided on the presentation, supplemental information and internal service funds related to Mr. Nolet's comments. Trustee Tulloch referenced the community events, year to date numbers and revenues; he agrees with Mr. Dobler with regards to the inconsistencies and he is unsure what it is trying to show. Director of Finance Navazio stated this was in regards to a comment that was made based on a presentation by the Director of Community Services regarding the year-end status for golf, facilities and events. He continued that Staff would follow up with the Director of Community Services on the information that was provided. He stated there will be times where correspondence is sent to both the Board of Trustees and the Audit Committee Members and perhaps it will be discovered through this process how Staff is being asked to respond so they are providing the feedback that both the Board of Trustees and Committee Members are requesting. Trustee Tulloch stated this is one of his concerns; there seems to be no clear process for the Board of Trustees dealing with correspondence. He referenced the venue fees paid for community events and stated it works out at \$68.00 per event, yet they are told they cannot afford to use the Chateau for Board Meetings because of the costs associated. He continued that he has heard from community groups complaining that they are charged

\$500.00, yet it is showing up as \$79.00. He stated he supports the points made by Member-at-Large Homan. Member-at-Large Homan referenced a correspondence that raises scope and charter questions for him; it is an operating report that is provided by one of the people to the Board of Trustees. He asked if the Trustees understand it and if they are getting the information that they want and are asking for; he questions whether it is in the Audit Committee's scope. He continued that if there are questions about the accuracy of some of the numbers that would lend itself to questions about the accuracy of the broader audited financials, he can see where it would come under the Committee's charter; he suggested that there be a discussion with the Board of Trustees to assist in figuring out if it is something the Committee should be looking at. Chair Tonking stated that is a good point and referenced Trustee Tulloch's comment earlier with regards to the Board of Trustees not having a good process on how to handle correspondence; the Audit Committee may have a better process on how they are handling correspondence so many times it ends up with the Committee. She continued that she thinks it is important that they are not infringing on that scope. She stated it would be important for the Board of Trustees to determine how they will handle correspondence to solve the grey area on this. Trustee Tulloch stated that correspondence goes to both places because some of it includes operating reports; there have been some inconsistencies in terms of revenue, which is why it is forwarded to the Audit Committee for review. He continued that sometimes it is frustration because correspondence goes to the Board of Trustees and seems to be ignored; it seems that there is a perception that the Audit Committee is more likely to consider the correspondence. He noted that this is a personal view and observation. District General Manager Winquest stated it was a season ending operational report provided by the Director of Community Services on the golf courses; there were some members of the Board of Trustees that provided feedback regarding inconsistencies and had noted where they wanted to see clarifications. He continued that at this time and based on the nature of the information, he does not see how it applies to the Committee; this is his opinion. He stated he hopes the Board of Trustees collectively provides feedback to Staff as far as issues they have with the report so that when it is brought back, Staff is providing the information they would like to see. He continued that if there are any clarifications on the specific memorandum that was provided by the member of the community, Staff is happy to prepare a response. It was noted that this is an item for the long range calendar for future discussion.

E. LONG RANGE CALENDAR

Chair Tonking summarized the following items to be added to the long range calendar; discuss information regarding the contract form and how controls are working (D.1.), ask questions of Davis Farr and ensure there will be open dialogue regarding the engineering hours, why Moss Adams was not included and other questions that have come out of the Staff report. This includes discussing how often the Committee would like a supplemental scope to an audit to address these issues (D.2.), Member-at-Large Homan to work with Staff to create some recommendations on ways to handle correspondence moving forward, work with Staff to address things like better font size and summaries and obtaining a written notification from the Department of Taxation stating they do not concur with Moss Adams (D.3). Trustee Tulloch asked for follow up on a question he raised at the last meeting regarding a number for the total value spend over \$5,000; Ms. Farr was to calculate it and provide it. Chair Tonking stated another item to add is regarding the correspondence that has been received and the direction to Staff on some outstanding questions that the Committee would like addressed. Member-at-Large Homan stated he does not recall what was discussed at the last meeting; he asked for a complete list of the items on the long range calendar. He noted that it would be helpful to get the next few meetings scheduled. Chair Tonking asked the District Clerk to add these items and the items from the last meeting in the same format that is used for the Board of Trustees long range calendar. Member-at-Large Brandle referenced the Whistleblower policy and ensuring it is finalized. Member-at-Large Homan stated it would be nice for the Committee Members to determine what they would like to look at on a routine or reoccurring basis once they review the long range calendar. Trustee Tulloch agreed and stated it would be good to divvy items out quarter by quarter with a rolling calendar so as to not inundate the Committee or Staff. He referenced the Whistleblower Policy and stated it was adopted with a few modifications by the Board of Trustees at the January 11, 2023 Board Meeting; his memorandum for the meeting indicated that the Audit Committee could take a further look at it to see if there are any suggestions or changes. He continued that the Board of Trustees adopted it to ensure that there was a policy in place.

F. MEETING MINUTES (for possible action)

E.1. Meeting Minutes of December 5, 2022

Chair Tonking asked for any changes, none were submitted so the meeting minutes of December 5, 2022 were approved as submitted.

G. PUBLIC COMMENTS*

Director of Finance Navazio stated that District Controller Martin Williams is leaving the District at the end of the week to take on some new professional challenges; he thanked him for his work and support to the Committee over the past few years.

H. ADJOURNMENT (*for possible action*)

The meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Melissa N. Robertson
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.

Submitted by Cliff Dobler

February 7, 2023

Public Comment by Clifford Dobler to Audit Committee

This written statement is to be included in the meeting minutes

Over 4 years ago, I provided the Board of Trustees and the reformed Audit Committee detailed memorandums regarding improper accounting and reporting and a lack of disclosure in the CAFR's. An extensive list was used as a basis for the Moss Adams report which was delivered to the Board in January 2021. While the report concentrated on 4 main topics, Moss Adams also included several other items which were deemed inappropriate. 24 memorandums were provided to Moss Adams during their investigation.

Since that time through extensive research I produced over 30 additional memos for Audit Committee to review. At some time, I will provide a complete list for your review.

It was quite clear that a concerted effort, either by poor management and administration or outright suppression, has been made to avoid a review and discussion on over 20 of the memos thus violating Board Policy. These memo's stretch back to 2021

There were several Tactics used such as:

- 1) Not including memo's on the agenda
- 2) Deferring memos to the future
- 3) Outright removal of memos from the agenda
- 4) Management failure to respond to items requested by the Audit Committee

I requested Chairman Tonking to prepare a list of memo's not heard. As expected she came up with only 9 and only included 6 memos in tonight's packet. I sent her a list of 11 additional memos which were not part of her list.

I prepared a rebuttal to Mr. Navazio and Mr. Williams comments in item D.1 regarding only two memos dated 1/9/2023 and 1/14/2023. Some of their comments are so bizarre it is hard to believe.

A large number of memo's involved the improper capitalization of routine repair and maintenance expenses. It appears, based on the delayed receipt of the "CIP Activity by Project report for fiscal year June 30, 2022" that many current year capital costs were expensed thus concurring with my memorandums. That being said, there has been nothing prepared or presented on the several millions which were improperly capitalized the previous 5 years. Instead, some of the prior year costs were improperly buried in current year expenses rather than reported as prior period adjustments (see 2021). Needless to say there has been no consistency in treatment other than to avoid prior period adjustments. In some cases, Navazio has flipped flopped agreeing to report items one way then reporting them another way.

Let's start playing the game fairly and start over again reviewing my memos when new members are added to the Audit Committee tomorrow.