

## MINUTES

### **AUDIT COMMITTEE MEETING OF JUNE 1, 2022 Incline Village General Improvement District**

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Wednesday, June 1, 2022 at 4:04 p.m. via Zoom.

#### **A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS\***

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

On roll call, present were Cliff Dobler (At-Large Member), Raymond Tulloch (At-Large Member, Chairman) and Matthew Dent (Trustee). Trustee Sara Schmitz was absent.

#### **B. PUBLIC COMMENTS**

There were no public comments made at this time.

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

Audit Committee Chairman Tulloch asked for changes; Audit Committee At-Large Member Dobler asked that General Business Item D.6 be moved to after General Business Item D.9. Trustee Dent said with the changes made to the Audit Committee, we have to make sure the new committee is set up for success. Audit Committee At-Large Member Dobler said we will still have items that are unanswered and that we have a long range calendar that they can take up. Audit Committee Chairman Tulloch said let's try and clear the decks today and suggested that General Business Items D.3. and D.6. be moved to before General Business Item D.8. The agenda was approved as revised.

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

##### **D.1. Review, discuss and determine if any further action is necessary on charges to the Water and Sewer Pump Stations capital projects for 2015 to 2021 which were capitalized but should have been expensed**

Audit Committee At-Large Member Dobler went over the submitted materials of both memorandums. The Audit Committee had a discussion about both memorandums.

Audit Committee At-Large Member Dobler made a motion to have IVGID Staff review these memorandums, make a determination and provide a report back to the Audit Committee in the next 60 to 90 days. Audit Committee Chairman Tulloch asked for an amendment and that was that Staff do a high level review and report back what approach is being used going forward.

Audit Committee At-Large Member Dobler said that is a tipping point and it is all about the aggregate. You have found what happened and then aggregate all together to see if our financial statements have been done incorrectly; he thinks that needs to be done. Audit Committee Chairman Tulloch said he is not sure he can sign on to spend \$100,000 to do this work. Audit Committee At-Large Member Dobler said he is going to be talking about two other items at the next Audit Committee meeting and he doesn't know how you can't do the work and aggregate it to find out how large the problem is. Audit Committee Tulloch said he can't support going line by line and work order by work order. The work order could have 1,000 line items on the work order.

Trustee Dent seconded the amended motion. District General Counsel Nelson said that Audit Committee At-Large Member Dobler's motion failed for lack of a second. Audit Committee Chairman Tulloch called the question and Trustee Dent and Audit Committee Chairman Tulloch voted in favor of the amended motion and Audit Committee At-Large Member Dobler voted opposed. The motion passed.

District General Counsel Nelson said that motions can be passed with a 2 versus 1 vote as referenced in the Open Meeting Law.

**D.2. Review, discuss and determine if any further action is necessary on charges to the Wetlands Effluent Disposal Facility Improvements capital projects for 2015 to 2021 which were capitalized but should have been expensed**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. The Audit Committee had a discussion about how this is a capital asset and Staff said they didn't make a unilateral decision as Staff pulled work order, contracts and invoices and then did the capital asset review with DavisFarr and that the remaining were those items that were to be capitalized so that work has already been done. Audit Committee At-Large Member Dobler said it should be maintenance and not capitalized

based on what Moss Adams has said. Audit Committee Chairman Tulloch said it looks that way to him and that we are doing running repairs but did you say you have detail that you could provide at the next meeting? Director of Finance Navazio said yes, based on the review of the work that was actually done and DavisFarr reviewed that and concurred and will bring that to the next meeting. Audit Committee Chairman Tulloch said ok and asked if Staff can bring back the additional details as that would be helpful.

**D.3 Discuss Management's responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting (*moved to General Business Item D.*)**

**D.3. Review, discuss and determine if any further action is necessary on Note 22 - Prior Period Adjustment - Annual Comprehensive Financial Report as of June 30, 2021 (ACFR) (*was General Business Item D.4.*)**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. The Audit Committee had a discussion which concluded with Staff saying that they did an analysis and Audit Committee At-Large Member Dobler asked to see it.

**D.5. Review, discuss and determine if any further action is necessary on Accounting and Reporting of Facility Fees Revenue in the Annual Comprehensive Financial Report (ACFR) (*was General Business Item D.4.*)**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. Director of Finance Navazio said he did commit to Trustee Schmitz that we owe a response to the Audit Committee with respect to why we disagree with Moss Adams on this operating versus non-operating and we will be including this in your report for your next meeting and then gave a brief history.

**D.6. Verbal review of annual internal controls schedule and update on revisions to internal controls (Policy 15.1.0, 2.6.1,2) from Director of Finance Paul Navazio (*was General Business Item D.6.*)**

Director of Finance Navazio gave the following highlights:

- ⇒ Implemented a more rigorous review of capitalization and it is happening throughout the year (goal is monthly but not quarterly)
- ⇒ Bank signature cards – fixed prior to the issuance of their report
- ⇒ Updating finance and accounting manuals and working with Management Partners on this effort and is a complete rewrite of the internal documentation; hoping to wrap it up this month however we are also transitioning to a new financial system so that will have to be incorporated into the documentation
- ⇒ Auditors are working on the additional scope of work for contracts and purchasing and they have the data that they have asked for
- ⇒ Periodic internal audits – have identified 7 or 8 areas that are candidates for interim audits regarding cash and inventory

Audit Committee Chairman Tulloch asked if they have looked at the things that are being built into the Tyler software? Director of Finance Navazio said no, we have had conversations with them as a sounding board and they are going to audit what we produce. Audit Committee Chairman Tulloch said we agreed that this would be a quarterly report on internal controls to the Audit Committee. District General Manager Winquest said we are pleased with the work done by Management Partners and that we take this extremely seriously. Audit Committee At-Large Member Dobler said that we are basically saying we don't have any internal controls. District General Manager Winquest said that is not what we are saying. Audit Committee Chairman Tulloch said the Audit Committee did encourage Staff to bring in some outside help and Audit Committee At-Large Member Dobler is correct but we have accelerated it. Director of Finance Navazio said that the Tyler financial system does work hand in hand and that we are building up an internal controls system. Audit Committee At-Large Member Dobler said make sure you have enough help. Audit Committee Chairman Tulloch said make sure the payroll part works first because that will be your biggest headache. Trustee Dent said thank Staff for the update and it sounds like there has been progress moving forward and thank you for the progress made so far.

**D.7. Review, discuss and determine if any further action is necessary on implementation of agreed actions identified from 20-21 Audit Report by the Audit Committee**

Audit Committee Chairman Tulloch asked Director of Finance Navazio to give an update and the Audit Committee members asked a few questions.

**D.3 Discuss Management's responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting**

Audit Committee Chairman Tulloch said that we have covered this item already. Audit Committee At-Large Member Dobler said there are 4 or 5 disagreements and Staff has to give him a reason and tell us why Moss Adams is wrong. Director of Finance Navazio said we are going to bring back a report that provides the rational and supporting accounting principles; may not be 100% satisfied with the responses and he will review with the Audit Committee Chairman. Audit Committee At-Large Member Dobler said he finds it amazing that the interest income is based on a misunderstanding, it is what it is, no misunderstanding at all and leave at that.

**D.8. Review, discuss and possibly update the Audit Committee Long Range calendar.**

Audit Committee At-Large Member Dobler said he wants to add two ideas – wastewater treatment plant improvements and the Burnt Cedar Disinfection Water Treatment Plan and he would like to add those two things even though it appears no one cares. Audit Committee Chairman Tulloch agreed to adding these two items. Audit Committee At-Large Member Dobler said as he leaves the committee, he wants everyone to know that we misstated our operations. These ideas of deferring revenues for punch cards and play passes and then amortizing them in as using them is incorrect because there are no refunds and they expire, he would like to see that on the agenda to see if we should change that accounting as it is automatic revenue. Same thing at Diamond Peak – no refund - so it is automatic revenue. Audit Committee Chairman Tulloch said you need to be careful. Audit Committee At-Large Member Dobler said yes, because of the one-year gap. Audit Committee Chairman Tulloch said he sees it as alignment for business purposes. Director of Finance Navazio said Staff can put together how it is treated at each venue. Audit Committee Chairman Tulloch said he thinks that would helpful and put that on the long range calendar. Audit Committee Chairman Tulloch said to move the Dillon's Rule item further down on the long range calendar. Audit Committee At-Large Member Dobler said we have an obligation to do a report on our performance under Policy 15.1.0 –

he doesn't want to do it and should we ask the Board to wave that off? Audit Committee Chairman Tulloch said it will be moved further out. Audit Committee At-Large Member Dobler said it can't be moved over to the new Audit Committee and he just doesn't want to do it. Audit Committee Chairman Tulloch said it sounds like it is falling in his lap; Audit Committee At-Large Member Dobler said yes. Audit Committee Chairman Tulloch asked Director of Finance Navazio to reach out to Ms. Farr about their work plan and when she can present it.

**D.9. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee**

Audit Committee Chairman Tulloch said that he has not received any correspondence.

**E. MEETING MINUTES (for possible action)**

**E.1. Meeting Minutes of May 10, 2022**

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of May 10, 2022 were approved as submitted.

**F. PUBLIC COMMENTS\***

There were no public comments made at this time.

**G. ADJOURNMENT (for possible action)**

The meeting was adjourned at 6:28 p.m.

Respectfully submitted,

Susan A. Herron  
District Clerk

Attachments\*:

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