

MEMORANDUM

TO: Board of Trustees

FROM: Ray Tulloch
Audit Committee Chair

SUBJECT: Review, discuss and possibly adopt recommendations for changes to Board Policy 15.1.0 as recommended by the Audit Committee

DATE: September 2, 2021

I. RECOMMENDATION

The Board of Trustees review, discuss and possibly adopt modifications to Board Policy 15.1.0 as recommended by the Audit Committee

II. BACKGROUND

Board Policy 15.1.0 Accounting, Auditing and Financial Reporting - Audit Committee, should be reviewed and revised periodically to remain relevant and to ensure compliance. If policies are not periodically reviewed they can become obsolete over time. The Audit Committee has now been operating for 15 months under the current 15.1.0 Policy and during this period there have been some concerns and questions raised regarding the scope of issues delegated to and discussed by the Audit Committee.

Based on this experience and feedback, the Audit Committee has recently reviewed the current policy 15.1.0 and developed and agreed recommended changes to improve clarity around the roles and responsibilities of the Committee. These changes build upon the significant progress and achievements of the Committee over the past 15 months and more clearly delineate the areas of responsibility of the Committee while still retaining the independence of the Committee that is so critical to effective oversight and governance of the District

III. ACTIONS

The attached draft of proposed modifications to policy 15.1.0 has been extensively discussed and reviewed by the Audit Committee. It is recommended that the Board Review, discuss and possibly adopt these recommendations for changes to Board Policy 15.1.0. With this memo there are included:

- A clean copy of the recommended changes to policy 15.1.0
- A copy of the current policy 15.1.0
- A red-line comparison of current and revised policy 15.1.0

NOTE: *Because of the numerical formatting in this document the redlining looks much more extensive than it actually is. When a paragraph/section is renumbered it shows all the text as deleted and a complete new section added.*

IV. ALTERNATIVES

Do not move forward with the proposed changes and leave Board Policy 15.1.0 unchanged.

V. FINANCIAL IMPACT AND BUDGET

There is no budgetary impact.

Current Version of Policy 15.1.0



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results.

The Government Finance Officers Association encourages the effective use of an audit committee in the public sector and considers this committee an integral element of public accountability and governance. The Audit Committee plays a key role with respect to the integrity of the District's financial information by ensuring those responsible for financial management (management, auditors, and the Board of Trustees) meets their respective responsibilities for internal controls compliance and financial reporting.

To be effective, an audit committee should be formally established by the Board of Trustees, be adequately funded, and properly documented.

POLICY: The Audit Committee ("Committee") is to assist the Board of Trustees fulfill its responsibilities in accordance with Nevada Revised Statutes, District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District's financial reports, the systems of internal controls including the internal audit plans and reports, and the independent external auditor's assessment of financial statements.

The Committee will ensure open communication and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, and internal/external auditors.

The Audit Committee Charter shall be reviewed periodically with recommended changes submitted to the Board of Trustees for approval.

ORGANIZATION: The Committee shall consist of five (5) voting members. This includes two Board appointed Trustees and three Board appointed qualified At-Large Members. The Committee can be expanded to an odd number. Recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for approval. The Committee is to retain a financial advisor, potentially a resource from the external audit firm, to attend meetings, provide guidance and training, as needed.

Members of the Audit Committee should obtain an understanding of accounting, auditing, financial reporting, and internal control to be able, with the assistance of



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

a financial advisor, to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for an outside financial advisor to assist the Committee with the independent conduct of its work. The financial advisor will be responsible for ensuring the Committee members receive training relative to internal controls, understanding of financial reports, internal audit processes, governmental regulations, and other pertinent information. The advisor should possess the following qualifications:

- A thorough understanding and experience with Generally Accepted Accounting Principles (GAAP), Government Accounting Standard Board (GASB), and financial reporting for the public sector
- Experience either preparing or auditing financial statements for similar entities
- Experience with accounting estimates and accruals
- Experience with financial internal controls
- An understanding of the function of an audit committee

Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District. All members shall not be an affiliated person with the District.

- Annually, the Board of Trustees will appoint two Trustees to be voting members. Appointing Trustees to serve successive years increases the consistency and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the committee.
- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate expertise with staggering two-year terms.
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - Each subsequent appointment will serve two-year terms.

One voting member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The voting Committee members are limited to two 2-year terms which may be extended in the event there are no interested and qualified applicants.



**Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0**

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor reports directly to the Audit Committee. The Audit Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor is to bring to the attention of the Committee any additional work required, beyond the scope of work contained in the engagement agreement, to fulfill their responsibilities.

2.0 Scope of Audit Committee's Authority and Responsibilities

It is the responsibility of the Committee to provide independent review and oversight of:

1. Financial reporting
2. Internal controls
3. The independent audit of financial statements

To fulfill these responsibilities, the Committee must:

- 2.1 Be independent, effectively communicate, and reinforce accountability.
- 2.2 Manage the external independent audit procurement process.
 - 2.2.1 Ascertain that the Request For Proposal (RFP) for a firm to be retained by the District for the annual financial audit is no more than five fiscal years with those directly supervising audit staff rotating at least every two years and audit engagement partners rotating at least every three years.
 - 2.2.2 Select the independent external auditor.
- 2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an external auditor for the District's Comprehensive Annual Financial Report (CAFR)
 - 2.3.1 Make recommendations on the scope of work including the identification of funds to be audited.



**Accounting, Auditing, and Financial Reporting
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- 2.3.2 If deemed necessary, identify and recommend additional services to be performed.
- 2.3.3 By March 31st of each year, the Board of Trustees is to formally designate an external audit firm and inform the Nevada Department of Taxation.
- 2.3.4 When appropriate replace the independent external auditors or auditing firms doing work for the District and initiate the procurement process (2.2).
- 2.3.5 Approve the scope of work and audit plans by June of each year.

- 2.4 Facilitate the external audit process.
 - 2.4.1 Review and approve formal reports or letters to be submitted to the external auditor.
 - 2.4.2 Provide an independent forum for (external and/or internal resources) auditors to report findings or difficulties encountered during the audit.
 - 2.4.3 Review the auditors' report of findings and recommendations with management and the auditor.
 - 2.4.4 Review the CAFR in its entirety, including unaudited sections and letters.
 - 2.4.5 Follow -up on any corrective action identified.
 - 2.4.6 Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
 - 2.4.7 Assess the performance of the independent auditors.

- 2.5 Review the financial statements; quarterly and annually for fair and accurate reporting.
 - 2.5.1 Review any changes in accounting policy.
 - 2.5.2 Ensure accounting policies are followed.
 - 2.5.3 Review any off-balance sheet financings.

- 2.6 Review the framework of internal controls; ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



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- 2.6.1 Review the annual internal control audit plan(s).
- 2.6.2 Review management's annual assessment of their internal controls for prior year's audit plan.
- 2.6.3 Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be accepted in any form.
- 2.6.4 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.
 - 2.6.4.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.
 - 2.6.4.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.
 - 2.6.4.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.
 - 2.6.4.4 Management will report the findings and resolutions to the Committee.

- 2.7 Periodically review the District's code of conduct that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable policies to ensure it is adequate and up-to-date.

- 2.8 To review and refine as necessary the 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.
 - 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.
 - 2.8.3 Publicize the means for the public and employees to submit concerns to the Audit Committee.



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2.8.4 Review any submissions received, monitor the status of all submissions, ensure their timely resolution, and the document handling or disposition.

2.9 The Audit Committee is to submit an annual report to the Board of Trustees assessing the results of its fulfillment of its duties and responsibilities.

3.0 Meetings

3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.

3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis.

3.3 Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.

3.4 Review all past correspondence with action outstanding. Ensure responses and/or corrective action is taken in a timely manner.

3.5 The committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

3.6 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.

3.7 An annual meeting is to be held with the independent external auditors, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's letter of findings.

Redline Version of Policy 15.1.0



Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

PROPOSED REVISIONS FOR DISCUSSION

The Incline Village General Improvement District is committed to be proactive, informed, and ~~providing to~~ provide the highest ~~form level~~ of financial accountability and transparency to its parcel owners. ~~Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results other stakeholders (i.e., the State of Nevada).~~

The Government Finance Officers Association (GFOA) encourages the effective use of an audit committee in the public sector and considers ~~this such a~~ committee an integral element of public accountability and governance. ~~The An~~ Audit Committee plays a key role with respect to overseeing the integrity of the District's annual financial information statements (the "CAFR") by ensuring those responsible for financial management (~~management, auditors~~ Management, and the Board of Trustees) ~~meets meet~~ their respective responsibilities for maintaining an effective system of internal controls ~~compliance and over~~ financial reporting.

~~To be effective, an~~ An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.

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An audit committee should be formally established by the Board of Trustees, be adequately funded, and ~~properly documented, be subject to a formally approved~~ Audit Committee Charter.

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POLICY: The Audit Committee (~~the~~ "Committee") is to assist the Board of Trustees fulfill its responsibilities in accordance with Nevada Revised Statutes, District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District's financial reports, the ~~systems~~ system of internal controls including the internal audit plans and reports, and the independent ~~external auditor's assessment of financial statements reports within the CAFR.~~

The Committee ~~will ensure~~ shall have open communication with and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, and ~~internal/external auditor~~ the independent auditor.



Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

~~The Audit~~ This Committee ~~shall review the~~ Charter ~~shall be reviewed~~ ~~periodically~~ annually with any recommended changes submitted to the Board of Trustees for consideration and approval.

ORGANIZATION: The Committee shall consist of five (5) voting members. This includes two Board members appointed annually by the Trustees and three ~~Board members~~ appointed by the Trustees to serve as qualified At-Large Members. ~~The Committee can be expanded to an odd number. Recommendations~~ Any recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for approval consideration. The Committee ~~is to~~ may retain ~~a financial adviser,~~ potentially a resource from the external audit firm or other appropriate advisors to attend meetings, provide guidance and training, as needed.

Members of the Audit Committee should have or shall obtain an understanding of accounting, auditing, financial reporting, and internal ~~control~~ controls to be able, with the assistance of a financial ~~an~~ advisor if needed, to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for periodic training of the Committee members and an outside financial advisor to assist the Committee with the independent conduct of its work. ~~The financial. Any advisor will be responsible for ensuring the Committee members receive training relative to internal controls, understanding of financial reports, internal audit processes, governmental regulations, and other pertinent information. The advisors so engaged~~ should possess the following qualifications:

- A thorough understanding and experience with Generally Accepted Accounting Principles (GAAP), Government Accounting Standard Board (GASB), statements, and financial reporting for the public sector
- Experience either preparing or auditing financial statements ~~for similar entities~~
- Experience with accounting estimates and accruals
- Experience with financial internal controls over financial reporting
- An understanding of the function of an audit committee

At-Large Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District. All members shall not be an affiliated person with the District.



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

At-Large Committee members shall be expected to comply with all District policies that apply to volunteers. District Management shall be responsible for providing copies of all relevant policies to Committee members..085

- Annually, the Board of Trustees will appoint two Trustees to be voting Committee members. Appointing Trustees to serve successive years increases the consistency/continuity and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the committee. Committee. In accordance with GFOA recommendations, Trustees considered for appointment to the Committee shall not be exercising managerial responsibilities that fall within the scope of the audit of the District.¹ This recommendation would generally preclude the Treasurer from joining the Committee. (NRS318.085 item 4)
- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate accounting, auditing and financial reporting expertise with staggering/staggered two-year terms.
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - Each/For each subsequent appointment the member will serve a a two-year term/term.

One voting member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The voting Committee members are limited to two 2-year terms, which may be extended in the event there are no interested and/or qualified applicants to fill any future vacancies.

¹ "To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee". Source: GFOA Best Practices. Audit Committee



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

1.0 Independent auditor reports directly to the Audit Committee

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The independent auditor ~~reports will be engaged by and report~~ directly to the Audit Committee. The ~~Audit~~ Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor is to bring to the attention of the Committee any additional work required: (and related fee impact), beyond the scope of work contained in the engagement ~~agreement, letter and the audit plan.~~ to fulfill their responsibilities. ~~before any such work is undertaken.~~

2.0 Scope of Auditthe Committee's Authority and Responsibilities

It is the responsibility of the Committee to provide independent review ~~and~~ oversight ~~of and feedback on:~~

1. Financial reporting
2. Internal controls
3. The independent audit of the basic financial statements
4. The CAFR

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To fulfill these responsibilities, the Committee ~~must shall:~~

2.1 Be independent, effectively communicate, and reinforce accountability.

2.2 Manage the external independent audit procurement process.

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2.2.1 ~~Ascertain that~~ Review and approve the Request For Proposal (RFP) for a firm an independent auditor to be retained by the District. Such engagement should be for the annual financial audit is no more than five fiscal years with those directly supervising audit staff rotating at least every two years and audit engagement partners rotating at least every three years in duration.

~~2.2.2 Select the independent external auditor.~~



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

~~2.3~~ ~~Make recommendations to the Board of Trustees and take subsequent action to engage an external auditor for the District's Comprehensive Annual Financial Report (CAFR)~~

~~2.3.12.2.2~~ Make recommendations on the scope of work including the identification of funds to be audited.

~~2.2.3~~ Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.

~~2.2.4~~ Review and approve the engagement letter (i.e., contract) between the District and the independent auditor

~~2.3.22.2.5~~ If deemed necessary, identify and recommend additional services to be performed.

~~2.3.32.2.6~~ By March 31st of each calendar year, the Board of Trustees is to formally designate an external ~~audit firm~~ independent auditor and inform the Nevada Department of Taxation. (NRS 354.624 item 3)

~~2.3.42.2.7~~ When appropriate replace the independent ~~external auditors or auditing firms doing work for the District auditor~~ and initiate the procurement process (2.2.1).

~~2.3.5~~ Approve the scope of work and audit plans by June of each year.

~~2.4.2.3~~ Facilitate the external audit process.

~~2.4.12.3.1~~ Review and approve ~~formal reports or letters to be submitted to, in consultation with the external/independent auditor, the annual audit plan, the scope of audit activities and schedules by June of each year~~

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~~2.4.22.3.2~~ Provide an independent forum for ~~(external and/or internal resources)~~ auditors to report findings or difficulties encountered during the audit.

~~2.4.32.3.3~~ Review ~~the auditors' report of findings and recommendations with the District management and the independent auditor, all major issues regarding:~~

~~2.3.3.1~~ Review the Accounting Principles

~~2.3.3.2~~ CAFR presentation

~~2.3.3.3~~ Any significant changes in its entirety, including ~~unaudited sections~~ the selection or application of accounting principles



Accounting, Auditing, and Financial Reporting
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- 2.4.42.3.3.4 Significant judgments made in the preparation of the CAFR and letters basic financial statements
- 2.4.5 Follow up on any corrective action identified.
 - 2.3.3.5 Submit The effect of regulatory initiatives
 - 2.3.3.6 Off-balance sheet structures
 - 2.3.3.7 Changes to audit plan of independent auditor as a result of any additional issues identified by the auditor
 - 2.3.3.8 Any restrictions on the scope of the auditor's activities or on access to requested information or managements responses
- 2.3.4 To review with District management and the independent auditor any material conflicts or disagreements between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that, individually or in the aggregate, could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.
- 2.3.5 According to the approved work plan, conduct periodic meetings with the external auditor to review progress, issues identified, concerns and the audit timeline
- 2.3.6 Review and approve the Management Representation letter by the District's management prior to submittal of the letter to the independent auditor
- 2.4.62.3.7 The Committee shall submit a written annual Audit Committee Reportreport to the District's Board of Trustees in conjunction with the presentation of the annual audit CAFR to the Board of Trustees by the end of December.
- Assess
- 2.4 Post External Audit Follow up
 - 2.4.1 Follow-up on any corrective action identified
 - 2.4.7 Annually evaluate the performance work of the independent auditors.

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**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

2.4.2 Review the financial statements; quarterly auditor and lead audit partner based on compliance with work plan and engagement letter

2.4.3 At least annually, obtain and review a report by the independent auditor that describes:

2.4.3.1 the independent auditor's internal control procedures

2.4.3.2 any material issues raised by the most recent peer review of the independent auditor

2.4.3.3 any inquiry or investigation by governmental or professional authorities, within the preceding five years regarding any audit performed and any steps taken to deal with any such issues.

2.5 The Committee may identify a need to engage an external resource to address a specific area of concern.

2.5.1 The Committee shall seek approval from Board of Trustees to obtain appropriate resources.

2.5.2 The Committee shall agree the Scope of Work

2.5.3 The Committee is responsible for engaging the resource to perform the scope of work.

2.5.4 The external resource shall report findings to the Committee.

2.5.5 The Committee will provide findings to the Board of Trustees and recommend implementation of the findings, if any.

2.5.6 Management will have the responsibility for fair and accurate reporting implementation of identified changes or enhancements.

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~~2.5.1 Review any changes in accounting policy.~~

~~2.5.2 Ensure accounting policies are followed.~~

~~2.5.3 Review any off-balance sheet financings.~~

2.6 Review the framework of The Committee shall review and provide oversight of the internal controls; ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

~~2.6.1 Review the Management will provide an annual schedule for the review of District Financial Practices (internal control audit plan(s).~~

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~~2.6.2 Review management's annual assessment of their internal controls for prior year's audit plan.~~

~~2.6.3 Evaluate management's identification of fraud risks, ensure documents. These documents will be provided to the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be accepted in any form.~~

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~~2.6.4.2.6.1 The Audit Committee may identify a need to engage an external Internal Auditor to address a specific area of concern for their review and oversight.~~

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~~2.6.4.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.~~

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~~2.6.4.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.~~

~~2.6.4.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.~~

~~2.6.4.4 Management will report the findings and resolutions to the Committee.~~

Periodically

~~2.7 Annually review the District's codeCode of conductConduct that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure disclosures in periodic reports including the CAFR; and compliance with applicable policies and practices to ensure it is adequate and up-to-date.~~

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~~2.8 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.~~

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Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

- 2.8.1 ~~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 ~~2-8.2~~—Ensure employees of the District have an anonymous method for concerns to be submitted.
- 2.8.3 ~~Publicize~~

NOTE: This is predicated upon approval of the ~~means for the public~~ current whistleblower policy and employees may require to submit concerns ~~be updated dependent upon BoT changes to the Audit~~ whistleblower policy

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2.9 Reports to Board of Trustees.
The Committee.

~~2-8.4~~ Review any submissions received, monitor the status of all submissions, ensure their timely resolution, and the document handling or disposition.

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~~2-9.1~~ ~~2-9~~—The Audit Committee is to ~~shall~~ submit an annual report to the Board of Trustees assessing the results of its fulfillment of ~~its~~ duties and responsibilities, as described in the Charter

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3.0 Meetings

- 3.1 Meetings are to be conducted in accordance with the state’s Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.
- 3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing two consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance. Review

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Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

3.4 ~~The District's management is to provide to the Committee at least 7 calendar days prior to a Committee's public meeting, copies of all materials which are to be presented by management~~

~~3.3.5~~ The Committee shall review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.

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~~3.4.3.6~~ Review~~The Committee shall review~~ all past correspondence with action which contains outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.

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~~3.5.3.7~~ The committee~~Committee~~ may ask members of management or others to attend meetings and provide pertinent information as necessary.

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~~3.6~~ ~~The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.~~

3.8 An annual meeting is to be held with the independent external auditors~~auditor~~, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual basic financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's letter of findings~~material written communications with the District~~

4.0 Annual Financial Risk Assessment and Risk Management.

The Committee shall review and discuss with District management and the independent auditor the District's major financial risk exposures, and the steps management has taken to monitor and control those exposures. It is the Board's responsibility to ensure the District has adequate controls and plans for risk mitigation for areas beyond finance.

3.7

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Conformed Version of Policy 15.1.0 (Charter)



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

PROPOSED REVISIONS FOR DISCUSSION

The Incline Village General Improvement District is committed to be proactive, informed, and to provide the highest level of financial accountability and transparency to its parcel owners and other stakeholders (i.e., the State of Nevada).

The Government Finance Officers Association (GFOA) encourages the effective use of an audit committee in the public sector and considers such a committee an integral element of public accountability and governance. An Audit Committee plays a key role with respect to overseeing the integrity of the District's annual financial statements (the "CAFR") by ensuring those responsible for financial management (Management, and the Board of Trustees) meet their responsibilities for maintaining an effective system of internal controls over financial reporting.

An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices¹.

An audit committee should be formally established by the Board of Trustees, be adequately funded, and be subject to a formally approved Audit Committee Charter.

POLICY: The Audit Committee (the "Committee") is to assist the Board of Trustees fulfill its responsibilities in accordance with Nevada Revised Statutes, District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District's financial reports, the system of internal controls including the internal audit plans and reports, and the independent auditor's reports within the CAFR.

The Committee shall have open communication with and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, and the independent auditor.

¹ Source: GFOA Best Practices, Audit Committee



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This Committee shall review the Charter annually with any recommended changes submitted to the Board of Trustees for consideration and approval.

ORGANIZATION: The Committee shall consist of five (5) voting members. This includes two Board members appointed annually by the Trustees and three members appointed by the Trustees to serve as qualified At-Large Members. Any recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for consideration. The Committee may retain financial or other appropriate advisors to attend meetings, provide guidance and training, as needed.

Members of the Committee should have or shall obtain an understanding of accounting, auditing, financial reporting, and internal controls to be able, with the assistance of an advisor if needed, to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for periodic training of the Committee members and an outside advisor to assist the Committee with the independent conduct of its work.. Any advisor so engaged should possess the following qualifications:

- A thorough understanding and experience with Generally Accepted Accounting Principles (GAAP), Government Accounting Standard Board (GASB) statements, and financial reporting for the public sector
- Experience either preparing or auditing financial statements
- Experience with internal controls over financial reporting
- An understanding of the function of an audit committee

At-Large Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District. All members shall not be an affiliated person with the District.

At-Large Committee members shall be expected to comply with all District policies that apply to volunteers. District Management shall be responsible for providing copies of all relevant policies to Committee members..085

- Annually, the Board of Trustees will appoint two Trustees to be Committee members. Appointing Trustees to serve successive years increases continuity and allows for knowledge retention. In the event a Trustee is



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removed or resigns, the Board of Trustees shall appoint a new member to the Committee. In accordance with GFOA recommendations, Trustees considered for appointment to the Committee shall not be exercising managerial responsibilities that fall within the scope of the audit of the District.² This recommendation would generally preclude the Treasurer from joining the Committee. (NRS318.085 item 4)

- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate accounting, auditing and financial reporting expertise with staggered two-year terms.
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - For each subsequent appointment the member will serve a two-year term.

One member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The Committee members are limited to two 2-year terms, which may be extended in the event there are no interested or qualified applicants to fill any future vacancies.

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor will be engaged by and report directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor is to bring to the attention of the Committee any additional work required (and related fee impact), beyond the scope of work contained in the engagement letter and the audit plan, to fulfill their responsibilities before any such work is undertaken.

² "To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee" Source: GFOA Best Practices, Audit Committee



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2.0 Scope of the Committee’s Authority and Responsibilities

It is the responsibility of the Committee to provide independent review, oversight and feedback on:

1. Financial reporting
2. Internal controls
3. The independent audit of the basic financial statements
4. The CAFR

To fulfill these responsibilities, the Committee shall:

- 2.1 Be independent, effectively communicate, and reinforce accountability.
- 2.2 Manage the external independent audit procurement process.
 - 2.2.1 Review and approve the Request For Proposal (RFP) for an independent auditor to be retained by the District. Such engagement should be for no more than five fiscal years in duration.
 - 2.2.2 Make recommendations on the scope of work including the identification of funds to be audited.
 - 2.2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.
 - 2.2.4 Review and approve the engagement letter (i.e., contract) between the District and the independent auditor
 - 2.2.5 If deemed necessary, identify and recommend additional services to be performed.
 - 2.2.6 By March 31st of each calendar year, the Board of Trustees is to formally designate an external independent auditor and inform the Nevada Department of Taxation. (NRS 354.624 item 3)
 - 2.2.7 When appropriate replace the independent auditor and initiate the procurement process (2.2.1).
- 2.3 Facilitate the external audit process.



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- 2.3.1 Review and approve, in consultation with the independent auditor, the annual audit plan, the scope of audit activities and schedules by June of each year
- 2.3.2 Provide an independent forum for auditors to report findings or difficulties encountered during the audit
- 2.3.3 Review with the District management and the independent auditor all major issues regarding:
 - 2.3.3.1 Accounting Principles
 - 2.3.3.2 CAFR presentation
 - 2.3.3.3 Any significant changes in the selection or application of accounting principles
 - 2.3.3.4 Significant judgments made in the preparation of the CAFR and basic financial statements
 - 2.3.3.5 The effect of regulatory initiatives
 - 2.3.3.6 Off-balance sheet structures
 - 2.3.3.7 Changes to audit plan of independent auditor as a result of any additional issues identified by the auditor
 - 2.3.3.8 Any restrictions on the scope of the auditor's activities or on access to requested information or managements responses
- 2.3.4 To review with District management and the independent auditor any material conflicts or disagreements between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that, individually or in the aggregate, could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.
- 2.3.5 According to the approved work plan, conduct periodic meetings with the external auditor to review progress, issues identified, concerns and the audit timeline
- 2.3.6 Review and approve the Management Representation letter by the District's management prior to submittal of the letter to the independent auditor



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- 2.3.7 The Committee shall submit a written report to the District's Board of Trustees in conjunction with the presentation of the CAFR to the Board of Trustees by the end of December.
- 2.4 Post External Audit Follow up
- 2.4.1 Follow-up on any corrective action identified
 - 2.4.2 Annually evaluate the work of the independent auditor and lead audit partner based on compliance with work plan and engagement letter
 - 2.4.3 At least annually, obtain and review a report by the independent auditor that describes:
 - 2.4.3.1 the independent auditor's internal control procedures
 - 2.4.3.2 any material issues raised by the most recent peer review of the independent auditor
 - 2.4.3.3 any inquiry or investigation by governmental or professional authorities , within the preceding five years regarding any audit performed and any steps taken to deal with any such issues.
- 2.5 The Committee may identify a need to engage an external resource to address a specific area of concern.
- 2.5.1 The Committee shall seek approval from Board of Trustees to obtain appropriate resources.
 - 2.5.2 The Committee shall agree the Scope of Work
 - 2.5.3 The Committee is responsible for engaging the resource to perform the scope of work.
 - 2.5.4 The external resource shall report findings to the Committee.
 - 2.5.5 The Committee will provide findings to the Board of Trustees and recommend implementation of the findings, if any.
 - 2.5.6 Management will have the responsibility for implementation of identified changes or enhancements.
- 2.6 The Committee shall review and provide oversight of the internal controls ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



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2.6.1 Management will provide an annual schedule for the review of District Financial Practices (internal control) documents. These documents will be provided to the Audit Committee for their review and oversight.

2.7 Annually review the District's Code of Conduct that promotes honest and ethical conduct; full, fair, accurate, timely disclosures in periodic reports including the CAFR; and compliance with applicable policies and practices to ensure it is adequate and up-to-date.

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

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.

NOTE: This is predicated upon approval of the current whistleblower policy and may require to be updated dependent upon BoT changes to the whistleblower policy

2.9 Reports to Board of Trustees.

2.9.1 The Committee shall submit an annual report to the Board of Trustees assessing its fulfillment of its duties and responsibilities as described in the Charter

3.0 Meetings

3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.



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- 3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing two consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.
- 3.4 The District's management is to provide to the Committee at least 7 calendar days prior to a Committee's public meeting, copies of all materials which are to be presented by management
- 3.5 The Committee shall review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.
- 3.6 The Committee shall review all past correspondence which contains outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.
- 3.7 The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
- 3.8 An annual meeting is to be held with the independent auditor, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual basic financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's material written communications with the District

4.0 Annual Financial Risk Assessment and Risk Management.

The Committee shall review and discuss with District management and the independent auditor the District's major financial risk exposures, and the steps management has taken to monitor and control those exposures. It is the Board's



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responsibility to ensure the District has adequate controls and plans for risk mitigation for areas beyond finance.