

M E M O R A N D U M

TO: Board of Trustees

FROM: Matthew Dent
Trustee and Audit Committee Chair

Paul Navazio
Director of Finance

SUBJECT: Review, discuss and possible approve the award of a contract for independent audit services to Davis Farr LLP for Fiscal Years Ending June 30, 2021 through June 30, 2025

DATE: March 2, 2021

I. RECOMMENDATION

It is recommended that the Board of Trustee make a motion to authorize the General Manager and Audit Committee Chair to execute a professional services contract with Davis Farr LLP to provide Independent Audit Services to the District for up to a five-year period, commencing with the annual independent audit for the fiscal year ending June 30, 2021, through the fiscal year ending June 30, 2025.

II. BACKGROUND

Board Policy 15.1.0 provides that among the charges of the Board-appointed Audit Committee is to conduct the procurement process for selection of the District's Independent Auditor, and to make a recommendation to the Board of Directors, who makes the final selection.

Fiscal year 2019/2020 was the final year of a multi-year engagement with Eide Bailly, who has served as the District's Independent Auditor since 2015/16, following their acquisition of Kafoury & Associates, who served as the District Auditor since 2010/2011.

A Request for Proposal (RFP) for Independent Audit Services was developed with input from the Audit Committee and issued on November 10, 2020. Three firms submitted proposals prior to the submission deadline of December 17, 2020.

Firm	Annual Fee	Out of Pocket Cost	Five-Year Cost
Barnard Vogler & Co., CPA's	\$ 59,000	Included in annual fee	\$275,000
Davis Farr, LLP	\$ 49,000	NTE \$5,000	\$253,100
Moss Adams, LLC	\$ 82,000	Included in annual fee	\$430,000

III. DISCUSSION

Review of Proposals

Upon receipt of proposals, the Director of Finance and two members of the Audit Committee were asked to assist with a review of each proposal and provide a scoring/ranking, based on the criteria spelled out in the RFP document. Subsequently, as the District's new Controller was hired, this position was also brought into the review process.

After initial ranking of the three proposals, two firms Davis Farr LLP and Moss Adams LLP were invited to participate in virtual panel interviews.

Following the panel interviews, the review committee discussed each of the proposals to include, overall qualifications, experience of audit team members, relevant experience auditing clients of similar size and complexity, familiarity with the District, and overall approach to the engagement.

The review committee reached consensus to recommend to the Audit Committee that Davis Farr LLP be forwarded to the Board of Directors to serve as the District's next Independent Auditor under a multi-year contract, supplemented with annual engagement letters to guide each annual audit.

At the Audit Committee meeting of February 24, 2021, the full committee considered the recommendation from the review committee and passed a unanimous motion to forward to the Board of Trustees the recommendation to engage Davis Farr LLP to serve as the District's next independent auditor.

The recommendation is based on:

- confidence that the firm is qualified to serve as the District's independent auditor,

- they are a medium-sized regional firm that provides audit services exclusively to governmental entities,
- has demonstrated an extensive list of current and former clients with business-type municipal operations similar to IVGID,
- extensive experience auditing municipal utilities,
- has current clients in the Tahoe basin, as well as
- favorable interaction with the Audit Partners and Senior Management representatives.
- In addition, the cost differential between the proposals from the two finalist firms is a significant factor in the review committee recommendation.

Proposed Contract for Independent Audit Services

Scope -

The enclosed professional services contract is based on the scope of services outlined in the Request for Proposal and detailed in the selected firm's formal proposal (see contract Exhibit A).

In general the scope of services covers the annual audit of the District's financial statements for the fiscal years ending June 30, 2021 through 2025. Consultant's examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States.

Term -

The proposed contract provides for a five-year term, covering audits for fiscal years 2020/2021 through 2024/2025. The contract includes a provision whereby the District has the ability to terminate the agreement, at its sole discretion. The contract also provides for the option to renew or extend the agreement for up to three additional one-year terms.

Project Approach / Staffing Plan –

In their response to the RFP, Davis Farr outlined its approach to performing the audit services (see Section E of Davis Farr proposal), including staffing plan, audit software, evaluation of internal controls. The proposal also provides for the specific steps to be included in the various stages of the audit (Planning and Inquiry, Year-

end Testing, Completion of Audit and Preparation of Financial Statements). The audit plan includes meetings with the Audit Committee and Board of Trustees throughout the audit process and to present the results of the audit.

The review committee had discussed with Davis Farr their proposed staffing plan for the financial audit. Davis Farr has indicated flexibility in allocating audit work to additional, available staff auditors, without impacting proposed fee schedule. The proposed contract specifies that the auditor will assign a minimum of two staff auditors to conduct field work.

Fee Schedule -

The proposed contract specifies a fixed fee to conduct each of the annual financial audits during the term of the agreement, as follows:

DESCRIPTION	AUDIT FEE				
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
<i>Annual Audit</i>	\$44,000	\$44,000	\$45,300	\$46,700	\$48,100
<i>Maximum Out of Pocket Travel Costs (will not be billed if not incurred)</i>	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<i>Maximum Total</i>	\$49,000	\$49,000	\$50,300	\$51,700	\$53,100

If the District requires a Federal Single Audit, our fees would be \$2,500 per major program required to be audited. (Major programs are only required when federal grant expenditures exceed \$750,000 in a fiscal year).

Annual Engagement Letter(s) -

The proposed professional services agreement included with this agenda item serves as the master contract covering terms and conditions over the course of a contemplated multi-year agreement between the District and Davis Farr LLP for the provision of audit services. It should be noted that annually, prior to the commencement of any work related to the annual audit, a formal Engagement Letter will be presented to the Audit Committee and executed by the Chair of the Audit Committee. The annual engagement letters are required under Government Auditing Standards, and will outline the roles, responsibilities, schedule and deliverables related to each individual annual audit.

Additional Services -

The proposed contract contemplates the possibility that the District's Independent Auditor may be requested to undertake additional work, at the request of the District, that falls outside the scope of the annual audit.

For any additional work performed outside the engagement for the annual financial audit, the consultant will invoice the District for actual hours expended, based on the following rates:

	Hourly Rate
<i>Partners</i>	\$180
<i>Managers</i>	\$130
<i>Supervisor/Senior</i>	\$110
<i>Staff</i>	\$90

IV. FINANCIAL IMPACT

The proposed contract provides for audit services related to the annual audit of the District's financial statements and transaction records on a fixed-fee basis. The fees are established at an annual not-to-exceed amount ranging from \$49,000 for the first year and increasing annual to a not-to-exceed amount of \$53,100 for the fifth year.

Funding to cover the District's cost of the annual independent audit is provided within the approved annual budget, allocated to each of the major funds included in each annual audit. The proposed fees included in this contract are within the cost associated with each of the recent annual audits performed by the District's previous independent auditor.

V. CONCLUSION

It is recommended that the Board of Trustee make a motion to authorize the General Manager and Audit Committee Chair to execute a professional services contract with Davis Farr, LLP to provide Independent Audit Services to the District

for up to a five-year period, commencing with the annual independent audit for the fiscal year ending June 30, 2021, through the fiscal year ending June 30, 2025.

Attachments:

- 1) Professional Services Agreement for Provision of Independent Audit Services – Davis Farr LLP
- 2) Proposal for Professional Audit Services – Davis Farr LLP

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROFESSIONAL SERVICES AGREEMENT
FOR SERVICES TO BE PROVIDED
ON A TASK ORDER BASIS**

PURCHASE ORDER NUMBER: _____

1. PARTIES AND DATE.

This Agreement is made and entered into this ____ day of _____, 2021, by and between the Incline Village General Improvement District, a Nevada general improvement district (“District”) and Davis Farr LLP a California limited liability partnership, with its principal place of business at 2301 Dupont Drive, Suite 200, Irvine, CA 96212 (“Consultant”). The District and Consultant are sometimes individually referred to as “Party” and collectively as “Parties.”

2. RECITALS.

2.1 District. District is a general improvement district organized under the laws of the State of Nevada, with power to contract for services necessary to achieve its purpose.

2.2 Consultant. Consultant desires to perform and assume responsibility for the provision of certain professional services required by the District on the terms and conditions set forth in this Agreement. Consultant represents that it is experienced in providing audit services to public clients, is licensed in the State of Nevada, and is familiar with the plans of District.

2.3 Project. District desires to engage Consultant to render professional services on a task order basis for various projects within the District. The term “Project”, as used herein, shall mean the project described in the Task Orders (defined below in Section 3.1.1).

3. TERMS.

3.1 Scope of Services and Term.

3.1.1 General Scope of Services. Consultant promises and agrees to furnish to the District, on a task order basis, all labor, materials, tools, equipment, services, and incidental and customary work necessary to fully and adequately supply annual independent audit services, to including audit of the annual financial statements, Comprehensive Annual Financial Report (CAFR) and preparation of related auditor’s reports, necessary for the Project (“Services”). The types of services to be provided are more particularly described in Exhibit “A” attached hereto and incorporated herein by reference. No Services shall be performed unless authorized by an engagement letter and task order executed by the District and Consultant (“Task Order”). All Services shall be subject to, and performed in accordance with this Agreement, the relevant Task

Order, the exhibits attached hereto and incorporated herein by reference, and all applicable local, state and federal laws, rules and regulations.

3.1.2 Term. The term of this Agreement shall be from March ____, 2021 to February 28, 2026, unless earlier terminated as provided herein. Consultant shall complete the Services within the term of this Agreement, and shall meet any other established schedules and deadlines set forth in the Task Order. The District shall have the unilateral option, at its sole discretion, to renew this Agreement annually for no more than three additional one-year terms.

3.2 Responsibilities of Consultant.

3.2.1 Control and Payment of Subordinates; Independent Contractor. The Services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the Services subject to the requirements of this Agreement and such directions and amendments from District as herein provided. The District retains Consultant on an independent contractor basis and not as an employee. No employee or agent of Consultant shall become an employee of District. Any additional personnel performing the Services under this Agreement on behalf of Consultant shall also not be employees of the District and shall at all times be under Consultant's exclusive direction and control. Consultant shall pay all wages, salaries, and other amounts due such personnel in connection with their performance of Services under this Agreement and as required by law. Consultant shall be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation insurance.

3.2.2 Schedule of Services. Consultant shall perform the Services expeditiously, within the term of this Agreement, and in accordance with the specific schedule that shall be set forth in the Task Order ("Schedule of Services"). Consultant represents that it has the professional and technical personnel required to perform the Services in conformance with such conditions. In order to facilitate Consultant's conformance with each Schedule, the District shall respond to Consultant's submittals in a timely manner. Upon the District's request, Consultant shall provide a more detailed schedule of anticipated performance to meet the relevant Schedule of Services.

3.2.3 Conformance to Applicable Requirements. All work prepared by Consultant shall be subject to the District's approval.

3.2.4 Substitution of Key Personnel. Consultant has represented to the District that certain key personnel will perform and coordinate the Services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence subject to the District's written approval. In the event that the District and Consultant cannot agree as to the substitution of key personnel, the District shall be entitled to terminate this Agreement for cause. As discussed below, any personnel who fail or refuse to perform the Services in a manner acceptable to the District, or who are determined by the District to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property, shall be promptly removed from the Project by the Consultant at the request of the District.

The key personnel for performance of this Agreement are as follows:

Jennifer Farr, CPA, MBA, Partner
Dean Votava, CPA, Quality Control Reviewer
Jeff Ball, CPA, Senior Manager
Shelby Kuryllo, Audit Supervisor
Diego Vanegas, CPA, CISA, CITP, Partner

3.2.5 District's Representative. The District hereby designates Indra Winquest, General Manager, or his or her designee, to act as its representative for the performance of this Agreement ("District's Representative"). The District's Representative shall have the power to act on behalf of the District for all purposes under this Contract. Consultant shall not accept direction or orders from any person other than the District's Representative or his or her designee. The District may update the District's Representative with written notice to Consultant.

3.2.6 Consultant's Representative. Consultant hereby designates Jennifer Farr, Partner, her designee, to act as its representative for the performance of this Agreement ("Consultant's Representative"). Consultant's Representative shall have full authority to represent and act on behalf of the Consultant for all purposes under this Agreement. The Consultant's Representative shall supervise and direct the Services, using his best skill and attention, and shall be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Services under this Agreement. The Consultant may update the Consultant's Representative with written notice to District.

3.2.7 Coordination of Services. Consultant agrees to work closely with the District staff in the performance of Services and shall be available to the District's staff, consultants and other staff at all reasonable times.

3.2.8 Standard of Care; Performance of Employees. Consultant shall perform all Services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of Nevada. Consultant represents and maintains that it is skilled in the professional calling necessary to perform the Services. Consultant warrants that all employees and subcontractors shall have sufficient skill and experience to perform the Services assigned to them. Finally, Consultant represents that it, its employees and subcontractors have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services, including a Washoe County Business License, and that such licenses and approvals shall be maintained throughout the term of this Agreement. As provided for in the indemnification provisions of this Agreement, Consultant shall perform, at its own cost and expense and without reimbursement from the District, any services necessary to correct errors or omissions which are caused by the Consultant's failure to comply with the standard of care provided for herein. Any employee of the Consultant or its sub-consultants who is determined by the District to be uncooperative, incompetent, a threat to the adequate or timely completion of the Project, a threat to the safety of persons or property, or any employee who fails or refuses to perform the Services in a manner acceptable to the District, shall be promptly removed from the Project by the

Consultant and shall not be re-employed to perform any of the Services or to work on the Project.

3.2.9 Laws and Regulations. Consultant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance of the Project or the Services, and shall give all notices required by law. If required, Consultant shall assist District, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies. Consultant shall be liable for all violations of local, state and federal laws, rules and regulations in connection with the Project and the Services. If the Consultant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the District, Consultant shall be solely responsible for all costs arising therefrom. Consultant shall defend, indemnify and hold the District, its officials, directors, officers, employees and agents free and harmless, pursuant to the indemnification provisions of this Agreement, from any claim or liability arising out of any failure or alleged failure to comply with such laws, rules or regulations.

3.2.10 Insurance.

3.2.10.1 Time for Compliance. Consultant shall not commence the Services under this Agreement until it has provided evidence satisfactory to the District that it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has provided evidence satisfactory to the District that the subcontractor has secured all insurance required under this section.

3.2.10.2 Minimum Requirements. Consultant shall, at its expense, procure and maintain for the duration of the Agreement insurance meeting the requirements set forth herein. Consultant shall also require all of its subcontractors to procure and maintain the same insurance for the duration of the Agreement. Such insurance shall meet at least the following minimum levels of coverage:

(A) Minimum Limits of Insurance. Consultant shall maintain limits no less than: (1) *General Liability*: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (2) *Automobile Liability*: \$1,000,000 combined single limit (each accident) for bodily injury and property damage; and (3) *Industrial Insurance*: Workers' Compensation limits as required by the Labor Code of the State of Nevada. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease; and (4) *Professional Liability/Errors and Omissions*: Consultant shall procure and maintain, and require its sub-consultants to procure and maintain, for a period of five (5) years following completion of the Services, professional liability/errors and omissions liability insurance appropriate to their profession. Such insurance shall be in an amount not less than \$1,000,000 per claim, and shall be endorsed to include contractual liability. "Covered Professional Services" as designated in the Professional Liability/Errors and Omissions policy must specifically include work performed under this Agreement.

Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally

provided by any insurance. Any available coverage shall be provided to the parties required to be named as additional insured pursuant to this Agreement. Defense costs shall be payable in addition to the limits.

3.2.10.3 Insurance Endorsements. The insurance policies shall contain the following provisions, or Consultant shall provide endorsements on forms supplied or approved by the District to add the following provisions to the insurance policies:

(A) Commercial General Liability. The commercial general liability policy shall be endorsed to provide the following: (1) the District, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds; (2) the insurance coverage shall be primary insurance as respects the District, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the District, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way; and (3) the insurance coverage shall contain or be endorsed to provide waiver of subrogation in favor of the District, its directors, officials, officers, employees, agents and volunteers or shall specifically allow Consultant to waive its right of recovery prior to a loss. Consultant hereby waives its own right of recovery against District, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(B) Automobile Liability. The automobile liability policy shall be endorsed to provide the following: (1) the District, its directors, officials, officers, employees, agents and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Consultant or for which the Consultant is responsible; (2) the insurance coverage shall be primary insurance as respects the District, its directors, officials, officers, employees, agents and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Consultant's scheduled underlying coverage. Any insurance or self-insurance maintained by the District, its directors, officials, officers, employees, agents and volunteers shall be excess of the Consultant's insurance and shall not be called upon to contribute with it in any way; and (3) the insurance coverage shall contain or be endorsed to provide waiver of subrogation in favor of the District, its directors, officials, officers, employees, agents and volunteers or shall specifically allow Consultant to waive its right of recovery prior to a loss. Consultant hereby waives its own right of recovery against District, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(C) Industrial (Workers' Compensation and Employers Liability) Insurance. The insurer shall agree to waive all rights of subrogation against the District, its directors, officials, officers, employees, agents and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Consultant.

(D) All Coverages. Each insurance policy required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the District; and (B) any failure to comply with reporting or other

provisions of the policies, including breaches of warranties, shall not affect coverage provided to the District, its directors, officials, officers, employees, agents and volunteers.

3.2.10.4 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the District, its directors, officials, officers, employees, agents and volunteers.

3.2.10.5 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to the District.

3.2.10.6 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VII, admitted to transact in the business of insurance in the State of Nevada, or on the Insurance Commissioner's approved but not admitted list.

3.2.10.7 Verification of Coverage. Consultant shall furnish the District with original certificates of insurance and endorsements effecting coverage required by this Agreement on forms satisfactory to the District. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the District if requested. All certificates and endorsements must be received and approved by the District before work commences. The District reserves the right to require complete, certified copies of all required insurance policies, at any time.

3.2.10.8 Subconsultants. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the District that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the District as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, District may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

3.2.10.9 Compliance With Coverage Requirements. If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, District has the right but not the duty to obtain the insurance it deems necessary and any premium paid by District will be promptly reimbursed by Consultant or District will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, District may terminate this Agreement for cause.

3.2.11 Safety. Consultant shall execute and maintain its work so as to avoid injury or damage to any person or property. In carrying out its Services, the Consultant shall at all times be in compliance with all applicable local, state and federal laws, rules and regulations, and shall exercise all necessary precautions for the safety of employees appropriate to the nature of the work and the conditions under which the work is to be performed.

3.3 Fees and Payments.

3.3.1 Compensation. Consultant shall receive compensation, including authorized reimbursements, for all Services rendered under this Agreement at the rates set forth in Exhibit "B" attached hereto and incorporated herein by reference. The total compensation per Task Order shall be set forth in the Task Order, and shall not exceed such amount without written approval of the District's Representative. Extra Work may be authorized, as described below; and if authorized, said Extra Work will be compensated at the rates and manner set forth in this Agreement.

3.3.2 Payment of Compensation. Consultant shall submit to District a monthly itemized invoice which indicates work completed and hours of Services rendered by Consultant. The invoice shall describe the amount of Services and supplies provided since the initial commencement date of Services under this Agreement, and since the start of the subsequent billing periods, through the date of the invoice ("Project Task Tracking Sheet"). Invoices shall be sent to the attention of Director of Finance at the address set forth in Section 3.5.2. Consultant shall include a Project Task Tracking Sheet with each invoice submitted. District shall, within forty-five (45) days of receiving such invoice and Project Task Tracking Sheet, review the invoice and pay all approved charges thereon.

3.3.3 Reimbursement for Expenses. Consultant shall not be reimbursed for any expenses unless authorized under Exhibit "B" or otherwise in writing by the District.

3.3.4 Extra Work. At any time during the term of this Agreement, the District may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by the District to be necessary for the proper completion of the Project, but which the Parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without written authorization from the District's Representative. Where Extra Work is deemed merited by the District, an amendment to this Agreement shall be prepared by the District and executed by both Parties before performance of such Extra Work, or the District will not be required to pay for the changes in the scope of work. Such amendment shall include the change in fee and/or time schedule associated with the Extra Work. Amendments for Extra Work shall not render ineffective or invalidate unaffected portions of this Agreement

3.4 Accounting Records.

3.4.1 Maintenance and Inspection. Consultant shall maintain complete and accurate records with respect to all costs and expenses incurred under this Agreement. All such records shall be clearly identifiable. Consultant shall allow a District representative during normal business hours to examine, audit, and make transcripts or copies of such records and any other documents created pursuant to this Agreement. Consultant shall allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years from the date of final payment under this Agreement.

3.5 General Provisions.

3.5.1 Termination of Agreement.

3.5.1.1 Grounds for Termination. The District may, by written notice to Consultant, terminate the whole or any part of this Agreement at any time and without cause by giving written notice to Consultant of such termination, and specifying the effective date thereof, at least seven (7) days before the effective date of such termination. Upon termination, Consultant shall be compensated only for those services which have been adequately rendered to the District, and Consultant shall be entitled to no further compensation. Consultant may not terminate this Agreement except for cause. Consultant shall not be entitled to payment for unperformed Services, and shall not be entitled to damages or compensation for termination of this Agreement by District except for the amounts authorized herein.

3.5.1.2 Effect of Termination. If this Agreement is terminated as provided herein, the District may require Consultant to provide all finished or unfinished Documents and Data (defined below) and other information of any kind prepared by Consultant in connection with the performance of Services under this Agreement. Consultant shall be required to provide such documents and other information within fifteen (15) days of the request.

3.5.1.3 Additional Services. In the event this Agreement is terminated in whole or in part as provided herein, the District may procure, upon such terms and in such manner as it may determine appropriate, services similar to those terminated.

3.5.2 Delivery of Notices. All notices permitted or required under this Agreement shall be given to the respective Parties at the following address, or at such other address as the respective parties may provide in writing for this purpose:

District

Incline Village General Improvement
District
893 Southwood Blvd.
Incline Village, NV 89451
Attn: Paul Navazio,
Director of Finance

Consultant

Davis Farr, LLP
18201 Von Karman Ave, Suite 1100
Irvine, CA 92612
Attn: Jennifer Farr, Partner

Such notice shall be deemed made when personally delivered or when mailed, forty-eight (48) hours after deposit in the U.S. Mail, first class postage prepaid and addressed to the Party at its applicable address. Actual notice shall be deemed adequate notice on the date actual notice occurred, regardless of the method of service.

3.5.3 Ownership of Materials and Confidentiality.

3.5.3.1 Documents & Data. All source code, reports, programs, manuals, disks, tapes, and any other material prepared by or worked upon by Consultant for the Services shall be the exclusive property of the District, and the District shall have the right to obtain from Consultant and to hold in District's name copyrights, trademark registrations, patents, or

whatever protection Consultant may appropriate to the subject matter. Consultant shall provide District with all assistance reasonably required to perfect the rights in this subsection.

3.5.3.2 Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of the District, be used by Consultant for any purposes other than the performance of the Services. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Services or the Project. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use the District's name or insignia, photographs of the Project, or any publicity pertaining to the Services or the Project in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of the District.

3.5.4 Cooperation; Further Acts. The Parties shall fully cooperate with one another, and shall take any additional acts or sign any additional documents as may be necessary, appropriate or convenient to attain the purposes of this Agreement.

3.5.5 Attorney's Fees. If either Party commences an action against the other Party, either legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing party in such litigation shall be entitled to have and recover from the losing party reasonable attorney's fees and all other costs of such action.

3.5.6 Indemnification. To the fullest extent permitted by law, Consultant shall defend, indemnify and hold the District, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or relating to any negligence or willful misconduct of Consultant, its officials, officers, employees, agents, consultants, and contractors arising out of or in connection with the performance of the Services, the Project, this Agreement, or any Task Order, including without limitation the payment of all consequential damages, expert witness fees, and attorney's fees and other related costs and expenses. Consultant shall defend, at Consultant's own cost, expense and risk, any and all such aforesaid suits, actions or other legal proceedings of every kind that may be brought or instituted against District, its directors, officials, officers, employees, agents, or volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against District or its directors, officials, officers, employees, agents, or volunteers, in any such suit, action or other legal proceeding. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the District, its directors, officials officers, employees, agents or volunteers.

3.5.7 Entire Agreement. This Agreement contains the entire Agreement of the Parties with respect to the subject matter hereof, and supersedes all prior negotiations, understandings or agreements. This Agreement may only be modified by a writing signed by both Parties.

3.5.8 Governing Law. This Agreement shall be governed by the laws of the State of Nevada. Venue shall be in Washoe County.

3.5.9 Time of Essence. Time is of the essence for each and every provision of this Agreement.

3.5.10 District's Right to Employ Other Consultants. The District reserves right to employ other consultants in connection with this Project.

3.5.11 Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party.

3.5.12 Assignment or Transfer. Consultant shall not assign, hypothecate, or transfer, either directly or by operation of law, this Agreement or any interest herein without the prior written consent of the District. Any attempt to do so shall be null and void, and any assignees, hypothecates or transferees shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer.

3.5.13 Subcontracting. Consultant shall not subcontract any portion of the work required by this Agreement, except as expressly stated herein, without prior written approval of District. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement.

3.5.14 Construction; References; Captions. Since the Parties or their agents have participated fully in the preparation of this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any Party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Consultant include all personnel, employees, agents, and subcontractors of Consultant, except as otherwise specified in this Agreement. All references to the District include its officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

3.5.15 Amendment; Modification. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both Parties.

3.5.16 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a Party shall give the other Party any contractual rights by custom, estoppel, or otherwise.

3.5.17 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

3.5.18 Invalidity; Severability. If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

3.5.22 Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each Party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and bind each respective Party.

3.5.23 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

3.5.24 Limitation of Liability. The District does not and will not waive and expressly reserves all available defenses and limitations contained in Chapter 41 of the Nevada Revised Statutes.

3.5.25 Non-Appropriations. The District may terminate this Agreement, effective immediately upon receipt of written notice on any date specified if for any reason the District's funding source is not appropriated or is withdrawn, limited, or impaired.

[Signatures on Following Page]

**SIGNATURE PAGE
TO
INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROFESSIONAL SERVICES AGREEMENT
FOR SERVICES TO BE PROVIDED
ON A TASK ORDER BASIS**

**INCLINE VILLAGE GENERAL
IMPROVEMENT DISTRICT**

Davis Farr LLP

By: _____
Indra Winqest
General Manager

By: _____
Jennifer Farr
Partner

Attest:

By: _____
[INSERT NAME]
[INSERT TITLE]

EXHIBIT “A”

SCOPE OF SERVICES

The objectives and scope of the work to be performed is as follows:

- Consultant will perform an audit examination of the financial statements of the Incline Village General Improvement District for the fiscal years ending June 30, 2021 through 2025. Consultant’s examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will review the District draft of the Comprehensive Annual Financial Report and provide an opinion on the report.
- If needed, Consultant will perform a compliance audit of federal expenditures in accordance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards in any year the District has federal expenditures of more than \$750,000.
- Consultant will issue a report on compliance and internal control over financial reporting based on an audit of financial statements in accordance with Government Auditing Standards.
- Consultant will issue a report on compliance with the applicable provisions of NRS 354 or other Nevada Revised Statutes or Nevada Administrative Code requiring such disclosure.
- Consultant will prepare a letter to the Board of Directors summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- Consultant will prepare a letter to the Board of Directors reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. Consultant will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- Consultant will meet with the Audit Committee or Board of Directors to discuss the audit at the audit results.
- Consultant will serve as advisors to the District regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the District will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to the District. Each year, Consultant will go over upcoming accounting standards in a meeting with District staff.

EXHIBIT “B”

COMPENSATION

Annual Financial Audit -

Consultant will be compensated for work performed in conjunction with the annual audit based on a fixed fee, as follows:

DESCRIPTION	AUDIT FEE				
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
<i>Annual Audit</i>	\$44,000	\$44,000	\$45,300	\$46,700	\$48,100
<i>Maximum Out of Pocket Travel Costs (will not be billed if not incurred)</i>	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<i>Maximum Total</i>	\$49,000	\$49,000	\$50,300	\$51,700	\$53,100

If the District requires a Federal Single Audit, fees would be \$2,500 per major program required to be audited. Generally speaking, major programs are only required when federal grant expenditures exceed \$750,000 in a fiscal year.

Additional work -

For any additional work performed outside the engagement for the annual financial audit, the consultant will invoice the District for actual hours expended, based on the following rates:

	Hourly Rate
<i>Partners</i>	\$180
<i>Managers</i>	\$130
<i>Supervisor/Senior</i>	\$110
<i>Staff</i>	\$90

Manner of Payment

Consultant will bill for services based on hours of work completed during the course of the engagement and actual out-of-pocket expenses incurred.



**INCLINE VILLAGE
GENERAL IMPROVEMENT DISTRICT**

**PROPOSAL FOR
PROFESSIONAL AUDITING SERVICES**

Prepared By:
Davis Farr LLP
2301 Dupont Drive, Suite 200
Irvine, CA 92612

December 14, 2020

Contact Person:
Jennifer Farr, CPA, MBA | Partner
Office: 949.474.2020 | Direct: 949.783.1740
Email: jfarr@davisfarr.com

Incline Village General Improvement District
PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

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APPENDIX

Peer Review Documentation

December 14, 2020

Incline Village General Improvement District
Paul Navazio, Director of Finance
893 Southwood Boulevard
Incline Village, NV 89451

Dear Mr. Navazio,

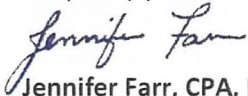
We are pleased to provide our proposal to perform audit services to the Incline Village General Improvement District (the "District") for the fiscal years ending June 30, 2021 through 2025.

Our service philosophy is one of open and constant communication, a proactive approach and responsive, value-added services. We will listen to your ideas and concerns and will bring creative solutions to you in both financial and other operational areas. We are aware that while the District has solicited numerous proposals, Davis Farr LLP would be your best selection for the following reasons which are set forth in greater detail in our proposal:

- We currently provide audit services to 31 cities in California and many special districts in California and Nevada, including the Tahoe Regional Planning Agency and the Tahoe Transportation District. Our deep understanding of the issues facing California and Nevada governments enables us to provide high quality audit services to the Incline Village General Improvement District.
- We take a proactive leadership role in local government accounting and auditing issues. We serve on the Government Accounting and Audit Committee of the Cal CPA Society, the CSMFO Professional Standards Committee and are frequent speakers on technical topics at conferences and training events throughout California.
- We extensively utilize data mining software to evaluate anomalies in your accounting data. This helps focus our auditors' attention on potential errors in the accounting records and transactions that could be more susceptible to fraud.

We appreciate the opportunity to share our credentials and look forward to developing our professional relationship. Our proposal remains a firm and irrevocable offer 90 days. I look forward to you contacting me so that I may answer further any questions which you may have. You may contact me at (949) 783-1740.

Very truly yours,



Jennifer Farr, CPA, MBA
Partner

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section A – About Davis Farr LLP

Background Information – Davis Farr LLP is a full service regional accounting firm that specializes in providing attest and advisory services to federal, state, and local governments as well as non-profit entities out of our Irvine, Carlsbad, and Tacoma offices. This engagement would be serviced by our Irvine office. Our personnel have served governmental and non-profit entities for over 40 years. A breakdown of our government audit personnel by classification is as follows:

Classification	Number of Employees
<i>Partners</i>	7
<i>Managers</i>	8
<i>Supervisors</i>	4
<i>Seniors</i>	17
<i>Staff</i>	13
<i>Administrative</i>	3
<i>Total personnel</i>	52

License to Practice in Nevada– Davis Farr LLP and all key personnel are licensed with the California State Board of Accountancy to practice as independent certified public accountants. We are also licensed to practice in Nevada.

Independence – Davis Farr LLP is independent with respect to the Incline Village General Improvement District or any of its component unites as defined by U.S. General Accounting Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest. Davis Farr LLP has not provided any services to the Incline Village General Improvement District over the past five years.

Insurance – Davis Farr LLP has sufficient insurance coverage to meet or exceed the District’s requirements and will provide insurance certificates to the District prior to entering into a contract.

Quality Control – Davis Farr LLP and its Partners are members of the American Institute of Certified Public Accountants (AICPA) and is a member of the AIPCA’s Government Audit Quality Center. Our firm is a voluntary participant in the AICPA Peer Review Program. Included in the appendix is our most recent Peer Review report where our firm received a *Pass*. A *Pass* demonstrates the highest level of quality control in a Peer Review. The Peer Review included a review of government engagements. Davis Farr LLP has not had any federal or state desk reviews or field reviews during the past three years with the exception of a review performed by the Department of Transportation (DOT). The report concluded that our audit work complied with the requirements of the single audit act, the uniform guidance, and DOT’s major programs and included a recommendation related to documentation. There has been no disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Training – Every professional of the firm must enroll in continuing professional education courses. Each person is required to take at least 80 hours of training over a two-year period including 24 hours a year specific to government accounting and audit topics. Courses cover a wide spectrum of professional and technical subjects, and include Fraud Auditing, Professional Ethics and Governmental Accounting and Auditing topics to help the practitioner maintain his/her professional expertise.

PROFESSIONAL AFFILIATIONS

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered to provide continuing professional education through the National Association of State Board of Accountancy (NASBA). NASBA recognizes CPE program sponsors who provide continuing professional education programs in accordance with nationally recognized standards.

Cal CPA – Many of the CPAs employed by Davis Farr LLP are members of Cal CPA and regularly participate in chapter meetings, education, and events. Cal CPA recognized one of Davis Farr LLP’s partners with their *Women to Watch* award in the Experienced Leader category. Davis Farr will be presenting at the upcoming **Women’s Leadership Forum** in June 2020. Davis Farr LLP partners are also members of the **Governmental Accounting and Auditing Committee** of the CalCPA.

American Institute of CPAs – Davis Farr LLP and the firm’s Partners are members of the American Institute of CPAs (AICPA). The AICPA develops standards for audits, provides educational guidance materials to its members, and monitors and enforces compliance with the profession’s technical and ethical standards.

CSMFO – The Partners of Davis Farr LLP are members of the California Society of Municipal Finance Officers (CSMFO), the statewide organization serving all California municipal finance professionals. Firm personnel regularly attend CSMFO Chapter Meetings and Conferences. The Partners of Davis Farr LLP are frequent presenters on accounting and auditing technical topics at Chapter Meetings and Conferences.



Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

GFOA – The Government Finance Officers Association (GFOA) enhances and promotes the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit. The Partners of Davis Farr LLP are members of the Certificate of Achievement Program’s Special Review Committee. The Committee reviews Comprehensive Annual Financial Reports submitted to GFOA for the CAFR Award Program.



Section B – Our Prior Experience Auditing Government Agencies

Davis Farr LLP is a leader in the local government sector throughout the Southern California Area. Currently, we service approximately 60 local, state, and federal government entities. Davis Farr LLP services routinely provided to our clients include, but are not limited to:



Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis Farr LLP have served recently are the following:

City of Avalon	Cucamonga Valley Water District
City of Carlsbad	Eastern Municipal Water District
City of Commerce	Hass Avocado Board
City of Coronado	Irvine Ranch Water District
City of Costa Mesa	Leucadia Wastewater District
City of Dana Point	Metropolitan Water District of Southern CA
City of Delano	Municipal Water District of Southern California
City of Encinitas	Orange County LAFCO
City of Fontana	Oxnard Housing Authority
City of Fountain Valley	Placer County Water Agency
City of Garden Grove	Salton Sea Authority
City of Huntington Beach	San Diego County Water Authority
City of Laguna Niguel	San Diego Association of Governments
City of Mission Viejo	San Diego LAFCO
City of Poway	San Dieguito Riverpark Authority
City of Rancho Santa Margarita	Sweetwater Authority
City of Santee	Tahoe Regional Planning Agency
City of Victorville	Tahoe Transportation District
County of Woodland	Vallecitos Water District
County of Fresno Housing Authority	Walnut Valley Water District
County of San Diego	West Basin Municipal Water District

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section C – Client References

For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several government agencies in California and Nevada. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

	Client	Hours	Client Contact	Telephone/Email
1.	Tahoe Regional Planning Agency PO Box 5310 Stateline, NV 89449	500	Chris Keillor Finance Director	775.588.4527 ckeillor@trpa.org
<i>Financial Statement Audit of Agency, Single Audit, and Compliance Audits</i>				
2.	Tahoe Transportation District 1000 Emerald Bay Rd South Lake Tahoe, CA 96150	350	Joanie Schmitt Chief Financial Officer	530.542.8745 jschmitt@tahoetransportation.org
<i>Financial Statement Audit of Agency, Single Audit, and Compliance Audits</i>				
3.	City of Huntington Beach 2000 Main Street Huntington Beach, CA	500	Dahle Bulosan, Interim CFO	714.536.5648 dbulosan@surfcity-hb.org
<i>Agreed-Upon Procedures engagements for Transient Occupancy Taxes.</i>				
4.	City of Garden Grove 11222 Acacia Pkwy Garden Grove, CA	800	Heidy Munoz, Accounting Supervisor	714.741.5055 heidym@ggcity.org
<i>Financial Statement Audit of City, Housing Authority, Single Audit, Agreed-Upon Procedures engagements for Transient Occupancy Taxes, Franchise Taxes, and Revenue agreements.</i>				
5.	City of Poway 13325 Civic Center Drive Poway, CA 92064	400	Aaron Beanan, Director of Finance	858.668.4411 abeanan@poway.org
<i>Financial Statement Audit, Single Audit.</i>				

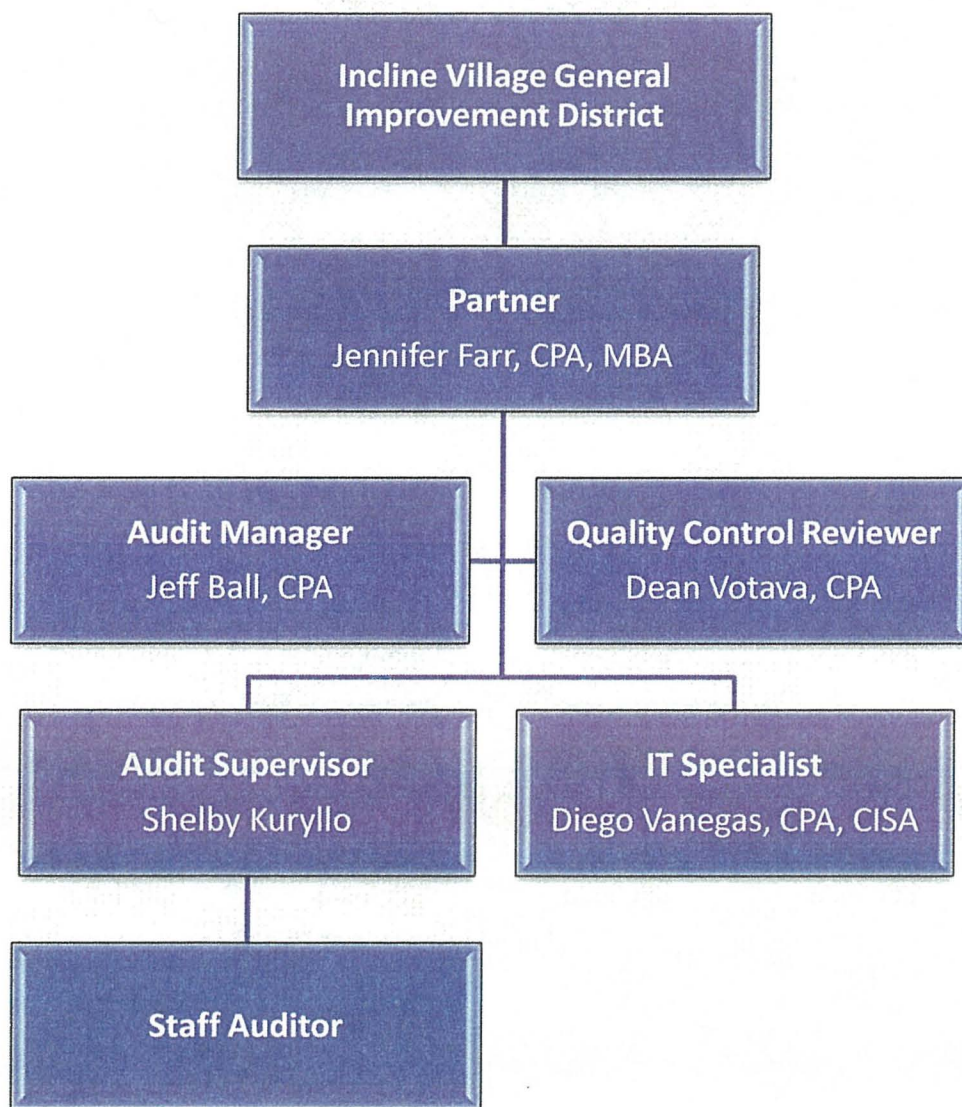
Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section D – Partner, Supervisory and Staff Qualifications and Experience

The successful outcome of any audit requires personnel with the managerial and technical skills to perform the work required. The engagement team who will serve the Incline Village General Improvement District have served together as a team of professionals on numerous financial audit examinations of local government entities. While not anticipated, any personnel substitutions will be of equally qualified personnel.

We believe that efficient administrative management and supervision of the audits is an extremely critical factor in achieving the desired results for Incline Village General Improvement District. In that regard, our proposal organizational structure for providing independent auditing services is as follows:



Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JENNIFER FARR, CPA, MBA

PARTNER

California CPA Certificate No. 76292, October 1998

Ms. Farr will serve as the Partner on this audit. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the final reports before they are released. Ms. Farr is a Certified Public Accountant with over 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for training in the area of local governmental accounting and auditing.



PROFESSIONAL AFFILIATIONS & AWARDS

- California Society of Certified Public Accountants
 - Government Accounting & Auditing Committee
- California Society of Municipal Finance Officers
 - Professional Standards Committee
- American Institute of Certified Public Accountants
- GFOA CAFR Reviewer
- Recipient of the Cal CPA Women to Watch award in the Experienced Leader category

EDUCATION

- Bachelor of Arts - Business Administration/Accounting (*California State University, Fullerton*)
- Bachelor of Arts - English (*California State University, Fullerton*)
- Master of Business Administration (*California State University, Fullerton*)

AUDITS OF CALIFORNIA CITIES

City of Avalon
City of Benicia
City of Burbank
City of Carlsbad
City of Commerce
City of Campbell
City of Coronado
City of Costa Mesa
City of Culver City
City of Dana Point
City of Delano
City of Encinitas
City of Fontana

City of Fountain Valley
City of Garden Grove
City of Half Moon Bay
City of Hayward
City of Highland
City of Indian Wells
City of Jurupa
City of Hayward
City of La Quinta
City of Mission Viejo
City of National City
City of Orange
City of Palm Springs

City of RSM
City of Rosemead
City of San Bruno
City of Santa Ana
City of Santee
City of Upland
City of Victorville
City of Villa Park
City of Walnut Creek
City of West Covina
City of Whittier
City of Woodland

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

DEAN VOTAVA, CPA

QUALITY CONTROL REVIEWER

California CPA Certificate No. 64413

Dean Votava will serve as the Quality Control Reviewer on the engagement. Mr. Votava has over 25 years of experience in government auditing, accounting, and consulting. As a second reviewer, Mr. Votava will be involved in approving the audit plan, reviewing key audit workpapers, reviewing all reports, and acting as a second technical resource to the City.



PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

California Society of Certified Public Accountants

EDUCATION

Bachelor of Business Administration – Accounting
University of North Dakota, Grand Forks

AUDITS OF CALIFORNIA CITIES

Mr. Votava has managed numerous financial statement audits, redevelopment agency audits and OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards for a number of significant local government entities. Some of the California City audit engagements managed by Mr. Votava include the following:

City of Garden Grove

City of Carlsbad

City of Palm Springs

City of West Covina

City of Upland

City of Whittier

City of Pomona

City of La Puente

City of San Bernardino

City of Torrance

City of Mission Viejo

City of Santa Ana

City of Norwalk

City of Hesperia

City of Indio

City of Gilroy

City of Costa Mesa

City of South Gate

City of El Segundo

City of Fontana

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

JEFF BALL, CPA

SENIOR MANAGER

Mr. Ball has eleven years of audit experience, spending the majority of that time on audits for local government and governments. The types of audits Mr. Ball is involved in include financial audits of cities and special districts and governments; Transient Occupancy Tax and Lease Revenue Compliance Audits for various Cities; Single Audits in accordance with OMB Circular A-133.

EMPLOYMENT HISTORY

Davis Farr LLP: June 2015-current

A Top 10 National CPA Firm: July 2008-June 2015



EDUCATION

Bachelor of Business Economics w/Emphasis in Accounting
University of California Santa Barbara

AUDITS OF GOVERNMENT AGENCIES

During his eleven years of experience, Mr. Ball had performed financial statements audits and OMB Circular A-133 Single Audits for a number of significant local government entities. Some of the more significant audit engagements managed by Mr. Ball include the following:

Beach Cities Heath District	City of Rancho Santa Margarita
Bighorn-Desert View Water Agency	City of Solana Beach
City of Avalon	City of Santee
City of Culver City	City of Whittier
City of Highland	City of Victorville
City of Inglewood	City of Woodland
City of Mission Viejo	City of Irvine TOT AUP
City of Moreno Valley	Eastern Municipal Water District
Hass Avocado Board	San Diego LAFCO

Mr. Ball has significant experience working with federal grant programs typically awarded to local governments. These federal awarding agencies include Department of Housing and Urban Development, Department of Homeland Security, Department of Transportation, Department of Justice, and the Environmental Protection Agency. In addition to this he has been involved in SOC1 Type II audits (formerly SAS 70) for various government benefits administrators.

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

SHELBY KURYLLO
AUDIT SUPERVISOR



Ms. Kuryllo has over five years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Kuryllo has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

EMPLOYMENT HISTORY

Davis Farr LLP July 2015 through present

EDUCATION

Bachelor of Arts in Accounting, Vanguard University of Southern California

RELEVANT EXPERIENCE

AUDITS OF SPECIAL DISTRICTS

Beach Cities Health District
Hass Avocado Board
Placer County Water Agency
Tahoe Regional Planning Agency
Trabuco Canyon Water District

AUDITS OF CITIES

City of Avalon
City of Dana Point
City of Delano
City of Huntington Beach
City of Mission Viejo
City of Rancho Santa Margarita
City of Santee

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

DIEGO VANEGAS, CPA, CISA, CITP

PARTNER

INTRODUCTION

Diego Vanegas, CPA, CISA, CITP has over 14 years of progressive governmental accounting and audit experience, including extensive compliance audit experience for governmental and non-profit agencies. He has been involved in financial/compliance audits, internal control audits and assessments, operational/performance audits, and cost proposal analysis/price reviews for various governmental agencies. Mr. Vanegas has served in many capacities depending on the size and requirements of the engagements. He has participated in audits of federal agencies such as NSF, CMS, and CNCS, among others. Additionally, Mr. Vanegas has been involved in agreed-upon-procedures and audit engagements of state/local agencies. These engagements have often combined both financial and compliance aspects of the audit as well as Information Technology (IT). Furthermore, he has strong internal control audit experience through the performance of SSAE 16 Service Organization Controls (formerly known as SAS 70) audits of the internal controls of service organizations, as well as knowledge of *Government Auditing Standards*, Office of Management and Budget (OMB) Circular A-87 and the Federal Acquisition Regulations (FAR).

EMPLOYMENT HISTORY

- Davis Farr LLP: Partner – January 1, 2018 – Present
- Davis Farr LLP: Manager – June 2015 – December 31, 2017
- Top 10 National CPA Firm – May 2005 - June 2015

EDUCATION

- Bachelor of Science in Business Administration, with an emphasis in Accounting
California State University - Los Angeles.
- Bachelor of Science in Computer Information Systems, with an emphasis in Business Systems
California State University - Los Angeles.

PROFESSIONAL CERTIFICATIONS

- Certified Public Accountant, State of California, No. 113040
- Certified Information Technology Professional, No. 3298
- Certified Information Systems Auditor

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

Section E – Audit Approach

Davis Farr plans and conducts our engagements in the most efficient manner possible, and our audit approach is unique with regard to the following:

- Our firm is sensitive to the priorities and work requirements of our clients. We work around the schedules of our clients when scheduling segments of the audit or requesting documentation in order to minimize disruption of District staff and to complete the audit in a timely manner.
- Whenever possible, we use accounting support already prepared by the District staff to avoid duplication or unnecessary requests for audit supporting schedules. Typically, we request support for balance sheet items, the year ending trial balance and cash and long-term debt confirmations.
- Our firm's expertise is in governmental auditing. Our auditors are GASB experts and skilled at addressing audit issues that are specific to local governments. You will not spend time training our personnel.
- When formulating internal control recommendations, we obtain a thorough understanding of the specific circumstances at your District to provide a tailored, practical recommendation.
- Throughout the year we are a resource to our clients in providing accounting advice, researching technical questions, dealing with tax problems, and helping with other problems as they arise.

Audit Software - We utilize CaseWare audit software for the electronic District of workpapers. We have the ability to accept audit documentation in either hard copy or electronic format. CaseWare allows us the ability to import trial balances that can be provided in either excel or a text document. Some of the benefits of using CaseWare trial balance software are as follows:

- We create our own lead sheets (i.e., analytical review comparison schedules). This limits the amount of time finance staff spends creating audit schedules. Our software automatically generates analytical review reports by account number for ease of analyzing significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide the District with financial statements almost immediately after receiving the trial balance from the District. Additionally, journal entries are easy to post to the financial statement schedules and the risk of data entry error is minimized.
- We can provide the District with reports showing the coding of the financial statement schedules for ease of review by District staff. These reports show each account coded to a specific financial statement line item as well as journal entries that are posted during the audit.

Data Mining Software

We have a dedicated team of personnel trained to use special data mining software, IDEA. Our software uses source data from your accounting system to search for anomalies, such as duplicate or voided checks, cross-referencing vendor addresses with employee addresses, detecting accounting transactions

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

recorded on the weekend, reviewing journal entry postings for unauthorized individuals. The IDEA software identifies specific transactions for the auditors to review for potential fraud or error.

Internal Control Evaluation

Our approach to evaluating internal controls involves observation and inquiry. We spend time with the personnel responsible for the accounting cycles to gain an understanding of the processes. We also carefully evaluate your policies and procedures. After our initial evaluation, we identify key controls in your processes and design test to evaluate the effectiveness of those processes. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will review the accounting cycles noted above but also look at other processes such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and other areas. Our goal is to modify our audit approach every year to further evaluate your internal controls.

Audit Stage	Procedures Performed and Sampling Approach
<i>Planning and inquiry</i>	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> • Meet with finance personnel to obtain an understanding of significant transactions during the year. • Communicate with the Board of Directors regarding fraud, compliance with laws, and any concerns they have regarding the finances of the District. • Perform internal control evaluations as noted on the previous page. • Determine materiality levels that will be used in selecting audit transactions. • Perform a risk assessment to develop the audit plan for the year. • Review minutes of Board of Directors meetings. • Review important new contracts, bond documents, and agreements. • Evaluate compliance with investments. • Test purchase orders and contract management. • Test a random sample of 25-40 cash disbursements to determine adherence to policies and internal controls. The sample size is dependent on the auditor's annual risk assessment. • Perform a review of the organization's information systems and controls.

Incline Village General Improvement District

PROPOSAL FOR PROFESSIONAL AUDITING SERVICES

	<ul style="list-style-type: none"> • Perform compliance testing of federal grants, as necessary. • Review the prior audited financial statements and provide feedback to District staff regarding best practices for financial reporting. • Provide a GASB Update and templates for implementing new accounting standards
Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> • We will confirm 100% of all cash and investment balances and test market values provided by your investment custodians. • We will test for proper cutoffs of accounts receivable and grants receivable. • We will confirm and test material notes and loans receivable. • We will test additions and deletions to capital assets. We will review 65% of ongoing capital projects. We will review depreciation expense for reasonableness. • We will test interfund transactions including due to/due from other funds, advances, and transfers. We will review legal documents supporting loans and test the allowability of transfers out of restricted funds. • We will test current liabilities and perform a search for unrecorded liabilities. • We will review unearned revenue balances for proper cutoffs. • We will test the balances of accrued payroll and employee related liabilities. • We will confirm long-term debt with independent parties. • In years of new debt issuances, we will review the journal entry to record the debt to ensure the accuracy of the accounting. • Testing of actuarial valuations and calculations related to OPEB obligations and disclosures under GASB 75. We will statistically sample census data. • Testing of actuarial valuations and calculations related to pension obligations and disclosures under GASB 68. • Evaluation of claims and judgments payable. • Testing of restrictions and classifications of net position. • Analyze grant revenues and expenses to ensure proper matching within the fiscal year. • Test the reasonableness of interest income, realized, and unrealized gains/losses on investments. • Analytically and substantively test revenues and expenses reported in the financial statements. • We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc.

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	<p>The aforementioned tests are only a few of the tests performed during the examination and by no means is it meant to be all inclusive. During the final stage of the audit we will meet with Finance staff to review our audit findings and any adjusting journal entries.</p>
<p>Single Audit Approach</p>	<p>As part of our Single Audit for the years in which the District expends greater than \$750,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none"> • Perform an evaluation of the major programs required to be tested • Review OMB guidance and the OMB Compliance Supplement for the grant program audited. • Review internal controls for each of the applicable 14 compliance areas for each program audited. • Using AICPA sampling guidance, we will select a sample for each of the applicable 14 compliance areas for each program audited. We will test the sample for compliance with those 14 areas. • Test the indirect cost rate, if applicable • Review monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable. • Issue a single audit report of federal expenditures. • File the data collection form within the specified deadline.
<p>Completion of the Audit and Preparation of Financial Statements</p>	<p>The nature and extent of the work required is dependent on our assessment of the likelihood of misstatements in the financial statements together with our conclusions from the planning and testing stages of the audit. All of the audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> • We will review significant events after year end • We will review attorney letters for significant legal matters • Review the draft the Comprehensive Annual Financial Report (CAFR) • We will ensure accurate and complete disclosures in the notes to the financial statements. • We will meet with the Audit Committee or Board of Directors to present the results of the audit.

Document Publication and Quality Control Procedures

Every report produced by Davis Farr goes through five levels of details reviews using checklists to guide the review. The report is verified for mathematical and grammar accuracy by a staff auditor. The senior audit reviews the report to ensure footnote references are accurate and complete. The report is also carefully reviewed by the audit manager, the audit partner, and an independent quality control reviewer. Our process ensures high quality audit reports that you can rely on.

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Creating final PDF documents of reports in a searchable format is a seamless process for our auditors. We utilize Foxit PDF software to assemble our reports. Final spiral bound reports are printed on high quality color copiers. We can utilize our firm's report covers or bind the reports in covers provided by the District.

Section F – Implementation of New GASB Pronouncements

The District will be required to implement the following accounting standards during the upcoming fiscal years. Part of our service to you includes consulting on these new auditing standards. A sampling of significant new GASB pronouncements planned or proposed for local governments that will impact the Incline Village General Improvement District are listed below:

GASB	Description
<i>GASB 84: Fiduciary Activities</i>	This statement establishes criteria for identifying fiduciary activities of all state and local governments. The statement describes four fiduciary funds that should be reported, if applicable: (1) pension trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. We will work with the District to identify the activities required to be reported in these four fund types and provide transition guidance for the fiscal year ending June 30, 2020.
<i>GASB 87: Leases</i>	The objective of this statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The standard will be effective for the fiscal year ending June 30, 2021.
<i>GASB 90: Majority Equity Interests</i>	We do not believe this standard will be applicable for the Incline Village General Improvement District.
<i>GASB 91: Conduit Debt Obligations</i>	The primary objectives of this Statement are to eliminate diversity in practice associated with conduit debt obligations. The standard will be effective for the fiscal year ending June 30, 2021.
<i>GASB 92: Omnibus</i>	This standard modifies some elements of past standards. We do not believe this standard will be applicable to the District.
<i>GASB 93: Replacement of Interbank Offered Rates</i>	The primary objective of this Statement is to revise certain language related to LIBOR, specifically as it relates to the termination of hedge accounting for derivative instruments. The standard will be effective for the fiscal year ending June 30, 2021.
<i>GASB 94: Public-Private and Public-Public Partnership and Availability</i>	The primary objectives of this Statement is to provide guidance related to public-private and public-public partnership arrangements in which a government contracts with an operator to provide public services. The Statement also provides guidance for accounting and financial reporting for availability payment arrangements in

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Payment Arrangements	which a government compensates an operator for services in an exchange or exchange-like transaction. This standard will be effective for the fiscal year ending June 30, 2023.
GASB 95: Postponement of the Effective Dates	This standard postponed some of the previously mentioned effective dates for implementation.
GASB 96: Subscription Based Information Technology Agreements	This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for governments. This statement is effective for the fiscal year ending June 30, 2023.
GASB 97: 457 Deferred Comp Plans	This statement clarifies the accounting for governments with 457 Deferred Compensation Plans. This statement is effective for the fiscal year ending June 30, 2022.

Section G – Scope of Work

Our understanding of the objectives and scope of the work to be performed is as follows:

- We will perform an audit examination of the financial statements of the Incline Village General Improvement District for the fiscal years ending June 30, 2021 through 2025. Our examination will be conducted in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will review the District draft of the Comprehensive Annual Financial Report and provide an opinion on the report.
- If needed, we will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the District has federal expenditures of more than \$750,000.
- We will issue a report on compliance and internal control over financial reporting based on an audit of financial statements in accordance with Government Auditing Standards.
- We will issue a report on compliance with the applicable provisions of NRS 354 or other Nevada Revised Statutes or Nevada Administrative Code requiring such disclosure.
- We will prepare a letter to the Board of Directors summarizing the audit results in accordance with the Codification of Auditing Standards Section 260.
- We will prepare a letter to the Board of Directors reporting matters dealing with internal control that meet the threshold of being a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section 265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.

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- We will meet with the Audit Committee or Board of Directors to discuss the audit at the audit results.
- Finally, we perceive the scope of our work as being advisors to the District regarding generally accepted accounting principles. Throughout the year, the management and other finance personnel of the District will have access to us to seek advice in the application of generally accepted accounting principles, advice regarding debt issuance, financial statement preparation and content, tax and any other matters relating to the District. Each year, we will go over upcoming accounting standards in a meeting with District staff.

Identification of Anticipated Audit Problems

There are no anticipated audit problems.

Report Format

We utilize AICPA standard audit report language for our audit opinions and reports. The Comprehensive Annual Financial Report will follow the guidelines established by GASB and GFOA.

Exceptions

We have no exceptions to the terms, conditions, and requirements as specified in the request for proposal.

Section H – Proposed Timing of the Audit for FY 20/21

The following proposed timing is subject to the District’s revision and approval:

Task	Fiscal Year Ending June 30, 2021
<i>Audit Request List Provided</i>	April 1, 2021
<i>Audit Planning Mtg/ Audit Committee Mtg</i>	May 2021
<i>Interim Audit Procedures</i>	May 2021
<i>Final Audit Request List Provided</i>	By June 1, 2021
<i>Final Audit Fieldwork</i>	September 20-October 1, 2021
<i>Exit Meeting</i>	October 1, 2021
<i>Draft Report provided to Auditors</i>	October 1, 2021
<i>Report Comments to District</i>	October 8, 2021
<i>Finalization of Audit Reports</i>	Within 5 working days of receiving final approval from District to finalize
<i>Audit Committee and Board of Directors</i>	As scheduled

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Section I – Segmentation of the Audit

The following is our estimate of the hours by professional classification required to perform the audit:

Classification	Hours	Percentage
<i>Partner</i>	50	13%
<i>Manager</i>	80	20%
<i>Audit Supervisor</i>	150	37%
<i>Staff Auditor</i>	120	30%
Total	400	100%

APPENDIX



Report on the Firm's System of Quality Control

Davis Farr LLP

Irvine, California;

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) in effect for the year ended May 31, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and examination of a service organization (SOC 1, Type 2 Report).

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

CPAs ■ Advisors

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Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP in effect for the year ended May 31, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
September 23, 2019