

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **4 p.m.** on **April 29, 2021** at the Boardroom, 893 Southwood Boulevard, Incline Village, Nevada.

In compliance with State of Nevada Executive Department, Declaration of Emergency Directives 006, 016, 018, 021, 026, and 029, this meeting is closed to the public and attendance is limited to members of the Board of Trustees and essential staff. Public comment is allowed and the public is welcome to make their public comment either via e-mail (please send your comments to info@ivgid.org by 2:00 p.m. on April 29, 2021 or via telephone (the telephone number will be posted to our website on the day of the meeting).

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
Derrek Aaron (At-Large Member), Matthew Dent (Trustee, Chair), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), and Raymond Tulloch (At-Large Member)
- B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- C. APPROVAL OF AGENDA (*for possible action*)

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

-OR-

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

- D. REPORT ITEMS (*information for the Audit Committee and public*)
1. Discuss and receive report regarding the advertising and interviews for appointment to Audit Committee (At-Large Member with one-year term). Appointment must be no later than July 1, 2021 (Requesting Audit Committee Member Sara Schmitz) – **pages 3 - 9**
 2. Informational Update on Internal Controls Project (Requesting Staff Member: Director of Finance Paul Navazio) – **pages 10 - 15**
- E. GENERAL BUSINESS ITEMS (*for possible action*)
1. Review and discuss the Engagement Letter with Davis Farr, LLP, to be signed by Audit Committee Chairman Matthew Dent, for the Independent Audit of the District's FY2020/21 Financial Statements (Requesting Staff Member: Director of Finance Paul Navazio) – **pages 16 - 23**
 2. Review and discuss Nevada Revised Statutes and Board Policy as it relates to the annual audit (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent) – **pages 24 - 36**

Incline Village General Improvement District

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

893 Southwood Boulevard, Incline Village, Nevada 89451 • (775) 832-1100 • FAX (775) 832-1122

www.yourtahoeplace.com

NOTICE OF MEETING

Agenda for the Audit Committee Meeting of April 29, 2021 - Page 2

3. Review, discuss, and possibly approve Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member Sara Schmitz; Requesting Staff Member District General Counsel Josh Nelson) – **pages 37 - 46**
4. Review, discuss, and possibly take action related to the following communications that have been received and are included: (Requesting Audit Committee Member Audit Committee Chairman Matthew Dent)
 - a. Memorandum from Cliff Dobler to District General Manager, Director of Finance, IVGID Board of Trustees with a copy to the IVGID Audit Committee dated April 8, 2021 – Funding Public Parks through General Fund resources – **pages 47 - 52**
- F. LONG RANGE CALENDAR REVIEW – **page 53**
- G. APPROVAL OF MEETING MINUTES (for possible action)
 1. Audit Committee Meeting Minutes of March 11, 2021 – **pages 54 - 96**
- H. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- I. ADJOURNMENT (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Monday, April 26, 2021 at 9:00 a.m., a copy of this agenda (Audit Committee Session of April 29, 2021) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne
2. Incline Village Post
3. Crystal Bay Post
4. Raley's Shopping
5. Incline Village
6. IVGID's Recreation

**SUSPENDED – STATE OF NEVADA
EXECUTIVE DEPARTMENT,
DECLARATION OF EMERGENCY,
DIRECTIVE 006 (SECTION 3), 016,
018, 021, 026 and 029**

Vorderbruggen Building (Administrative Offices)
Office
Office
Center
Branch of Washoe County Library
Center

/s/ Susan A. Herron, CMC
Susan A. Herron, CMC

Clerk to the Board of Trustees (e-mail: sah@ivgid.org/phone # 775-832-1207)

Audit Committee Members: Derrek Aaron (At-Large Member), Matthew Dent (Trustee, Chair), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), and Raymond Tulloch (At-Large Member)

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

IVGID'S agenda packets are now available at IVGID's web site, www.yourtahoeplace.com; go to "Board Meetings and Agendas". A hard copy of the complete agenda packet is also available at IVGID's Administrative Offices located at 893 Southwood Boulevard, Incline Village, Nevada, 89451.



An opportunity exists on the Audit Committee of the Incline Village General Improvement District effective July 1, 2021_____. The Incline Village General Improvement District Board of Trustees is seeking interested candidates who wish to serve for a one-year_____ term beginning no earlier than _____ and no later than July 1_____. Any interested candidate should submit a letter of interest and a resume. These two documents can be submitted either via U.S. Mail addressed to District Clerk Susan Herron, IVGID, 893 Southwood Boulevard, Incline Village, Nevada 89451; or hand delivered to the aforementioned address; or submitted via e-mail (sah@ivgid.org). It is the interested parties' responsibility to ensure that their documents have been received for consideration. All submittals must be received no later than _____, 12 noon (PST).

Further, all interested parties' must be present and available at the Incline Village General Improvement District Board of Trustees meeting tentatively scheduled for either _____ at ____ p.m. or _____ at ____ p.m. and be prepared and available to be interviewed by the Board of Trustees. During this special meeting, the Board of Trustees may make their final decision and the selected interested party may be sworn in and begin serving their term immediately. If you have any questions regarding this matter, please contact Susan Herron, District Clerk, IVGID, at (775) 832-1207 or via e-mail at sah@ivgid.org.



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.



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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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Policy 15.1.0**

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.

M E M O R A N D U M

TO: Audit Committee

THROUGH: Matthew Dent
Audit Committee Chair

FROM: Paul Navazio
Director of Finance

Martin Williams
Controller

SUBJECT: Informational Update on Internal Controls Project

STRATEGIC

PLAN REFERENCE(S): Long Range Principle #2

DATE: April 29, 2021

I. RECOMMENDATION

Receive an informational update on management's ongoing review and update of District-wide internal controls.

II. BACKGROUND

The Board of Trustees and Audit Committee have identified the need to review and, where appropriate, strengthen internal control policies, procedures and practices consistent with financial management and accountability best practices.

Management has previously presented to the Audit Committee a framework for strengthening the District's system of internal controls, to include a process for review, update, and oversight over applicable policies and procedures. In addition, the District's Independent Auditor identified material weakness in internal controls over financial reporting that contributed to a significant number of adjusting journal entries.

This agenda item has been prepared to provide the Audit Committee with an information update on management's ongoing efforts related to strengthening the District's internal control policies and procedures. Consistent with the discussion at the last Audit Committee meeting, Committee member Aaron has agreed to serve as the liaison and has met with management to review, in more detail, the overall project work plan as well as timelines for completion of specific tasks/deliverables

III. Discussion

Framework of System of Internal Controls

- Attachment 1 provides an overview of the overall system of internal controls to include elements, responsibility and updated timeline(s)

Review of Board Policies and Practices

- Management is currently in the process of updating selected Board Policies and Procedures (see *Board Agenda 4/29/21*)
 - Capitalization
 - Capital Planning, Budgeting and Capital Expenses
 - Fund Balance and Working Capital
 - Central Services Overhead Allocations

Review of Internal Accounting and Financial Procedures

- Attachment 2 provides an update schedule and responsibilities for updating internal accounting and financial procedures
- Priority focus is on Procurement and Accounts Payable procedures (6.3.10), Property and Equipment procedures (6.3.9), Cash Management (6.3.4) and General Ledger and Journal Entries (6.3.3)
- Human Resources and Payroll procedures are currently under review in conjunction with project to transition to Tyler Munis HRMS/Payroll system

Procurement Policy and Related Procedures related to Purchasing and Account Payables

- Earlier this year, the District General Manager updated district-wide delegated spending authority levels for upper management and venue managers.
- Monthly spending limits applicable to the District's procurement card program have also been updated
- Accounting and Financial procedure 6.3.10 (Purchasing and Accounts Payable) has been updated by the Controller and is currently under review by the Director of Finance
- Management is also reviewing the District's Purchasing Policy to ensure consistency with Board Policy 3.1.0.

Independent Auditor's Findings of Material Weaknesses over Financial Reporting

- Adjusting Journal Entries and Adjustments - now that our accounting department is fully staffed, we have assigned reconciliations, and reviews to various staff to ensure any issues are investigated and handled timely. Additionally we reconciling accounts and having them reviewed and approved monthly. Staff is also in the process of adjusting the Central Service Cost Allocation offset to be reported net of the expenses, instead of as a revenue item in the General Fund. This adjustment will be reflected starting with the third quarter budget update.

These internal control improvements, we believe, will prepare IVGID for a more streamlined year-end close and audit.

- Capitalization – staff has reviewed the existing policies and procedures, and is in the process of reviewing with Board prior to formally updating policies. Additionally staff is reviewing options for modifications to chart of accounts for tracking of capital maintenance expenditures to ensure repair and maintenance items that do not meet capital criteria are excluded from capitalization and depreciation of fixed assets.

IV. ATTACHMENTS

- 1) Framework for Internal Controls –Tasks
- 2) Framework for Internal Controls – Implementation Plan

DRAFT - APRIL 2021
FRAMEWORK FOR REVIEW AND IMPLEMENTATION OF INTERNAL CONTROLS

PHASE	TASKS	RESPONSIBILITY					Schedule				
		Board	Audit Committee	Staff	Consultant	External Auditor	Q4 A M J	Q1 J A S	Q2 O N D	Q3 J F M	Q4 A M J
Part 1 - Comprehensive Assessment of IVGID Internal Controls / PROJECT											
	<input type="checkbox"/> Review all relevant Board Policies and Procedures	Lead		X				Ongoing			
	<input type="checkbox"/> Review all Administrative Policies and Procedures		x	Lead	x	x		Ongoing			
	<input type="checkbox"/> Evaluate "gaps" in internal controls		x	Lead	x	x		Ongoing			
	Absence										
	Oversight/compliance										
	Separation of duties										
	<input type="checkbox"/> Develop formal recommendations for Updating Internal Controls		x	Lead	x	x		Ongoing			
	Update existing policies			Lead	x	x					
	Establish new policies			x	Lead	x					
	Formalize Accountability			Lead	x						
	Staff Training			Lead	x			Ongoing			
Part 2 - Regular and Continual Review of Internal Controls											
	<input type="checkbox"/> Establish regular "cycle" of review / update / continuous improvements		x	Lead					Annually		
	Example: All administrative policies and procedures will be reviewed on a 3-year cycle (1/3 per year).										
Part 3 - Internal Audit(s)											
a)	<input type="checkbox"/> Concurrent with tasks identified in Part 1, develop comprehensive list of "areas" for internal controls			Lead	x						
	Primary focus on areas with greatest "risk" to District related to liability, fraud, misappropriation of public funds and/or assets										
	<input type="checkbox"/> On an annual basis, TWO (2) areas will be candidates for a formal Internal Audit		x	Lead	x		Report		Annually	Report	Annually
	Assess adequacy of internal controls										
	Evaluate compliance with existing policies										
	Report on "Findings and Recommendations"										
b)	<input type="checkbox"/> Implement / Formalize periodic "impromptu" internal audits of operations and administrative practices and procedures			Lead					Ongoing		
	Random, unscheduled, unannounced										
Part 4 - External Independent Auditor											
	<input type="checkbox"/> SAS Requirements - Elected Officials and Executive Management	X	X	X		Lead			Annually		
	Identify areas of concern re risk/liability/fraud										
	<input type="checkbox"/> Memorandum of Internal Controls	X	X	X		Lead			Annually		
	Review of Internal Controls related to Financial Management based on review of policies, procedures and roles										
	Random sampling of transaction records (payroll, accounts payable, revenue, expenditures, fixed assets, debt).										

**Update of Accounting and Finance Procedures
April 2021**

Accounting and Financial Procedures			Review					Revisions				Staff Responsibility			
Old Section	New Section		Date	Current	Update	Obsolete	New	Draft	Review	Final	Date	Initial	Policy	Admin	Compliance
I	6.3.1	Internal Controls Effective Internal Controls	30-Apr		x										
II	6.3.2	Controls in a Computer Environment Application Controls Program Maintenance Computer Operations Security	31-May												
			31-May												
			31-May												
III	6.3.3	General Ledger and Journal Entries Maintaining an Effective Accounting System General Ledger Activity Adequate General Ledger Maintenance	30-Apr		x										
			30-Apr		x										
			30-Apr		x										
IV	6.3.4	Cash Cash Management Cash Receipts Disbursements from Bank Accounts Imprest and Similar Funds Bank Reconciliations	30-Apr												
			30-Apr												
			30-Apr												
			30-Apr												
			30-Apr												
V	6.3.5	Revenue Cycle Revenue Recognition Accounts Receivable Customer Returns and Allowances Other Revenues	31-May												
			31-May												
			31-May												
			31-May												
VI	6.3.6	Production Cycle Sales and Product Forecasts Cost-Flow Methods Inventory Control Periodic Physical Inventory Inventory Obsolescence	31-May												
			31-May												
			31-May												
			31-May												
			31-May												
VII	6.3.7	Pre-paid Expenses Monitoring and Accounting for Prepaid Expenses Controlling Asset Balances	30-Jun		x										
			30-Jun												
VIII	6.3.8	Investments Investment of Idle Funds Safeguarding of Investments Return of Investment	30-Jun												
			30-Jun												
			30-Jun												
IX	6.3.9	Property and Equipment Additions to Property and Equipment Accurate Records of Property and Equipment Depreciation of Property and Equipment Existence of Capital Assets Disposal of Capital Assets	4-Mar		X			MW	PN						
			4-Mar		X			MW	PN						
			4-Mar		X			MW	PN						
			4-Mar		X			MW	PN						
			4-Mar		X			MW	PN						

Update of Accounting and Finance Procedures
April 2021

Accounting and Financial Procedures		Review				Revisions				Staff Responsibility						
Old Section	New Section	Date	Current	Update	Obsolete	New	Draft	Review	Final	Date	Initial	Policy	Admin.	Compliance		
X	6.3.10 Purchasing and Accounts Payable			X			MW	PN								
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
				X				MW	PN							
XI	6.3.11 Notes Payable / Long-Term Debt															
XII	6.3.12 Accrued Liabilities															
XIII	6.3.13 Human Resources and Payroll															
XIV	6.3.14 Budget Cycle															
	6.3.15	Electronic Payment Systems	9-Mar		X		MW	PN								
	6.3.18	Central Services Cost Allocation	31-May		X		PN									
		Procurement Cards Program	31-May		X		MW									

MEMORANDUM

TO: Audit Committee

THROUGH: Matthew Dent
Audit Committee Chairman

FROM: Paul Navazio
Director of Finance

SUBJECT: Review and discuss the Engagement Letter with Davis Farr, LLP, to be signed by Audit Committee Chairman Matthew Dent, for the Independent Audit of the District's FY2020/21 Financial Statements

STRATEGIC

PLAN REFERENCE(S): Long Range Principles #2

DATE: April 29, 2021

I. RECOMMENDATION

Review and discuss the Engagement Letter with Davis Farr, LLP, to be signed by Audit Committee Chairman Matthew Dent, for the Independent Audit of the District's FY2020/21 Financial Statements

II. BACKGROUND

At their meeting of March 24, 2021, the Board of Trustees authorized executing a multi-year contract with Davis Farr, LLP to serve as the District's Independent Auditor, succeeding Eide Bailly, LLP who had served as the District's Independent Auditor for a period of five years, ending with the audit of the District's FY2019/20 financial statements.

The selection by the Board of Trustees of Davis Farr, LLP, followed a procurement process outlined in Board Policy 15.1.0 whereby the Audit Committee developed a Request for Proposal for Independent Audit Services and, based on a review of proposals submitted by qualified firms, the Committee recommended to the Board of Trustees that Davis Farr, LLP be designated as the District's new audit firm. Pursuant to requirements of NRS 354.624(3), formal notice was provided to the State Department of Taxation of the District's designation of Davis Farr, LLP to serve as Independent Auditor for the audit of the FY2020/21 financial statements.

As noted in March 24th Board memorandum recommending the contract award to Davis Farr, LLP, the approved multi-year contract outlines the general scope of services, as represented in the District's Request for Proposal as well as the fee structure provided by Davis Farr, LLP in their response to the RFP. It was also noted that the specific scope, roles, responsibilities and deliverables for each annual independent financial audit would

be outlined in the annual Engagement Letter to be provided by Davis Farr, LLP and executed by the Chair of the Audit Committee.

This agenda item presents for Audit Committee review and discussion the annual Engagement Letter provided by Davis Farr, LLP related to the upcoming audit of the District's financial statements for the fiscal year ending June 30, 2021. The annual Engagement Letter is historically signed by the Chair of the Audit Committee, and should be signed no later than June 1, 2020 in order for the audit to commence on schedule.

It should be noted that, consistent with Board Policy 15.1.0, the Independent Auditor is generally available serve as a resource to the Audit Committee, and is prepared to provide background and training to Committee members as well as support the Committee in fulfilling its oversight role related to finance, accounting, financial reporting and internal controls.

III. ALTERNATIVES

In reviewing the draft Engagement Letter, the Audit Committee may choose to discuss any additional tasks that it wishes to be undertaken by Davis Farr, LLP as either a component of the financial statement audit or potentially, as an adjunct engagement.

IV. STRATEGIC PLAN REFERENCE(S)

Long Range Principle #2

The District will ensure fiscal responsibility and sustainability of service capacities by maintaining effective financial policies for operating budgets, fund balances, capital improvement and debt management.

April 29, 2021

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

Dear Ms. Navazio:

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide The Incline Village General Improvement District (the "Entity").

ENGAGEMENT OBJECTIVES

We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the Entity's basic financial statements, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements.

Accounting Standards generally accepted in the United States of America ("US GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the Entity's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Entity's RSI in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by US GAAP and will be subjected to certain limited procedures but will not be audited.

1. Management's Discussion and Analysis
2. Schedule of Employer Required Contributions to Defined Contribution Multi-Employer Plans
3. Budgetary Comparison Schedules

We have also been engaged to report on supplementary information other than RSI that accompanies the Entity's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion in relation to the financial statements as a whole.

1. Budgetary Comparison Schedules

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which we will not provide an opinion on or any assurance.

1. Introductory Information
2. Statistical Information

OUR RESPONSIBILITIES

The objective of our audit is the expression of an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with US GAAP and to report on the fairness of the additional information referred to above when considered in relation to the financial statements taken as a whole.

We will also provide a report, which does not include an opinion on, Internal controls related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will each include a paragraph that states the report is solely to describe the scope and testing of internal control over financial reporting and compliance, and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and that the report is not suitable for any other purpose.

Audit

Our audit will be conducted in accordance with US GAAS, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion and render the required reports. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts (e.g., tests of the physical existence of inventories, direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions, etc.). We may also request written representations from the Entity's attorneys as part of the engagement, and they may bill the Entity for responding to this inquiry.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Entity or to acts by management or

employees acting on behalf of the Entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal controls, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with US GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. We will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and any material abuse that comes to our attention. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

The services described above do not relieve management or those charged with governance of their responsibilities.

THOSE CHARGED WITH GOVERNANCE

The preparation and presentation of the financial statements of the Entity are the responsibility of management with oversight from those charged with governance. Those charged with governance are also responsible for overseeing the strategic direction of the Entity and any obligations related to its accountability, resolving disagreements between management and us regarding financial reporting, appointing us to perform the services described above, and informing us about all known or suspected fraud involving the Entity. In turn, we will provide those charged with governance with any communications required by

the professional standards described above.

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for all management decisions and performing all management functions, and for designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee these services, any bookkeeping services, tax services, or other services we provide. Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for them.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (a) access to all information they are aware of that is relevant to the preparation and fair presentation of the financial statements, (b) additional information that we may request for the purpose of this engagement, and (c) unrestricted access to persons within the Entity from whom we determine it necessary to obtain information.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, for the selection and application of accounting principles, for the safeguarding of assets, and for the preparation and fair presentation of the financial statements in conformity with US GAAP even though we may assist management with their preparation. Accordingly, management may be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that management has reviewed and approved the financial statements and related notes prior to their issuance and has accepted responsibility for them.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Entity involving (a) management, (b) employees who have significant roles in internal controls, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of any known allegations of fraud or suspected fraud affecting the Entity received in communications from employees, former employees, regulators, or others. In addition, management is also responsible for identifying and ensuring that the Entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

During the course of our engagement, we will request information and explanations from management regarding the Entity. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Entity agrees to release our firm, its shareholders, and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the Entity's management.

Management is responsible for establishing and maintaining a process for tracking the status

of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other related studies. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. Management is responsible for providing its views on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, and for the timing and format for providing that information.

ENGAGEMENT FEES

Our fixed fees for the services previously outlined will be \$44,000 and travel costs not to exceed \$5,000.

Additionally, our fees are dependent on the availability, quality, and completeness of the Entity's records and, where applicable, upon the Entity's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., Entity employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. If significant additional time is necessary, we will discuss it with management and arrive at a new fee estimate as soon as reasonably practicable.

OTHER ENGAGEMENT MATTERS

This letter set forth the rights and responsibilities of the parties with respect to the services to be provided. This engagement is being undertaken solely for the benefit of the parties to this agreement and no other person shall be entitled to enforce the terms of this agreement.

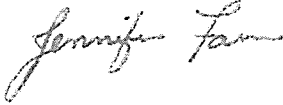
As required by *Government Auditing Standards*, we provided you with a copy of the report on the most recent peer review of our firm with our proposal.

The workpapers for this engagement will be retained in accordance with our firm policy, or for any additional period requested by a cognizant agency, oversight agency for audit, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

The undersigned is the engagement partner responsible for supervising the engagement and signing the report.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement. Please sign the enclosed copy of this letter and return it to us.

Very truly yours,



Jennifer Farr, CPA
Davis Farr LLP

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Incline Village General Improvement District

By _____

Paul Navazio, Director of Finance

Date _____

By _____

Chair of Audit Committee

Date _____

MEMORANDUM

TO: Audit Committee

THROUGH: Audit Committee Chair Matthew Dent

FROM: Member At-Large Cliff Dobler
Audit Committee Chair Matthew Dent

SUBJECT: Review, discuss Nevada Revised Statutes and Board Policy as it relates to the annual audit

DATE: April 20, 2021

I. RECOMMENDATION

The Audit Committee has a future agenda item to discuss deliverables with our new auditor.

II. BACKGROUND

At the March 11th Audit Committee Meeting, the members discussed bring back an item to build upon 19/20 CAFR and address the areas for improvement. The Board Policy relating to the annual financial audit is Policy 15.1.0 and the Nevada Revised Statutes relating to the annual financial audit in conjunction with outside auditor are the following:

NRS 354.486, NRS 354.624, NRS 354.624, NRS 354.6245, and NRS 354.625.

It is recommended we specifically focus on the following policy and statutes:

- Policy 15.1 (2.4.7), (2.3.3), (2.3.5), (2.5.1), (2.5.2), (2.5.3), & (2.9)
- NRS 354.486 (4)(7), NRS 354.624 (4)(4b)(5A)(7)(8)(9),
354.6241 (1c), NRS 354.6245 (1), NRS 354.625 (3)



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
Audit Committee
Policy 15.1.0**

- 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.



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

- 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.



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

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.

**NEVADA REVISED STATUTES RELATING TO THE ANNUAL
FINANCIAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.**

NRS 354.486 “Audit” defined. “Audit” means the examination and analysis of financial statements, accounting procedures and other evidence made in conformity with generally accepted auditing standards in the United States for one or more of the following purposes:

1. Determining the propriety and mathematical accuracy of material financial transactions;

2. Ascertaining whether financial transactions have been properly recorded;

3. Ascertaining whether the financial statements prepared from the accounting records fairly present in all material respects the financial position and the results of financial operations and cash flows of the governmental unit in accordance with generally accepted accounting principles in the United States and **on a basis which is consistent with that of the preceding year;**

4. **Evaluating internal accounting controls over financial reporting of the handling of the public money and public property;**

5. Determining whether the fiscal controls established by law and administrative regulations are being properly applied;

6. Determining whether there is any evidence that fraud or dishonesty has occurred in the handling of funds or property;

7. **Determining whether the acquisition, depreciation and disposition of property and equipment are accounted for in accordance with generally accepted accounting principles in the United States; and**

8. Determining whether the removal of the uncollectible accounts receivable from the records of a governmental unit is done in accordance with the procedure established by law and administrative regulations.

(Added to NRS by 1965, 726; A 1981, 1760; 1993, 1199; 2001, 1796)

NRS 354.624 Annual audit: Requirements; designation of auditor; scope and disposition; dissemination; prohibited provision in contract with auditor.

1. Each local government shall provide for an annual audit of all of its financial statements. A local government may provide for more frequent audits as it deems necessary. Except as otherwise provided in subsection 2, each annual audit must be concluded and the report of the audit submitted to the governing body as provided in subsection 6 not later than 5 months after the close of the fiscal year for which the audit is conducted. An extension of this time may be granted by the Department of Taxation to any local government that submits an application for an extension to the Department. If the local government fails to provide for an audit in accordance with the provisions of this section, the Department of Taxation shall cause the audit to be

**NEVADA REVISED STATUTES RELATING TO THE ANNUAL
FINANCIAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.**

made at the expense of the local government. All audits must be conducted by a certified public accountant or by a partnership or professional corporation that is registered pursuant to chapter 628 of NRS.

2. The annual audit of a school district must:

(a) Be concluded and the report submitted to the board of trustees as provided in subsection 6 not later than 4 months after the close of the fiscal year for which the audit is conducted.

(b) If the school district has more than 150,000 pupils enrolled, include an audit of the expenditure by the school district of public money used:

(1) To design, construct or purchase new buildings for schools or related facilities;

(2) To enlarge, remodel or renovate existing buildings for schools or related facilities; and

(3) To acquire sites for building schools or related facilities, or other real property for purposes related to schools.

3. The governing body may, without requiring competitive bids, designate the auditor or firm annually. The auditor or firm must be designated, and notification of the auditor or firm designated must be sent to the Department of Taxation not later than 3 months before the close of the fiscal year for which the audit is to be made.

4. Each annual audit must cover the business of the local government during the full fiscal year. It must be a financial audit conducted in accordance with generally accepted auditing standards in the United States, **including findings on compliance with statutes and regulations** and an expression of opinion on the financial statements. **The Department of Taxation shall prescribe the form of the financial statements**, and the chart of accounts must be as nearly as possible the same as the chart that is used in the preparation and publication of the annual budget. The report of the audit must include:

(a) A schedule of all fees imposed by the local government which were subject to the provisions of NRS 354.5989; (Business Licenses not applicable)

(b) A comparison of the operations of the local government with the approved budget, **including a statement from the auditor that indicates whether the governing body has taken action on the audit report for the prior year**;

(c) If the local government is subject to the provisions of NRS 244.186, a report showing that the local government is in compliance with the provisions of paragraphs (a) and (b) of subsection 1 of NRS 244.186; and

(d) If the local government is subject to the provisions of NRS 710.140 or 710.145, (outside of boundaries) a report showing that the local government is in compliance with the provisions of those sections with regard to the

**NEVADA REVISED STATUTES RELATING TO THE ANNUAL
FINANCIAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.**

facilities and property it maintains and the services it provides outside its territorial boundaries.

5. Each local government shall provide to its auditor:

(a) A statement indicating whether each of the following funds established by the local government is being used expressly for the purposes for which it was created, in the form required by NRS 354.6241:

(1) An enterprise fund.

(2) An internal service fund.

(3) A fiduciary fund.

(4) A self-insurance fund.

(5) A fund whose balance is required by law to be:

(I) Used only for a specific purpose other than the payment of compensation to a bargaining unit, as defined in NRS 288.134; or

(II) Carried forward to the succeeding fiscal year in any designated amount. (Use of Special Revenue Fund resources for capital projects not in accordance with GAAP)

(b) A list and description of any property conveyed to a nonprofit organization pursuant to NRS 244.287 or 268.058.

(c) If the local government is subject to the provisions of NRS 244.186, a declaration indicating that the local government is in compliance with the provisions of paragraph (c) of subsection 1 of NRS 244.186.

(d) If the local government is subject to the provisions of NRS 710.140 or 710.145, a declaration indicating that the local government is in compliance with the provisions of those sections with regard to the facilities and property it maintains and the services it provides outside its territorial boundaries.

6. The opinion and findings of the auditor contained in the report of the audit must be presented at a meeting of the governing body held not more than 30 days after the report is submitted to it. Immediately thereafter, the entire report, together with the management letter required by generally accepted auditing standards in the United States or by regulations adopted pursuant to NRS 354.594, must be filed as a public record with:

(a) The clerk or secretary of the governing body;

(b) The county clerk;

(c) The Department of Taxation; and

(d) In the case of a school district, the Department of Education.

7. After the report of the audit is filed by the local government, the report of the audit, including, without limitation, the opinion and **findings of the auditor contained in the report of the audit, may be disseminated by or on behalf of the**

***NEVADA REVISIED STATUTES RELATING TO THE ANNUAL
FINANICAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.***

local government for which the report was prepared by inclusion, without limitation, in or on:

- (a) An official statement or other document prepared in connection with the offering of bonds or other securities;
- (b) A filing made pursuant to the laws or regulations of this State;
- (c) A filing made pursuant to a rule or regulation of the Securities and Exchange Commission of the United States; or
- (d) A website maintained by a local government on the Internet or its successor, ↪ without the consent of the auditor who prepared the report of the audit. A provision of a contract entered into between an auditor and a local government that is contrary to the provisions of this subsection is against the public policy of this State and is void and unenforceable.

8. If an auditor finds evidence of fraud or dishonesty in the financial statements of a local government, the auditor shall report such evidence to the appropriate level of management in the local government.

9. The governing body shall act upon the recommendations of the report of the audit within 3 months after receipt of the report, unless prompter action is required concerning violations of law or regulation, by setting forth in its minutes its intention to adopt the recommendations, to adopt them with modifications or to reject them for reasons shown in the minutes.

(Added to NRS by 1965, 735; A 1967, 939; 1969, 800; 1971, 1344; 1973, 184; 1975, 451, 1688, 1801; 1977, 547; 1981, 313, 1768; 1987, 1043; 1989, 620; 1995, 1896, 1935; 1997, 574, 1611, 1739; 1999, 472, 2945; 2001, 1810; 2003, 1231; 2005, 292, 1344)

NRS 354.6241 Contents of statement provided by local government to auditor; expenditure of excess reserves in certain funds; restrictions on use of budgeted ending fund balance in certain circumstances. [Effective through June 30, 2021.]

1. The statement required by paragraph (a) of subsection 5 of NRS 354.624 must indicate for each fund set forth in that paragraph:

(a) Whether the fund is being used in accordance with the provisions of this chapter.

(b) Whether the fund is being administered in accordance with **generally accepted accounting procedures**.

(c) Whether the reserve in the fund is limited to an amount that is **reasonable and necessary to carry out the purposes of the fund**.

***NEVADA REVISED STATUTES RELATING TO THE ANNUAL
FINANCIAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.***

(d) The sources of revenues available for the fund during the fiscal year, including transfers from any other funds.

(e) The statutory and regulatory requirements applicable to the fund.

(f) The balance and retained earnings of the fund.

2. Except as otherwise provided in subsection 3 and NRS 354.59891 and 354.613, to the extent that the reserve in any fund set forth in paragraph (a) of subsection 5 of NRS 354.624 exceeds the amount that is reasonable and necessary to carry out the purposes for which the fund was created, the reserve may be expended by the local government pursuant to the provisions of chapter 288 of NRS.

3. For any local government other than a school district, for the purposes of chapter 288 of NRS, a budgeted ending fund balance of not more than 16.67 percent of the total budgeted expenditures, less capital outlay, for a general fund:

(a) Is not subject to negotiations with an employee organization; and

(b) Must not be considered by a fact finder or arbitrator in determining the financial ability of the local government to pay compensation or monetary benefits.

(Added to NRS by 1995, 1934; A 2001, 387, 1812; 2011, 1690; 2015, 2967; 2019, 3608)

NRS 354.6245 Review of annual audits by Department of Taxation; referral of accountant who issued noncompliant audit to Nevada State Board of Accountancy; plan of correction of violations.

1. The Department of Taxation shall review each annual audit to determine whether it complies with regulations adopted pursuant to NRS 354.594. **Any independent auditor's report, whether upon financial position and results of operations or upon internal financial controls, which the Department believes may not comply with those regulations must be referred by the Department to the Nevada State Board of Accountancy for investigation and such action in respect to the issuing accountant as the Board may find appropriate in the circumstances.**

2. In its review of the annual audits submitted, the Department shall identify all violations of statute and regulation reported therein. Within 60 days after the delivery of the annual audit to the local government, the governing body shall advise the Department what action has been taken to prevent recurrence of each violation of law or regulation or to correct each continuing violation. The Department shall evaluate the local government's proposed plan of correction and, if the plan is satisfactory, shall so advise the governing body. If the plan is not satisfactory, the

**NEVADA REVISED STATUTES RELATING TO THE ANNUAL
FINANCIAL AUDIT IN CONJUNCTION WITH OUTSIDE AUDITOR.**

Department shall advise the governing body that it deems the plan inadequate and propose an alternative plan. Within 30 days thereafter the governing body shall report its assent to the Department's plan or request a hearing before the Nevada Tax Commission. This hearing must be held at the next meeting of the Commission, but the hearing must not be held more than 90 days after such a request is received. The determination of the Nevada Tax Commission is final.

3. If the governing body fails to submit a proposed plan of correction pursuant to subsection 2, or the Executive Director of the Department of Taxation determines that the plan established is not being complied with, he or she must, through the Office of the Attorney General, seek a writ from a court of competent jurisdiction to compel compliance.

(Added to NRS by 1981, 310; A 1983, 252)

NRS 354.625 Records relating to property and equipment; control of inventory. The governing body of every local government shall:

1. Cause to be established and maintained adequate property and equipment records and, where appropriate, adequate inventory controls. Any local government created after July 1, 1975, shall establish such records and controls within 1 year after its creation unless the Department of Taxation grants an extension of time.

2. Require that all such property, equipment and inventory records clearly indicate specific ownership.

3. Designate, by entry in the minutes of the governing body, the officer, employee or officers or employees responsible for the maintenance of property and equipment records and, where appropriate, inventory records, and notify the Department of Taxation of such designation.

(Added to NRS by 1967, 940; A 1975, 157, 1689)

MEMORANDUM

TO: Audit Committee

FROM: Josh Nelson
District Legal Counsel

REVIEWED BY: Indra S. Winqest
District General Manager

SUBJECT: Whistleblower Procedure Under Policy 15.1.2.8

DATE: April 29, 2021

I. RECOMMENDATION

The Audit Committee receive, review, potentially revise, and consider adopting the enclosed Whistleblower Procedure.

II. BACKGROUND

The Audit Committee has been delegated the authority to review and refine financial whistleblower procedures under Policy 15.1.2.8. At three prior meetings, the Audit Committee reviewed and provided comments on a draft Whistleblower Procedure. In response to the latest comments, staff worked with Trustee Schmitz to substantially revise the draft Procedure. Enclosed is a revised draft based on those efforts. A redline is provided to show the most recent changes.

III. ALTERNATIVES

Do not move forward with the proposed procedure.

IV. BUSINESS IMPACT

This item is not a "rule" within the meaning of Nevada Revised Statutes, Chapter 237, and does not require a Business Impact Statement.

Redline Document

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

General

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

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

The Whistleblower Procedure includes the following:

- The methods for submission of concerns by employees, Trustees, volunteers, and other stakeholders of the organization on a confidential and anonymous basis to the extent permitted by applicable law.
- The receipt, retention, and treatment of complaints received by the Audit Committee regarding accounting, internal controls, auditing matters, or other violations of laws or policies.
- The protection of employees, Trustees, volunteers, and other stakeholders of the organization reporting concerns from retaliatory actions.

Reporting **Responsibility**

It is the responsibility of all employees, Trustees, and volunteers to report Misconduct in accordance with this Whistleblower Procedure. Other stakeholders of the organization may also report Misconduct in accordance with this Whistleblower Procedure.

“Misconduct” means (a) questionable or improper accounting or auditing matters, (b) violations and suspected violations of federal, state, local laws, and (c) violations and suspected violations of IVGID ordinances, policies, and procedures, resolutions including, but limited to, those related to financial reporting, safety, and accounting.

Employees **should** have the following options for reporting concerns:

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE**

- A. ~~First discuss~~Discuss any Misconduct with their **immediate supervisor**.
- B. ~~If, after speaking with his or her supervisor, the individual continues to have reasonable grounds to believe Misconduct occurred, the individual should report~~Report the suspected Misconduct to the **Director of Human Resources**.
 - a. ~~C. If the individual is uncomfortable speaking with his or her supervisor, or the supervisor is a subject of the Misconduct, the individual should report his or her concern directly to the Director of Human Resources. If the Misconduct was reported verbally to the Director of Human Resources, the reporting individual, with assistance from the Director of Human Resources, shall reduce the Misconduct to writing. The Director of Human Resources is required to promptly report the suspected Misconduct to the Chair of the Audit Committee and the General Manager.~~
- C. ~~D. Report the issue to the Chair of the Board of Trustees should~~
 - a. Should the concern of Misconduct implicate one or both of the General Manager or the Chair of the Audit Committee, this is the recommended reporting option.
- D. ~~E. Report the issue to the Chair of the Board of Trustees or any other Trustee~~, if the Board Chair is implicated.
- E. Submit concerns anonymously using the IVGID website. Such submittals will automatically be routed to the Audit Committee Chair with a copy to the General Counsel.

~~Contact information for the Chair of~~The public may also submit concerns to the Audit Committee may be obtained through the Human Resources Department. Allegations of Misconduct may be also be submittedChair or anonymously throughusing the IVGID website. ~~Such~~All anonymous allegations of Misconduct will be sent directly to the Chair of the Audit Committee with a copy to the General ~~Manager~~Counsel.

Upon receipt an allegation of Misconduct, the receiving party shall take swift action which shall include investigating the allegation. ~~The appropriate level of inquiry will depend on the nature of the allegation.~~ Investigations ~~shall~~may include the Human Resources department and legal counsel, as applicable.

~~It is the responsibility of the General Manager to take immediate action to investigate and determine if corrective action needs to be taken. To ignore a report may result in disciplinary action up to and including termination for inaction. The Chair of the Audit Committee shall retain ultimate responsibility to ensure that allegations of Misconduct are appropriately investigated.~~

No Retaliation

This Whistleblower Policy is intended to encourage and enable Trustees, volunteers, and employees to report Misconduct within IVGID for investigation and

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

appropriate action. With this goal in mind, no Trustee, volunteer, or employee who, in good faith, reports Misconduct shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Moreover, a volunteer or employee who retaliates against someone who has reported Misconduct in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment.

Retaliation includes harassment or adverse employment actions, such as unwarranted discipline or termination. Any employee, Trustee or volunteer who retaliates in violation of this procedure is subject to discipline up to and including termination of employment or removal as a volunteer, as applicable.

Acting in Good Faith

Anyone raising concerns of Misconduct must be acting in good faith and have reasonable cause for believing the information disclosed indicates Misconduct. Any allegations that prove to be made maliciously or knowingly false will be viewed as a serious disciplinary offense. For employees, this may result in termination.

Confidentiality

To the extent permitted by applicable law, reports of Misconduct or suspected Misconduct will be kept confidential on a "need-to-know" basis, consistent with the need to conduct an adequate investigation. Improper or unauthorized disclosure of reports of Misconduct or resulting investigations will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment.

Receipt, Retention, and Treatment -- Role of the Audit Committee Chair and General Manager

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

1. The number of reported concerns regarding Misconduct received through the IVGID website or direct reporting to the Chair.
2. The average time to resolve or respond to those concerns.
3. The number of repeated concerns regarding Misconduct submitted.

The Audit Committee Chair will review all concerns submitted anonymously, from a member of the Board of Trustees and/or from a member of District staff. The following are potential options of action for the Chair which shall be determined in consultation with the General Counsel:

1. Engage an external resource to investigate and provide recommended corrective action.
2. Delegate the investigation to the General Manager.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE**

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

All Changes Accepted Document

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

General

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

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

The Whistleblower Procedure includes the following:

- The methods for submission of concerns by employees, Trustees, volunteers, and other stakeholders of the organization on a confidential and anonymous basis to the extent permitted by applicable law.
- The receipt, retention, and treatment of complaints received by the Audit Committee regarding accounting, internal controls, auditing matters, or other violations of laws or policies.
- The protection of employees, Trustees, volunteers, and other stakeholders of the organization reporting concerns from retaliatory actions.

Reporting

It is the responsibility of all employees, Trustees, and volunteers to report Misconduct in accordance with this Whistleblower Procedure. Other stakeholders of the organization may also report Misconduct in accordance with this Whistleblower Procedure.

“Misconduct” means (a) questionable or improper accounting or auditing matters, (b) violations and suspected violations of federal, state, local laws, and (c) violations and suspected violations of IVGID ordinances, policies, and procedures, resolutions including, but limited to, those related to financial reporting, safety, and accounting.

Employees have the following options for reporting concerns:

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

- A. Discuss any Misconduct with their **immediate supervisor**.
- B. Report the suspected Misconduct to the **Director of Human Resources**.
 - a. If the Misconduct was reported verbally to the Director of Human Resources, the reporting individual, with assistance from the Director of Human Resources, shall reduce the Misconduct to writing.
- C. Report the issue to the **Chair of the Board of Trustees**.
 - a. Should the concern of Misconduct implicate one or both of the General Manager or the Chair of the Audit Committee, this is the recommended reporting option.
- D. Report the issue to any other **Trustee**, if the Board Chair is implicated.
- E. Submit concerns anonymously using the IVGID website. Such submittals will automatically be routed to the Audit Committee Chair with a copy to the General Counsel.

The public may also submit concerns to the Audit Committee Chair or anonymously using the IVGID website. All anonymous allegations of Misconduct will be sent directly to the Chair of the Audit Committee with a copy to the General Counsel.

Upon receipt an allegation of Misconduct, the receiving party shall take swift action which shall include investigating the allegation. Investigations may include the Human Resources department and legal counsel, as applicable.

No Retaliation

This Whistleblower Policy is intended to encourage and enable Trustees, volunteers, and employees to report Misconduct within IVGID for investigation and appropriate action. With this goal in mind, no Trustee, volunteer, or employee who, in good faith, reports Misconduct shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Moreover, a volunteer or employee who retaliates against someone who has reported Misconduct in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment.

Retaliation includes harassment or adverse employment actions, such as unwarranted discipline or termination. Any employee, Trustee or volunteer who retaliates in violation of this procedure is subject to discipline up to and including termination of employment or removal as a volunteer, as applicable.

Acting in Good Faith

Anyone raising concerns of Misconduct must be acting in good faith and have reasonable cause for believing the information disclosed indicates Misconduct. Any allegations that prove to be made maliciously or knowingly false will be viewed as a serious disciplinary offense. For employees, this may result in termination.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

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The Audit Committee Chair will review all concerns submitted anonymously, from a member of the Board of Trustees and/or from a member of District staff. The following are potential options of action for the Chair which shall be determined in consultation with the General Counsel:

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

From: cfdobler@acl.com
To: [Tim Callicrate](#); [Matthew Dent](#); [Sara Schmitz](#); [Wong, Kendra](#); [Michaela Tonking](#); [Winaquest, Indra S.](#); [Paul C. Navazio](#)
Cc: [Herron, Susan](#); matthewbdent@gmail.com
Subject: Funding public parks from the General Fund
Date: Thursday, April 8, 2021 11:51:54 AM
Attachments: [General Fund - Analysis of using General Fund resources to fund public parks.pdf](#)

Attached is my analysis of why the Parks should not be funded from the General Fund primarily a lack of resources. There are several other tidbits regarding the General Fund which could be of interest to each of you. Hope you enjoy the memo.

Susan Herron - Could you please include this memorandum on the next Audit Committee Meeting of April 28, 2021. I have copied Mr. Dent on this matter.

Cliff Dobler

Memorandum

April 8, 2021

To: Indra Winquest, Paul Navazio and IVGID Board of Trustees

cc: IVGID Audit Committee

From: Clifford F. Dobler

cc: IVGID Board of Trustees

Re: Funding Public Parks through General Fund resources

Over the past year, Trustee Schmitz has discussed the possibility that operations of IVGID's Public Parks should be funded by resources of the General Fund. This proposal would be impossible to implement based on the historical operating expenses and capital costs of the Parks through the Community Service Funds and the lack of available revenues in the General Fund. The parks include Village Green, Preston Field, and the baseball fields adjacent to the Middle School.

The following is information required to make a worthy analysis

Annual Average Costs to operate and maintain the Park system (Exhibit A)

For the 5 year period from July 1, 2016 and June 30, 2020 the average annual costs of operating the Parks was \$802,786 with offsetting revenues averaging only \$46,469 producing an average annual net losses of \$756,317.

Park Capital Project costs for the five year period were \$3,686,458. After removing the rehab of a baseball field and a new bridge over Incline Creek, which were funded by grants, \$2,000,000 had been spent on other capital items or \$400,000 per year. The five year capital plan for 2021 to 2025 has \$1,586,640 for new purchases and projects or an average of \$317,200 per year. Based on these factors, capital costs should be considered to average around \$350,000 annually.

Combining the annual estimated costs for operations of \$750,000 and capital costs of \$350,000 the parks require about \$1,100,000 per year in subsidies.

General Fund Revenue and Expenses 5 years 2016 to 2020 (Exhibit B)

For the past five years from July 1, 2016 to June 30, 2020, tax revenues less operating expenses, capital outlays and reimbursements for "Central Service Costs" produced an average of only \$540,000 annually far short of the requirements to fund the parks systems. While tax revenues may increase over time because of increasing home values, IVGID's thirst to spend money will cause expenditures to increase in tandem with revenue increases. The approved fiscal 2021 budget (Exhibit B) indicated large increases in operating expenses (31% over previous 5 year average) and the excess revenues over expenditures dwindled to a minimal amount.

Other General Fund Items

- An extraordinary amount of investment earnings occurred in 2019 and 2020 producing annual cash yields over 9% per annum based on the average fund balances existing. These cash returns could not have occurred unless the earnings included gains from the liquidation of certain cash investments. This should be explained by management. In the long term, investment earnings should not be relied upon to fund Park ongoing operations. Assuming proper management of fund balances, the current amount of fund balance should be reduced substantially over the next few years.
- During the past five years only two transfers of \$650,000 were made to other funds. Also a series of transfers were received and disbursed to unwind a NRS violation and to properly redistribute the remaining cash from the self funded

Workman's compensation Fund which was part of Internal Services. The General Fund retained a net amount of \$145,000 from the closeout of the Workman's compensation fund.

- Deletion of a new Administration Building scheduled in 2024 - According to the five year capital plan (2021 to 2024), a new administration building was planned to be constructed in 2024 with a budget of \$3,350,000. An estimate conducted by Precision Budgets Inc. on 6/20/2017 based on conceptual drawings dated 9/20/2012 estimated the costs of a new building to be \$5,642,047 or \$501.52 per square foot. This has been removed from the 5 year capital plan at the BofT meeting on 3/24/2021.
- The proposed 5 year (2022 to 2026) Capital Projects plan (EXCLUDING THE ADMINISTRATION BUILDING) indicates spending an average of \$392,000 per year. which is substantially higher than historical expenditures.

Current General Fund excessive Fund Balance

At June 30, 2020, the General Fund had a fund balance of \$4,630,149 far in excess of the appropriate level of fund balance required by Board Policy 7.1. which states 5% of operating expenses or approximately \$135,000. (operating expenses are net of the Central Service Cost reimbursements).

After considering outstanding commitments of \$1,300,000 for the mandated tax payments to Washoe County and an undetermined capital portion of the \$891,438 planned for the Tyler software installation (apparently there will be some offsets by cancelling other contracts), the fund balance continues to be far in excess of Board Policy.

After adjusting for these two commitments, fund balance would remain at approximately \$2,500,000 or 1,900% higher than the appropriate level of fund balance.

Immediate attention should be given by this Board to establish a proper use of the Fund Balance.

- reduced the Ad valorem tax rate to lower revenues
- Transfer funds to the Community Service Funds and/or the Utility Fund (transfers cannot be done to Beaches because not all property owners who are assessed taxes have use of the Beaches)
- Annual transfers are limited to 10% of General Fund expenditures, (NRS 318.117) resulting in limitations on transfers for, at least, the next 9 years. 354.6117
- Begin funding Community Programming (Recreational Programming) currently accomplished in the Community Services Funds from resources in General Fund. There is no provision in NRS 318 to fund community programming, however, under NRS 377A, taxes can be used for miscellaneous special purposes which include "Recreational programs".

Public Parks are allowed under NRS 318 - General Improvement Districts

The Nevada Revised Statute 318.116 provides a basic power to the Board of a General Improvement District to furnish recreational facilities described in NRS 318.143 which includes public parks. Park improvements and operations can and are currently being funded by the Facilities Fees (standby services charges) which are allowed and currently being assessed upon property owners under NRS 318.197 which allows flexibility in amounts which can be assessed.

Alternative Use of General Fund annual revenue surpluses and excess fund balances.

Under NRS 318, IVGID does not have the power to use of the Facility Fees assessed under NRS 318.197 for Community Programming. Resources for Recreational Programming, which includes Community Programming is specifically identified in NRS Title 32 Chapter 377A through the use of TAXES. Since IVGID may have inadvertently funded such programs through Facility Fees which violates Dillon's rule, an immediate change should be made to fund the Community programs from tax resources in the General Fund.

Conclusion

Operations and Capital Costs for Parks should remain in the Community Services Fund as authorized by NRS 318.116. Based on the projections for the General Fund there would not be an identifiable source of revenues which could support the current and planned expenditures for the parks.

Exhibit A - Historical Revenues, Expenses and Capital Costs for Parks

Exhibit B - Historical Revenues, Expenses and other Financing Sources of the General Fund.

Incline Village General Improvement District
Community Services Venues

EXHIBIT A

Operating Revenues and Expenses 2016 to 2020

Operations only

	Championship Golf Course	Mountain Golf Course	Facilities	Diamond Peak	Rec Center Community Programming	Beaches	Tennis	Recreation Administration	Other Revenues	Total
2016										
Revenues (NO Rec Fee)	3,488,229	645,128	275,156	10,202,972	1,264,177	59,521	166,533	(521,179)	601,927	16,182,464
Expenses	(3,526,103)	(937,694)	(432,187)	(6,441,024)	(2,228,737)	(715,535)	(256,359)	(315,943)		(14,853,585)
Capital Projects	(37,874)	(292,566)	(157,031)	3,761,948	(964,560)	(656,077)	(89,826)	(837,122)	601,927	1,328,879
2017										
Revenues (NO Rec Fee)	3,542,663	627,986	387,701	11,326,968	1,274,149	49,430	166,577	(573,542)	336,636	17,134,568
Expenses	(3,944,772)	(1,002,359)	(498,577)	(6,810,598)	(2,225,893)	(821,634)	(262,369)	(354,367)		(15,919,969)
Capital Projects	(402,109)	(374,373)	(110,876)	4,516,370	(951,744)	(775,604)	(95,792)	(927,909)	336,636	1,214,599
2018										
Revenues (NO Rec Fee)	3,765,419	630,214	355,696	9,155,646	1,289,953	48,910	145,197	(758,481)	375,561	15,008,115
Expenses	(4,055,702)	(972,171)	(448,797)	(7,024,327)	(2,232,105)	(818,496)	(228,530)	(357,498)		(16,137,428)
Capital Projects	(290,283)	(341,957)	(93,101)	2,131,319	(942,152)	(765,388)	(83,333)	(1,115,979)	375,561	(1,129,313)
2019										
Revenues (NO Rec Fee)	3,902,689	740,968	392,246	11,778,871	1,364,044	46,580	153,435	(730,819)	429,729	18,077,743
Expenses	(4,285,423)	(960,442)	(482,527)	(7,830,948)	(2,296,972)	(815,439)	(253,544)	(363,285)		(17,288,580)
Capital Projects	(382,734)	(219,474)	(90,281)	3,947,923	(932,928)	(768,800)	(100,109)	(1,094,104)	429,729	789,163
2020										
Revenues (NO Rec Fee)	4,070,762	690,798	361,890	9,781,499	1,004,900	32,505	133,786	(590,712)	370,987	15,856,415
Expenses	(4,255,618)	(960,547)	(469,752)	(7,011,524)	(2,189,572)	(843,615)	(242,873)	(572,599)		(16,546,104)
Capital Projects	(184,856)	(269,749)	(107,862)	2,769,975	(1,184,672)	(611,114)	(109,087)	(1,163,311)	370,987	(689,689)
Total										
Revenues	18,769,762	3,335,094	1,772,689	52,245,956	6,197,223	232,916	765,528	(3,174,733)	2,114,840	82,259,305
Expenses	(20,067,618)	(4,833,213)	(2,331,840)	(35,118,421)	(11,173,279)	(4,013,928)	(1,243,675)	(1,963,692)	-	(80,745,666)
Capital Projects	(1,297,856)	(1,498,119)	(559,151)	17,127,535	(4,976,056)	(3,780,982)	(478,147)	(5,138,425)	2,114,840	1,513,639

Average Per year

Operating Costs recovered

Recreation fee - Board Approved for operations only - Never required.

	-93.53%	-69.00%	-76.02%	-148.77%	-55.46%	-5.80%	-61.55%	161.67%		Operating Portion	Total Facility Fee
2016										2,181,200	5,984,146
2017										2,050,000	5,999,152
2018										1,763,000	5,769,982
2019										1,763,000	5,784,000
2020										2,050,750	5,774,067
Total										9,807,950	29,311,347

About \$2.5 million of negative revenues in Recreation Administration were transfers to the Beaches

Capital Projects Costs

										Total	Grants	Net by IVGID
2015/2016 CAFR	415,867	235,010	138,071	707,467	101,437	689,776	46,482	14,089		2,344,199	586,361	1,757,838
2016/2017 CAFR	928,012	120,868	161,162	1,375,029	574,838	312,527	49,022	111,792		3,633,250	113,615	3,519,635
2017/2018 CAFR	664,121	402,955	198,604	1,814,021	71,100	601,803	5,000	148,812		3,905,916	156,775	3,749,141
2018/2019 CAFR	497,377	338,149	21,406	4,539,027	259,918	142,040	104,180	141,403		6,043,500	31,958	6,011,542
2019/2020 CAFR	439,872	1,592,962	71,584	792,711	244,815	1,941,612	233,778	(261,503)		5,059,031	1,637,399	3,421,632
Subtotal	2,945,249	2,689,944	590,827	9,228,255	1,252,108	4,098,438	438,462	154,593		20,985,896	2,526,108	18,459,788
Total operations & capital	(4,243,105)	(4,188,063)	(1,149,978)	7,899,280	(6,228,164)	(7,497,410)	(916,609)	(5,293,018)				

Avg LOSS per year

(848,621)	(837,613)	(229,956)	1,579,856	(1,245,633)	(1,493,488)	(183,322)	(1,058,604)
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Incline Village General Improvement District
General Fund - Summary of General Revenues and expenditures
 Fiscal years ending June 30, 2016 to 2020 Actual
 Fiscal year 2020/2021 Budget

EXHIBIT B

	5 year period 2016-2020					Total	Average	2021 Budget	
	2016	2017	2018	2019	2020				
Revenues									
Ad valorem taxes	\$ 1,497,006	1,462,280	1,524,623	1,615,540	1,706,170	\$ 7,805,619		1,782,000	
Other Taxes	1,487,986	1,498,567	1,649,921	1,708,093	1,736,657	8,081,224		1,656,000	
Miscellaneous	50,292	4,638	2,033	2,002	952	59,917		2,400	
	<u>3,035,284</u>	<u>2,965,485</u>	<u>3,176,577</u>	<u>3,325,635</u>	<u>3,443,779</u>	<u>15,946,760</u>	<u>3,189,352</u>	<u>3,440,400</u>	
Expenditures									
All Operating Expenses	3,510,247	3,603,667	3,586,203	3,933,149	3,799,835	18,433,101	3,686,620	4,520,099	23% over average
Capital Projects	79,331	148,435	113,813	121,257	279,424	742,260	148,452	650,150	430% over average
Less Central Service Costs charged out	(1,123,000)	(1,177,200)	(1,094,000)	(1,169,400)	(1,367,400)	(5,931,000)	(1,186,200)	(1,741,440)	47% over average
	<u>2,466,578</u>	<u>2,574,902</u>	<u>2,606,016</u>	<u>2,885,006</u>	<u>2,711,859</u>	<u>13,244,361</u>	<u>2,648,872</u>	<u>3,428,809</u>	32% increase over average
Net Operations	<u>568,706</u>	<u>390,583</u>	<u>570,561</u>	<u>440,629</u>	<u>731,920</u>	<u>2,702,399</u>	<u>\$ 540,480</u>	<u>11,591</u>	
Other Financing Sources (Uses)									
Investment Earnings		51,680	89,960	327,815	432,643	902,098		131,400	
Sale of Capital Assets			16			16			
Workman's Comp Close Out									
Transfers in from Internal Services			800,000	474,356		1,274,356			
Transfers out to other Funds				(800,000)	(300,000)	(1,100,000)			
Other Transfers - No reason provided	(250,000)	(400,000)				(650,000)			
	<u>(250,000)</u>	<u>(348,320)</u>	<u>889,976</u>	<u>2,171</u>	<u>132,643</u>	<u>426,470</u>		<u>131,400</u>	
Increase in Fund Balance	<u>318,706</u>	<u>42,263</u>	<u>1,460,537</u>	<u>442,800</u>	<u>864,563</u>	<u>3,128,869</u>		<u>142,991</u>	
Beginning Fund Balance	<u>1,501,280</u>	<u>1,819,986</u>	<u>1,862,249</u>	<u>3,322,786</u>	<u>3,765,586</u>	<u>1,501,280</u>		<u>4,630,149</u>	
Ending Fund Balance	<u>\$ 1,819,986</u>	<u>1,862,249</u>	<u>3,322,786</u>	<u>3,765,586</u>	<u>4,630,149</u>	<u>\$ 4,630,149</u>		<u>\$ 4,773,140</u>	
Investment Earnings on average fund balance				9.20%	10.30%			2.84%	
Appropriate Level of Fund Balance - Board Policy 7.1 - 4% of Expenditures					\$ 108,474			\$ 137,152	
Over appropriate level of fund Balance								3480.2%	
Property Tax Settlement with Property Owners					?				
Reserves for Tyler					?				

DATE	DAY OF THE WEEK	TIME	LOCATION	TYPE OF MEETING - 2021	COMPLETED MEMORANDUMS WITH ALL BACK UP MATERIALS FOR AGENDA ITEMS FROM BOARD MEMBERS/STAFF DUE DATES	ITEMS SLATED FOR CONSIDERATION
05/05	Wednesday	3:30 p.m.		Special Board Meeting	04/26/2021 8 a.m.	Budget Workshop Resolution Number X: A Resolution primarily approving the report for collection of Recreation Standby and Service Charges per parcel of \$830 with beach privileges and \$650 with beach privileges, Fiscal Year 2021-2022 and setting the public hearing date for Wednesday, May 26, 2021 at 6 p.m.
05/12	Wednesday	6 p.m.		Regular Board Meeting	05/03/2021 8 a.m.	Review and discuss the District's 3 rd Quarter Financial Report (Requesting Staff Member: Director of Finance Paul Navazio) Public Records Update (in GM report) Initial presentation: Effluent Export Pipeline Project (Underwood) Presentation, discussion and possible direction on employee beach access (Nelson) Correspondence in Board packet – Chairman Callicrate
05/13	Thursday	3:30 to 7:30 p.m.	COOM and Livestream	GM's Ordinance 7 Community Virtual Forum		INFORMATIONAL ENTRY ONLY
05/19	Wednesday	12 noon to 2 p.m. AND 5:30 to 7:30 p.m.	COOM and Livestream	GM's Ordinance 7 Community Virtual Forum – Two on this date		INFORMATIONAL ENTRY ONLY
05/26	Wednesday	6 p.m.		Regular Board Meeting	05/17/2021 8 a.m.	Adoption FY2021/22 Budget (incl. Public Hearing) Approval of Rec Roll – FY2021/22 (incl. Public Hearing)
06/09	Wednesday	6 p.m.		Regular Board Meeting	05/31/2021 8 a.m.	Public Records Update (in GM report) Appointment of an Audit Committee At-Large Member (Policy 15.1.0) for a one year term Raftelis Final Report (tentative date) Approval: Effluent Export Pipeline Project (Underwood) Early Opening of and Authorize the 2021 Waterline Improvement Construction Contract (Chorey) – work starting 7/1 Early Opening of and Authorize Rec Center Locker Room Improvements Construction Contract (Chorey) – work starting 7/1
TBD	TBD	TBD		Audit Committee Meeting		Procedural changes to the Internal Controls Management review of the items requested for action Policy 15.1.0
TBD	TBD	TBD		Special Board Meeting		GM's Ordinance 7 Committee recommendations
07/14	Wednesday	6 p.m.		Regular Board Meeting	07/05/2021 8 a.m.	Public Records Update (in GM report)
07/29	Thursday	6 p.m.		Regular Board Meeting	07/20/2021 8 a.m.	4th Quarter Financial Report (tentative)
08/11	Wednesday	6 p.m.		Regular Board Meeting	08/02/2021 8 a.m.	Public Records Update (in GM report)
08/26	Thursday	6 p.m.		Regular Board Meeting	08/17/2021 8 a.m.	General Manager Performance Review and Review of Goals for FY 2020/2021
09/08	Wednesday	6 p.m.		Regular Board Meeting	08/30/2021 8 a.m.	Public Records Update (in GM report)
09/30	Thursday	6 p.m.		Regular Board Meeting	09/21/2021 8 a.m.	
10/13	Wednesday	6 p.m.		Regular Board Meeting	10/04/2021 8 a.m.	Public Records Update (in GM report)
10/28	Thursday	6 p.m.		Regular Board Meeting	10/19/2021 8 a.m.	
11/10	Wednesday	6 p.m.		Regular Board Meeting	11/01/2021 8 a.m.	Public Records Update (in GM report)
12/08	Wednesday	6 p.m.		Regular Board Meeting	11/29/2021 8 a.m.	Public Records Update (in GM report)

Items sitting in the parking lot (to be discussed but (a) not yet scheduled for a specific Regular Board Meeting) or (b) a future Board not on this calendar

RFID Picture Passes – Item for next Strategic Plan or three years from now – software not available nor is infrastructure/hardware
TRPA EIS Contract at Diamond Peak
Revisions to Split Ordinance 7 (allow 45 days ahead of action)
Review of the Washpad Project (see award made on 06/23/2020)
Next step on Incline Beach House
Report on audit of selected parcels (Trustee Schmitz asked when that was going to come forward on 3/31)
Report on audit of recreation and beach fees (request made at 12/9/2020 meeting)
Central services allocation (Navazio) (reminder at 3/31/2021 meeting)
Tyler Technologies project status report (request made at 01/13/2021 meeting)
Possible discussion on IVGID needs as it relates to potential land use agreement with DPSEF (Request by Trustee Schmitz – 01/18/2021)
Utility Rate Study (see minutes of 1/13/2021) – award of contract to Raftelis was made
Develop a policy and criteria for Professional Services (see Moss Adams 1 Report) (Request by Trustee Schmitz – 03/10/2021)
Framework for pricing across the District (Request by Trustee Schmitz – 03/10/2021)
Tax implications for benefits for employees (Request by Trustee Schmitz – 03/10/2021 – District General Counsel Nelson is working on an opinion)
Review of service levels – Golf will be coming first – date to be determined

*Budget approval is required after the third Monday however whatever date is selected, a 10-day notice must be given. Must accomplished no later than June 1, 2021.

MINUTES

AUDIT COMMITTEE MEETING OF MARCH 11, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Matthew Audit Committee Chairman Dent on Wednesday, March 11, 2021 at 6:00 p.m. at the Boardroom located at 893 Southwood Boulevard, Incline Village, Nevada. This meeting was conducted virtually via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Matthew Audit Committee Chairman Dent (Trustee, Chair), Cliff Audit Committee At-Large Member Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Audit Committee At-Large Member Tulloch (At-Large Member), Derrek Audit Committee At-Large Member Aaron (At-Large Member).

Also present was Staff member Director of Finance Paul Director of Finance Navazio.

There were no members of the public present (State of Nevada, Executive Directive 006, 016, 018, 021, 026, and 029).

B. PUBLIC COMMENTS*

Linda Newman said the Whistleblower Procedure presented should be removed from the agenda. It cannot be received, instead it should be revised as it does not conform to Audit Committee Policy 15.1 and it creates a management chain of command to hear complaints that will discourage any employee from coming forward. It also requires "anonymous" allegations be sent directly to the Audit Committee Chair and the General Manager. Including the GM, is inappropriate, as the Audit Committee Chair, like all members of the Committee, are required to be independent and reinforce accountability in order to exercise responsible oversight. It allows submission of allegations through the IVGID website –which would enable anyone who has access to emails sent to the web address to see the complaint. The authors of the Procedure should first focus on Policy 15.1.2.8 and its sub-clauses. You will see that the AC's purview is allegations regarding accounting, internal accounting controls, auditing matters, or suspected fraud. All allegations on these issues from Trustees, Volunteers, Employees and Members of the Public should be submitted directly to the Audit Committee Chair or any other Committee member. This direct approach would establish greater efficiency and timely investigation and action. It would also minimize violations of confidentiality and fear of retaliatory consequences for blowing the whistle. If the allegations relate to the conduct of the Audit Committee Chair, those allegations

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Audit Committee Meeting of March 11, 2021

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should be directed to the Board Chair. Other matters that are identified in the Procedure that do not fall under the purview of the Audit Committee should be submitted directly to the Board Chair or any other elected Trustee. The Board and the Audit Committee have the responsibility for oversight and should exercise that authority. Management cannot and should not have the authority to investigate itself and its staff on allegations of misconduct stated in this Procedure. The role of District legal counsel must also be clarified. If the Board Chair or Audit Committee Chair requests advice on how to handle allegations of Senior Management Misconduct – is Counsel representing or protecting the interests of the Board or the Employee? There are many issues that need to be addressed on the role of legal counsel. This is just a starting point. She also requests the presentation on Internal Controls be removed. There are pages and pages that do not address what exactly has been accomplished. After close to a year, it should be apparent that Management is incapable of developing appropriate internal controls and an independent expert is greatly needed. As for the Chart of Accounts update –is 3 to 18 months to get this right acceptable? Not in my view. The Board just approved a 1.2-million-dollar software technology package that requires this information –and it just isn't there. Please take charge to get this done with the assistance of independent consultants.

Margaret Martini said our community greatly respects your contribution to improving our District's financial accountability and transparency. We also understand that you are confronting decade long challenges that have been left unexamined and unresolved. With that said, it is important that you set the standard for the Committee's compliance as well as Management's compliance with Committee Policy 15.1. She doesn't have to blow the whistle on the General Manager and the Director of Finance's failure to comply with 15.2.4 et al by not providing this Committee with all reports and letters prior to submittal to the external auditor as well as not providing the Committee with the draft CAFR in its entirety including unaudited sections and letters. You already know this. So her question is, how will you hold Management accountable? This Committee is also charged with providing oversight over the District's financial reports to assist the Board of Trustees in fulfilling their responsibilities in accordance with Nevada Law and Board and District Policies. Yet, you were all aware that the District's 2020 CAFR violated Generally Accepted Accounting Principles as evidenced by the Moss Adams Report and your own due diligence. She has always understood that right and wrong are binary. There is no middle ground or compromise. You can't get something half right now and make it all right later when it comes to a great many things, especially financial accounting and reporting. This needs to be remedied now, because it should not be permitted to happen again. There is also a large backlog of memos written months ago raising significant legal issues,

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capital project irregularities, improper financial accounting and reporting practices and other important issues. This is problematic as well. This Committee needs independent expert resources to fulfill its responsibilities as well as a Committee Executive Assistant to help you with preparing agenda items and packets as well as researching and other administrative matters. She hopes you will consider her recommendations and provide answers to her questions.

Frank Wright said he has a bunch of comments but would like to first commend the Audit Committee for their work. As far as whistleblower policy, the way it now reads, it should be removed from the agenda. It is not good and is a dumb thing to do. It takes some understanding that some things are just not right. It seems that the District keeps on covering up dirt and not starting fresh; doing things over and over. The money we have paying on the Mark Smith case is crazy, why are we defending something that is totally wrong? Public records are public records and spending money on trying to cover up old bad practices things is not right. Let's do it right and follow the law and why do we have to keep running and hiding – let's do it right. The only thing that has ever gotten done is this Audit Committee and you have done a great job.

Judith Miller said first, she does want to congratulate you as this is probably the first time she has ever seen the details of the chart of accounts of IVGID. When she first moved here, she asked the Finance Director to provide the chart of accounts and guess what she was told we didn't have one so that lasted for probably the next seven or eight years before we ever even showed the public what the chart of accounts consisted of so she does congratulate you. We have made progress and she appreciates that. Now it comes to transitioning back to enterprise fund accounting and she believes that formerly we had separate enterprise funds for each of the venues and she knows that Moss Adams said we could have a single enterprise fund or they recommended separate for capital as well as debt service but she does want to caution you that if you have just one enterprise fund for community services with only sub funds that it does allow you some flexibility to transfer between those sub funds but she wants to at least encourage you to have some very clear guidelines, not just guidelines, but restrictions on when transfers could occur between funds. She knows you were thinking that perhaps Ski could subsidize some of the other venues but realistically when you look at the long range capital expenses, Ski doesn't really have any extra money to transfer anywhere else. It probably should be kept within Ski and only in very exceptional circumstances should you allow any kind of transfer among the sub funds if you do go that route rather than going back to actual separate funds for each of the venues. So anyway she thinks you have some really very good experience on the committee and she trusts that you will make a good decision

and put in whatever safeguards you need to make sure that we don't have just indiscriminate transfers among the different enterprise funds. Thank you very much.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Dent asked for any changes; Audit Committee At-Large Member Dobler asked that General Business Item D.2. moved to the last item in General Business. Audit Committee Chairman Dent said we are not going to be reviewing every section so he doesn't anticipate Director of Finance Navazio's presentation to take more than 5 minutes; he would like to keep it there as he doesn't anticipate it taking very long. Audit Committee At-Large Member Dobler asked if we could have a time clock on that item; Audit Committee Chairman Dent said yes. Hearing no further changes, the agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (for possible action)

D.1. Review, discuss, and possibly approve Whistleblower Procedure for Financial Matters (Requesting Audit Committee Member Sara Schmitz; Requesting Staff Member District General Counsel Josh Nelson)

District General Counsel Nelson gave a brief overview of the submitted materials. Director of Information Technology Mike Gove said that this item isn't ready for the website today and that it could be ready in two weeks. Trustee Schmitz continued with the overview of this agenda item. Audit Committee Chairman Dent asked about adding in the District General Manager. District General Counsel Nelson said because he thinks it is appropriate; insures awareness and the District General Manager is generally responsible for Staff so it is for awareness primarily and then he clarified that further down in the policy it is the Audit Committee Chair that is responsible for the policy. Audit Committee At-Large Member Dobler said that best practices are created by some very intelligent people and you are deciding better - most fraud comes from the top. It is not from guy at bottom doing his job. When he wants to whistle blow, he shouldn't have Director of Human Resources and the District General Manager involved and we might as well throw the janitor in there. Do you think you are going to get anyone to whistle blow? They still want to keep their job and you are trying to get the District General Manager to head it off, twist their arm, and back off. On agenda packet page 5, we talk about misconduct, what's the Audit

Committee's responsibility? We go through the gambit which Audit Committee At-Large Member Dobler recited. So the Audit Committee is involved based on the misconduct and then when you go to Policy 15.2.0, we are limiting it. So you are saying that the Audit Committee is not authorized to do this under the policy? So no one is checking the policy as it doesn't say we aren't supposed to do things? We are in conflict with ourselves. District General Counsel Nelson said respectfully doesn't track on the idea that an anonymous complaint that is submitted through the website, that the District General Manager will use that to retaliate against an employee. There are a couple of issues and the first is that if there is an anonymous allegation sent through the website, it goes to the Chair of the Audit Committee and the District General Manager so if the District General Manager was involved, it also goes to the Audit Committee Chair and he thinks that is the benefit of at least two individuals receive the complaint. Retaliation is related to the anonymous complaint and it would be challenging for the District General Manager to know who to retaliate against. Audit Committee At-Large Member Tulloch said he would like make a whistleblower allegation of misconduct against District General Counsel Nelson for filling this policy in violation Policy 15.1.0 – like to be more serious, he totally agrees with Audit Committee At-Large Member Dobler and the comments expressed by the public as he thinks it is absolutely ridiculous to think that any anonymous complaint can't be tracked down because the source is very easily tracked. IVGID probably has more employees than we expect and it is unreasonable to think that it can't be narrowed very quickly to who it is. With the history of IVGID, and he is not suggesting that the current District General Manager might be guilty of this, but we have all seen the history of IVGID in past years taking action against residents for daring to ask for information that should be available and filing legal action and using unlimited taxpayer funds against them. He thinks it is absolutely ridiculous to have this situation where the District General Manager is made aware of all of them in the first place. He thinks that Audit Committee At-Large Member Dobler's point about the Audit Committee being the only ones responsible for the financial matters is correct and that is in accordance with policy. If the District General Counsel and District General Manager feel that they need to see all the whistleblower complaints against other misconduct actions, again, that's really, in his mind, a matter for the Board of Trustees. So, in this case, we should strike directly any reference of these things being sent to the District General Manager at the same time. He thinks with the whole history of IVGID that this just increases the distrust and it just raises alarms in the community and he knows that if he were working for IVGID, he would not dare do it because while we may

have anti-retaliation processes here, every one of us that has worked in a real business knows that it is very easy to have retaliatory measures against people even though officially you aren't breaching the anti-retaliation process. He would strike all those and for the financial matters it should go to the Chair of the Audit Committee full stop. Audit Committee At-Large Member Aaron said there is a common thread here as he does agree with Audit Committee At-Large Members Dobler and Tulloch as well. His comments are that we would need to be very transparent and clear with folks on who would see these reported complaints. There are two approaches who can do – in person and typically within organizations they say you go to your Human Resources Department or whoever or your Manager whoever that is. It needs to be perfectly crystal clear that if they report to their Human Resource Manager, they are going to go down the hall and talk to someone else, etc. On the website, where it is supposed to be anonymous, which is fine but they need to know who the folks are that are going to be seeing this information so he would be very clear with that. He also believes, and he thinks that Audit Committee At-Large Member Dobler stated that, and he just wants clarification, was that the Audit Committee Chair is kept in the loop as to what that complaint is or was from the employee and that really the idea of bringing that to the Audit Committee was just so the Audit Committee can address that issue and a person associated with that issue. So if that item did come to the Audit Committee, it should just be objective language of what that complaint was and not who filed that complaint. Audit Committee Chairman Dent said that he thinks that at some point the District General Manager will need to be involved as he is tasked with running the District and all employees do fall underneath the District General Manager. He thinks keeping with best management practices and removing District General Manager as the recipient of any complaints would be the right approach just like what Trustee Schmitz said she had seen and found with other sources so he thinks that would be the right direction to go with this. As it relates to text at the bottom of agenda packet page 5, if that is the suggestion of District Legal Counsel, that when we do revisit Policy 15.1.0 at some point later this year, we can update this Whistleblower procedure at the same time that we do update Policy 15.1.0 just to make sure it is compliant with that and note that as future update. He does an issue with expanding the scope as to the items we are looking at such as getting into safety and other items we are looking at if that is not we are tasked to do. Trustee Schmitz said she would like to talk through some of Audit Committee At-Large Member Dobler's concerns. If you look at the beginning of this where it talks in the very first paragraph and this language about trying to foster a speak up culture was something that was taken from best practices

so here are some things that the employees could do. It doesn't require them to go through necessarily go through a chain of command but it is saying if you are comfortable we are trying to foster an environment where speaking up is okay here is where it says you go to your supervisor but it clearly says if you are not comfortable with that you can go to Human Resources. If you are not comfortable with that, you can go to the Board Chair with your concern or the Audit Committee Chair so it is trying to play out what the different options are there and available for employee reporting. What she is hearing from this group is that in the next paragraph where it says a copy should go to the District General Manager that this should be stricken so it just says it goes to the Audit Committee Chair and that way if there are concerns about confidentiality and/or retaliation that would be the way to protect it. The language about safety is something we took from best practices and it doesn't mean that the Audit Committee is going to get involved with those things but is to identify that the Whistleblower covers these things. The Audit Committee is responsible for the Whistleblower program and then we would be identifying where the issue needs to go and be addressed. It is not saying that the Audit Committee necessarily would actually take those things on themselves because the Audit Committee is focused on internal controls and accounting issues and that one of things that she wants to make sure that we do have on our long range calendar is a review of Policy 15.1.0 because we need to review it to make sure we are abiding by it as we had issues this past year where we weren't getting information before it was going to the auditor and we did have issues so that this is the time to review it, make additions to it, make deletions to it, and she thinks we have learned a lot in the past year and that it is something we should have on our calendar in the not so distant future. Based on what she is hearing from this group, that is the proposed language that she is hearing being requested to be stricken. Audit Committee At-Large Member Dobler said on agenda packet page 6 so as to clearly understand what you are saying. We gave a potpourri of things that are under our responsibilities of what misconduct is and we threw in a bunch of other things but our policy doesn't allow us to address certain things. But then you turn around and look at it, and the Director of Human Resources is c. and the whistleblower is required to turn it over to the Audit Committee Chairman and then what happens is that the Audit Committee Chairman has to turn around and say nope that's not our venue – we can't do safety and we can't do ordinances and we can't do policies and procedures. So then what happens? If we are in charge of the Whistleblower program, we can only take complaints to the extent that we are authorized to take and you are kind of saying we don't have to take those then why are we going through the gymnastics? Why

don't we just say we have a Whistleblower program, this is what we are entitled to see and this is our program and not the worldwide web program and if you want to take up policies and procedures, safety, and things like that, then let's go have the Board go at it but not us. You can't approve this but if you want to change the policy, we have to change the policy first because he doesn't want to approve this now and then say we will fix it later. That doesn't work because later when we try to do it, we forget about it. It is amazing how short memories exist in IVGID. District General Counsel Nelson said if we are going to remove the District General Manager from anonymous then Audit Committee At-Large Member Dobler's points are well taken and it makes sense to limit the misconduct section to what is currently in Policy 15.1.0 and then if the Board decides to expand 15.1.0 in the future, it could be revisited to ensure it is consistent with the Audit Committee. His intent was to keep it simple and have a one stop shop Whistleblower procedure but if we are removing the District General Manager from anonymous complaints, at least, and it would go to just the Audit Committee Chair, then he thinks that point is well taken. He would recommend that the Audit Committee consider that amendment. Trustee Schmitz said she has no issue with doing that and how this came about was because of researching Whistleblower best practices and by specifically limiting it to the Audit Committee responsibilities, there are other types of Whistleblower situations such as safety so she understands what Audit Committee At-Large Member Dobler is saying and she is not disagreeing with his point as it is a valid point and that she wanted to explain why it got in there and that is because the District doesn't have any other place to report these things in an anonymous Whistleblower type of way and we can go and revise this and as we do make revisions to 15.1.0 if it is something that we want to do. She wasn't trying to muddy the waters but that she was trying to at least bring to this committee what she did find as far as best practices for Whistleblower programs. Audit Committee At-Large Member Tulloch said that there were some comments there by Trustee Schmitz and that he can understand how that has come about. He would suggest that we take baby steps and limit it to the matters under our purview at the moment makes sense. He suspects when it is determined that employees can safely make these complaints that other types of complaints may come in that way. He is going to say something that will probably upset any Human Resources person in the world and will probably upset a lot of our audience, he has spent 30 years of his 45-year career in different corporate environments and he will say, without any doubt, if he suspected something and wanted it reported anonymously and it was a Whistleblower complaint, the very last place he would go to is the Director of Human Resources. He is sorry if that sounds

kind of cynical but that is his experience and most Human Resources departments leak like a sieve. Audit Committee Chairman Dent asked if we wanted to write up the steps for the Audit Committee Chair, leave it up to the steps in here or leave it up to the Audit Committee Chair? An example of that is that he received an email earlier this week, the individual requested to be left anonymous and he sees an opportunity for us to redact the email that he received and then we could bring that forward or it could be rewritten so there is no attribution to the author. He doesn't know but he feels that we need to make sure that piece is understood. If the District General Manager is not accused of anything in this process, he thinks they should be the very first person the Audit Committee Chair should go to with this issue or potentially District Legal Counsel as well. Audit Committee At-Large Member Tulloch said that there is some merit to leaving it fairly open as writing more rules could contradict ourselves, the public comments reflect that the Audit Committee is somewhat independent as we aren't subject to re-election, not being paid by IVGID, and there is a lot of merit to leaving it flexible as he trusts the Audit Committee Chair and that when you write specific rules there are all sorts of unintended consequences. Audit Committee At-Large Member Aaron said one of the questions you had was should we list out/spell out the responsibilities or what should the Audit Committee Chair do if they are included on these complaints and he absolutely, as a member of the committee, would want to know how the Chair is speaking for the committee on how they are going to handle these – what is the policies, what is the process, what are the options, etc. – if we are going to take this on as that needs to be spelled out clearly because then that next person coming on or if the Chair changes hands, then that next person needs to know how to work these as well. A general process on how to deal with these would be acceptable. Audit Committee At-Large Member Dobler said if was sitting Chairman, he wouldn't know what to do. You can't turn it over to the District's Legal Counsel because his job is to protect the District so you have no option but to get an outside opinion who states the course of action that should be taken but he hasn't really thought about that and perhaps Audit Committee At-Large Member Tulloch is kind of right in that we don't bring it up. He doesn't know for sure what he would do but he for sure wouldn't take it to the District General Manager because he just keeps telling employees what a great job they are doing and meanwhile we have a mess with the CAFR so that wouldn't get you anywhere. He doesn't know how you would solve the complaint as he has never thought about it a lot or at all so he doesn't know where to go and that needs to have some thought. District General Counsel Nelson said it is his responsibility to elevate these items to the decision makers which is the Board of Trustees. He does believe it is the

role of the District General Counsel to raise these issues to the Audit Committee Chair and then the Board of Trustees, if not resolved. Audit Committee At-Large Member Tulloch said it is subject to attorney/client privilege and because we don't have a clear definition of the client here, he isn't suggesting misconduct but there is a lack of clarity there. We don't know if the client is the District General Manager or the Board of Trustees. District General Counsel Nelson said there is no confusion as the rules of professional responsibility are crystal clear – the client is IVGID, the entity, and he takes direction from the highest decision making body which is the Board of Trustees. Audit Committee At-Large Member Tulloch said he appreciates that but who are you maintaining confidentiality with? Who do you see that extending to? District General Counsel Nelson said it can extend to the individuals within the organization who he has conversations with and the holder of the privilege is the Board of Trustees. Audit Committee Chairman Dent said there are a couple of revisions that need to be made and are there other things we want to add to this such as clarity of the basic next steps? Audit Committee At-Large Member Dobler said if we were strike out ordinances, policies, etc. we would never get anything done by the Board of Trustees so his recommendation is we approve this document intact and add, at the same time, to the Audit Committee charter to pick up those items i.e. ordinances, policies, etc. and amend that section of the policy such that it would dovetail together. We don't have Whistleblower programs for those items so it would be easier to fix the other wheel so both wheels work. Audit Committee At-Large Member Tulloch said he agrees and that we have some further clean up to do on agenda packet page 6 immediately following the alphabetical section on the Human Resources Department, District General Counsel and District General Manager which then kind of defeats some of the strikeouts that we have done. Trustee Schmitz said she appreciates Audit Committee At-Large Member Dobler's comments and she is confused about what Audit Committee At-Large Member Tulloch just said and that she just wanted to clarify something here – it says "Upon receipt of the allegation, the receiving party..." so the receiving party would be the Audit Committee Chair if it was sent anonymously and "...would take swift action which would include investigating" so it is basically saying the appropriate level will depend upon the nature and that investigations shall include Human Resources and District General Counsel as applicable. So it is not necessarily just dumping something into Human Resources hands, it depends on what the situation is, and if District General Counsel needs to be the only party investigating this so be it, so she was a little bit confused on what Audit Committee At-Large Member Tulloch was suggesting. Audit Committee At-Large Member Tulloch said "shall as applicable" is a definitive

and it should say “may as applicable” and that is the issue. Audit Committee At-Large Member Dobler said it seems to him that it is two sentences and that it says swift action but it depends on action so let’s keep it simple and say we will do something or not. This is the kind of garbage that attorneys put in there and in looking at the paragraph he wouldn’t know what to do. Am I supposed to take swift action? Or maybe it’s not the appropriate level required and that depends on the nature of the allegation? So now we have to deal with the nature and then we have to deal with the swiftness and then we have to deal with the appropriate level and then maybe we can have three more meetings on this paragraph to determine what it means. He doesn’t know if District General Counsel gets paid extra for those two sentences but he would never do that so what does that even mean? Trustee Schmitz said is there where you were talking about, that as the Chair, what are the next steps with clarity and specificity or do you want something separate on what is the role of the Audit Committee Chair and that would include how to handle whistleblower complaints? Audit Committee Chairman Dent said having a few steps, as to the direction, as this is very vague on what we are doing. If it is the Audit Committee Chair, then depending on the next step, District General Counsel and the District General Manager may be involved and, unless they were involved, how are we going to have a legal non-meeting without our attorney there? Let’s say the complaint was about legal counsel and we have to hold a legal non-meeting with our counsel there. District General Counsel Nelson said if you get a complaint about him that is worth looking into, you would have to hire another attorney. Audit Committee At-Large Member Dobler said the receiving party – who is that? District General Counsel Nelson said it is intentional phrased that way because it is all of the above, it depends on how the complaint is made. Audit Committee At-Large Member Dobler said if the receiving party decides not to be swift, and it goes to Human Resources, they will bury it. District General Counsel Nelson said that would be grounds for discipline. Audit Committee Chairman Dent asked if it would make sense to have two paths? He likes the idea of having a speak up culture and it needs to be very clear and that Step 1 is to go to the Audit Committee Chair. Audit Committee At-Large Member Tulloch said that the points are contradictory and if these two paragraphs were in a contract, it would null and void. Maybe we better get another attorney because of that. District General Counsel Nelson said he sees the raised point and the important part is ownership of the investigations and if we are modifying the District General Manager’s role, we may want to tweak the sentence as it is really to clarify who owns the investigation. Audit Committee At-Large Member Tulloch said that best practices are really to have as much

independence as possible and without the executive chain of command. You can get rid of people very easily and you need to retain as much as independence as possible otherwise people will ignore it. Audit Committee Chairman Dent asked if you have received enough feedback to make revisions or do we need to provide more clarity? Trustee Schmitz said yes and then she went over those proposed changes and asked if she was understanding all the feedback correctly? Audit Committee Chairman Dent said yes. Trustee Schmitz said it was a great discussion, we made a lot of progress, and now we are doing the fine tuning. This is something we are lacking and the sooner we get this implemented, the sooner it will be better for the District. District General Counsel Nelson and Trustee Schmitz both said they will work on it expeditiously and get it on the next agenda. Audit Committee At-Large Member Tulloch said, for the record, his comments are not directed at any Staff as he is merely citing examples. There is a huge level of mistrust towards the District with staff and the community and this policy will go a long way to help eliminate that mistrust. Audit Committee At-Large Member Aaron said at the bottom of agenda packet page 6, last sentence, where the Audit Committee Chair is responsible for investigation, he understands that if that is we are saying or are we saying that we get involved with the whistleblower to understand so it is appropriately investigated such that we need to go to the source and know what they have filed or go further and have discussions to get a full understanding of what they are feeling, i.e. scared, etc.? He doesn't know if that is what we are talking about or if he is way off track so can he please get clarification. Audit Committee Chairman Dent said he doesn't know what the answer is and that he does understand what you are saying. If it becomes a Human Resources issue, he doesn't know if the Audit Committee Chair should be involved without an attorney present. Someone can submit a submittal through the website and, it could be anonymous, so we may not have their information, which is kind of the point of all of this, and you are going to have to involve members of the Staff. Audit Committee At-Large Member Tulloch said you will have the IP address. Audit Committee At-Large Member Aaron said you would have to expand on "appropriately investigated". Audit Committee At-Large Member Dobler said this is just words – appropriately investigated – take out appropriately as of course it is going to be investigated and of course it is going to be appropriate. This is just a bunch of jumbled up words that doesn't mean anything – use investigate because of course it will be appropriate; make it simple. Trustee Schmitz said she is trying to get clarity on what is required as she wants to make sure that the clarity that is needed comes in these two paragraphs. Audit Committee At-Large Member Tulloch said Audit Committee At-Large Member Aaron made some excellent

comments and that we really need to stress the independence of the investigation. IVGID is a small organization and things get out very, very quickly. This backs up the comment about retaliation so we must maintain the highest degree of independence.

D.2. Staff update on Internal Controls (Requesting Staff Member: Director of Finance Paul Director of Finance Navazio)

Director of Finance Navazio gave an overview of the submitted materials. Audit Committee At-Large Member Tulloch said he thinks what you just described reflects a lot of complaints we hear as what you described is the Board policies and what you did from there. We see no action to change these and no action to address them with Staff. It is nice to have all the documentation but none of these count as internal controls as there are no monitoring items; this sums up the concerns from the community. Director of Finance Navazio said he hears what has been said and he understands the concern and, in some way, he shares them. He is not suggesting that the policies and procedures are everything. Going to agenda packet page 12, most of these policies and procedures haven't been updated in 5 years thus they are probably obsolete, etc. To have an effective system of internal controls, the right policies and procedures must be in place and we talked about having the right internal audits. There is a component that ties back to the independent auditor. We need to have the procedures in place and to be doing the audits as well as having outside folks reviewing the procedures and doing the audits. Audit Committee At-Large Member Tulloch said, in his mind, the policies should be expressed by the Board so he is probably disagreeing there. If the processes are not following the policies, then that lies with Staff. Anytime a change is made, the policies should be updated. The critical item is to put some teeth behind it to be sure they are complied with because if they are not compiled with at the top then they are not compiled with at the bottom so there needs to be discipline measures. Audit Committee At-Large Member Dobler said on agenda packet page 9, the problem that he has is that he has been at this for 5 years, he doesn't think Staff has had good management for 15 years, and that all of these things are so poorly written that half of them don't make sense. This is taking a piece of garbage, massaging it, and coming up with a birthday card. Yesterday, we got the Board to give the District General Manager the authority to work on different items and Moss Adams said purchasing is a mess and Management said this is going to fix it. This is like the guy who had someone crash his car and then the same guy giving the person who crashed his car a set of keys for his new car. We have five or six different

businesses here and we have experts come in and tell us what we need. We are almost like let's hire the bank robber to write the policy so the bank won't get robbed. It doesn't make sense to him. We need someone independent as it is almost like we got this backwards. We have got almost two inches of paper here and 90% of it doesn't make sense and the other 10% he wouldn't want to use anyway. How many times did we screw around with Policy 7.1.0? Why don't we just hire someone with some management, review the businesses we have, draw up the internal controls and then have the committee review them and recommend them to the Board? Trustee Wong and former District General Counsel said we will throw all of this into a code which we horsed around with for a year and half. The Board said they would work on the code first and then we will establish the policies and that was almost 3 years ago. Trustee Schmitz said she would like to come back to 12 and 13, so please go to agenda packet page 51. She appreciates the fact we are saying documentation. We have requested things, from the previous Director of Finance, and we couldn't get it so she appreciates getting it. Agenda packet page 51 has language about cash receipts and that she is shocked by the word "should" and this word is not a word of control rather a suggestion and it is a perfect example of why updating needs to be done. Going back to agenda packet pages 12 and 13, put that together and where we are with this process, we need a schedule here as to where are we, what has been accomplished, and what do we need help with. Audit Committee At-Large Member Aaron said thank you for your presentation and he mentioned, several meetings ago, that there are four steps – (1) identify the control; (2) document; (3) implement; and (4) enforce. This is us seeing the assembly of the documentation and there are a number of holes. On agenda packet page 48, under General Ledger maintenance, it talks about reconciliations being done twice a year, that is something that should be done every month. Then close those sub ledgers for prevention purposes. What he would suggest, and this is a big chore and a project itself, to try and get together some workshops. He knows that the Staff is very busy with day-to-day activities and understands the extra work but it is something that needs to be done. Bringing in an expert is always a good thing for something like this. Controls need to be driven by the organization itself, an external source would expedite the process, and the ownership is within the organization itself. As far as implementing, the three step in his rollout is implementation and he has discussed having training documents specific to the system. What he would like to see, from the District, is specific training documents that tells someone how to do their job, with screenshots, etc. That address controls within the system itself and external controls. These are super valuable documents because you can hand them to new

employees and, since we will have a new auditor, you can hand these to them so they can get an idea. They are also a way to test internal controls. Furthermore, he is curious how employees learn their jobs – do you hand over all this information, they memorize it and run with it? Who is the intended audience? Management to understand and enforce? Director of Finance Navazio said Audit Committee At-Large Member Aaron is absolutely right and he would say, to your point, is that there are training documents. This is a 2015 document and we are going through a fairly major update. What we have done is we have a workflow and flow chart like a purchase from beginning to end, as an example, and we are updating documents in order to inform the policies and procedures. What is not in here, is there are desk procedures at each desk for the folks that are handling accounts payable, capital process, revenue reconciliation. The training documents can be shared and they are based on the 2014/2015 update and have to go through that whole cycle. Audit Committee At-Large Member Dobler mentioned that this focuses on fraud and management walking out the door but that is not the main focus on internal controls because the big part is making sure that we are being stewards consist with all requirements (policies, regulations, laws, etc.). You own Policy 15.1.0 such that this committee is to review the framework and ensure that management does so on a routine basis and agree with assistance and guidance but if you don't trust your management, you have the wrong management. To Trustee Schmitz' question, the purpose was not to give a full update on where we are at. We hired our new Controller two months ago, he has taken the lead on these policies and procedures and is presently focusing on purchasing procedures, actually the whole procurement process, so we have good processes and controls that result in checks being cut, etc. and making sure we have solid controls on those funds. We have updated the spending authority and he would be very happy to bring forward an updates schedule and checklist. Before we update and revise new procedures, Policy 15.1.0 requires that we bring them to you to get your feedback, target is to have it done concurrently with this new budget and ready in May/June so as to come back to this committee for your review. Audit Committee At-Large Member Aaron said, as a follow up on Tyler, we already have these training documents so what he would do is he would take those documents and actually do it during the implementation of Human Resources and Finance so it is specific to the Tyler Muni system. And then identifying within the system, who knows the customers, vendors, payment terms, etc. Also identify master data items that would also be documented as to their ownership. Director of Finance Navazio said that while he agrees and understands where he is going and acknowledges that we are going to

need to do that, he is saying let's not wait for the new Tyler system to do some training because we have had significant staff turnover. Training is continuous and while focusing on new system, we can't wait for it to be up and running to make sure we have all the documentation we need; we are going to be training folks as we go. District General Manager Winquest said he agrees with a lot of what the Director of Finance is saying. He understands what Audit Committee At-Large Member Tulloch said, Audit Committee At-Large Member Aaron hit the nail on the head, and that he takes offense to comments made by Audit Committee At-Large Member Dobler. He and the Director of Finance inherited what we inherited. We haven't had money walking out the back door and we haven't been perfect, a lot of it is how we train - empowerment with accountability. It is going to take a while and we are trying to bring in resources from the outside and manage our expenses through a pandemic; we can't do everything at once. He would urge the Audit Committee to be trusting and work with Staff. To Audit Committee At-Large Member Tulloch's point, Staff is never intending to draft policies to our liking, we are going to be drafting the Board's direction and work together to fine tune. He would appreciate a little more trust and recognition of the anxiety that has gone on over the years. We understand where you are coming from and we do it take it seriously. Audit Committee Chairman Dent said we have made a lot of progress. Just publishing the documents is a huge step in his 10 years as he was told, by our former attorney, that the chart of accounts didn't exist. There is a lot of room for improvement and it just takes time. Audit Committee At-Large Member Tulloch said he is delighted to hear the policies will be formatted for the public and that his comment was not directed at you. He fully understands the amount of work that Staff is dealing with and that most of us commented that it wasn't a good idea. In bouncing around this idea of internal controls, we have seen various lists of documents. He is sticking by his previous point, not internal controls, as he thinks that Audit Committee At-Large Member Aaron was describing that and internal controls is the teeth behind it. We do need to try to stop beating up the Director of Finance and recognize the strain Staff is under. We should be making a strong recommendation to the Board of Trustees to have an outside firm come in and do internal controls. We realize Staff is under pressure, understand controlling expenditures, and save a huge amount of effort by the Audit Committee as we all recognize that Staff has to change over to Enterprise Funding. There is one chance to get that right therefore it is now time to say enough as we have got to help out the Staff by getting external consultants, have a standard format, and then we can tweak and that will save time and effort. Audit Committee At-Large Member Dobler said just to follow up, the District General Manager is

taking what he said wrong. Internal controls were developed because there was fraud. If there a direct attack, he doesn't know what you do. Internal controls were invented because accounting was sloppy and they said you have to get internal controls and you don't have any. On April 26 2020, almost 10 months ago, the Board of Trustees authorized the Audit Committee to assist in review of internal control. We did one contract to look at five contracts. He doesn't have any faith in management to write internal controls. He is not an expert in this area. The idea is we don't need to go through this as what you have belongs in the trash can and we need to have experts come in and have them write the internal controls and get management out of it because they aren't capable. You can see it - policies were written terribly, they don't make any sense, and we need to have some experts as Staff is trying to patch it and he can't support anything where management is writing the internal controls. Trustee Schmitz said she concurs with Audit Committee At-Large Member Tulloch. The Accounting Department has a tremendous amount going on and she appreciates the fact that the District General Manager is cost conscious but in a situation like this, it is worth spending money on but by delaying it, etc. the longer this goes on, the more risk we have financially. She is completely supportive of hiring people to come in and develop and she is not saying Staff isn't capable rather what she is saying is that they can only do so much and timeliness is important. These haven't been looked at or updated for 6 years. We need to be supportive of Staff and do what is financially right and solicit outside sources to get this completed sooner rather than later. Audit Committee Chairman Dent said he agrees and it is up to him and Trustee Schmitz and he would like to have that expanded, the \$50,000, and we need to be aware of the extra work. Director of Finance Navazio said he appreciates some of the comments and in putting in resources to assist. While it is true that we have a lot of work we are doing, the work that needs to be done around it, it is among the most important and not secondary in priority. He would like to emphasis something that he heard Audit Committee At-Large Member Aaron say - he can use some help but he is not sure it is bringing in an outside consultant, slap on the label of IVGID, and call it done. There is a lot of work to be done, we have to own them, they have to be specific to our organization and businesses. More resources and being collaborative is great – delegating internal controls would not be his recommendation. Audit Committee At-Large Member Tulloch said nobody is suggesting we take a cookie cutter ever, that is a misunderstanding. He has dealt with poor consultants in the past and any decent consultant knows that they have to be tailored to the organization. Every consultant will start with a basic template and then customize it. He does commend your spirit for wanting to

do them but we are 9 months into the process and no closer. Having gone through a recent procurement card statement and the amount of uniforms purchased and the purchases through Amazon, we want to remove some of the dishonest. Do we need to put a formal motion to the Board of Trustees to request this item? Audit Committee Chairman Dent asked if that was to request that we get a consultant? District General Counsel Nelson said if that is the action that is being requested, we need to re-agendize this as this item is a report. District General Manager Winqest said that someone is going to need to understand how we operate and there will be a baseline and his suggestion is that maybe we need a liaison to develop a scope of work for what the Audit Committee is suggesting. The Director of Finance does have a tremendous amount of work and there is a way to work through this and bring in some help. He would like to suggest that Staff work with Audit Committee At-Large Member Aaron as this is money well spent and we want to make sure we hone in on a scope of work and don't waste time. We know that consultants like to waste some time so let's try to massage this so we can compromise and have confidence with Staff and he is suggesting we work through it this way. He is volunteering Audit Committee At-Large Member Aaron as we need to create synergy between Staff and the Audit Committee which will benefit Staff, committee and the community. Audit Committee At-Large Member Aaron said the District does have controls, they do exist within IVGID, and it is the idea of Board policies that become procedures which are then enforced, so there are those controls. To make a blanket statement that IVGID doesn't have controls, he doesn't agree with that statement. The issue is if it is thorough, extensive enough and complete and then how they are enforced. Audit Committee At-Large Member Tulloch said he respectfully disagrees with Audit Committee At-Large Member Aaron. You are correct that there are basic level controls without enforcement however there are not controls but processes. Audit Committee At-Large Member Aaron said yes and that it is how they are enforced. Audit Committee At-Large Member Dobler said keep in mind that when the large accounting firms separated, those consulting companies have done very well. He disagrees with Director of Finance Navazio as these people wouldn't be in business if they didn't do a good job so keep that in mind.

Audit Committee Chairman Dent called for a break at 8:10 p.m. and the Audit Committee reconvened at 8:22 p.m.

D.3. Staff update on Chart of Accounts (Requesting Staff Member: Director of Finance Paul Director of Finance Navazio)

Director of Finance Navazio gave an overview of the submitted materials. Audit Committee At-Large Member Tulloch said to him it is to set separate funds for each venue and then can we set it up so we can see the costs by each venue and having a separate capital account for each venue. Director of Finance Navazio said our thinking is that we will have a separate fund for each venue and the thinking right now, is operating, capital, and debt will be reported in that fund. In our financial statements and to the State of Nevada, it will be rolled up for all of Community Services as we want to retain it by fund for other reporting so it doesn't get muddy. One of the references in the Moss Adams report said transition to Enterprise fund accounting and that would mean collapsing and if there would be transparency, can separate out, however he is not sure that is preferable and is sensitive to that and welcome the comments of the Audit Committee. Audit Committee At-Large Member Tulloch said he agrees with that. By setting up a capital fund, it reinforces it is free and he would prefer it be incorporated into one balance sheet as people seem to think capital is free. Audit Committee At-Large Member Dobler said there are a lot of charts and graphs. For the chart of accounts, agenda packet page 392, is this how our accounts are set up now? For agenda packet pages 392 and onward, is this suggesting what we have or are going to have? Director of Finance Navazio said agenda packet page 392 is what we have and it needs to be updated. Audit Committee At-Large Member Dobler said he is not a genius here, but whenever he looked at other financial statements, the Utility Fund is separated into water, sewer and public waste. We have it has one fund and we always reported as two separate golf courses yet here it looks like it is one fund. We must have always been doing that and then taking sections of it as it doesn't follow the chart of accounts so are you trying to get to one that rolls into financial statements? Director of Finance Navazio said the first 3 are fund, then department, and all is in Utility Fund - it is all combined. He thinks that Golf is the only one that splits it, and that there is no balance sheet, etc., as the balance sheet is rolled up but we can show revenue and expenses for each course and can do the same for water and sewer. Audit Committee At-Large Member Dobler said if we are working with Fund 350, it looks to him like we have them mixed up. He is not sure why Aquatics and the Kid Zone is with Recreation Center operations. Director of Finance Navazio said in Fund 350, Activity 46, those are the community programming, under Activity 48, that is sort of the Recreation Center. Aquatics is the pool at the Recreation Center and then in Fund 390, Activity 850 is Burnt Cedar Pool so there is aquatics in both. District General Manager Winqest said we separate it out for beaches and then we have Recreation Center aquatics – lifeguards, other

related expenses. Other areas are programming areas – youth, seniors, fitness, etc. Audit Committee At-Large Member Dobler asked what is going with the beaches? We understand the beach hosts are the people at the gates, food and beverage. What is Hermit Beach? He doesn't know where it is? What is Parks Services? District General Manager Winquest said the District has an overall Parks Division, it is set up like Aquatics. Regular Parks is Fund 370 and is everything outside of beaches. Fund 390 is beaches parks and that's how we separate it out. Audit Committee At-Large Member Dobler said so parks and parks services is Preston Field, etc. District General Manager Winquest said Village Green, etc. Audit Committee At-Large Member Dobler said he guesses he really never understood what objects are? District General Manager Winquest said it is just a category/term. Director of Finance Navazio said objects are the accounts. In our current system, on our website, we have a fourteen-digit account code, last four digits are the objects – for food and beverage, they have their group of objects to track individually. All of those codes represent where they hit the ledger. Audit Committee At-Large Member Aaron said go to agenda packet page 397 and look under the second column and you still what the Director of Finance is talking about. Audit Committee At-Large Member Dobler said, on agenda packet page 392, let's talk about the Utility Fund. He can see we have got water, sewer and solid waste and Tahoe Water Suppliers Association (TWSA) and that the second set of digits separate that. Then flip to agenda packet page 393, we have an activity center, which he doesn't know what that means? Then we jump to agenda packet page 410 and he doesn't understand why it is laid out this way? Director of Finance Navazio said what you are seeing on agenda packet page 392 is the fund/department and activity, on agenda packet page 393, this is for Utilities and Public Works. These are the revenue and expense codes that are linked to specific funds. On agenda packet page 394, the Chateau and Aspen Grove, then the next page is the relationship for Golf, and the next page is for all the Recreation programs. He does agree that it is laid out in an awkward way. Audit Committee At-Large Member Dobler said it is confusing for no apparent reason. Why, on agenda packet page 394, don't you have an activity? It goes back to the facility – doesn't make any sense to him on how it is laid out. Audit Committee At-Large Member Aaron said what we are seeing is the actual combinations of what is possible and he then verbally explained it. Audit Committee At-Large Member Dobler said he doesn't understand why one thing would be called an activity center then go back to facility. To him, it just doesn't make any sense. Go to facilities, got revenues for facilities, what kind of passes do we give? Director of Finance Navazio said not all of them are used but rather available. District

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General Manager Winqest said there are several things that aren't relevant to those accounts. Director of Finance Navazio said this is one of the things that Staff shared with the Board last night and we got a lot of requests to share the line item budget. When the Board and Audit Committee see that, you will see the 14-digit string. Director of Finance Navazio shared his screen and showed a report presently located on the website that shows the line item budget detail for the District as a whole. Audit Committee At-Large Member Tulloch said it is basically just a cascaded code so you can roll it up. Director of Finance Navazio said it is just that simple and the key is setting up correctly so you can do the roll up. Audit Committee At-Large Member Tulloch said it is important to get it right up front. Trustee Schmitz said what you are showing is what the current chart of accounts and that she is thinking that Staff is asking us for feedback and suggestions on the new chart of accounts thus as it relates to Governmental, in Fund 100, why is it that we have health and wellness here and not over in Recreation? District General Manager Winqest said that is a District-wide incentive and that is why it is in that fund. Trustee Schmitz asked about moving Parks into the General Fund, and that if that is the case, then this is something that is available across the District. District General Manager Winqest said some of the programs we invite members of the public to. Trustee Schmitz said that she is saying let's get things organized. TWSA - it should be some sort of a standalone situation as it is funded externally therefore it should not be under Utilities because it should stand on its own. In Internal Services, we have Golf and Ski Maintenance and this is things that go to Fleet and then we transfer it someplace else so it should be under Golf and Ski. Then when we go to the Hyatt Shop, we have got it in Diamond Peak and Golf. To her, the whole Hyatt Shop should be standalone and not between two different things. On Programs, in Fund 350, her thought is that we should have them broken down, maybe in object codes, so where is the Vets Club and their scholarship stuff? District General Manager Winqest said we do break down all that stuff and it is a programming so it is within Seniors. Trustee Schmitz said that this is what she sees that we should change; those are some things that should be shifted around or consolidated. Director of Finance Navazio said we will be breaking out the TWSA because we are the fiduciary so we will do that due to GAAP and GASB. We have Staff that maintain things and that when they charge out, there is an activity at every venue, thus Internal Services is all charged out. We are discontinuing the Hyatt Shop and the winter one was supporting Ski and the summer one is Golf. Look at it as a matrix that is set up for one-to-one everywhere so it is more expansive than it needs to be. Audit Committee At-Large Member Dobler said it is interesting that on agenda packet page 392, Fund Fleet,

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have Golf and Ski equipment maintenance, and we have a whole lot of Utility and beaches and parks. What is interesting is why you selected those two? Director of Finance Navazio said the Internal Services Fund is all expenses which are all charged out. Staff tracks this separately because the Board wanted to track those separately and that this was done for transparency. We don't track overtime in the general ledger and we have to go Payroll to get that information. Some will be expanded and some will be contracted. We are working on lots of refinements, tweak it again, and then when we get to Tyler, we won't have to do it again. District General Manager Winquest said as we start restricting our accounts, he has given direction to make it more efficient for budgeting. Audit Committee At-Large Member Aaron said so, generally speaking, the approach of building a chart of accounts is to first identify what your reporting needs are and then build it off of that. Think that is what the District General Manager was referencing and saying that there is a method to the madness which is not an easy task and it is a lot of work. He asked, at the very beginning, and you touched on your approach and then rolling it out to Tyler – can you please touch on that again? Director of Finance Navazio said we are working on updating and improving independent of the Tyler project and doing so at the same time. It is one of the first things we need to do with Tyler as they want to know what is the chart of accounts. We started with the structure, 14 digits, and we are adding some additional segments that can be used later on and he cited an example. Presently, we are refining it so that we are setting up Tyler to be flexible enough to take the chart of accounts when we make the transition and to take it further once we get into Tyler. One of the things we are very mindful of and, it is one of the complicated items, is completely revamping the chart of accounts means it will be nearly impossible to carry the history. Staff is being very mindful to improve and maintaining the integrity and have the crosswalk to go back to the data in the old system. Audit Committee At-Large Member Aaron asked if Tyler was suggesting a future segment for unanticipated needs? Director of Finance Navazio said no, we are. Audit Committee At-Large Member Tulloch said that the cost codes are hard coded in so we need to get it right and also have to be wary of building too much flexibility. Are they hard coding all the cost code data? Director of Finance Navazio said it can be modified as it is a 14 or 17 digit string. Audit Committee At-Large Member Tulloch said if it is hard coded and we want to distinguish between resident and non-resident perhaps we should consider just limiting it to residents? Director of Finance Navazio said if we settle on the chart of accounts, we can go from there.

D.4. Review, discuss, and assess prior years' auditors, items for correction, deliverables, timeline for this year's audit, and Policy 15.1.0 (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

Audit Committee Chairman Dent gave an overview of the submitted materials. Audit Committee At-Large Member Dobler said to begin with he has stocks with several corporations and major corporations can get out their 10k within 45 to 60 days; we started this in May and we didn't get done until January. This is a podunk operation and it's not much at all. As he said in the first meeting we had in July, you are supposed to submit a financial statement to the auditors, and they are supposed to audit it. We didn't get that statement to them until sometime in October. We had an update in July and then a draft Comprehensive Annual Financial Report (CAFR) came out in October and we had to request that and that draft came to us outside the meeting. He immediately looked at the draft CAFR and it wasn't everything, he turned around and immediately did a memorandum to the Audit Committee of the misstatements on October 19, which was addressed to the Audit Committee, and it never got to the Audit Committee agenda and we have had several meetings since that time. In October, as an excuse, we were presented with the 2019 MD&A, transmittal letter and welcome letter and that was on October 27. Then we finally got a draft of the basic financial statements and supplemental schedules on November 19. So, the point of the matter is why are we having such difficulty in getting a financial statement? The other thing is that Moss Adams was engaged to do 4 of the 14 points that he suggested, then it was expanded to 27, Audit Committee Chairman Dent set up a meeting, which under our policy we were supposed to have executive meetings with the auditor, that meeting was cancelled, and the Audit Committee Chairman verbally went over 23 points. Then it came back to him verbally that the statements were going to restated and he thinks that was in three occurrences. He asked the Audit Committee Chairman to have the auditors put that in writing of what they observed and that was never done. We were working on that in October and nothing came out of the auditor until January. If we have a policy that says that the independent auditor reports directly to the Audit Committee and we are supposed to have free and open communication and periodic executive sessions - why didn't we have that? He is making the observation that we had a policy that was adopted in April that wasn't followed at all. Audit Committee Chairman Dent said so your suggestion is that we need to revisit Policy 15.1.0 and we will put that on a future agenda. Audit Committee At-Large Member Dobler rebutted that we need to revisit the management.

Why does it even happen and why does it take this organization 7 months to put out a CAFR? Audit Committee Chairman Dent said he doesn't know but the point of this is to create future agenda items and that Policy 15.1.0 should be an agenda item so we can dive into the aspects of it and make sure we understand clearly what we are expecting from management and make sure that the policy is written in a way that management understands what we are expecting and the Audit Committee understands what we are expecting so he does have Policy 15.1.0 on his list as a future agenda item. Trustee Schmitz said if she is understanding this agenda item, it says items for correction so she is interpreting this that we can put forward, as part of this discussion, suggestions for modifications to Policy 15.1.0 and that it is her understanding of this agenda item and if that is the case we can actually make the necessary change to the language that we were discussing in the whistleblower conversation to this policy and she would like to point out that in this policy, under 1.0, it clearly identifies that the independent auditor reports directly to the Audit Committee and in the scope of work, that was removed from the Board of Trustees agenda last night, it did not reflect this so we need to make sure that we are all on the same page and scopes of work with the external auditor don't send a conflicting message to the external auditor as we need to start from day one with an expectation that the independent auditor reports directly to the Audit Committee and therefore the Audit Committee can assure that they are going to be getting the communication and be getting the information and not be receiving a CAFR for the first time. Audit Committee At-Large Member Aaron said that the way he sees this agenda item is that it is an opportunity to go back and address Trustee Schmitz' and Audit Committee At-Large Member Dobler and how do we hit our milestones, etc. A project plan is our best friend. His proposal is that we dig a lot deeper with a well-defined plan with clear milestones and deliverables with the new auditor as we need something like this to march to for the audit this year. Trustee Schmitz said, on agenda packet page 404, it clearly says approve the scope of work and audit plan by June of each year and that is in there as a responsibility for the Audit Committee, don't recall what happened last year. Audit Committee At-Large Member Aaron said so in addition to that he went through the entire policy and he pulled the items that should be included which he then went over verbally. Once we nail all of this down on paper, it will be easier for us to manage what we are supposed to be managing as an Audit Committee. Audit Committee At-Large Member Dobler said where we need to begin is after the Board selects the auditor and then comes the engagement letter. In the engagement letter it assigns the responsibilities. Everybody was told it was boilerplate and it should be designed for what we need and that is

where we need to start. We need to engage them and understand what we are engaging them for. What has happened in the last four years, is the responsibility for preparing financial statements, in accordance with GAAP and GASB, is management's responsibility. You have a lifeguard and someone who doesn't have a CPA and they make a representation that it is GAAP. The auditor said I got a representation from management, so I am off the hook and that is why they aren't clear. They relied on management that said something that wasn't true; we need to concentrate on the letter. Audit Committee Chairman Dent said we have the engagement letter but we haven't seen it. Trustee Schmitz asked if we able to make changes to this policy? District General Counsel Nelson said we can identify the areas we want to modify, can propose a recommendation to the Board for amendments, and that can be done tonight or at a future meeting. Trustee Schmitz said this is our opportunity and that her suggestion is that we have the language be consistent with the whistleblower policy and bring those back. The other change is the date for the transition of the Audit Committee members as we didn't clarify that it is the fiscal year and that should be a clarification as it relates to the organization of the Audit Committee. We need to abide by this as we didn't do as well as we could have last year and that begins with the contract and the scope of work. Audit Committee Chairman Dent said we could do a deep dive into Policy 15.1.0, especially on 2.4 and 2.6, so that Staff knows what is expected. One could read into this that the Audit Committee would be meeting weekly so now we need to fine tune it. Audit Committee At-Large Member Dobler said his opinion is apparent, he voted no on it. We had a lot of non-compliance and we said we are going to fix it next year, a couple of them are substantial, and that may require restatement of the financials from last year. We need to get that clarification right off the bat as he is especially concerned with the capitalization on the pipeline. It would seem to him that we should talk to them first and how they would proceed so we can inform an engagement letter. Audit Committee Chairman Dent said that is a good idea especially when we develop the plan and bring them in to clarify the plan. Audit Committee At-Large Member Tulloch asked if we have provided the new auditors with copies of all the Moss Adams reports and Audit Committee meeting minutes? Director of Finance Navazio said they have the Moss Adams reports and Audit Committee Report; however, he didn't give them meeting minutes. We also shared with them some of the earlier correspondence regarding the various points. We will need to talk to District General Counsel and others as we need to get them under contract, which was the intent, and then have an in depth discussion. Staff will circle back and bring it back to the applicable group once they are under contract. Audit Committee At-Large Member

Tulloch said agrees we need to get them under contract and then have a workshop to make sure we are all on the same page. Audit Committee At-Large Member Dobler said he didn't listen to the Board meeting last night, can you tell him why the item was pulled? Audit Committee Chairman Dent said it was pulled from the agenda because the scope of work didn't come before the Audit Committee. There were a couple of members that had seen it and Staff who had seen it just from the selection process but it didn't come formally before the Audit Committee which is procedural. Audit Committee At-Large Member Dobler said you didn't abide by the policy and decided to bypass the Audit Committee? Director of Finance Navazio said that the scope of work was consistent with the Committee approved Request for Proposal and we were doing a generic master agreement and then issuing annual task orders for each individual audit. It was intended to be a master agreement and not have the scope, etc. for this audit as that is in the purview of this committee; we have to circle back to get it moving.

D.5. Review, discuss, and possibly take action regarding the memorandum from Clifford F. Dobler to Audit Committee dated November 30, 2020 – Subject: External review on the effect of complying with Dillon's Rule relating to employee benefits (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

Audit Committee At-Large Member Dobler gave an overview of the submitted materials for items D.5., D.6. and D.7 and stated that they all have to do with a two citizens' ideas (8 items) that maybe we were violating NRS/IRS. Audit Committee At-Large Member Tulloch asked what have we have concluded from that overview? Audit Committee At-Large Member Dobler went over his recommendation on agenda packet page 431, item 1. Audit Committee At-Large Member Tulloch said he is in agreement with that recommendation. District General Counsel Nelson said it was his recommendation to modify those policies and procedures. Audit Committee At-Large Member Aaron said yes, if that is your recommendation, and stated that he thought a motion was required. District General Counsel Nelson said one of the things that would helpful for Staff is to state whether you want outside legal or BBK to work on it. Trustee Schmitz said, for clarification, that you made quite a few recommendations about creating policies and we have so we have to move this forward with your recommendation. District General Counsel Nelson said yes, he supports the recommendation however the question that is still outstanding is who will be assisting with those policies because the request was for outside legal. Audit Committee At-Large

Member Aaron said if the Board of Trustees engaged legal to do this work, an outside firm, it would cost a lot of money so would there be a cost savings going with BBK? District General Counsel Nelson said he can't speak to that directly and he would be compensated on an hourly basis and we can go get quotes from other firms and then determine the lower costs however it is within his scope; he will defer to the committee and Board of Trustees. Audit Committee At-Large Member Aaron said so you are on time and material? District General Counsel Nelson said only fixed rate is attendance at meetings. District General Manager Winquest asked if we sure that employee recreation privileges are in the purview of the Audit Committee? District General Counsel Nelson said that is a different question but he thinks it does fit within Policy 15.1.0. District General Manager Winquest said he did some resource and he hasn't received any confirmation that an Audit Committee would be presiding over or making recommendations on employee recreation privileges. Trustee Schmitz said, as to background and how this actually started, we had a citizen write to the Audit Committee with a concern and a complaint as it related to financial issues in adherence to Dillon's Rule. So this isn't an employee benefits per say, rather it is that we received something from a citizen bringing to the Audit Committee's attention the Dillon's Rule compliance on a number of different issues and that is how it ends up here. We have had District General Counsel Nelson discussing this with the Audit Committee for quite some time, he made recommendations on creating policies, that hasn't moved forward and that concern has been left unaddressed. As an Audit Committee, we have a fiscal responsibility to follow through on a citizen's expression of concern and this is how it got on our plate today and that this is bringing this citizen's concern to closure. District General Manager Winquest said understood, so any member who sends in a letter stating that that they disagree with something, then the Audit Committee needs to acted on it? Audit Committee At-Large Member Tulloch said it would be a part of the whistleblower process. District General Manager Winquest said is there a process that the Audit Committee goes through to determine whether or not it should be reviewed by the Audit Committee in a public meeting? Just want to be clear because he is getting a lot of questions from Staff. Audit Committee Chairman Dent said every correspondence is responded to that comes to us. We have missed one or two and a few have had District General Counsel responses. This is nothing more than hearing concerns or complaints from the community. Trustee Schmitz' recollection is spot on and that this isn't something we wouldn't normally be dealing with. We should move it along to the Board of Trustees and then they can decide if they want to take any more action. He understands that the Board of Trustees aren't paying

attention to our meetings and that this has been going on for nine months, so we need to make the suggestion to the Board of Trustees so they can decide what they want to do. Audit Committee At-Large Member Dobler quoted from Policy 15.1.0 and the relevant paragraph and stated that the Audit Committee is doing what we are supposed to be doing. When he did this in September or October and it never got on the agenda, maybe the question is what are we giving these people and can the Board of Trustees not touch it as it is given over to the District General Manager? Trustee Schmitz said it was brought up as a Dillon's Rule matter and to determine if we were in compliance with Dillon's Rule and what policy needed to be written and having that be in compliance with Dillon's Rule. District General Counsel Nelson said he wasn't suggesting what privileges should or shouldn't be provided just that policies should be revised. Audit Committee At-Large Member Tulloch said we have several different motions – consolidating, examining Dillon's Rule, and whether we are in compliance. He is not sure that we can have you do the work as District General Counsel Nelson should have clean hands therefore we should have an outside law firm do it; an external and independent third party. District General Counsel Nelson said this wasn't suggesting he was an outside law firm rather the question was should the District General Counsel do it or an outside law firm. Audit Committee At-Large Member Tulloch said he will own up to being confused as he didn't know that we had accepted the recommendation. District General Counsel Nelson said that is the item here. Trustee Schmitz said the Audit Committee has very specific questions and concerns as it relates to Dillon's Rule, and from your perspective, have we adequately evaluated Dillon's Rule broadly as it relates to the District or narrow issues as it relates to the committee? District General Counsel Nelson said it was broad, generally answered the questions on Dillon's Rule, and those of most interest and raised under Dillon's Rule. If there are additional topics, we can explore them. These are the hot topics and yes, he does think we have provided an adequate review of the issue. Trustee Schmitz said, as a follow up, do Audit Committee At-Large Member Dobler's three agenda items comprehensively cover your recommendations? District General Counsel Nelson said no and explained why. If you do not decide to go to that step, there is outdated language and it might be appropriate to look at that as there is language in those policies that might benefit from updating. Audit Committee At-Large Member Tulloch said he would like to raise an issue of materiality. Most of the concerns have been dismissed as not material. The item raised, at the Board meeting last night, was to an employee receiving, as a benefit, a golf round valued at over \$200. That now becomes fairly material and does that change the equation? District General Counsel

Nelson said he respectfully disagrees. Audit Committee At-Large Member Tulloch said okay. What about the all you can play pass – if an employee takes advantage of that it would be \$10,000 and disclosing that to the IRS, etc.? He wants to make sure we are covering all the avenues so we are not exposed. District General Counsel Nelson said this is Dillon’s Rule only and that his firm is currently evaluating the IRS issue. Audit Committee At-Large Member Dobler said your opinion, and the minutes of November 19, you were asked about eight items, and you said it was only eight items and there could be more and what about when you made the statement that you are applying it to all of the District? District General Counsel Nelson said he didn’t say that, it was a general overview of Dillon’s Rule and how it applied to the District. Audit Committee At-Large Member Dobler said we need to play that audio back but we will do that at another time he guesses. Audit Committee Chairman Dent said do these memos cover all these eight areas and would it make more sense, could there be a motion, that just looks at your opinion without being specific and moving the entire opinion to the Board of Trustees for them to make a decision and what further policies they would like to have looked at? District General Counsel Nelson said if you look at 5, 6, and 7 – they cover all the items that his opinion covered so a combined motion is appropriate. Audit Committee At-Large Member Dobler said we need to back off here for a second. He is looking at the opinion, and his opinion basically says he couldn’t find anything in the statutes that gave specific powers to IVGID to do the eight things. Audit Committee At-Large Member Dobler then read from the opinion and discussed express powers and incidental powers. With incidental, you have to turn around and kind of think about it a little bit and he went to the dictionary which is where he always goes because words mean a lot of different things and it says “occurring by chance without intentional calculation; minor items that are not particularized or not in detail”. He doesn’t know how you could come to a conclusion that everything would be incidental when most of these things on the three items that we are talking about were all preplanned. So in other words, you didn’t just be chance turn around and, by giving of an example, giving a dollar lease to Parasol where you said well just by chance we decided to give a \$1 million piece of property and lease it to Parasol for \$1 and that is really an in kind donation but gee you know it falls under incidental because it occurred by chance or without any intention. Well, certainly it had some intention and certainly it wasn’t by chance because they probably worked on that lease for six months or eight months. So applying the idea that all these “in kind items” which is the next item on the agenda were by chance is actually not true at all. So your reference that well we can’t find any expressed powers here, that you have the right to do this, but we are

going to go to the statute that says well we have implied powers but none of the implied powers that it can be incidental and he thinks this is all incidental. So it is not a numerical calculation because the Parasol land was appraised at \$1 million four years ago when they were trying to shove it off and we gave it away for \$1 per year. So it wasn't incidental so therefore the question is did you have the powers to do that at all? And you couldn't sit there and say well I have the power under another statute to lease property, that's correct, you do have that power. You can encumber the property and that's a statute that says the Board can encumber the property and encumbrance is a lease but then the question becomes was that lease fair? Or was it truly an in kind donation? And that is why he is suggesting that we have to go to the provisions of the law that allows us to go to the District courts to get clarification on the issue because you can use incidental for anything, right, and your idea, is almost laughable, your opinion that well we decided to put a security camera up at the gate at the utility front so if though it didn't state it clearly, in the statute, it was incidental. Well, that has no bearing on this, that's like talking about an apple and an orange. So he doesn't see when he goes through and especially when we get to the donations and then after that the community programming, where you can bounce the idea of incidental as having some meaning. It doesn't have a meaning as your implying. You can't go and lease a property that is worth \$1 million for \$1 and then turn around and say that was incidental so therefore it wasn't a donation when the valuable land was a \$1 million and it was the same way on, and he doesn't know the details on the Visitors Center, but he is sure whatever that piece of land was leased for a \$1 per year it was valued at a lot more than \$1. So on Parasol, we are getting \$30 over 30 years so he thinks your use of incidental is far stretched as a catch all and he doesn't think you are really being honest in your opinion and you remember John Dean who used to work for Nixon, he gave him a lot of opinions, and that Nixon he ended up in jail and what about that Colin guy who worked for Trump, he was Trump's attorney, and he ended up in jail too. So opinions by lawyers they are kind of like a worn out softball. District General Counsel Nelson said that there are a lot of things that he isn't interested in responding to however there were a couple. To say that his opinion was all based on the incidental powers isn't consistent with the language that is there and that the two of us may disagree on that and that is okay. Also, it is not worth going back and forth on that as it is what it is and it is in the packet. More generally, to what is the next step forward, and that is what is before this committee, is what would the committee like to do with it and that could be to move it forward to the Board of Trustees if that is what you would like to do. Audit Committee At-Large Member Tulloch said, not to dispute your

opinion, we can disagree and he would disagree with assuming these things. His bigger concern is that we have these complaints from the community around Dillon's Rule and there are some more to come such as the DPSEF facility. This matter is coming to the Board fairly soon and that is why he supports Audit Committee At-Large Member Dobler's view as it is stretching out to more items and extends to materiality. Again, under transparency, we need full disclosure. Audit Committee At-Large Member Aaron said he thinks we have two paths we can take – one is the recommendation we make to the Board that they engage another legal opinion and the other path is we accept what District General Counsel has provided to us. Therefore, he would recommend to the Board of Trustees that they update the policy to be more inclusive and specific regarding these items and questions and that is what we need to do. Yes, accept the opinion and update the policies or no, we don't and we are going to go out and get another opinion. Audit Committee At-Large Member Tulloch said that would seem, on the surface, to be a sensible path however if we document some of these things that we would be in direct confutation of Dillon's Rule, not claim it as incidental, as there could be something under the NRS statutes. Audit Committee At-Large Member Dobler said we are getting off track here and the law gives us a remedy. If we are unclear, we don't have to accept his opinion and we don't have to get another opinion as they don't mean anything and are not enforceable by law or anything like that. Our constitution and statutes say if you are unclear, then you have a remedy and it is NRS 43100, you can petition for judicial examination and determination. We don't have to rely on District General Counsel or another attorney or the Board, we can go ask and then he read from the Nevada Revised Statutes. So, the thing that he doesn't know for sure is any county within the municipality and don't know if it applies to districts. You are given a remedy so why rely on an opinion? Audit Committee Chairman Dent said we can move this forward if someone wants to make a motion. District General Counsel Nelson said 43100 said IVGID would qualify. Audit Committee At-Large Member Dobler said why don't we get clarification from the District Court and then it is settled? Trustee Schmitz asked how long that would take? District General Counsel Nelson said it is a lawsuit so there will be a cost. Trustee Schmitz said we don't know how long and what it will cost. Audit Committee At-Large Member Dobler said does it matter? Accept his opinion or not, he is not willing to accept his opinion. Trustee Schmitz said so you are not going to accept anyone's opinion except a courts? Audit Committee At-Large Member Dobler said if he can sit here and make the case that the word incidental isn't applicable and giving away land for a \$1 per year, etc. and answer why improvement districts can give donations? Trustee Schmitz asked if Dillon's

Rule is some sort of specialty? District General Counsel Nelson said no, any lawyer that works for public agencies is familiar with Dillon's Rule. Audit Committee At-Large Member Aaron said moving this through the court system – cost benefit – one to two years to get it heard and then how much is it going to cost. But maybe we make a recommendation that the Board of Trustees stops these practices. If you don't want to hire another firm, we need to come to a motion as it is pretty straight forward. District General Counsel Nelson said 43100 works best if there is a specific item you are looking to get a declaration on – it would make sense to do it prospectively when the Board is considering that item. Audit Committee At-Large Member Tulloch suggested the DPSEF item. District General Counsel Nelson said yes, that is an option if that was the Board's pleasure. Audit Committee At-Large Member Dobler said as a fiduciary of public money, don't think you apply cost benefit analysis to determine if you are breaking the law. Don't know how you can rely on an opinion when he has enough facts. You don't apply cost benefit analysis for doing the right thing. Audit Committee At-Large Member Aaron said his cost benefit is we either stop with these practices or we take it to the State and have our case heard. There will be costs in time and money and it will take a lot of both to get an official judgment. If there is too much friction here, let's just stop doing it however he is not advocating for one or the other. Trustee Schmitz said that it is a really good point. If there is something in question, let's just discontinue it as our legal counsel has identified it. Audit Committee At-Large Member Tulloch said he tends to agree with that and that we should just be recommending that the Board of Trustees discontinue doing these practices. Audit Committee At-Large Member Dobler said he would like to make one other point is that his opinion talks about community partnership, no one knows what that is, he gives reference to the ski team, what he is taking about is giving donations on the golf course, Chateau, Aspen Grove. It is laughable, done under Resolution 1701, and we give away our facilities under par which is a donation and then we turn around and say let's stop the issues and we have to tell them what are the issues to stop. We can't do the same thing we did with the audit, address all the issues in the transmittal letter and leave a lot of them off. Resolution 1701 has been amended 7 times and he read off entities that used our facilities. If nobody is using them on that day, then Staff does yield management, and that price is \$50 and we look three months in advance, and no one has booked that time. We have the right to set rates for whatever we want. Audit Committee Chairman Dent asked if we could stay on topic. Audit Committee At-Large Member Dobler said he is trying. District General Manager Winquest said are you recommending that the District not work with Little League, etc.? Trustee

Schmitz called for a point of order. Audit Committee Chairman Dent asked for a motion. Audit Committee At-Large Member Dobler said he needs to respond to District General Manager Winquest and he is asking for a determination of the law and it doesn't matter to him. Audit Committee At-Large Member Tulloch said we need to regroup a bit and get to what the motion should be as we can't drop these because these complaints have been brought up by the members of the public and he understands the General Manager's concerns and just trying to make sure we are compliant and this comes down to the Board of Trustees and, if the Board of Trustees wants to do these donations, are they legal? Let's take this away and rethink this agenda item even though he hates delaying it further. Trustee Schmitz said as it relates to just agenda item 5., related to policies and practices, she thinks we could put forward a recommendation, that does not specify an outside law firm and let the Board of Trustees decide who they want to engage. She would be willing to put forward a motion specifically to 5. Because we do have an obligation to the community and District General Counsel Nelson did recommend that we create these policies.

Trustee Schmitz made a motion that the Audit Committee make a recommendation to the Board of Trustees to engage a law firm to create specific policies and practices which address the various employee benefits as outlined in the November 30, 2020 legal opinion by legal counsel and that the Audit Committee recommend that the Board of Trustees engage a law firm to create specific policy and practice which addresses the payment of resources for meals to outside contractors.

Audit Committee At-Large Member Aaron said go outside of the District with another legal firm? Trustee Schmitz said didn't use the word outside law firm rather she said engage a law firm. It would be up to the Board of Trustees if they wanted to engage an outside firm to do this or engage BBK. The motion that she put forward was generic and not specified that it be an outside law firm. Audit Committee At-Large Member Aaron said so the idea is for a legal resource to draft up this policy? Can the Board draft it up themselves or do they need legal? Trustee Schmitz said the Board of Trustees doesn't draft policies rather they ask the Staff to do it. In this case, we are saying do it with legal advice and that is to make there is use of legal resources and that it is handled properly and legally. District General Counsel Nelson said it does make sense and, if he was the one, he would work with Human Resources so it would be a collaborative process. Audit Committee At-Large Member Tulloch said he is uncomfortable with this motion, we could very

well have whistleblower items, and could have further complaints. District General Counsel Nelson said you do have a motion and if it is seconded, you can have more discussion.

Audit Committee At-Large Member Aaron seconded the motion.

Audit Committee At-Large Member Tulloch said he would like to repeat his point and that is that we are not addressing our fiduciary duties and not sure we are in compliance with the law. Trustee Schmitz said that District General Counsel Nelson has reviewed this and given a legal opinion. Audit Committee At-Large Member Tulloch said he doesn't agree with some of the legal argument specifically the two step observation. Audit Committee At-Large Member Dobler said ditto what Audit Committee At-Large Member Tulloch has said and that if this is limiting to employee benefits only, he is ok with it. Trustee Schmitz said this was Audit Committee At-Large Member Dobler's agenda item so she was trying to be specific to this agenda item.

Hearing no further comments, Audit Committee Chairman Dent called the question - Audit Committee At-Large Member Aaron, Trustee Schmitz, Audit Committee Chairman Dent, and Audit Committee At-Large Member Dobler all voted in favor of the motion. Audit Committee At-Large Member Tulloch voted opposed to the motion. The motion passed.

Audit Committee Chairman Dent called for a break at 10:50 p.m. and the Audit Committee reconvened at 11:00 p.m.

D.6. Review, discuss, and possibly take action regarding the memorandum from Clifford F. Dobler to Audit Committee dated November 30, 2020 – Subject: External review on the effect of leasing property to nonprofit tenants at below market rates and complying with Dillon's Rule relating the absence of specific references to Donations in NRS. Chapter 318 General Improvement Districts (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. Trustee Schmitz said this doesn't have thing to do with facility use so do we need to get back on topic which is leasing? Audit Committee At-Large Member Dobler continued his overview. District General Counsel Nelson said that point is well taken Trustee Schmitz and

commented that Audit Committee At-Large Member Dobler is straying into item 7. He went over a lot of these issues thus it may make sense to combine 6. and 7. as the recommendation is basically the same. Audit Committee At-Large Member Dobler said that 7. has a lot of differences. District General Counsel Nelson said it is a request for petition under 43100. Trustee Schmitz said community programming doesn't have anything to with community programs as she sees community programming and leasing. Audit Committee At-Large Member Dobler said it is leasing because we are providing facilities. Community programming does not always provide facilities. The question becomes is it a donation? Community programming is something completely different, does that help? Trustee Schmitz said she doesn't see how a leased use of a facility or venue is below market rate and is a lease and is that what she is not understanding? Audit Committee At-Large Member Dobler said the question is does leasing fall under donations? District General Counsel Nelson said Audit Committee At-Large Member Dobler is using the term "leasing" very broadly so as to not have an Open Meeting Law complaint. Audit Committee Chairman Dent said is this at the top of agenda packet page 409? District General Counsel Nelson said yes and that the reference to yield management is at the bottom of agenda packet page 408. Audit Committee At-Large Member Dobler said we are leasing them specifically to non-profits and that is what he is talking about. Audit Committee At-Large Member Tulloch said he is trying to follow along as it looks like it is two separate things – all donations in kind – the whole thing is that we are making donations in kind and per NRS we are not allowed to and that it becomes a donation in kind because it is under market value. Audit Committee At-Large Member Dobler said what Audit Committee At-Large Member Tulloch is saying is that the end result is creating a donation as Dillon's Rule doesn't provide for that for GID's. Audit Committee At-Large Member Tulloch said he is particularly concerned about the long term leases with the foregone revenues. We are starting to give so many things to many different people, DPSEF comes in and wants to lease for \$1 a year and hard to say can't do it for them when we have done it for others. Where do we start drawing the line? Only those that know people and can he set up a non-profit and use half the parking lot for the Chateau? Where do you draw the line? Does it depend what Trustee you know and which one is going to push your project and he thinks we have opened a can of worms here. Audit Committee At-Large Member Tulloch said jokingly that he could make a motion that we stop all donations in kind until we have a policy. Audit Committee At-Large Member Aaron said what is management's practice to handle District property and is there a legal aspect of it? He thought we were focusing on the legal aspect. District Clerk Herron asked if Audit Committee

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At-Large Member Tulloch made a motion? Audit Committee At-Large Member Tulloch said he did not rather he was just testing an idea. Audit Committee At-Large Member Dobler said he liked Audit Committee At-Large Member Tulloch's idea and that puts it on a hiatus. Audit Committee Chairman Dent said does the Board of Trustees decide that or do we decide? Audit Committee At-Large Member Dobler said we don't need to decide anything. Audit Committee Chairman Dent said we need to come up with a motion. Audit Committee At-Large Member Tulloch said that we should stop all donations in kind until we have clarity if we are allowed to do it. It has been brought to our attention, it is going to be very unpopular, and he doesn't know if it is legal or not. It raises more issues because the Nevada Revised Statutes states specifically so we are on much shakier ground here. Trustee Schmitz said she would make a recommendation to the Board of Trustees that the minimum amount be charged should cover operational expenses and asked if that addresses the issue and concern - basically at breakeven cost for operational expenses? This is what we have been talking about with Staff – does that address the issue? Audit Committee Chairman Dent said it is a good point. Audit Committee At-Large Member Tulloch said we need to clarify, not breakeven, as that is just covering marginal costs, not breakeven if we fully accrue costs. Then with Parasol or DPSEF, what is the cost we should be considering? Trustee Schmitz said those are contractual agreements and that she would look to District General Counsel Nelson to answer that question. District General Counsel Nelson said it is a whole different can of worms. Audit Committee At-Large Member Tulloch said it would be in \$50K to \$100K range for Parasol given the size and location. District General Counsel Nelson said a motion of that kind would be proper. Audit Committee At-Large Member Dobler said if we were to suggest that, it ends up defeating the whole purpose as they are getting something very inexpensively. Trustee Schmitz said it is not our problem to solve, it's Dillon's Rule. Audit Committee At-Large Member Aaron said on agenda packet page 411, second paragraph from the top, could you just talk to that paragraph and tell us what you are trying to tell us? District General Counsel Nelson said a portion of that paragraph was his language and the balance is not. In this area, it is not a Dillon's Rule problem because it has the express power to lease property, so that satisfies Dillon's Rule. There is an assumption that there should be some rent, that the District does have the ability, and that is under incidental powers, and that a below market rent does fall under that. There are other entities that do require fair market value and the lack of that is that the legislature didn't impose that on GIDs.

Trustee Schmitz made a motion that the Audit Committee recommends to the Board of Trustees to price all venues for non-profits to cover operating expenses. There was no second to the motion thus the motion failed.

Audit Committee At-Large Member Dobler said he would like to make a clarification to what Trustee Schmitz is saying. Why recover our costs when we can't cover our costs at most venues so why not charge key rates and make a determination for operating costs and say that we have to charge more than the key rates because we aren't covering our costs with key rates? Trustee Schmitz used the word operating and he doesn't know if it would include depreciation but you have to charge more than key rates. Trustee Schmitz said we could call it the resident rate. District General Manager Winquest said, in practice, we rarely use Resolution 1701 anymore because typically we have non-profit rates. We need to, at a minimum, cover the hard costs to provide that facility and Staff does try and recover those hard costs however for groups such as the Little League and AYSO, we may not. That is the way we have been handling it and we charge by the child. We are heading in the direction to recover all our hard costs which probably should be the minimum. Audit Committee At-Large Member Aaron said that if we are trying to address an in kind donation, basically charging a little more rent, does that address the issue? Charge a little more to cover operating costs, does that address the issue of in kind donations? Is there still going to be a margin between the market rate and operating costs? District General Counsel Nelson said from Dillon's Rule, he doesn't think there is an issue. If you do approach it this way, there is additional express authority to fix facility charges, NRS 318.197, and you don't have to charge going rates so there is additional Dillon's Rule support. Audit Committee At-Large Member Tulloch said again he does take issue with the way District General Counsel Nelson is arguing and he has angst and would beg to disagree. He doesn't think you can roll on incidental rules and we have had this discussion. Audit Committee At-Large Member Tulloch said he does have a few questions for District General Manager – local organizations? Watched AYSO with 99% of license plates are California so he doesn't know how far to go. District General Manager Winquest said that there are a lot of the youth sports group and yes, there are kids coming in from other communities, this is just all about how we have a vibrant and thriving community. The real focus is more on the local non-profits. When we get a request outside the community, he will say no. He gets several requests to hold events on Village Green from the Hyatt. These are non-resident people, and he assures you we like to focus on our local non-profits. We do push to

recover the costs and we have been talking a lot about that as Staff. Audit Committee At-Large Member Tulloch said the question is how far do we go in greater Reno, etc.? This gives him a wonderful opening – spending money with Amazon on office supplies. District General Counsel Winquest said it is Incline Village and Crystal Bay non-profits and that is his approach. Audit Committee At-Large Member Dobler said these things get complicated when things are poorly written and he would reference Resolution 1701. It is interesting in who can use the facilities and that if this is under NRS 318.197, the District does have the ability to fix rates and the Board can be discriminatory by setting rates for whomever. He would guess that is their prerogative. He would like to leave this up to the Board of Trustees because he doesn't know what to do. Audit Committee At-Large Member Tulloch said he agrees. Audit Committee Chairman Dent said yes, it is a Board decision, we are making a decision related to this agenda item. Audit Committee At-Large Member Tulloch said his concern with the previous motion is that is it good to say we are recovering operating costs? How do we define that because there are no operating costs there? Audit Committee Chairman Dent said he doesn't think we can do anything about the past and that we are talking about moving forward. The example you brought up was DPSEF and the potential for the future as this is about moving forward and doing nothing about the past.

Audit Committee At-Large Member Tulloch made a motion that the Audit Committee recommends to the Board of Trustees to price all venues for non-profits to cover full operating expenses and long term rentals and/or lease of property should be at market rates, if non-profit, less 10%. Trustee Schmitz seconded the motion. Audit Committee Chairman Dent asked for comments, receiving none, he called the question - Audit Committee At-Large Member Tulloch, Trustee Schmitz, Audit Committee At-Large Member Dobler and Audit Committee Chairman Dent voted in favor. Audit Committee At-Large Member Aaron abstained from the vote. The motion passed.

- D.7. Review, discuss, and possibly take action regarding the memorandum from Clifford F. Dobler to Audit Committee dated November 30, 2020 – Subject: Can “Community Programming” activities be provided by IVGID if not specifically expressed in Nevada Revised Statutes as required by Dillon’s Rule? (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials and said that these items weren't covered under District General Counsel's opinion and that maybe we should bring this one back as it outside of the eight items that the citizen requested back in May – this is a brand new one so he would like to cool our jets on this one. Trustee Schmitz said, as a clarification, the plan and the approach with budgeting is to change where community programming is actually budgeted and that will be in the General Fund and the General Fund is funded by taxes. The change we are making with our budget going forward addresses the concern going forward and wanted to make you both aware of that. District General Manager Winquest said that decision has been made for Parks and we have discussed it. Audit Committee Chairman Dent said this item will come back at a future time.

D.8. Review, discuss, and possibly take action related to the following communications that have been received and are included: (Requesting Audit Committee Member: Audit Committee Chairman Matthew Dent)

D.8.a. Memorandum from Cliff Dobler to IVGID Audit Committee dated November 23, 2020 – Effluent Pipeline – Phase II – Meters and Equipment

Audit Committee At-Large Member Dobler gave an overview of the submitted memorandum and noted that we will have a complete report on this item. Audit Committee Chairman Dent said we can put this on the long range calendar for Staff to report back to the Audit Committee.

D.8.b. November 25, 2020 e-mail communication regarding Memorandums by Clifford Dobler and Linda Newman regarding accounting errors and irregularities in the Incline Village General Improvement District Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. Audit Committee Chairman Dent said as we work through next year's audit, our plan, and look through Policy 15.1.0, we will have clear expectations on what should happen when something is submitted. Trustee Schmitz asked if Audit Committee Chairman

Dent or Audit Committee At-Large Member Dobler have the list and do you know specifically or can you give the things we are missing to make sure we go over it with the auditor so they know what needs to be addressed with the upcoming CAFR? Audit Committee At-Large Member Dobler said yes, he will make sure we got them all.

D.8.c. December 19, 2020 email communication to James C. Lanzarotta – Moss Adams LLP regarding Red-lined Draft Final Report on Evaluation of Certain Accounting and Reporting Matters: Punch Card Accounting dated December 19, 2020 from IVGID Audit Committee Member Clifford F. Dobler and Linda Newman

Audit Committee At-Large Member Dobler gave an overview of the submitted materials and said this is a dead issue.

D.8.d. Memorandum from Cliff Dobler to Indra Winquest dated January 6, 2021 – Budget manipulations – WRRF Aeration Systems Improvements Project #2599SS1707

Audit Committee At-Large Member Dobler gave an overview of the submitted materials and said that this matter has been taking care of.

D.8.e. Memorandum from Cliff Dobler to Indra Winquest dated January 6, 2021 – General Fund 2019 Capital Projects – Cost overruns on IT infrastructure – Project #1213CO1505

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. District General Manager Winquest said he will follow up with Staff and look into this and work with Audit Committee At-Large Member Dobler. Audit Committee At-Large Member Dobler said we don't really follow policy and this is like putting lipstick on a pig. You need to ask Staff to follow the policy so that maybe this stuff wouldn't happen. Audit Committee At-Large Member Aaron said one point of clarification, second paragraph, second sentence, contacts should be contracts.

D.8.f. January 26, 2021 email communication from Audit Committee At-Large Member Aaron L. Katz; Subject: Whose idea was it to come up with the retaliatory

provisions of the Committee's proposed whistleblower procedure for financial matters?

Audit Committee Chairman Dent said he spoke with Mr. Katz and based on the proposed revisions that have been to the whistleblower procedure, Mr. Katz stated he longer has concerns on this matter.

E. LONG RANGE CALENDAR REVIEW

The next Audit Committee meeting will be sometime in April – April 28 at 4 p.m. Trustee Schmitz said regarding Davis Farr, if there is some action that we need to take to move that along quickly? This is the agenda item that was pulled last night. Audit Committee Chairman Dent said the scope of work needs to be looked at. District General Manager Winquest asked if the Board made a designation of the auditor then we would be in compliance. District General Counsel Nelson said they can approve the master agreement and doesn't approve the individual task order which could come back to the Audit Committee at the appropriate time. Audit Committee At-Large Member Dobler said that the Board is going to execute the master contract and then the Audit Committee does the task order. District General Counsel Nelson said yes, that is correct. Audit Committee At-Large Member Dobler asked if that was the first time we have done it. District General Manager Winquest said yes, he thinks it is the first time. District General Counsel Nelson said yes, try it out.

Agenda Items

- ✓ Auditor's schedule of work and engagement letter
- ✓ Whistleblower Procedure
- ✓ End of May – Director of Finance Navazio bring back to the procedural changes to the Internal Controls
- ✓ End of May – Management review of the items requested for action
- ✓ End of May – Policy 15.1.0

Audit Committee At-Large Member Dobler said we haven't seen anything about turning over our rolling stock, we have the best equipment which is nothing wrong, sometimes wonder if we should not look at the turnover of that equipment. Audit Committee Chairman Dent said that the Board is looking at that – have someone coming in to look at Public Works so let's wait until we see that. Audit Committee At-Large Member Dobler said what about Diamond Peak and golf courses? Audit Committee Chairman Dent said they are looking at Public Works as well as our policies and something we could use District-wide, so let's wait and see what comes out of that review.

F. APPROVAL OF MEETING MINUTES (for possible action)

F.1. Audit Committee Meeting Minutes of January 27, 2021

Audit Committee Chairman Dent asked if there were any corrections; Audit Committee At-Large Member Tulloch said he has several corrections; will send his to the District Clerk page 491, about a third of the way, Director of Finance Navazio said not collecting but reserving it. Audit Committee Chairman Dent approved with the meeting minutes pending corrections to be submitted.

F.2. Audit Committee Meeting Minutes of February 10, 2021

Audit Committee Chairman Dent asked if there were any corrections; hearing none, the minutes were approved as submitted.

G. PUBLIC COMMENTS*

Frank Wright said one to two years on the opinion, like a lawsuit, he failed to tell you that you can request an opinion from the courts if Dillon's Rule allows you to take place. Unfair, almost malpractice. These get heard quickly, you need to recommend to the Board that they pursue this to find out if the District is in compliance with Dillon's Rule. Horrible that District General Counsel would not give you that option and lawsuits from outside people cost a lot of money. It is part of this committee's responsibility to get answers, maybe Mr. District General Counsel Nelson could check on that and get us an answer.

Margaret Martini said she would like to say that it was pretty productive, she thinks we need to delve into the costs of employee perks and make a really firm recommendation to the Board about giving away our facilities.

H. ADJOURNMENT (for possible action)

The meeting was adjourned at 12:24 a.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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