



NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **3 p.m.** on **July 13, 2021** at the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
Derrek Aaron (At-Large Member), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), and Raymond Tulloch (At-Large Member) (Chair)
- 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. AUDIT COMMITTEE CHAIRMAN'S OPENING REMARKS*
The Audit Committee Chairman will be making opening remarks regarding meeting decorum and procedure (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)
- E. GENERAL BUSINESS ITEMS (*for possible action*)
 - 1. Review, discuss, and possibly consider adopting the Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch) – **pages 3 - 18**
 - 2. Review and discuss the performance of the external auditors (Eide Bailly) for the fiscal year ending June 30, 2020 as required by Board Policy 15.1.0, subparagraph 2.4.7 (Requesting Audit Committee Member: Audit Committee At-Large Member Cliff Dobler) – **pages 19 - 26**
 - 3. Review, discuss and come to an agreement on the content for the annual report (review draft outline as submitted by Audit Committee At-Large Member Cliff Dobler) to be submitted to the Board of Trustees assessing the results of the fulfilment of the Audit Committee's duties and responsibilities as required by Board Policy 15.1.0, Section 2.9 (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch) – **pages 27 - 33**
 - 4. Review, discuss and agree on the approach of the Audit Committee to facilitating the external audit process for financial year 2020/2021 in accordance with Policy 15.1.0, Section 2.4 including election of a liaison to the Auditor and review actions taken to date including report on meeting with Davis Farr LLC (Requesting Audit Committee Member: Trustee Sara Schmitz) – **pages 34 - 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

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NOTICE OF MEETING

Agenda for the Audit Committee Meeting of July 13, 2021 - Page 2

5. Review, discuss and possibly consider recommendations for modification to Board Policy 15.1.0 for submission to the Board of Trustees (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch) – **page 37**

- F. **LONG RANGE CALENDAR REVIEW** (*for possible action*)
Review, discuss and possibly agendaize for future Audit Committee meetings outstanding items on the Audit Committee agenda (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch – **page 38**)

- G. **COMMUNICATIONS RECEIVED** (*for possible action*)
Acknowledge communications that have been received (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch) – **pages 39 - 43**
 1. Memorandum from Clifford F. Dobler; Subject: Misallocation of Investment Earnings on Cash, Cash Equivalents and Investments - fiscal year 2019 and 2020.

- H. **APPROVAL OF MEETING MINUTES** (*for possible action*)
 1. Audit Committee Meeting Minutes of June 9, 2021 – **pages 44 - 65**
 2. Audit Committee Meeting Minutes of June 29, 2021 – **pages 66 - 77**

- I. **PUBLIC COMMENTS*** - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

- J. **ADJOURNMENT** (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Thursday, July 8, 2021 at 9:00 a.m., a copy of this agenda (Audit Committee Session of July 13, 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 Vorderbruggen Building (893 Southwood Boulevard, Incline Village, Nevada; Administrative Offices)
2. IVGID's website (www.yourtahoeplace.com/Board of Trustees/Meetings and Agendas)
3. State of Nevada public noticing website (<https://notice.nv.gov/>)

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

District Clerk (e-mail: sah@ivgid.org/phone # 775-832-1207)

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

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

MEMORANDUM

TO: Audit Committee

FROM: Ray Tulloch
Chairman, Audit Committee

SUBJECT: Review, discuss and possibly consider adopting the Whistleblower Procedure under Policy 15.1.2.8

DATE: July 13, 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 15.1.0(2.8). At a number of prior meetings, the Audit Committee reviewed and provided comments on a draft Whistleblower Procedure. At the end of the June 29, 2021 meeting, the Audit Committee asked Trustee Schmitz to incorporate the remaining edits discussed at the meeting.

Enclosed is a revised version of the procedure and a redline showing changes from the last version.

Lastly, please remember that this version of the procedure is broader than the scope currently permitted under Policy 15.1.0. As such, it would become effective upon approval by the Board of Trustees or applicable Board revisions to Policy 15.1.0.

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.



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.

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~~ professional ethics in the conduct of their duties and responsibilities. Employees and representatives of IVGID must practice honesty and integrity in fulfilling their responsibilities and comply with all IVGID Policies, Practices, Resolutions and Ordinances and other applicable laws and regulations. Moreover, IVGID is committed to transparency and fostering a “speak up” culture. This Whistleblower Procedure implements Board of Trustees Policy 15.1.0(2.8).

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

The Whistleblower Procedure includes the following:

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

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Reporting

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

Proposed April 11, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE

"~~Misconduct~~Misconduct" means (a) questionable or improper accounting or auditing matters, (b) violations and suspected violations of federal, state, local laws, and (c) violations and suspected violations of IVGID Ordinances, Policies, Practices and Resolutions ~~including, but limited to, those related to financial reporting, safety, and accounting.~~ "Misconduct" does not include minor, immaterial matters or routine workplace complaints or disciplinary matters which shall be processed under applicable Human Resources policies and/or applicable Memorandum of Understanding.

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

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

The public may also submit ~~concerns-suspected that involve~~ m~~Misconduct~~Misconduct and/or or reasonable suspicions of m~~Misconduct~~Misconduct to:

- A. ~~The~~ **Audit Committee Chair by email at AuditCommittee@ivgid.org.**
- B. ~~Or~~ **anonymously using the IVGID website.** All anonymous allegations of m~~Misconduct~~Misconduct will be sent directly to the Chair of the Audit Committee with a copy to the General Counsel.

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Proposed ~~June 29~~July 13, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE

C. Mail to 893 Southwood Blvd. to the attention of the Audit Committee Chair,
Strictly Confidential – Addressee only. Incline Village NV 89451.

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

No Retaliation

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

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

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Acting in Good Faith

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

Proposed ~~June 29~~July 13, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE

Confidentiality

To the extent permitted by applicable law, reports of ~~m~~Misconduct or suspected ~~m~~Misconduct will be kept confidential on a "need-to-know" basis, consistent with the need to conduct an adequate investigation. To the extent permitted by applicable law, the party leading the investigation shall make every reasonable effort to ensure the identity of the reporter is not disclosed if such reporter wishes to remain confidential. If an internal investigation could materially increase the risk of confidentiality being compromised, the use of an independent third party to conduct the investigation is recommended. Improper or unauthorized disclosure of reports of ~~m~~Misconduct or resulting investigations will be viewed as a serious offense and will result in applicable disciplinary procedures being followed, up to and including termination of employment if provided under such procedures.

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

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

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

The Audit Committee Chair will review all concerns under the whistleblower procedure s/he receives ~~including but not limited to those received anonymously, from a member of the Board of Trustees, from the public and/or from a member of District staff.~~ The following are potential, but not exclusive, -options of action for the Audit Committee Chair which shall be determined in consultation with ~~the [Option 1: General Counsel,~~ unless the Counsel is implicated in which case the Chair shall consult with the Chair of Board of Trustees, GM, and Audit Trustee. ~~(if GC implicated, GM or member of Audit Committee):~~

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1. Delegate the investigation to the General Manager when the submission concern is not related to financial and/or internal controls (outside the purview scope of of the Audit Committee this whistleblower procedure).
2. Engage an external independent resource to investigate and provide recommended corrective actions.
3. Delegate the investigation to the General Manager or General Counsel.

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Proposed ~~June 29~~ July 13, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE

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

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

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

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

Proposed ~~June 29~~ July 13, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

General

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

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

The Whistleblower Procedure includes the following:

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

Reporting

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

“Misconduct” means (a) questionable or improper accounting or auditing matters, (b) violations and suspected violations of federal, state, local laws, and (c) violations and suspected violations of IVGID Ordinances, Policies, Practices and Resolutions. “Misconduct” does not include minor, immaterial matters or routine workplace complaints or disciplinary matters which shall be processed under applicable Human Resources policies and/or applicable Memorandum of Understanding.

Proposed July 13, 2021

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
WHISTLEBLOWER PROCEDURE**

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

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

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

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

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

No Retaliation

This Whistleblower Policy is intended to encourage and enable Trustees, volunteers, stakeholders of the District, the public and employees to report Misconduct and/or reasonable suspicions of Misconduct within IVGID for investigation and appropriate action. With this goal in mind, no Trustee, volunteer, member of the public, employee or other stakeholder of the District who, in good

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

faith, reports Misconduct shall be subject to retaliation, harassment or public disclosure except to the extent required by applicable law or, in the case of an employee, adverse employment consequences. Moreover, any volunteer, Trustee or employee who retaliates, directly or indirectly, in violation of this procedure, against someone who has reported Misconduct and/or or reasonable suspicions of Misconduct in good faith is subject to discipline up to and including removal from the volunteer position, or termination of employment, or being censured as a Trustee.

Acting in Good Faith

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

Confidentiality

To the extent permitted by applicable law, reports of Misconduct or suspected Misconduct will be kept confidential on a "need-to-know" basis, consistent with the need to conduct an adequate investigation. To the extent permitted by applicable law, the party leading the investigation shall make every reasonable effort to ensure the identity of the reporter is not disclosed if such reporter wishes to remain confidential. If an internal investigation could materially increase the risk of confidentiality being compromised, the use of an independent third party to conduct the investigation is recommended. Improper or unauthorized disclosure of reports of Misconduct or resulting investigations will be viewed as a serious offense and will result in applicable disciplinary procedures being followed, up to and including termination of employment if provided under such procedures.

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

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

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

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

1. Delegate the investigation to the General Manager when the concern is outside the scope of this whistleblower procedure.
2. Engage an external independent resource to investigate and provide recommended corrective actions.
3. Delegate the investigation to the General Manager or General Counsel.

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

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

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

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

MEMORANDUM

TO: Audit Committee

THROUGH: Audit Committee Chairman Ray Tulloch

FROM: Audit Committee At-Large Member Clifford F. Dobler

SUBJECT: Assessment of performance of Eide Bailly, independent Auditors, for the fiscal year ending June 30, 2020

DATE: July 13, 2021

I. RECOMMENDATION

That the Audit Committee review and discuss the performance of the independent auditors as required by Board Policy 15.1.0, Section 2.4.7.

II. BACKGROUND

This Policy requirement was part of agenda item D.1 on March 11, 2021 as one of five items to be reviewed and discussed. A review of the minutes of the March 11, 2021 indicates that the independent auditors' performance was not discussed.

III. COMMENTS

No report is required under the Policy section.

**Memorandum and
excerpt of Meeting
Minutes from Audit
Committee Meeting
of March 11, 2021**

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **6 p.m.** on **March 11, 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 4:00 p.m. on March 11, 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. GENERAL BUSINESS ITEMS (*for possible action*)
 - 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)
 - 2. Staff update on Internal Controls (Requesting Staff Member: Director of Finance Paul Navazio)
 - 3. Staff update on Chart of Accounts (Requesting Staff Member: Director of Finance Paul Navazio)
 - 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)
 - 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)

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

MEMORANDUM

TO: Audit Committee

FROM: Matthew Dent
Audit Committee Chairman

SUBJECT: Review, discuss, and assess prior years auditors, items for correction, deliverables, timeline for this year's audit, and Policy 15.1.0

DATE: March 4, 2021

I. RECOMMENDATION

The Audit Committee make a recommendation for future agenda items.

II. BACKGROUND

This was a much more active Audit Committee than years past which expanded upon the typical work load and we held 13 meetings. In May 2020, the Board of Trustees updated Policy 15.1.0 paving the way for the appointment of three At-Large Members to be seated on the Audit Committee. The new members were seated in July 2020 and as we conclude our first year since the reorganization, we want to access the prior year auditors, the overall process, items for correction, deliverables, timeline for this year's audit, the engagement letter, and any suggested changes to Policy 15.1.0.

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

Minutes

Audit Committee Meeting of March 11, 2021

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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

MEMORANDUM

TO: Audit Committee

THROUGH: Audit Committee Chairman Ray Tulloch

FROM: Audit Committee At-Large Member Clifford F. Dobler

SUBJECT: Review, discuss, and modify the draft checklist of fulfilling the Audit Committee's duties and responsibilities as required by Board Policy of the Annual report to Board of Trustees

DATE: July 13, 2021

I. RECOMMENDATION

That the Audit Committee review and discuss the checklist, Exhibit A, of fulfilling the Audit Committee duties and responsibilities required under Policy 15.1.0 and assign a member to draft a report with checklist for submission to the Board of Trustees. The recommendation is to obtain consensus on each answer to each requirement outlined in the Policy and then to complete an Executive Summary.

II. BACKGROUND AND ANALYSIS

Under Policy 15.1.0, Section 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.

Since the full committee under the new policy did not convene until July 29, 2020, it is suggested that the annual report be based on the time period between each fiscal year.

The Audit Committee had 14 meetings between July 29, 2020 and June 30, 2021 consisting of 40.3 hours. A summary of items discussed and resolved at each meeting is on Exhibit B.

It is now time for the Audit Committee to review our results over the past year and provide a short opening executive summary to the report of achievements and actions fulfilling the duties and responsibilities required during the past 12 months.

Attachments:
Exhibits A and B

EXHIBIT A

July 13, 2021

Requirements for Audit Committee Annual Report to Board of Trustee assessing the results of its fulfillment of its duties and responsibilities required by Policy 15.1.0, Section 2.9.

2.0 Responsibilities

- 2.1 Be independent, effectively communicate, & reinforce accountability.....Accomplished
- 2.2 External independent audit procurement process
 - 2.2.1 - Request for Proposal RFP Completed
 - 2.2.2 - Select Auditor Completed
- 2.3 Recommend to the Board of Trustees an external auditor
 - 2.3.1 - Recommendations on scope of work and funds to be audited Completed
 - 2.3.2 - Identify and recommend additional services No recommendation at this time
 - 2.3.3 - Board action to designate auditor NO involvement
..... Not applicable
 - 2.3.4 - Replace auditor when appropriate Not applicable
 - 2.3.5 - Approve scope of work and audit plan by June of each year Completed
- 2.4 Facilitate the external audit process
 - 2.4.1 - Review and approve formal reports submitted to external auditor..... **Unable - not provided**
 - 2.4.2 - Provide an independent forum for auditors to report findings or difficulties Accomplished
 - 2.4.3 - Review the Auditors' report of findings and recommendations with management and the auditor **Not Accomplished**
 - 2.4.4 - Review the 2020 CAFR..... Minimal time available due to
..... delayed submission
 - 2.4.5 - Follow -up on any corrective action identified Completed
 - 2.4.6 - Submit an annual Report of the Board of Trustees of the Audit Completed
 - 2.4.7 - Assess the performance of the independent auditors..... 7-13-2021
- 2.5 Review financial statements quarterly and annually for fair and accurate reporting Did not do quarterly
 - 2.5.1 - Review change in accounting policy **GAAP or ?**
 - 2.5.2 - Ensure accounting policies are followed ?
 - 2.5.3 - Review any off-balance sheet financing (**LEASES**) **No request**
- 2.6 Review the framework of internal controls - ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness..... ??
 - 2.6.1 - Review the annual internal control audit plan
 - 2.6.2 - Review managements 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 acceptable in any form ?
 - 2.6.4 - Committee may identify a need to engage an external internal auditor.....
- 2.7 Periodically review the District's Code of Conduct..... **Not done**
- 2.8 Review and refine the procedures for the receipt, retention and treatment of complaints - Whistleblower
- 2.9 Submit annual report to the Board of Trustees assessing the results of its fulfillment of its duties

EXHIBIT A

July 13, 2021

3.0 Meetings

- 3.1 - Meeting conducted according to State requirementsAccomplished
- 3.2 - Meeting held once per quarter14 meetings
- 3.3 - Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader..... No Authority to assign
- 3.4 - Review past correspondence with action outstanding. Ensure responses are taken in a timely mannerNo authority
- 3.5 - Committee may invite members of managementNot accomplished
- 3.6 - Committee Chair establish agenda and provide briefing materials.....Accomplished
- 3.7 - Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Report and auditors letter of findingsNOT accomplished

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

July 29, 2020 (1 hour 34 minutes)

- Acknowledgement of new Audit Committee members
- Review Board Policy 15.1.0
- Review Members Roles and Responsibilities
- Elected Matthew Dent as Chairman
- Review liaison to Eide Bailly
- Documented by Clifford Dobler and Linda Newman POSTPONED
- Verbal Update of Audit by Director of Finance
- Audit Timeline: 6-8-2020 to 10-30-2020
- Presentation of IVGID System of Internal Controls by Director of Finance - POSTPONED
- Referral of 14 point of errors in 2019 CAFR by Cliff Dobler and Linda Newman - REMOVED

August 19, 2020 (2 hours and 55 minutes)

- Long Range Calendar
- Nominated Matthew Dent as liaison with Eide Bailly
- Presentation by Director of Finance on IVGID System of Internal Controls
- Director of Finance response to 14 points of errors in 2019 Comprehensive Annual Financial Report submitted by citizens Dobler and Newman
- Legal Counsel Joshua Nelson response to Dillon's Rule relating to Donations and Employee Benefits

September 1, 2020 (1 hour 51 minutes)

- Long Range Calendar - Concern about obtaining information from management
- Engagement of Moss Adams to report on four issues regarding accounting and reporting
- Discussion with Josh Nelson on Dillon's rule applying to donations and employee expenditures - Nelson to provide a written opinion.
- Discuss citizen's communication of improper use of Ad Valorem Taxes - Josh Nelson researched and found use was proper

September 30, 2020 (1 hour 51 minutes)

- Director of Finance VERBAL update on 2019/2020 Comprehensive Annual Financial Report
- Discussion of Timeline for an RFP for an Independent Auditor for fiscal year 2020/2021 – At-Large members Dobler and Aaron to draft RFP - Staff on vacation.
- Review Whistleblower procedure for financial matters - requested by Indra Winquest (POSTPONED)
- Review of legal Opinion by Josh Nelson regarding application of Dillon's Rule relating to Donations, Community Programming and Employee expenditures. (POSTPONED)

October 27, 2020 (2 hours 42 minutes)

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

- Director of Finance VERBAL update on Internal Controls
- Approve RFP for Independent Auditor for fiscal year 2020/2021
- Review and provide feedback on 2019 MD&A, Transmittal Letter, Welcome Letter
- Long Range Calendar

November 19, 2020 (5 hours 55 minutes)

- Discussion of MATERIALITY with Tiffany Williamson, representative of Eide Bailly
- Reviewed and discussed DRAFT Basic Financial Statements and Supplemental Schedules
- Reviewed status of Moss Adams report on accounting and reporting matters
- Extension Request to the Department of Taxation to file the Comprehensive Annual Financial Report
- Update on RFP for new external auditor
- Director of Finance VERBAL update on System of Internal Controls
- Timeline and next steps of moving Community Services and Beach activities to Enterprise accounting and reporting.
- Receipt of Legal Opinion from Josh Nelson on applicability of Dillon's Rule

December 19, 2020 (2 hours 47 minutes)

- Review and discuss Draft Moss Adams Report on five accounting issues presented by Jim Lanzarotta representative of Moss Adams
- Expand scope of work to cover the remaining 16 points of potential erroneous accounting and reporting

January 20, 2021 (1 hour 48 minutes)

- Director of Finance Presentation of "Final 2019/2020 Comprehensive Annual Financial Report" - Was to be revised
- Acknowledge receipt of letter from Department of Taxation on Notice to Appear for hearing on January 28, 2021 - Transition to Enterprise fund accounting for Community Services and Beach activities

January 27, 2021 (5 hours 10 minutes)

- Presentation of Final 2019/2020 Comprehensive Annual Financial Report by Director of Finance and Tiffinay Williamson of Eide Bailly
- Whistleblower Procedure for Financial Matters - Discussion only
- Director of Finance - VERBAL update on Internal Controls
- Director of Finance update on Chart of Accounts
- Director of Finance update on new External Auditor contract

February 10, 2021 (1 hour 50 minutes)

- Recommended Davis Farr LLC as new independent auditing firm for fiscal 2020/2021
- Accepted the Moss Adams report on accounting and reporting treatments and an additional spreadsheet of other questions and clarifications.
- Accepted the written annual Audit Committee report to the Board of Trustees as required by Board Policy 15.1.0 2.4.6 and agreed to forward the report to

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

the Board of Trustees with recommendation that the 2019/2020 CAFR Transmittal letter be modified to identify ALL of the concerns and issues brought forth in the report. Opposition by Dobler on recommendation to Board of Trustees

March 11, 2021 (6 hours 24 minutes)

- Extensive review and debate on Whistleblower procedures - No action taken
- Extensive review and debate on moving forward on the Internal control procedures - Obtained 375 pages of documents assumed to be the existing internal controls
- Discussion on a new chart of accounts - No consensus on how the accounts should be established
- Review of five items 1. prior year auditor, items of correction, deliverables, timeline for 2020/2021 audit and Policy 15.1.0 - Agenda item was not clearly defined.
- Compliance with Dillon's Rule - Review of Nelson's opinion on Employees Benefits - Committee made affirmative motion to recommend to Board of Trustees to engage a law firm to create specific policies and practices addressing employee benefits
- Compliance with Dillon's Rule - Review of Nelson's opinion on leasing property to Non Profits - Committee made affirmative motion to recommend to Board of Trustees to price all leases of venue property at market rates and for non profits to cover full operating expenses less 10%
- Compliance with Dillon's rule - Providing community programming - not covered by Nelson's opinion and needs to come back at a future time.
- Correspondence - Dobler on Effluent Pipeline meters and equipment - Chairman decided to put on long range calendar
- Correspondence - Dobler and Newman e mail about failure to include correspondence in Audit committee packet. No resolution but to resubmit.
- Correspondence - Dobler and Newman - E mail and report to Moss Adams Jim Lanzarotta regarding punch cards. Moss Adams report issued - dead.
- Correspondence - Dobler regarding WRRF Aeration Systems Improvements - proper carryover into 2021 - corrected by Staff
- Correspondence - Dobler regarding Information Technology Infrastructure cost overruns failure to abide by Board Policy. Winquest to meet with Dobler - Never done.
- Correspondence - Katz - Whistleblower retaliatory issue - Resolved by changes to draft documents.
- Long Range Calendar

April 29, 2021 (1 hour 56 minutes)

- Reviewed and discussed Engagement letter with Davis Farr LLC representative Jennifer Farr - No action taken
- Reviewed and discussed the Nevada Revised Statutes that relate to the annual audit. Nevada Revised Statute 354.486 states the Audit must

EXHIBIT B

History of Audit Committee Meetings for fiscal year ending June 30, 2021

"Evaluate internal controls over financial reporting of the handling of the public money and public property" but Engagement Letter states Davis Farr LLC will only review. Chairman Dent held over for further review.

- Review, discuss and possibly approve Whistleblower Procedure. Approval of document with changes was not approved and failed on a 2 to 2 vote.
- Review and discuss and possibly take action on funding Parks through the General Fund. Deferred

June 9, 2021 (1 hour 44 minutes)

- Approved Davis Farr LLC Audit Schedule/Work Plan
- Request by Cliff Dobler to have new external auditor review 8 items regarding accounting and financial statement reporting which IVGID management does not agree with reports from citizens and Moss Adams analysis wherein most items are not in compliance with GAAP or are materially misrepresented. Future agenda item
- No progress on overpayments to Contractors
- Determined No policy or internal controls on administering grants
- Agenda item to make a recommendation to Trustees to Expense certain costs on recent projects which had been capitalized - Was not addressed lack of time.
- Seven communications from Cliff Dobler - Was not addressed - lack of time
- Long range calendar
- Resignation of Matthew Dent as Chairman and Committee Member

June 19, 2021 (2 hours 36 minutes)

- Elected Ray Tulloch as new Chairman of Audit Committee
- Agreed to modify Policy 15.1.0 to allow an additional At-Large Member (Chris Holet) to fill vacancy of a second Trustee on the Committee since 4 Trustees declined to accept appointment. Agreed to submit several suggested changes in other sections of the Policy at another future meeting.
- Reviewed and made changes to Whistleblower Procedure and agreed to attempt an approval of the final version at the July 13, 2021 Audit Committee Meeting.

MEMORANDUM

TO: Audit Committee

FROM: Trustee Sara Schmitz

SUBJECT: Review, discuss and agree on the approach of the Audit Committee to facilitating the external audit process for financial year 2020/2021 in accordance with Policy 15.1.0, Section 2.4 including election of a liaison to the Auditor and review actions taken to date including report on meeting with Davis Farr LLC

DATE: July 13, 2021

I. RECOMMENDATION

The Audit Committee review, discuss and agree on the approach of the Audit Committee to facilitating the external audit process for financial year 2020/2021 in accordance with Policy 15.1.0, Section 2.4 including election of a liaison to the Auditor and review actions taken to date including report on meeting with Davis Farr LLC.

II. BACKGROUND

Board Policy 15.1.0 Accounting, Auditing and Financial Reporting requires the Audit Committee to facilitate the external audit process. As part of this process, the Audit Committee is required to “provide an independent forum for auditors to report findings or difficulties encountered during the audit” (15.1.0.2.4.2). In order to initiate appropriate communications in the previous absence of an Audit Committee Chair, Audit Committee Member Trustee Schmitz recently held an initial meeting with the external auditor, Davis Farr. The report of this meeting is attached as Exhibit A. The Audit Committee should now review this report and agree on the approach to be adopted by the Audit Committee to facilitating the external audit process to include election of a liaison(s) to the Auditor.

III. ALTERNATIVES

Do not provide an independent forum for the external auditors in contravention of 15.1.0.2.4.2.

IV. FINANCIAL IMPACT AND BUDGET

There is no budgetary impact.

Meeting highlights: Meeting with Jennifer Farr

1. We discussed concerns regarding the unaccounted for expenditures related to the Pond Lining project from 2018 and the air pressure relief valves. I believe both were uncovered by Mr. and Mrs. Dobler.
 - a. Ms. Farr indicated their firm will be reviewing the 2020-2021 year and would not be evaluating prior years for unaccounted expenditures.
 - b. Any non-compliance with policy issues will be limited to the 2020-21 audit and prior years will not be reviewed. Project issues in prior years are not part of the Davis Farr LLC scope of work.
2. We discussed the issues brought forth by Moss Adams related to the financial reporting of the Special Revenue funds/Governmental accounting.
 - a. Ms. Farr indicated GAAP is a bit more of a guideline than hard and fast “rules” and that the prior year’s auditors ruled it was acceptable. **I think it would be more accurate to say that there is a variety of acceptable practices related to this issue and it is not uncommon for other governments to report these activities in special revenue funds**
 - b. Ms. Farr felt that while this reporting isn’t aligned with best practices, since the District is in the final year of reporting with governmental fund accounting, for consistency, reporting 2020-21 as prior years would be reasonable.
 - c. **When asked about the GASB requirements, Ms. Farr indicated these too have a bit of “gray areas”. I need to confirm my notes are correct on this point. I will follow up with Ms. Farr for confirmation. Reporting these activities in special revenue funds is “generally accepted” and not a violation of GAAP. However, I agree that it would be best practice to report the activities in Enterprise Funds.**
3. When discussing the Utility Fund and Engineering, Ms. Farr had a number of suggestions:
 - a. She suggested an ~~Engineering rate~~ **indirect cost or cost allocation study to compare our internal costs with other organizations and determine best practices for determining the rate charged to projects. This is something the Board should request every couple of years. By doing this, the public is informed of the methodology of engineering burden on projects. This is an internal study, not a comparison with other organizations. It looks at the administrative burden associated with direct labor and adds a burden rate on top of direct labor costs.**
 - b. When IT costs were brought up, she suggested the same approach be taken with IT, Engineering and Central Services Cost Allocations. **This is something to be discussed related to the scope of work for the Central Services Cost Allocation proposed project. She suggested a consulting firm be engaged to provide this analysis and recommendations.**

- c. **As for the financial health of the Utility Fund, she suggested better disclosure on the use of the \$2M collected annually and the fund balance excluding the \$2M collected for the effluent pipeline project. She mentioned funds collected for a specific project should be spent only on that specified project; how it is disclosed to the public. If there is deviation from this, it needs to be openly disclosed on the financial statements. I would like to see the resolution that restricted the funding before making this statement. I want to make sure the fee is actually legally restricted and not just part of the budget or plan for spending the money. If the fee is actually legally restricted, then I suggest we add more disclosure to the financial statements about the restriction and how much is left to spend.**
4. The issue of Stand-By Fees (the Recreational Facility Fee) was discussed. We discussed how the District has been over collecting funds from parcel owners that are identified in the budget as needed to cover operational costs. It has been shown that the amount of funds collected aren't needed for operations; that the charges for services are consistently more than budgeted leaving excess funds. These funds are then reflected in the fund balance and used in subsequent years for projects. In review of the Resolution for the collection of fees, it does not specify funds must be used for operations. Therefore, this isn't an issue from a financial reporting perspective. This is something the Board needs to review and handle through refunds, reduction of collection and/or Resolution. **The budget should more accurately reflect the expected charges for services to avoid over collection.**

MEMORANDUM

TO: Audit Committee

FROM: Ray Tulloch
Audit Committee Chairman

SUBJECT: Review, discuss and possibly consider recommendations for modifications to Board Policy 15.1.0 for submission to the Board of Trustees

DATE: July 13, 2021

I. RECOMMENDATION

The Audit Committee, Review, discuss and possibly consider modifications to Board Policy 15.1.0 for submission to the Board of Trustees

II. BACKGROUND

Board Policy 15.1.0 Accounting, Auditing and Financial Reporting - Audit Committee should be reviewed and revised periodically to remain relevant and to ensure compliance. If policies are not periodically reviewed they can become obsolete over time. As there has now been a full year of operation of the Audit Committee under the current 15.1.0 Policy and during this period there have been some concerns raised over the scope of issues delegated to the Audit committee, it is an appropriate time for the Audit Committee to review, discuss and possibly consider recommendations to the Board for modifications to Board Policy 15.1.0.

Any recommended modifications would only become effective upon approval by the Board of Trustees or applicable Board revisions to Policy 15.1.0.

III. ALTERNATIVES

Do not move forward with the proposed review.

IV. FINANCIAL IMPACT AND BUDGET

There is no budgetary impact.

DATE	DAY OF THE WEEK	TIME	LOCATION	COMPLETED MEMORANDUMS WITH ALL BACK UP MATERIALS FOR AGENDA ITEMS FROM AUDIT COMMITTEE MEMBERS DUE DATE	ITEMS SLATED FOR CONSIDERATION

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tolloch

FROM: Clifford F. Dobler

SUBJECT: Misallocation of Investment Earnings on Cash, Cash Equivalents and Investments - fiscal year 2019 and 2020.

**STRATEGIC
PLAN REFERENCE(S):** None

DATE: 1-13-2021

I. RECOMMENDATION

That the Audit Committee make a recommendation to the IVGID Board of Trustees to have Staff correct and properly allocate Investment Earnings to the various governmental funds apportioned and based on the actual cash, cash equivalents and investments held in each fund.

II. BACKGROUND and ANALYSIS

See Attached memorandum from Cliff Dobler dated June 21,2021

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

Proper allocation of the Investment Earnings will substantially reduce the Fund Balance and Net Position in the General Fund and at the same time increase the fund balances and Net Position in the Community Services and Beach Funds.

V. **ALTERNATIVES**

NONE

VI. **COMMENTS**

The required adjustments will result in either a prior period adjustment or a restatement of previously issued CAFR's

VII. **STRATEGIC PLAN REFERENCE(S)**

None

VIII. **BUSINESS IMPACT**

None.

or

June 21, 2021

To: IVGID Audit Committee

From: Cliff Dobler

cc: Board of Trustees, Paul Navazio and Indra Winquest

Re: Misallocation of Investment Income earned on Cash, Cash Equivalents and Investments for the IVGID Governmental Funds ONLY for the fiscal years ending June 30, 2019 and 2020

Issue

IVGID management did not properly allocate the Investment Income of \$563,335 for fiscal year 2019 and \$482,109 for fiscal year 2020 between the governmental funds of IVGID. As such, based on average CASH held in each of the governmental funds, approximately \$490,000 was improperly recorded in the General Fund rather than in the three Community Services Funds and the three Beach Funds.

Background

Since 2019, the District has been holding in excess of \$20,000,000 in Cash, Cash Equivalents and Investments ("CASH") for the governmental funds most of which have been invested into two main vehicles:

- State of Nevada Local Government Investment Pool (LGIP)
- Wells Fargo Bank - Certificates of Deposits and demand deposits

For the past two years, approximately 60% of the CASH has been held in the pooled LGIP account.

According to the historic distributed interest rates of the LGIP, the annual yields, calculated by month, have been between 1.99% and 2.54% in 2019 and .92% and 2.47% in 2020. The annual yields from certificates of deposits, administered by Wells Fargo Bank, are unknown, however, the yields most probably would be in line with the yields produced by the LGIP.

It is unknown how IVGID staff members allocated the Investment Income for both fiscal years between the seven governmental funds. There is no Board Policy or Practice which provided any insight. Based on the lopsided amounts allocated to the General Fund a fair and reasonable allocation was not conducted.

This memo only addresses the past two fiscal years but improper allocations have been done since, at least, fiscal year 2015.

Analysis - EXHIBIT A

Exhibit A establishes a fair and reasonable allocation of the Investment Income based on the average CASH held in each of the 7 funds.

In order to establish a fair and reasonable allocation of the Investment Income, Exhibit A lists the beginning and ending CASH for the fiscal years 2019 and 2020 and establishes the average CASH for each of the 7 funds.

The average CASH in each fund allocated proportionally to the total CASH held by all funds provides a basis for a fair and reasonable allocation of the Investment Income.

As indicated, the Investment Income allocated to the General Fund was substantially excessive in relation to the overall Investment Income based on the average CASH in each fund.

This analysis does NOT include \$385,160 of restricted cash.

The following observations based on the Exhibit A analysis can be seen:

- The investment income of all funds for fiscal year 2019 was \$563,325 and produced an annual yield of 2.75% based on the average CASH of \$20.5 million held during the fiscal year. The average cash for the General Fund **was only \$3.9 million** representing only 19% of total CASH, however, received \$327,817 or 58% of the investment income. Properly allocating the investment income based on average CASH held during the year, only \$107,168 should have been allocated to the General Fund. **An overstatement of approximately \$220,647.**
- The investment income for fiscal year 2020 was \$482,109 and produced an annual yield of 2.022% based on the average CASH of \$23.8 million held during the fiscal year. The average cash for the General Fund was only \$5.1 million representing only 21% of total CASH but received \$372,676 or 77% of the investment income. Properly allocating the investment income based on average CASH held during the fiscal year, only \$102,389 should have been allocated to the General Fund. **An overstatement of \$270,287.**

Conclusion - Serious material misstatement of the General Fund's financial condition

An outside investigation and subsequent report on the proper amounts of investment income which should have been allocated to each of the seven governmental funds must be accomplished as soon as possible. Based on the report, an adjustment to the various accounts must be made.

This recorded allocation of investment income for 2019 and 2020 substantially favored the General Fund by almost \$500,000 in additional Revenues and is a GROSS and MATERIAL misstatement of the financial conditions of the General Fund.

- The Balance Sheet in the 2020 CAFR indicates the General Fund has assets of only \$6.2 million thus the overstatement of almost \$500,000 in CASH overstates the General Fund assets by over 8%.
- The Balance Sheet also indicates the Unassigned Fund Balance was only \$3.1 million thus the overstatement of almost \$500,000 in CASH overstates the Unassigned Fund Balance by 16%.
- According to the CAFR's, the Excess of Revenues over Expenditures for fiscal year 2019 was overstated by 29% and for fiscal year 2020 the excess was overstated by 23%.

According to Davis Farr, LLP, the District auditors, any misstatement which exceeds 1% of any of the three bullet items above is a MATERIAL MISSTATEMENT which should require a restatement of the financial statements for fiscal years 2019 and 2020.

Together with the other recommended and approved corrections of accounting errors in the 2019 and 2020 CAFR's, especially the expensing of the costs which were improperly capitalized in the Utility Fund may, in the aggregate, constitute a restatement of the CAFR' for 2019 and 2020. These recommended and approved corrections are to be addressed in the 2021 CAFR.

Exhibit A - Analysis of Allocation of Investment Income - fiscal years 2018/2019 and 2019/2020

Income Village General Improvement District

EXHIBIT A

Analysis of Allocation of Investment Income Fiscal years 2018/2019 and 2019/2020

Governmental Fund ONLY - Does not include Utility Fund

Sources - CAFR Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances

	General Fund	Community Services SR Fund	Beaches SR Fund	Community Services CP Fund	Beach CP Fund	Community Services DS Fund	Beach DS Fund	Total
Fiscal year ending June 30, 2019								
6/30/2018 Cash, Cash Equivalents, Investments	3,174,585	11,689,289	1,539,550	2,610,032	101,701	51,553	4,606	19,171,316
6/30/2019 Cash, Cash Equivalents, Investments	4,619,435	14,751,053	1,945,888	372,676	109,433	-	-	21,798,485
AVERAGE Cash, Cash Equivalents, Investments	3,897,010	13,220,171	1,742,719	1,491,354	105,567	25,777	2,303	20,484,901
Investment Income for Fiscal year 2019 (As reported)	327,815	199,322	36,188	-	-	-	-	563,325
Investment Income return (yield) for Fiscal Year 2019	8.41%	1.51%	2.08%	0.00%	0.00%	0.00%	0.00%	2.750%
Proper Allocation based on AVERAGES	107,168	363,555	47,925	41,012	2,903	709	54	563,335
Estimated Adjustment	(220,647)	164,233	11,737	41,012	2,903	709	54	0

Fiscal year ending June 30, 2020								
6/30/2019 Cash, Cash Equivalents, Investments	4,619,435	14,751,053	1,945,888	372,676	109,433	-	-	21,798,485
6/30/2020 Cash, Cash Equivalents, Investments	5,505,558	17,724,284	2,646,405	-	-	-	-	25,876,247
AVERAGE Cash, Cash Equivalents, Investments	5,062,497	16,237,669	2,296,147	186,338	54,717	-	-	23,837,366
Investment Income for Fiscal year 2020 (As reported)	372,676	109,433	-	-	-	-	-	482,109
Investment Income return (yield) for Fiscal Year 2020	7.36%	0.67%	0.00%	0.00%	0.00%	0.00%	0.00%	2.022%
Proper Allocation based on AVERAGES	102,389	328,407	46,440	3,769	1,105	-	-	482,109
Estimated Adjustment	(270,287)	218,974	46,440	3,769	1,105	-	-	(0)

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AUDIT COMMITTEE MEETING OF JUNE 9, 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, June 9, 2021 at 4:00 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 Dent (Trustee, Chair), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member) (absent), and Derrek Aaron (At-Large Member) (absent at roll call - joined the meeting at 5 p.m.).

Also present was Staff member Director of Finance Paul Navazio.

B. PUBLIC COMMENTS*

Dick Warren said Cliff Dobler has succinctly laid out how, over the past 5 Fiscal Years, IVGID has deliberately distorted their accounting to qualify for Special Revenue Accounting (especially with regards to Community Services), materially overstating revenues, and misappropriating funds related to the Community Services Special Revenue Fund. IVGID includes as revenues in the Special Revenue Fund the Facility Fees specified for capital projects & debt service, and then they transfer out those amounts to capital projects & debt service funds. The Moss Adams report dated 1/21/2021 clearly stated that such accounting and reporting was not in compliance with GAAP. IVGID did it correctly for the 2021 Budget but not for the 2020 Budget. IVGID Management probably did this so that Facility Fees would reach 20% of total revenues, a requirement by GASB if one wants to use Special Revenue Accounting. But the Facility Fees were not even close to being 20% of total revenues. Current IVGID Management relies on Resolution 1838 to supersede GASB, NRS, and common sense. GASB is GAAP, not some concoction contrived by IVGID Management, and GASB trumps Resolution 1838. But the biggest issue is misappropriation of funds. Over the past 5 fiscal years, Community Services revenues exceeded expenses for all Venues WITHOUT the Facility Fee. Which means the Facility Fee was never needed! But \$9.8M was collected from property owners over this time frame, so either this amount should be returned to the property owners (around \$1,200 per Parcel Unit Owner) or be set aside if operational expenses exceed revenues in the future. As of 6/30/2020, about \$6.5M of this \$9.8M remained in the Special Revenue Fund (the difference, about \$3.3M was improperly transferred to capital projects). And

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around \$5.6M of the \$6.5M was then transferred out of the Special Revenue Fund to the capital project fund in the current fiscal year. This was not in compliance with GASB 54 & the intent of the BOT. What does all this mean? The Financial Statements are not presented IAW GAAP, there has been no consistency in financial reporting for over 5 FY's, accounting for operations in a Special Revenue Fund was inherently wrong because Facility Fees never reached the 20% threshold for all revenues, and putting all of the Facility Fees as revenues in the Special Revenue Fund made it appear as if the Community Services Venues were quite profitable. Lousy accounting, once again brought to you by the current incumbents (District General Manager and Director of Finance). But misappropriating funds is serious business and needs to be addressed. And he loves how the District General Manager and Director of Finance couldn't care less if the property owners got screwed and paid more in Rec Fees than they needed to. Thank you.

Aaron Katz said he has a written statement to be attached to the minutes of the meeting that he will be submitting. Earlier today, he sent an e-mail to the committee outlining his objections to the engagement letter that was entered into because it puts the responsibility of rooting out fraud on the very perpetrators of that fraud which is wrong. We all know that almost everything Staff do is the product of fraud; he presented evidence. You just heard from Mr. Warren – misappropriation of funds – that's fraud. So this means we have to do some proactive things. Number 1, he asks that you rescind the engagement letter – we do not want to have a prohibition on rooting out fraud insofar as the auditors' concern; number 2, in the alternative, we need to hire a consultant to root out and report back on the fraud then we can give the report to the auditor and they can't claim no knowledge; number 3, we need to change the audit that we are going to have Davis Farr perform. The NRS doesn't not specify the type of audit that we must perform and NRS 354.486 defines the types of audits that are permissible. He pointed out eight items and he asks you to conduct an audit of 4 through 6 which he then read and said that is the kind of audit we need. We tell Davis Farr that is the audit to perform and they tell us their timetable and scope of work. If you don't do what he is suggesting you do, we are destined to come up with another overpriced and worthless annual financial report which has been the history of IVGID. Let's do things right and get us on the right course, shall we? Thank you very much.

Frank Wright said he wants to talk about the engagement letter as well. He has some questions as he doesn't quite understand why we would have the management reporting to Davis Farr as far as fraud and misappropriation of funds and for things they find to be wrong – they won't report anything as they haven't reporting anything since they have been there. Let's go back to some of the things

that have happened in this District that needed to be reported to somebody who was going to do something about what was going on. So let's start with our District General Manager entering into contracts for hundreds of thousands of dollars without Board approval, slap on the wrist and the Board approves illegal action and agrees to spend \$300,000 on bathrooms. The Manager also altered the Hyatt Sports Shop lease without knowledge or approval of the Board. How about giving Eric Severance \$35,000 for plagiarized documents that were copy written – nothing was done. The is \$35,000 of public money that is gone. How about the sale of land with Board approval/knowledge to a secret list of purchasers – that's fraud. That was without Board approval and should have been reported but who would they report to and what would they do? How about Trustee Wong and Guinasso engaging in a lawsuit without Board approval? Then they stick to the District for a couple of hundred thousand dollars in legal fees which are still being collected from his recreation fee – all just to hide public records? What do you think is in those public records? He knows some things that are in there, some things have come out of those things. What do you think is going to be done when they find out that fraud has been perpetrated by this District? What about giving away the golf courses to private clubs every year so the elections can be rigged by their voters and to make sure they get their gravy train – cheap golf – gravy train – tee times – screwing the rest of the people in this community out of tee times that they would like to have. So how about violating the beach deed and giving away District property to nonresidents for life and for free? You don't think that is fraud when he is paying for somebody to access all of our facilities for free for life – that's fraud. Now, with the Davis Farr reporting, and you are going to let management make that report, you think they are going to come forward and tell you they are doing things illegal? That is like giving the wolf the keys to the chicken coop, it is not going to happen. Thank you.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Dent asked for a motion for a flexible agenda. Audit Committee At-Large Member Dobler asked that Item D.1. be moved to later in the agenda until Audit Committee At-Large Member Aaron arrives to the meeting as he has been our liaison. Audit Committee Chairman Dent responded rather than do that, let's do a flexible agenda but we can do what Audit Committee At-Large Member Dobler moved.

Audit Committee At-Large Member Dobler made a motion to move General Business Item D.1. to later in the meeting. Trustee Schmitz seconded the motion. Audit Committee Chairman Dent called the question and the motion was passed unanimously.

Trustee Schmitz said she would like to table Item E.4. until we have the whistleblower process fully defined and until we have that done, we don't have a process and move to defer until we have a whistleblower process defined, approved, and in place. Audit Committee At-Large Member Dobler said that he spent a lot of time on these memorandums and they have to do with the upcoming annual report thus he doesn't feel like he wants to have it postponed. Audit Committee Chairman Dent said he sees both sides and agrees that we don't have a formal process. There are several steps that need to happen and that need to be recommended to the Board of Trustees for the whistleblower program, this is something that we have been working on and are getting close to the finish line. He doesn't see how we can have any action. The Auditor is on the telephone so he does see some value in running this through them but that he doesn't see direction. Let's leave them on the agenda for now, run through them, and then postpone any action until the whistleblower program is in place. The reason Item 4 is so long is we are keeping track of them. Keep Item 4 on and won't take any action and the auditor is aware of these items. Audit Committee Chairman Dent asked if the members present were good with the agenda; yes, from Audit Committee At-Large Member Dobler and Trustee Schmitz.

D. REPORT ITEMS (*information for the Audit Committee and public*)

D.1. Informational Update on Internal Controls Project (Requesting Staff Member: Director of Finance Paul Navazio) – deferred from April 29, 2021 meeting

Director of Finance Navazio gave a brief overview of the submitted materials. Audit Committee At-Large Member Aaron said he has met a few times with the Senior Finance Team at the District and that there is sort of a process to reviewing existing policy and procedure and what he recommended is do that review, identify the weakness, and where we need to true up things. One of those is monthly reconciliation for key accounts – this is one of the key controls in order to flush out issues with transactions. They are engaging with their Staff to ensure that what is being done is in the procedures. Depending on the sector, every organization is different, carefully consider what the GAAP controls are and reference that. We have savvy people in the community and they will test us, back up with specifics, and that will help. Communications, specifically as to our progress, we talked about several items. No organization is perfect and we need to prepare when things go incorrectly as we have to be able to communicate. Thorough review of what we have, where we are missing a little bit, and then communication with the community. Audit Committee Chairman Dent provided a little more history on the

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background and stated that we are a work in progress and we are trying to do a better job of getting it where it needs to be. It is a huge task and undertaking, know it is an area of improvement, we are working on it, and this is the first report on the work that has been done together. Trustee Schmitz said, as it relates to the findings of Moss Adams 1 report on contractual overpayments and services not delivered, curious on whether the District has gone back to those vendors with documents? Have some of these procedures been updated? And would it be wise to have those actual documents be shared with the Audit Committee? Director of Finance Navazio said it would important to have a regular standing item for this. Audit Committee At-Large Member Aaron said another item we talked about in our last meeting, regarding contracts, is that there are a number of things that we have to consider – system control and manual controls. One of the things is that these things get out of sync. IVGID does have a purchase order hierarchy built into the system. This is being looked at in more detail and then if there is a manual contract that is being passed around, it needs to be part of the whole process. Trustee Schmitz said she appreciates that however Moss Adams identified that and she is asking about those particulars. She understands that modifications have been made since happened. Has the District gone back to the vendors were overpayment were made? Director of Finance Navazio said we can follow up between now and the next meeting. We have two different issues that are being looked at – it took place several years ago and things were put in place to ensure that doesn't happen. Staff needs to follow up with the appropriate Staff to see if there was any effort to go back to the vendor; he will follow up. Audit Committee Chairman Dent said he looks forward to getting an update on this matter. Audit Committee At-Large Member Dobler said on internal controls and it is real urgent, are the grant funded projects. He has finished his analysis on Incline Tahoe Foundation (ITF) grant and there were no controls at all and that the bike park seems to be scattered. No controls that addresses how you handle a grant from an outside group and follow up with the Memorandum of Understanding (MOU). It is pretty reckless as there is no policy, practice, procedure or control on that. Director of Finance Navazio said he will follow up with Audit Committee At-Large Member Dobler on this information. Grants have very strict requirements on controls and reporting and it is looser with donations. He understands that this is an area that we need to look at but we don't want to give the wrong impression with the grant funds that we are responsible to manage etc. The controls are there and we don't have a lot of them. These donations are separate and yes, we do have some work to do to tighten those up.

E. GENERAL BUSINESS ITEMS (for possible action)

E.1. Review, discuss, and possibly approve the District's Fiscal Year 2020/2021 Independent Financial Audit: Schedule/Work Plan (Requesting Staff Member: Director of Finance Paul Navazio)

Director of Finance Navazio gave an overview of the submitted materials. Davis Farr's Jeff Ball gave a brief update on the status of the audit – have been onsite to get an understanding of the entity, most items are in process, and that the work plan is fairly self-explanatory so he is open to any questions. Audit Committee At-Large Member Dobler said that this work plan, under Policy 15.1.0, we are supposed to review submittals and are we supposed to approve it before it was submitted, it is what it is and maybe off base so never mind – withdraw that comment. Mr. Ball said this would be the time to approve. Trustee Schmitz said she had a similar question and going to agenda packet page 21 under 2.4, it does say review and approve formal reports or letters to be submitted to the external auditor. So when she looks at agenda packet page 11, and she sees things here, to her it seems like these are some groupings of documents that perhaps the Audit Committee should also be provided and an example might be on May 28, it states provide final audit request and a list of confirmed instruction to the financial staff. Our policy is relative new and so she is wanting your guidance here as it relates to supporting our policy and at the same time, tying back to your work plan. Mr. Ball said as far as the policy goes, it is a little unusual to be submitting work papers to the Audit Committee as these are not formal reports, these are audit work papers and things that are used to form their opinion thus they do not qualify as a formal report. Trustee Schmitz said maybe that is something we should discuss with Director of Finance Navazio because we really wanted to tie and that she really appreciates your work plan and there might be things where we say these are the items that are being provided to the external auditor that to support our policy should also then be provided to the Audit Committee at roughly the same time so she thinks this will give us a framework but she thinks there are those questions what of these things should the Audit Committee at least have an opportunity to review so when we get to November, we are all sort of on the same page and we all understand where we are and hopefully things would go very smoothly so that would be the intent. Mr. Ball said on the May 28, underlying support hasn't been provided. Trustee Schmitz said we should have some clarity on the delivery of those and then on interviews related to fraud, don't see that on the schedule and do you have a broad classification on those that will be interviewed? Mr. Ball would have been done during interim field

work, who – from the Board, finance management, and then some employees who don't fit into those buckets – those interviews have been done. Work papers are still under review. Audit Committee Chairman Dent asked which Trustee was interviewed? Mr. Ball said Ms. Farr took care of that and that he doesn't know who it was. Audit Committee Chairman Dent said he would like to know. Audit Committee At-Large Member Dobler said on May 5 you provided an interim document and did you receive everything you need? Mr. Ball said yes and no, asked if GFOA comments were received, you haven't received them so they weren't provided. IT interview remains open – yes, everything reasonably requested was provided. Three items – GFOA, IT questionnaire and there is one other item that he doesn't know. Audit Committee At-Large Member Dobler said how many did you ask for? Mr. Ball said two dozen maybe. Audit Committee Chairman Dent said he agrees with the change in Policy 15.1.0 as we have known for a while that changes are needed and we focus on that this year, it was revamped heavily last year. We have a much more active committee and want to make sure that we are changing the policy if we need to. Trustee Schmitz said is it acceptable to have a takeaway and refining that language and working with the Director of Finance and Mr. Ball to do that? Audit Committee Chairman Dent said definitely want that clarity, so, yes, if you want to run with that and report back to us and place that on the long range calendar to look at.

Trustee Schmitz made a motion to approve the Schedule/Work plan provided by Davis Farr, LLP related to the Independent External Audit for the fiscal year ending June 30, 2021. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Dent asked for further comments, hearing none, called the question – the motion was passed unanimously.

- E.2. Review, discuss, and possibly approve that the Audit Committee make a recommendation to the IVGID Board of Trustees to engage Davis Farr LLC IVGID's external auditors to provide direction on certain outstanding accounting matters which were not addressed in the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020 and Review, discuss and recommend to the Board of Trustees to implement expensing certain costs which have been included in construction in progress (Requesting Audit Committee Member: At-Large Member Cliff Dobler)**

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. Director of Finance Navazio said that Staff has provided to Davis Farr both Moss Adams reports, Audit Committee report that went to the Board, also provided the other items that were provided Moss Adams at the end of the report, and that most, if not all items, have been provided to Davis Farr to be looked at in their current work. Staff doesn't think an additional scope of work is necessary as they fall under the current scope of work.

- The Community Service Special Revenue Fund does not have adequate Facility Fee revenues to qualify as a special revenue fund - Moss Adams report. Based on the fiscal 2021 budget the Facility Fees designated for operations are only 9.4% of total budgeted revenues. Audit Committee Chairman Dent said elevate to Davis Farr and address at a later time.

Audit Committee At-Large Member Dobler said we need an answer and how are you going to prepare your annual report – that is the question. Director of Finance Navazio said we are planning to prepare the annual report consist with the approved budget and special revenue funds and that Moss Adams said an alternative would be for the Board to designate additional revenues as special revenues. His recommendation would be to proceed as we transition, we will consult with them, not sure where they will land and our prior auditor was comfortable with special revenue. Directly, preparing the annual report using special revenues funds for Community Services, Beaches, and debt and capital funds for June 2021. Audit Committee At-Large Member Dobler said that the problem is that the Board, on February 10, 2021, agreed to do what was recommended and that is to be in compliance with GAAP, unless you intended to supersede the Board and not do what the Board said to do. Director of Finance Navazio said that was not his understanding on what the Board said to do and if we need Davis Farr to help us navigate through this issue, so be it.

- Reporting all Facility Fee revenues as general revenues in the Statement of Activities is improper and not in compliance with GAAP. Moss Adams report - IVGID management disagreed with Moss Adams findings and did not change reporting in the 2020 CAFR.

Audit Committee At-Large Member Dobler said that management disagrees. Director of Finance Navazio said it is largely a presentation issue and what is the nature of the facility fee; Staff will confer with Davis Farr. Audit Committee At-Large Member Dobler said if we raise a facility fee for Community Services and beaches,

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Audit Committee Meeting of June 9, 2021

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can we use it for Utilities. Director of Finance Navazio said no. Audit Committee At-Large Member Dobler said then why it is general revenues? Director of Finance Navazio said it is a weird one and it is standby charge, no problem to put it wherever people want to see. One of the GFOA comments on the 18/19 annual report was should this be charges for services, Edie Baily said ok. No problem with moving to there. Audit Committee At-Large Member Dobler said then let's do it.

- Reporting Facility Fee revenues, designated by resolution specifically for Capital Projects and Debt Service, as Revenues in the Special Revenue Funds is improper and not in compliance with GASB #54 definition of a special revenue fund. Moss Adams report - IVGID management disagreed with Moss Adams findings and did not change reporting in the 2020 CAFR.

Audit Committee At-Large Member Dobler said this is not an issue.

- Facility Fee revenues reported in the Community Service and Beach funds should not be reported as operating revenues but should be reported as other financing sources in the Statements of Revenues, Expenses and Changes in Fund Balance. The imposed nature of the Facility Fees which are effectively secured by real property within the IVGID boundaries creates the necessity of other than revenues. Moss Adams e mail. IVGID management has not provided any input.

Audit Committee At-Large Member Dobler said that the Moss Adams representative said he felt very strongly that they should be classified below the line and that he disagrees with him on the beaches as it has to be a charge for services but because of the nature of how the Facility Fees is imposed on people, it should be considered non-operating revenues as it is secured by property owners property. Director of Finance Navazio said one of the things we struggled with is the above is in conflict with another bullet. Audit Committee At-Large Member Dobler said you are off base there. Director of Finance Navazio said everything else is operating revenues; highlights the fact that there are different ways to report these items. Audit Committee At-Large Member Dobler said that is correct, conflating two issues that are related. Just need some help with that one.

- Utility Fund Revenues of \$2,000,000 per year, which has been and currently is being collected from users of sewer services and specifically designated to replace the Effluent Pipeline Phase II (6 miles), should not be reported as operating revenues but should be reported as non-operating revenues. These collections are a financing transaction for a specific FUTURE infrastructure and no services are being delivered in exchange for the

collections. According to the annual financial report, the average annual operating income from fiscal years 2016 to 2020 has been \$1.777 million. If the \$2 million collected annually to finance the future pipeline was not included in operating revenues, the average annual loss would have been \$223,000. As a result, the unrestricted net position of the Utility Fund (adjusted for the pipeline set aside) has steadily declined over the past several years and is expected to be negative by \$2.7 million at June 30, 2022.

Audit Committee At-Large Member Dobler gave a background summary about the \$2 million collected each year; always looked like the Utility Fund was fine, collecting money to go do a project in the future and that is why the Utility Fund is in the straights it is right now, but not making any money at all. This should be a non-operating revenue that was restricted or reserved as it is being collected for a future project with no services provided; he thinks that is a correct application. Now our Utility Fund is bust, it is a financing transaction and he would like to have input on that. Director of Finance Navazio said there are two parts to this issue – treatment as capital program – operating or non-operating; and reserving those dollars and restricted as they are now in the unrestricted. Audit Committee At-Large Member Dobler said that is conflating two issues. Make the case right now, the Beach Fund has become an enterprise fund. About two or three weeks ago, the Board passed a budget in which they allocated a major portion for a future project, \$3.7 million profit, \$3.9 million was actually designated for a future project. The District didn't have that net income rather you raised it for a specific purpose – it has nothing to do with operations. Same thing with the Utility Fund and he is very passionate about this because it is a total distortion. Why are we making this money at the beaches when we get in for free? He is very passionate about it and we need to have a decision on that.

- The accounting for items within Construction in Progress - Note 5 of the 2020 CAFR is considered misleading and recommended by Moss Adams to cease. IVGID management reports ALL purchases and construction of a capital nature to be charged first to Construction in Progress accounts which in turned is transferred to other capital accounts when the purchases or construction is placed into service. This accounting treatment is misleading as a substantial portion of charges are annual purchases of equipment, rolling stock, uniforms, ski rental equipment, golf carts etc. which are NOT construction in progress. Purchases should be charged directly to the capital accounts and not be ran through construction in process. Moss Adams verbal recommendation at Board meeting.

Audit Committee At-Large Member Derrek Aaron joined the meeting at 5:00 p.m.

Audit Committee At-Large Member Dobler said 50 to 60% of purchases had nothing to do with construction in progress. Director of Finance Navazio said he would like to discuss this with the Controller. Audit Committee At-Large Member Dobler said again conflating. Director of Finance Navazio said that they are in construction in process. Audit Committee At-Large Member Dobler said everything is in there and it is 100% right. Director of Finance Navazio said it doesn't stay there at year end.

- In fiscal year 2019, \$4.2 million of costs charged to the Effluent Pipeline Phase II construction in progress account was transferred and capitalized as a fixed asset. Based on the Moss Adams report and extensive analysis of members of the Audit Committee, approximately \$3.2 million of the costs should have been expensed as the costs were for various activities which fall within the guidelines of expense transactions. IVGID management refutes this expensing probably based on a lack of knowledge of the historical events which occurred over the past 6 years.

Audit Committee At-Large Member Dobler said that nothing happened and most of it should have been expensed; we need to go through the effluent pipeline and see what should be charged off.

- The Notes to the Basic Financial Statements should be reviewed and revised as needed primarily regarding Significant Accounting Policies. The Notes are poorly written, out of place and in some cases factually incorrect. A lack of consistency exists in the use of words describing particular items. After the review and revisions are completed, a report on suggested changes should be presented to the Audit Committee for review.

Audit Committee At-Large Member Dobler said that the notes are quite bad, terms are not agreeing with what is going on, defensible space is a capital asset etc. and the notes need to be reviewed for GAAP and good English.

- Should a judiciary or agency fund be established for the activities of the Tahoe Water Suppliers Association which is currently being reported as a department of the Utility Fund?

Audit Committee At-Large Member Dobler said he got the agreement and all we are doing is acting as an agent or fiduciary and it shouldn't be in the financials. They didn't form an LLC or partnership, agreement is between 13 people and

holding monies that is hard cash and a liability, and it shouldn't be in our annual report at all as it should be off by itself. They are paying a fee and getting reimbursed for some of our expenses. Director of Finance Navazio said we are looking at this and we are looking at changing this agreement. Audit Committee At-Large Member Dobler said he is surprised that a legal entity hasn't been set up. There are liabilities there thus he is surprised. Director of Finance Navazio said it is under review and there are aspects that don't meet GAAP and GASB and not have it reported as piece of IVGID financials.

Audit Committee Chairman Dent said it sounds like Davis Farr is going to be looking at all of this. Mr. Ball said he understands the concerns, do have these noted in their work papers, and this should come from the engagement partner. There will be other opportunities to meet with the Audit Committee to discuss these items. These are part of their process to review these items to ensure we can offer a clean opinion. Trustee Schmitz said material misstated, not about materiality, more about compliance with GAAP and they work together. Mr. Ball responded and that they will opine as to whether they are materially misstated and in conformance with GAAP. Audit Committee Chairman Dent asked if there were other things to be brought back at a future meeting or any action this committee would like to take? No one spoke up.

- E.3. Review, discuss, and recommend to the Board of Trustees to implement expensing certain costs which have been included in construction in progress (Requesting Audit Committee Member: At-Large Member Cliff Dobler) – Deferred to next meeting**
- E.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) – Deferred to the future**
 - 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 – deferred from April 29, 2021 meeting**
 - b. Memorandum from Cliff Dobler to District General Manager, Director of Finance, IVGID Board of Trustees with a copy to the IVGID Audit Committee dated May 29, 2021 – Cash Position of Utility Fund 2020 to 2022**

- c. **Memorandum from Cliff Dobler to District General Manager, Director of Finance, dated May 31, 2021 – Reclassification of certain preliminary project costs which have been accounted for as construction in progress but must be expensed. The costs either have no future value because of abandonment or are considered expenses in accordance with the guidelines outlined in the Moss Adams final report dated January 4, 2021**
- d. **Memorandum from Cliff Dobler to IVGID Audit Committee with a copy to the Board of Trustees, District General Manager and Director of Finance dated May 31, 2021 – Incline Park Facility Renovation, Project#4378LI1801, Final disclosure of the close out of the Memorandum of Understanding (“MOU”) with Incline-Tahoe Foundation regarding construction of the project – Recommendations to the Board of Trustees**
- e. **Memorandum from Cliff Dobler to IVGID Audit Committee with a copy to the District General Manager and Director of Finance dated June 1, 2021 – Golf Courses Irrigation, Greens, Tees and Bunkers, etc. Expenses rather than capital assets**
- f. **Memorandum from Cliff Dobler to IVGID Audit Committee with a copy to the Board of Trustees, District General Manager, and Director of Finance dated June 1, 2021 – Improper reporting and use of Facility Fees**
- g. **Memorandum from Cliff Dobler to IVGID Audit Committee dated June 1, 2021 - Review, discuss and recommend to the Board of Trustees that the title for each of the 89 parcels of land acquired from Washoe County include the public purpose restriction required by Washoe County and that the nine parcels which were recorded as an asset in the General Fund be transferred to the Community Services Fund**

Audit Committee Chairman Dent thanked Mr. Ball for joining us for this meeting; appreciate that participation today.

F. LONG RANGE CALENDAR REVIEW (for possible action)

Audit Committee Chairman Dent said that for the next Audit Committee Meeting, we will be reviewing internal controls and the whistleblower program as well as bringing back the items from Audit Committee At-Large Member Dobler and stated that it was good to understand where the auditors are landing. Also the appointment of a new Chair for the Audit Committee will be done at the next meeting. Audit Committee At-Large Member Dobler said, regarding the date, he would like to have them separate from the Board meeting. Audit Committee Chairman Dent said we like having them before the Board meeting. Trustee Schmitz said we should meet at 3 p.m. and piggyback on legal services as we don't have enough time to get through our agenda items. Audit Committee At-Large Member Aaron said he is obligated until 5 p.m. As to the date, do it every month through the end of the year as there is a lot going on. Trustee Schmitz said she agrees with what Audit Committee At-Large Member Aaron said and asked if it is possible for us to have our own long range calendar? Audit Committee Chairman Dent said yes, that is something that the new Audit Committee Chair can work through with our District Clerk. Audit Committee At-Large Member Dobler said he can meet on July 13. Audit Committee Chairman Dent said it is tentatively scheduled for 3 p.m. on July 13.

G. APPROVAL OF MEETING MINUTES (for possible action)

G.1. Audit Committee Meeting Minutes of April 29, 2021

Trustee Schmitz said she requested that Socks be changed to SOX (Sarbanes-Oxley). Audit Committee Chairman Dent said minutes are approved as revised.

H. PUBLIC COMMENTS*

Aaron Katz passed on his opportunity to speak.

I. ADJOURNMENT (for possible action)

Audit Committee Chairman Dent said he told Chairman Callicrate that he is resigned from the Audit Committee on June 9, 2021 at 6 p.m. and he said his thank yous.

The meeting was adjourned at 5:42 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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

Submitted by Aaron Katz: Written statement to be included in the written minutes of this June 9, 2021 regular Audit Committee meeting – Agenda Item E(1) – Objection to auditor engagement letter and work plan based thereupon

WRITTEN STATEMENT TO BE INCLUDED IN THE WRITTEN MINUTES OF THIS JUNE 9, 2021 REGULAR AUDIT COMMITTEE MEETING – AGENDA ITEM E(1) – OBJECTION TO AUDITOR ENGAGEMENT LETTER AND WORK PLAN BASED THEREUPON

Introduction: On April 29, 2021 the Audit Committee’s chairperson entered into the engagement letter proffered by the District’s new auditor, Davis-Farr¹. Once this letter was made public, on June 9, 2021, I sent an e-mail to the Committee² objecting to the following acknowledgment language set forth on page 15 of that letter:

It is IVGID “management (which) is responsible...(for) prevent(ing) and detect(ing) fraud, and for informing (Davis Farr) about all known or suspected fraud...involving (a) management, (b) employees...and (c) others...Management is also responsible for informing (Davis Farr) of any known allegations of fraud or suspected fraud affecting the (District) received in communications from...others...In addition, management is also responsible for identifying and ensuring that the (District) complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts ...or abuse that (Davis Farr) may report.”

Now staff propose sharing Davis Farr’s proposed audit scheduling and work plan³ in accordance with that engagement letter agreement⁴. I object. And because I do, that’s the purpose of this written statement.

My June 9, 2021 E-Mail to the Board on This Very Subject: As aforesaid, on June 9, 2021, in anticipation of the Committee’s upcoming June 9, 2021 meeting, I e-mailed the Committee asking they rescind their consent to the above-quoted objectionable language, and they designate a different type of audit to be performed⁵. After all, NRS 354.624(1)⁶ does not designate the type of audit which must

¹ See pages 12-17 of the packet of materials prepared by staff in anticipation of this June 9, 2021 committee meeting [https://www.yourtahoepace.com/uploads/pdf-ivgid/0609_-_Audit_-_Searchable.pdf (“the 6/9/2021 Committee packet”)].

² That e-mail is attached to this written statement as Exhibit “A.”

³ See page 10 of the 6/9/2021 Committee packet.

⁴ In other words, ignoring staff fraud and NRS violations because they’ management’s responsibility rather than the auditor’s.

⁵ See NRS 354.486 (go to <https://www.leg.state.nv.us/nrs/nrs-354.html#NRS354Sec486>) which identifies the following types of audits potentially to be conducted in Nevada: “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;

be performed. Rather, it simply instructs that an audit must be performed⁷. And other than the requirements set forth at NRS 354.624(4)⁸, there is no requirement a public entity include anything

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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.”

⁶ Go to <https://www.leg.state.nv.us/nrs/nrs-354.html#NRS354Sec624>.

⁷ It instructs that “each local government shall provide for an annual audit of all of its financial statements.”

⁸ This statute provides that “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 report of the audit must include:

(a) A schedule of all fees imposed by the local government which (a)re subject to the provisions of NRS 354.5989 (go to <https://www.leg.state.nv.us/nrs/nrs-354.html#NRS354Sec5989>);

(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 (go to <https://www.leg.state.nv.us/nrs/nrs-244.html#NRS244Sec186>), 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 (<https://www.leg.state.nv.us/nrs/nrs-710.html#NRS710Sec140>) or 710.145 (<https://www.leg.state.nv.us/nrs/nrs-710.html#NRS710Sec145>), a report showing that the local

more. So why not perform a more meaningful audit? One which: evaluates internal accounting controls over financial reporting of the handling of the public money and public property; determines whether the fiscal controls established by law and administrative regulations are being properly applied; and, determines whether there is any evidence that fraud or dishonesty has occurred in the handling of funds or property?

And the Committee's Response: Bueller? Bueller? Bueller?

Conclusion: And you wonder why every past audit the District has obtained is worthless? And you expect anything different this time around? Unless the changes I recommend are adopted, the District is destined to make the same mistakes it makes each and every year. And you wonder why the Recreation ("RFF") and Beach ("BFF") Facility Fees are as high as they are, and never seem to be reduced? Now you have another example of one of the reasons.

Respectfully, Aaron Katz (Your Community Watchdog), Because Only Now Are Others Beginning to Watch!

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.

EXHIBIT "A"

Re: June 9, 2021 IVGID Audit Committee Meeting, Agenda Item E(1) - April 29, 2021 Auditor Engagement Letter

From: <s4s@ix.netcom.com>
To: <dent_trustee@ivgid.org>
Cc: <schmitz_trustee@ivgid.org>, <cfdobler@aol.com>, <raytulloch@munrotulloch.com>, <DCA2319@yahoo.com>
Subject: Re: June 9, 2021 IVGID Audit Committee Meeting, Agenda Item E(1) - April 29, 2021 Auditor Engagement Letter
Date: Jun 9, 2021 11:26 AM

Chairperson Dent and Other Honorable Members of the Audit Committee -

I have examined the Board packet for the above-meeting and am most dismayed by the terms of the auditor engagement letter Chairperson Dent executed with Davis Farr. In particular I object to the following language on page 15 of the Board packet:

"Management is responsible...to prevent and detect fraud, and for informing (Davis Farr) about all known or suspected fraud...involving (a) management, (b) employees...and (c) others...Management is also responsible for informing us of any known allegations of fraud or suspected fraud affecting the Entity received in communications from...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...or abuse that (Davis Farr) may report."

Your staff's middle name is "FRAUD" and each of you know this. So why would you knowingly agree to rely upon wrongdoers to fulfill your responsibility of identifying fraud and communicating it to our auditor?

Do I really need to provide evidence of staff's fraud?

Let's start with the definition of fraud. "Fraud is a criminal offense when people deliberately misrepresent themselves in order to receive benefits to which they are not legally entitled, such as money...or public services" (go to <https://www.shouselaw.com/nv/laws/fraud/>). Each of you know that IVGID staff are guilty of being accessories in the Board's obtaining money based upon false pretenses. Just look at recent Resolution 1889 which adopted next fiscal year's RFF/BFF and ordered their collection on the county tax roll (go to https://www.yourtahoeplace.com/uploads/pdf-ivgid/H.2._-Rec_Roll.pdf).

There staff have MISrepresented that:

1. The RFF/BFF were and are standby service charges for the mere availability to access and use the District's PUBLIC recreation venues and the beaches;
2. The RFF/BFF pay for "special benefits" delivered to property. (i.e., service charges);
3. The RFF/BFF are "required" notwithstanding they're not because of our huge excess fund balances;
4. The owners of the parcels assessed the RFF/BFF are directly benefited in a fair and reasonable way for the sums their parcels are assessed;
5. The RFF/BFF to the extent they are charged for natural, intrinsic and fundamental distinctions (even though each of you know they are not charged for these distinctions because they are charged for the availability to access and use

recreation venues) are reasonable in their relation to the object of the charges imposed;

6. The RFF/BFF have been apportioned in relation to said natural, intrinsic, fundamental and reasonable distinctions among said rates;

7. All of the parcels within the District's boundaries are being assessed the RFF/BFF for the alleged recreation benefits they are receiving;

8. Those whose parcels are involuntarily assessed the RFF/BFF are entitled to seek their refund based upon all laws applicable to the levy, collection, and enforcement of general taxes of the District; and,

9. The central services transfers staff make from the Utility, Community Services and Beach Funds not only represent necessary services provided by the General Fund, but reasonably priced services which cannot be obtained from other sources at or below the costs assessed.

Have staff informed the auditor of the above? Do you the audit committee intend to? And if so, what do you expect the auditor to do about it?

I ask you do two things.

First, RESCIND your consent to the engagement letter to the extent it includes the above-language to which I object. Why is it someone's job other than the auditor to root out staff fraud?

Second, CHANGE the type of audit you have engaged Davis Farr to perform. NRS 354.486 defines the various types of audits which may be performed:

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.

Although the NRS requires IVGID to perform yearly audits, it does NOT specify what type of audit to perform. From experience I can tell you that the type of audit IVGID typically performs is WORTHLESS. Therefore a different type is necessary. And I suggest one which incorporates items 4-6 above.

Finally, engage the services of a third party professional to do the job you expect your staff to do: that is, identifying fraud of all kinds and informing (Davis Farr) and Board about the same.

MINUTES

AUDIT COMMITTEE MEETING OF JUNE 29, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Trustee Sara Schmitz on Wednesday, June 29, 2021 at 4:00 p.m. This meeting was conducted virtually via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member), and Derrek Aaron (At-Large Member) (absent).

Audit Committee At-Large Member Dobler said he wanted to make everyone aware that the meeting was called by Trustee Schmitz who had no authority to do so under Policy 15.1.0 and the agenda was set by the Director of Finance who had no authority under Policy 15.1.0. The Audit Committee is short one member so therefore we don't have the organization that was required and we are not in compliance with Policy 15.1.0 and that we must notify the Board and then if everyone is ok with that, we are good to go ahead with the meeting. Trustee Schmitz said the meeting was requested by herself as there was a quorum that was interested in holding a meeting, the content of the agenda was recommended by herself and the Director of Finance was helpful in preparing the agenda and that the Director of Finance was the person who was designated to assist with the agenda and packet preparation. Audit Committee At-Large Member Dobler said we are violating policy and are we ok with the Nevada Revised Statutes? District General Counsel Nelson said the meeting can move forward under the Open Meeting Law but if the majority of the Audit Committee isn't comfortable with moving forward, we can adjourn the meeting. Audit Committee At-Large Member Dobler said he is ok if we notify the Board. Audit Committee At-Large Member Tulloch said this is a Catch-22 and that District General Counsel needs to make that call. Trustee Schmitz said the Board didn't make an appointment. Audit Committee At-Large Member Dobler said he wanted to make sure that the Board is notified that we are in violation of Policy 15.1.0.

B. PUBLIC COMMENTS*

Dick Warren said the Audit Committee (AC), the Board, and the District General Manager and Director of Finance are aware of Cliff Dobler's email of June 21st detailing the misallocation of Investment Income earned on Cash & Cash Equivalents, and Investments for FY years ending 2019 & 2020, which means that the financial statements for FY years 2019 & 2020 are materially misstated and must be RESTATED! So he is not going to reiterate what Cliff has already pointed

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out because that would be redundant. But come on Guys, what in the hell is going on? Here you have a retired guy by the name of Cliff pointing out stuff that you IVGID Guys should have already known about. Cliff isn't getting paid to do your job, but he seems to do so much better than you and your Staff. That's what really bothers me, you IVGID Guys can't even keep up with an old, retired guy that doesn't even have the same kind of access to financial information that you turkeys have, and by turkeys he means the District General Manager and the Director of Finance, plus the worthless members of the Board that truly think IVGID Management does no wrong (Wong, Callicrate, and Tonking). But then he forgets, Wong has been on the take for years, Callicrate recently has been exposed as a taker too, and although he has no idea where Michaela stands, let me just say that critical thinking is not an attribute of Michaela. Isn't it time to outsource the Finance Function at IVGID? If you can't even keep up with an old, retired guy like Cliff, why in the hell do you continue your inadequate Finance Function? Do you not exist to help IVGID function positively for the benefit of ALL COMMUNITY RESIDENTS? Have you done that? No, you are simply a worthless organization. Do the right thing AC, and Board, outsource the Finance Function. They know nothing, and document it every day. When one discusses the District General Manager and the Director of Finance, it would be appropriate to label them as "Dumb & Dumber". Thank you.

Linda Newman said please do not approve the proposed change to the Audit Committee Policy. It is critically important for the Audit Committee to review and approve formal reports or letters submitted by Management to the external auditor. Last year, Management failed to comply with this Board approved policy and as a consequence false and erroneous information was provided to the external auditor. She believes that Management should be held accountable for failing to comply with Board policies and policies should not be altered because of Management's refusal to comply. Please do not approve the Whistleblower Policy as written. She requests the following changes for your consideration:

Under Reporting, in the second paragraph on "misconduct" please change "limited" to "not limited" and add internal controls, and misappropriation of public funds. We also need violation of contracts in this section. Please change Memorandum of Understanding to Labor Union Contracts and/or agreements. For clarification, it is also important for the Board and the Committee to attach a copy of the disciplinary matters applicable to Human Resources.

For the purpose of securing confidentiality and anonymity, she also requests that instead of emails being routed through the IVGID website that a direct

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email address for the Audit Committee Chair and Legal Counsel be provided. For snail mail, please provide a P O Box or other direct address for the Audit Committee Chair. This would ensure that only the recipient of the email or the letter would receive the anonymous or other complaint.

Please clean up the language and order of A-F for the reporting options.

And finally, if you are in essence making the Audit Committee Chair the defacto Compliance Officer, he/she should have all options available and receive training as well as independent resources to investigate complaints. If Complaints are directed to the GM or Human Resources Director, these individuals should be educated on their responsibilities for ensuring District Employees compliance with all applicable State and Federal laws as well as District Ordinances, Resolutions, Policies and Practices.

To date, there are still no formal written internal controls and there remain a number of current accounting practices that are in violation of Generally Accepted Accounting Principles. She hopes that these will soon be on an Audit Committee agenda and actions will be taken to resolve these long outstanding issues.

Aaron Katz said he will have a written statement that he will be submitting. As this committee knows that he made a public records request for records evidencing the alleged \$100,000 of Staff time spent on the Burnt Cedar Pool project once this was disclosed to the public. Since Staff keeps no record of what he requested, and this is something that he didn't realize at the time, he had to wait for a month or more for our new Engineer to fabricate such a record and what he fabricated was a spreadsheet showing month by month charges totaling roughly a \$100,000. But this isn't what he asked for as he wanted records evidencing who did work, what they did, how long they spent, at what hourly rate, what out of-pocket expenses were advanced at what cost or a month-by-month basis so he requested again. And how did Staff respond? By ignoring him. Finally, yesterday, he sent a follow up e-mail asking where are his requested records. And yesterday, Staff reported we don't have any records responding to your request. This demonstrates that all of this Staff expenses were and are phony. If you can't support your efforts with records, as far as he is concerned, you are guilty of misrepresentation and fraud which means all reserves assigned to the internal services fund, and it's nearly \$3.22 million, are phony. Which means we need a forensic audit because we have evidence of wrongdoing. He doesn't care what it costs. Audit the internal services fund expenses and turn the matter over to the proper authorities for prosecution because if nothing exists, you've got fraud. Where does the \$3.2 million come from which pays for the salaries and benefits – primarily the rec fee, beach fee, and

utility charges. Where does the nearly \$2 million come from with pays salaries and benefits assigned to the General Fund? Same sources. Now add nearly \$7 million for rec fee that are paid and we are at nearly \$11.3 million. Staff wants the less knowledgeable in our community to think they are getting something of value for these expenditures. The truth is Staff are stealing the money from local parcel owners and since former Staff members are no longer with the District, and these matters continue, current Staff are all accomplices. Wake up and put an end.

Frank Wright said first off, he wants to commend the great job that the Audit Committee has done for the past one or two years. You have uncovered major financial fraud, irregularities in reporting, you have done a great job. The problem we have is that all your hard work was thrown under the bus by the Board when they didn't go forward with the information that you provided. Why did they do that? Is it corrupt? Probably. Are they inept? Absolutely. Are they capable of managing our District? Not a chance. If you don't accurately keep the books as Mr. Katz just pointed out and you don't have absolutely accurate records, then you are a fraud operation. So with that done, we have a whistleblower policy that the Audit Committee is recommending to the Board. His question is who is going to enforce anything that does come to the Board? Nothing is ever done. Ever. Mr. Katz just pointed out more fraud; who are you going to call? Giving management the power to report, really, management is part of the problem. You have given them the keys to the chicken coop to management and they are not even capable of understanding the financials. Again, you have the fox holding the keys to the chicken coop. Again, who are you going to call? Oh you know he is going there – ghostbusters, yeah the mythical operational organization that didn't exist just like IVGID, a mythical operational organization that doesn't function, doesn't do anything correct, you have all kinds of problems come at you daily, you have 3 members of the Board that are absolute goofballs, and he means goofballs, as they haven't got a clue what is going on. They do not have a clue what is going on. You have 2 other Board members who are either afraid to step forward, they won't step forward or he doesn't know – it is horrible. Simply put, look at Chairman Callicrate calling Mr. Katz a liar when he brings forward information that is true. Chairman Callicrate doesn't pay the rec fee, he doesn't pay the beach fee, he got a college education off of our backs and he calls the person who reports that a liar. It is his money, it is your money and it's the people who are paying the parcels money. Who gave him the authority to donate that money to any nonprofit; he certainly didn't and he doesn't have his permission to donate his money and he doesn't care what kind of community benefit it has as it is our money and it should be for the people who live here and not for nonprofits, not for a bunch of fat golfers, somebody has got to take the reins of this community and he doesn't think we

have the Board members now to do that. It is a shame. But again, he wants to complement the Audit Committee as you have done a great job except for 1 member who threw us under the bus. Thank you.

Trustee Schmitz asked if the District Clerk was able to capture the constructive comments made by Ms. Newman? District Clerk Herron said that she doesn't as Ms. Newman typically submits her comments in writing and that she will reach out to Ms. Newman immediately to see if she can submit them now. Trustee Schmitz and Audit Committee At-Large Member Tulloch both acknowledged that they had written down some of those comments.

C. APPROVAL OF AGENDA (for possible action)

Trustee Schmitz said, as an individual member, she would like to modify the agenda to move General Business Item D.1. to the last item under General Business so that potentially Audit Committee At-Large Member Derrek Aaron can participate and asked if that was acceptable to Audit Committee At-Large Members Tulloch and Dobler. Audit Committee At-Large Member Tulloch said no and asked that the agenda be left as is. Audit Committee At-Large Member Dobler said no and asked that the agenda be left as is. The agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (for possible action)

**D.1. Review, discuss, and possibly appoint Audit Committee Chair
(Requesting Audit Committee Member: Trustee Sara Schmitz)**

Trustee Schmitz reviewed the submitted material. District General Counsel Nelson drew attention to agenda packet page 2, where it stated "A majority vote of the Audit Committee (3 votes) is required to appoint a Chair" and stated that this was incorrect as there is a slightly different rule that applies to the Audit Committee where an action can be taken by the majority of those members present. Trustee Schmitz said, for clarity, that the full term of the Audit Committee Chair is July 1 to July 1 and that this appointment will be for the full term that goes through the end of June next year. Audit Committee At-Large Member Dobler said, in the memorandum, under 2) it should read that three Trustees were asked to serve and all three declined to serve and thus there was nothing that was deferred rather we simply have three Trustees that are not willing to serve and thus it makes our committee not in compliance with our policy. Hearing no further discussion, District Clerk Herron open the nominations for Audit Committee Chair. Audit Committee At-Large Member Dobler nominated Ray Tulloch. Trustee

Schmitz nominated Trustee Sara Schmitz. Hearing no further nominations, District Clerk Herron closed the nominations. District Clerk Herron then took a roll call vote on Ray Tulloch to be Audit Committee Chair; Audit Committee At-Large Members Tulloch and Dobler voted in favor and Trustee Schmitz voted not in favor. District Clerk Herron then took a roll call vote on Sara Schmitz to be Audit Committee Chair; Audit Committee At-Large Members Tulloch and Dobler voted not in favor and Trustee Schmitz voted in favor. District Clerk Herron then announced that Audit Committee At-Large Member Tulloch was the Audit Committee Chair. District General Counsel Nelson asked for clarification on the term; District Clerk Herron said that the term for this Chair would be June 29, 2021 at 4:28 p.m. until June 30, 2022 at 12 midnight and then did a roll call vote on the term; Audit Committee At-Large Members Tulloch and Dobler and Trustee Schmitz voted in favor so the term was agreed to by unanimous vote. Audit Committee Chairman Tulloch stated that he intended to continue his independence and took over the running of the meeting.

D.2. Review, discuss, and possibly take action to recommend the Board of Trustees approve proposed amendment to Policy 15.1.0 (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz gave an overview of the submitted materials. Audit Committee At-Large Member Dobler said what we have right here before us is a request to change one paragraph from last year and that with the fiasco and the audit, he would like to see a complete package presented at our scheduled meeting on July 13. The most important thing is that the Audit Committee shall consist of two Trustees. We presently have four Trustees that don't want to serve and we have an interested person. Since we can't get two Trustees, we ought to consider to go outside the policy and consider getting that fifth person. Audit Committee At-Large Member Dobler then read from the policy the applicable section and continued that the Audit Committee members ought to not be affiliated with the District and that we need to wean ourselves from having the Trustees participating. We should also include a Vice Chair and then go through our duties as the reality is we didn't do half of them and that he is not sure that we need to be involved in a lot of this stuff. IVGID has been changing departments like a pinball machine. The entire policy should be looked at, we need to have a workshop and go over all at once, and then submit the entire package to the Board. Audit Committee Chairman Tulloch said there was a lot of interesting comments and a lot of contradictions, and that he agrees that he thinks we should propose a whole policy. His view would be to go through it and bring

it back on July 13 and then asked District General Counsel if the Audit Committee could do that. District General Counsel Nelson said the agenda allows for proposed alternatives and noted that the Board does have an item to do a more substantive workshop to Policy 15.1.0 on its upcoming agenda. District General Manager Winqest agreed with that statement. Audit Committee Chairman Tulloch said we have a number of suggested amendments and clean up. Trustee Schmitz said we, as an Audit Committee, should make a recommendation to the Board of Trustees that at their meeting on July 13 the language for this particular policy should be changed to allow an additional at large member because we do need to have five members and we did have someone who was interested in serving so we should at least make that recommendation to the Board as an action that should be taken to be back in compliance with our policy. District General Counsel Nelson said he is ok with that. Audit Committee At-Large Member Dobler said he read over Mr. Nolet's resume and he was retired from a large CPA firm and because of all of IVGID's accounting anomalies, he would like to have some help here and he really think he could give us a hand. Audit Committee At-Large Member Dobler then asked where did we draw this policy from and what was the source document used to create it? Trustee Schmitz said she went out and, she would have to do some digging, did some searches on the Internet for best practices and Moss Adams provided a great deal of content. So it came from a different variety of places with the bulk coming from Moss Adams as they gave her a template. She also thinks there was template from the Government Finance Officers Association (GFOA). The reality was it was her best effort to capture the information from a variety of different sources. Audit Committee At-Large Member said the reason he asks is because we have the ability to go out and get a financial advisor. Mr. Nolet just wants to help, he has never done a policy, and that he didn't know how it came to be. According to Trustee Tonking, we should follow GFOA. Trustee Schmitz said some of this did come from GFOA. Audit Committee At-Large Member Dobler said he is opposed to that because it came from the finance officers across the country and he doesn't think they are independent which is just his opinion. Trustee Schmitz said she got information from Washoe County, GFOA, and an extensive template from Moss Adams. Audit Committee At-Large Member Dobler said he doesn't want to approve anything tonight and there are three or four things that we haven't completed so we should agendize that and he is not prepared tonight. Trustee Schmitz said do we want to make the recommendation for an at-large member? Audit Committee Chairman Tulloch said his background is more oriented to the corporate world, GFOA goes in a different direction for local governments, IVGID is a more of a hybrid – local

government but also running large commercial operations which requires more independent oversight. One of the problems with GFOA it can lead to problems as District General Counsel has experienced in California. So we have a proposal to put one member (at large) on the committee and one to do nothing. Audit Committee Chairman Tulloch asked if the Board has to take the action to appoint? Audit Committee At-Large Member Dobler said if the Board has already decided that they want to go through the policy, that means that our recommendations will not mean a lot and they don't feel it is acceptable, therefore he is not sure we will have any real effect so he would like clarification as to if the Board of Trustees is going to do it themselves or are they awaiting input? District General Counsel Nelson said no part of the motion referred to the Audit Committee rather it was simply agendaized for discussion. Audit Committee At-Large Member Dobler asked if it was worth our time and effort to make our recommendations for July 13 as he doesn't want to do work in vain? Audit Committee Chairman Tulloch said that he agrees with Audit Committee At-Large Member Dobler and that it is just a request. The third course would be to review the policy with proposed suggestions and then ask the Board to wait until their August meeting which makes more sense. Audit Committee At-Large Member Dobler said on July 13 we could have an agenda item to approve the Audit Committee policy. Audit Committee Chairman Tulloch said we have two other proposals. Trustee Schmitz said, as a committee, we should go through this and that she just feels that we should ask for, as the Audit Committee members are appointed, the Board to do what we want to have done relative to the vacant seat. Audit Committee At-Large Member Dobler said 4 Trustees are not interested yet they want to review the policy which is ironic. He doesn't like to do things for an exercise.

Trustee Schmitz made a motion to make a recommendation to the Board of Trustees, in the absence of two Trustees being appointed to the Audit Committee, that the Board appoint an at-large member to a two-year term and in addition we recommend that they defer until the fully appointed Audit Committee has the opportunity to review and make recommendations to Policy 13.1.0. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments.

Audit Committee At-Large Member Dobler said assuming Mr. Nolet still is interested or because he was second in line, should we include that recommendation in the motion?

Trustee Schmitz amended the motion to appoint Chris Nolet to the additional position if he is still interested. Audit Committee At-Large Member Dobler seconded the amendment.

Hearing no further comments, Audit Committee Chairman Tulloch called the question – the amended motion passed unanimously.

At 4:59 p.m., Audit Committee At-Large Member Derrek Aaron joined the meeting.

D.3. Review, discuss, and possibly consider adopting the Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member At-Large Ray Tulloch; Requesting Staff Member District General Counsel Joshua Nelson)

Audit Committee Chairman Tulloch gave an overview of the submitted materials. District General Counsel Nelson provided his comments and recommended that the Audit Committee continue this item and not take action today as his input was done under the assumption of the Chair of the Audit Committee being a Trustee and that he would recommend an alternative similar to what Douglas County does which is contracts with an outside agency. Audit Committee Chairman Tulloch said that he was a little surprised by this comment and explained why. Audit Committee At-Large Member Dobler said it shouldn't matter who the Chair is. District General Counsel Nelson said that his concern is the role of investigating misconduct and possibly not having the level of expertise as one potential area of liability is an overzealous investigation and we do need a professional handling those types of issues. Audit Committee At-Large Member Dobler expressed his thoughts about why people get elected and concluded by stating that we should go out to a third party. Audit Committee Chairman Tulloch said that the qualities of the Audit Committee members were more comprehensive than being a Trustee and referenced agenda packet page 6. District General Counsel Nelson that given the difficulties, it may make sense for the Audit Committee to consider a third party. Audit Committee At-Large Member Aaron said that the idea of a neutral party handling this would make anybody a little more comfortable that their complaint is going to be handled in a neutral manner. Audit Committee Chairman Tulloch said, while he is not suggesting any impropriety, it is his personal view and from feedback from members of the community, that it just leaves it open and that he is very sensitive to preferred vendors; there is no perfect answer. Audit Committee

At-Large Member Dobler said so you don't think an outside third party is the way to go because IVGID is paying their fees and that would mean they would lean towards whoever is cutting the check? Audit Committee Chairman Tulloch said that there are different options and yes, he does have concerns with a third party and whose interests they are representing. Audit Committee At-Large Member Aaron suggested do a pros and cons listing to make people more comfortable which takes more time and may be out of the scope of today's agenda item. Audit Committee Chairman Tulloch said that is not an option that is included in the current draft. Trustee Schmitz said she doesn't have a concern about the Audit Committee Chair being a non-Trustees because the Audit Chair is not conducting the investigation rather they are deciding how things are handled. We have an opportunity today to implement something that has to go to the Board for approval and if a year from now is the time to evaluate it, so be it. We have to take the first step and to try and put forward what we think is our best effort and then evaluate it in the future. Again, she doesn't have a concern about the Audit Committee Chair not being a Trustee and that she has comments as well as Ms. Newman. We have to give it a go and if it is not working, so be it. Audit Committee Chairman said he thinks we should move forward with it as drafted. Trustee Schmitz then went over a few of changes. Audit Committee At-Large Member Dobler asked what a stakeholder was and Audit Committee At-Large Member Aaron responded that it is anyone who has a vested interest in the topic or what we are doing. Trustee Schmitz added that the public is a stakeholder because they pay the Recreation Fee and she suggested adding that to make it clear. Trustee Schmitz then went over a few more of her changes. The Audit Committee then had a conversation about whether or not to include or delete the word "procedures". Audit Committee At-Large Member Aaron suggested include a definition section as the terms that are used are important. Audit Committee At-Large Member Dobler then went over a couple of his suggestions and the Audit Committee continued with its various comments, suggestions and modifications to the presented policy. Audit Committee At-Large Member Dobler noted that in looking at misconduct, that the Trustees have a tremendous amount of misconduct which he went over in detail.

Audit Committee At-Large Member Dobler made a motion to prepare a clean draft that includes all the changes discussed and then have the review of this clean draft be the first agenda item for the Audit Committee on its agenda of July 13 and then following that review, submit it to the Board of Trustees for their consideration at their meeting in August. Audit Committee At-Large Member Aaron

seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, called the question and the motion was passed unanimously.

Audit Committee Chairman Tulloch asked Trustee Schmitz to take a first stab at incorporating the changes made today and presenting him with a clean draft for review. Trustee Schmitz agreed.

E. PUBLIC COMMENTS*

Linda Newman congratulated Chair Tulloch and thanked the Audit Committee for a lively meeting. She would like to make a suggestion as it is a great idea to incorporate all the changes and have a clean policy to look at it. Maybe Audit Committee At-Large Member Aaron could create a flowchart as an exhibit to take a look at it. Even though they have formal procedures, they create poster for their targeted audience such that there are posters directed to employees, public, Trustees, etc. with instructions on what to do. By doing this it would allow you to have a comprehensive policy and provide education materials to your target audience whether it is employees, Trustees, etc. Thank you for listening and considering her suggestions.

Aaron Katz said he has one observation; he really resents the fact especially when an attorney is telling us that our policies are the equivalent of law. So he hopes that District General Counsel is listening that GID's have no power to pass laws. The most they can pass are by-laws and you should know that. So this myth gets plastered around to people like the District General Manager who are listening and says oh are ordinances are laws, our resolutions are law, our policies are laws, we can't violate. No they are not laws. IVGID has no power to pass laws. If you want to pass laws become a city or an unincorporated town. We have no laws, there is no penalty. Thank you very much and he hopes things will get corrected in the future.

F. ADJOURNMENT *(for possible action)*

The meeting was adjourned at 6:30 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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