



NOTICE OF MEETING – REVISION 1

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at ~~10 a.m.~~ **3:30 p.m.** on ~~August 17, 2021~~ **August 18, 2021** via Livestream/Zoom only.

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 August 17, 2021) or via telephone (the telephone number will be posted to our website on the day of the meeting). The meeting will be available for viewing at <https://livestream.com/accounts/3411104>. (Remote only meeting permitted by AB 253 as Audit Committee contains non-elected members.)

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
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 consider recommendations for modifications to Board Policy 15.1.0 for submission to the Board of Trustees (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)
- E. APPROVAL OF MEETING MINUTES (for possible action)
 - 1. Audit Committee Meeting Minutes of August 10, 2021
- F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- G. ADJOURNMENT (for possible action)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Thursday, August 12, 2021 at 9:00 a.m., a copy of this agenda (Audit Committee Session of August 17, 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: Vacant (At-Large Member), Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member), Vacant (Trustee)

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".**

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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MEMORANDUM

TO: Audit Committee

FROM: Ray Tulloch
Audit Committee Chair

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

DATE: August 18, 2021

I. RECOMMENDATION

That 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 ACTIONS

The attached draft of proposed modifications to policy 15.1.0 has been based on previous findings and observations of the Committee. It is intended to provide a starting point for discussion.

IV. ALTERNATIVES

Do not move forward with the proposed review.

V. FINANCIAL IMPACT AND BUDGET

There is no budgetary impact.

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Audit Committee Charter
Policy 15.1.0**

PROPOSED REVISIONS FOR DISCUSSION

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

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

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

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

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

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

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



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

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

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

- Annually, the Board of Trustees will appoint two Trustees to be Committee members. Appointing Trustees to serve successive years increases continuity and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the Committee. In accordance with GFAO guidelines, Trustees considered for appointment to the Committee shall not have any material role in the financial matters of the District. This guideline would generally preclude the Board Chair and Treasurer from joining the Committee.
- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate accounting, auditing and financial reporting expertise with staggered two-year terms.
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - For each subsequent appointment the member will serve a two-year term.

One member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee



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members with a written agenda for each meeting. Committee Members may request agenda items for the Chair’s consideration and approval.

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

1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of the 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 the basic financial statements and the CAFR

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 Review and approve the Request For Proposal (RFP) for an independent auditor to be retained by the District. Such engagement should be for no more than five fiscal years in duration



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- 2.2.2 Make recommendations on the scope of work including the identification of funds to be audited.
- 2.2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.
- 2.2.4 Review and approve the engagement letter (i.e., contract) between the District and the independent auditor
- 2.2.5 If deemed necessary, identify and recommend additional services to be performed.
- 2.2.6 By March 31st of each calendar year, the Board of Trustees is to formally designate an external independent auditor and inform the Nevada Department of Taxation.
- 2.2.7 When appropriate replace the independent auditor and initiate the procurement process (2.2.1).
- 2.2.8 Approve the scope of work and audit plans by June of each year.

2.3 Facilitate the external audit process.

- 2.3.1 Review and approve, in consultation with the independent auditor, the annual audit plan and scope of audit activities
- 2.3.2 Provide an independent forum for auditors to report findings or difficulties encountered during the audit
- 2.3.3 Review with the District management and the independent auditor all major issues regarding:
 - 2.3.3.1 Accounting Principles
 - 2.3.3.2 Financial Statement presentation
 - 2.3.3.3 Any significant changes in the selection or application of accounting principles
 - 2.3.3.4 Significant judgments made in the preparation of the CAFR and basic financial statements
 - 2.3.3.5 The effect of regulatory initiatives
 - 2.3.3.6 Off-balance sheet structures
 - 2.3.3.7 Changes to audit plan of independent auditor as a result of any internal control deficiencies
 - 2.3.3.8 Any restrictions on the scope of the auditor's activities or on access to requested information or managements responses



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- 2.3.4 To review with District management and the independent auditor any material conflicts or disagreements between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that, individually or in the aggregate, could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.
 - 2.3.5 Review and approve formal reports or letters to be submitted to the external auditor including the CAFR and all related external filings/correspondence
 - 2.3.6 Review and approve the annual Representation letter by the District's management to the independent auditor prior to execution
 - 2.3.7 The Committee shall submit a written Report to the District's Board of Trustees in conjunction with the presentation of the CAFR.
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- 2.4 Post External Audit Follow up
 - 2.4.1 Follow-up on any corrective action identified
 - 2.4.2 Annually evaluate the work of the independent auditor and lead audit partner
 - 2.4.3 At least annually, obtain and review a report by the independent auditor that describes:
 - 2.4.3.1 the independent auditor's internal control procedures
 - 2.4.3.2 any material issues raised by the most recent peer review of the independent auditor
 - 2.4.3.3 any inquiry or investigation by governmental or professional authorities , within the preceding five years regarding any audit performed and any steps taken to deal with any such issues.
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- 2.5 District's management's responsibility to Committee. The District's management is to provide to the Committee at least 7 calendar days prior to a Committee's public meeting, copies of all materials which are



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to be presented by management

- 2.6 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.
 - 2.6.1 The Committee shall seek approval from Board of Trustees to obtain appropriate resources
 - 2.6.2 The Committee shall agree the Scope of Work
 - 2.6.3 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.
 - 2.6.4 The Committee will review and approve or modify Management's proposal and selection of the resource.
 - 2.6.5 The external resource shall report findings to the Committee
 - 2.6.6 Committee will provide findings to the Board of Trustees and recommend implementation of the findings, if any.
 - 2.6.7 Management will have the responsibility for implementation of identified internal control changes or enhancements.

- 2.7 The Committee shall review the framework of internal controls; ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.
 - 2.7.1 Review management's annual assessment of the effectiveness of the District's internal controls over financial reporting
 - 2.7.2 Review the annual internal control audit plan(s).
 - 2.7.3 Review management's annual assessment of their internal controls regarding the prior year's audit plan.
 - 2.7.4 Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures

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

- 2.9 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,



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regarding accounting, internal accounting controls, auditing matters, or suspected fraud.

- 2.9.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.
- 2.9.2 Ensure employees of the District have an anonymous method for concerns to be submitted.
- 2.9.3 Publicize the means for the public and employees to submit concerns to the Audit Committee.
- 2.9.4 Review any submissions received, monitor the status of all submissions, ensure their timely resolution, and the document handling or disposition

2.10 Reports to Board of Trustees. The Committee shall Submit an annual report to the Board of Trustees assessing its fulfillment of it duties and responsibilities as described in the Charter

3.0 Meetings

- 3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.
- 3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing three consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 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 which contains outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.



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- 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 auditor, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual basic financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's material written communications with the District
- 4 Annual Risk Assessment and Risk Management. The Committee shall review and discuss with District management and the independent auditor the District's major financial risk exposures, and the steps management has taken to monitor and control those exposures, including the District's guidelines and policies with respect to risk assessment and risk management.

Policy 15.1.0

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PROPOSED REVISIONS FOR DISCUSSION

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

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

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

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

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

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

ORGANIZATION: The Committee shall consist of five (5) voting members. This includes two Board members appointed annually by the Trustees and three



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~~Board members~~ appointed by the Trustees to serve as qualified At-Large Members. ~~The Committee can be expanded to an odd number. Recommendations~~ Any recommendations for expanding the number of voting members will be approved by the Committee and submitted to the Board of Trustees for ~~approval consideration.~~ The Committee ~~is to may~~ retain ~~a financial advisor, potentially a resource from the external audit firm, or other appropriate advisors~~ to attend meetings, provide guidance and training, as needed.

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

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

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

- Annually, the Board of Trustees will appoint two Trustees to be ~~voting~~ Committee members. Appointing Trustees to serve successive years increases ~~the consistency~~ continuity and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the ~~committee~~ Committee. In accordance with GFAO guidelines, Trustees considered for appointment to the Committee shall not have any material role in the financial matters of the District. This



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guideline would generally preclude the Board Chair and Treasurer from joining the Committee.

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

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Commented [RT2]: Source – GFAO Guidelines, as quoted in the Raftelis Report: “Therefore, no member of the governing body who exercises financial management responsibilities should serve as a member of the audit committee.”

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

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

1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of ~~Audit~~the 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



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3. The independent audit of the basic financial statements and the CAFR

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. Formatted: Indent: Hanging: 0.5"
- 2.2.1 ~~Ascertain that~~ Review and approve the Request For Proposal (RFP) for a firm an independent auditor to be retained by the District. Such engagement should be for the ~~annual financial audit is~~ no more than five fiscal years ~~with those directly supervising audit staff rotating at least every two years and audit engagement partners rotating at least every three years in duration~~. Formatted: Indent: Hanging: 0.75"
- ~~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~~ 2.2.2 Make recommendations on the scope of work including the identification of funds to be audited.
- ~~2.2.3~~ Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.
- ~~2.2.4~~ Review and approve the engagement letter (i.e., contract) between the District and the independent auditor
- ~~2.3.2~~ 2.5 If deemed necessary, identify and recommend additional services to be performed.
- ~~2.3.3~~ 2.6 By March 31st of each calendar year, the Board of Trustees is to formally designate an external audit firm independent auditor and inform the Nevada Department of Taxation.
- ~~2.3.4~~ 2.7 When appropriate replace the independent external auditors or auditing firms doing work for the District auditor and initiate the procurement process (2.2.1).



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

2.42.3 Facilitate the external audit process.

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

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

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

2.3.3.1 ~~Review Accounting Principles~~

2.3.3.2 ~~Financial Statement presentation~~

2.3.3.3 ~~Any significant changes in the selection or application of accounting principles~~

2.3.3.4 ~~Significant judgments made in the preparation of the CAFR in its entirety, and basic financial statements~~

2.3.3.5 ~~The effect of regulatory initiatives~~

2.3.3.6 ~~Off-balance sheet structures~~

2.3.3.7 ~~Changes to audit plan of independent auditor as a result of any internal control deficiencies~~

2.3.3.8 ~~Any restrictions on the scope of the auditor's activities or on access to requested information or managements responses~~

2.3.4 ~~To review with District management and the independent auditor any material conflicts or disagreements between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that, individually or in the aggregate, could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.~~

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~~2.4.42.3.5~~ Review and approve formal reports or letters to be submitted to the external auditor including unaudited sections and letters, the CAFR and all related external filings/correspondence

~~2.4.5~~ Follow-up on any corrective action identified.

~~2.3.6~~ Submit a written annual Audit Committee Review and approve the annual Representation letter by the District's management to the independent auditor prior to execution

~~2.4.62.3.7~~ The Committee shall submit a written Report to the District's Board of Trustees in conjunction with the presentation of the ~~annual audit~~CAFR.

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Assess

2.4 Post External Audit Follow up

~~2.4.1~~ Follow-up on any corrective action identified

~~2.4.7~~ Annually evaluate the ~~performance~~work of the independent auditors.

~~2.4.2~~ Review the financial statements; quarterly auditor and lead audit partner

~~2.52.4.3~~ At least annually for fair, obtain and accurate reporting; review a report by the independent auditor that describes:

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~~2.4.3.1~~ the independent auditor's internal control procedures

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

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

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

2.6 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.

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

2.6.2 The Committee shall agree the Scope of Work

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

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2.6.4 The Committee will review and approve or modify Management's proposal ork and selection of the resource.

2.6.5 The external resource shall report findings to the Committee

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

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

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

~~2.5.2 Ensure accounting policies are followed.~~

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

Review

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

2.7.1 Review management's annual assessment of the effectiveness of the District's internal controls over financial reporting

~~2.6.12.7.2~~ Review the annual internal control audit plan(s).

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~~2.6.22.7.3~~ Review management's annual assessment of their internal controls ~~for~~regarding the prior year's audit plan.

~~2.6.32.7.4~~ 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.~~

~~2.6.42.1~~ The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.

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



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~~2.6.4.22.1.1 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.~~

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~~2.6.4.32.1.1 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.~~

~~2.72.8~~ Periodically review the District's ~~codeCode~~ of ~~conduct~~Conduct that promotes honest and ethical conduct; full, fair, accurate, timely, ~~and understandable disclosure~~ disclosures in periodic reports including the CAFR; and compliance with applicable policies and practices to ensure it is adequate and up-to-date.

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2.89 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.

2.89.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.

2.89.2 Ensure employees of the District have an anonymous method for concerns to be submitted.

2.89.3 Publicize the means for the public and employees to submit concerns to the Audit Committee.

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

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~~2.9—10~~ Reports to Board of Trustees. The ~~Audit Committee is to submit~~shall Submit an annual report to the Board of Trustees assessing the ~~results of its fulfillment of its~~its duties and responsibilities. as described in the Charter

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3.0 Meetings



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- 3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.
- 3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing three consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 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 which contains~~ outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.
- 3.5 The ~~committee~~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~~auditor, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual basic financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's ~~letter of findings. material written communications with the District~~

4 Annual Risk Assessment and Risk Management. The Committee shall review and discuss with District management and the independent auditor the District's major financial risk exposures, and the steps management has taken to monitor and control those exposures, including the District's



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guidelines and policies with respect to risk assessment and risk management.

3.7

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Policy 15.1.0

**As it exists
today**



**Accounting, Auditing, and Financial Reporting
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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



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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.



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1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of Audit Committee's Authority and Responsibilities

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

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

To fulfill these responsibilities, the Committee must:

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



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

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

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

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



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- 2.6.1 Review the annual internal control audit plan(s).
- 2.6.2 Review management's annual assessment of their internal controls for prior year's audit plan.
- 2.6.3 Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be accepted in any form.
- 2.6.4 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.
 - 2.6.4.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.
 - 2.6.4.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.
 - 2.6.4.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.
 - 2.6.4.4 Management will report the findings and resolutions to the Committee.
- 2.7 Periodically review the District's code of conduct that promotes honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable policies to ensure it is adequate and up-to-date.
- 2.8 To review and refine as necessary the procedures for the receipt, retention, and treatment of complaints received by the District, from the public or anonymous submissions by employees of the District, regarding accounting, internal accounting controls, auditing matters, or suspected fraud.
 - 2.8.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.
 - 2.8.2 Ensure employees of the District have an anonymous method for concerns to be submitted.
 - 2.8.3 Publicize the means for the public and employees to submit concerns to the Audit Committee.



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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.

MINUTES

AUDIT COMMITTEE MEETING OF AUGUST 10, 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 Ray Tulloch on Tuesday, August 10, 2021 at 3:02 p.m. at the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

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, Chairman). Audit Committee Chairman Tulloch said that At-Large Member Derrek Aaron has resigned.

Members of Staff present were Director of Finance Paul Navazio and Controller Martin Williams. Members of the public present were Steve Dolan and Greg Flanders.

Audit Committee At-Large Member Dobler asked if there was one person who was making the edict to not have phone in comments?

B. PUBLIC COMMENTS*

There were no public comments.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Tulloch asked for changes to the agenda, none were received so the agenda was approved as submitted.

D. GENERAL BUSINESS ITEMS (for possible action)

D.1. Update to Audit Committee on work products provided to the Board

- Whistleblower Policy
- Annual Report from the Audit Committee

(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Audit Committee Chairman Tulloch said that both of the above items had been submitted to the Board of Trustees for their meeting tonight. Trustee Schmitz said, on agenda packet page 9, 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”, that she doesn’t think that has anything to do with the Whistleblower procedure and in looking at agenda packet page 31 of the Board of Trustees packet that she believes that there are things in those practices that touch on that but she doesn’t think that the “developed Whistleblower Procedure” should be in that column. Audit Committee Chairman Tulloch said that he missed that; all members are good with making that change. Audit Committee Chairman Tulloch asked if this requires adjustment to the Whistleblower procedure? Trustee Schmitz said no because when we are discussing any revisions to Policy 15.1.0 that we have it properly addressed. Audit Committee At-Large Member Dobler said he doesn’t think it should be in that policy. Trustee Schmitz said that item on the report shouldn’t be noted as accomplished rather it should be noted as it wasn’t accomplished.

D.2. External Audit Update from Davis Farr presented by Ms. Jennifer Farr (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Ms. Jennifer Farr verbally went over the submitted presentation that was included in the packet which included items such as the list of tasks, interim audit procedures, work paper review with Eide Bailly, etc. Audit Committee Chairman Tulloch said when you say they documented the resolutions of each Moss Adams item, can you please expand on that? Ms. Farr said that Eide Bailly had a significant amount of documentation on the Moss Adams report and for each item they listed their conclusions on each items. Audit Committee Chairman Tulloch and if they didn’t agree, was that documented? Ms. Farr said, as an example, on capitalizing certain items, Eide Bailly identified what they did – they tested 62 transactions related to that one issue and after that testing they determined there were no misstatements on the financial statements. Audit Committee At-Large Member Dobler said on the third box there, financial statements materially conformed to GAAP, Moss Adams had two items that didn’t conform to GAAP – how was that noted? Ms. Farr said either they disagreed or didn’t test. Audit Committee At-Large Member Dobler asked for her thought about materiality? Ms. Farr said they did document what Eide Bailly’s materiality was and that she did feel comfortable after looking at these work papers as they did perform work allowing them to express the opinion they expressed. Ms. Farr

added that there are two areas where Davis Farr needs to do more testing – contracts documentation and then the highest paid vendors and now there are 7 in total on that list; Davis Farr has started that process as outlined on the slide, and once completed, she will report back those findings. Trustee Schmitz said one of the findings with Moss Adams is that deliverables were being paid for that weren't delivered, how do you test on things for that and how do you do that with professional services? Ms. Farr said that the main thing would be to have two people approving the invoice and that it is pretty hard for an auditor to make that determination. Audit Committee At-Large Member Dobler said on the last bullet, do we have a policy on competitive bidding? Trustee Schmitz said yes, we do. Ms. Farr continued that they are also going to look at capitalization and that they are going to test the capitalization thresholds. Davis Farr won't be going backwards as the previous auditor's work papers were sufficient. They will review current projects that might be continuing and that will be a big picture level review. Audit Committee Chairman Tulloch said it was his recollection that when we signed off on the annual financial report, there was some outstanding capitalization and that we agreed it would be corrected this year. Did you get that instruction? Audit Committee Chairman Tulloch said that the recommendation came from the Audit Committee and was approved by the Board of Trustees. Audit Committee At-Large Member Dobler said it is pretty obvious and clear, in the pipeline project, there is somewhere between \$3 and \$4 million of expenditures that should have not been capitalized. If Staff was following Statement 4 in the Moss Adams recommendations, then they should have charged this off as an expense. We discovered it and we brought it forward to the Board of Trustees. This is a known fact that \$3 or \$4 million will have to be charged off. So Davis Farr is relying on the beginning balances or net positions and those would shrink by \$3 or \$4 million so how can you rely on those beginning balances? Ms. Farr said that Eide Bailly does not believe that there was \$3 or \$4 million error and that perhaps there was \$700,000. Audit Committee At-Large Member Dobler said that is their opinion. We have it well documented of what was spent, and the write off is quite apparent. Ms. Farr said that the prior auditors disagree. Audit Committee At-Large Member Dobler said so the auditor has more knowledge than he does? Audit Committee Chairman Tulloch said he doesn't think that was what was being said and that we need to find the meeting minutes and we will take that offline. Ms. Farr said that she will have some internal controls

recommendations for you next time, more of the best practices, etc. Ms. Farr continued that they are looking at GFOA standards as a result of that review, did have some observations, and that the financial statements are the District's financial statements. Generally speaking, the financial statements could be presented in a way that would conform to best practices and then she referred to the last slide which listed items of note. Audit Committee Chairman Tulloch said the flip side of that is rolling up and is that reducing transparency? Ms. Farr said that there are national organizations that define what best practices are and what you are doing is in excess of that; this is just informing you that it is not best practices. Audit Committee Chairman Tulloch asked for some examples of those best practices. Ms. Farr said we are lucky to have GFOA as our best practice and then the financial statements presented by GASB. Audit Committee Chairman Tulloch said that there might be some disagreement on that and asked for some examples to be brought to the next meeting. Ms. Farr said that there are some footnotes that aren't even required and that they are listed on the slide. Audit Committee At-Large Member Dobler said regarding notes, there are minimum requirements by GASB, that at the end of the day disclosure would be at the discern of management and that they are not required by GAAP or best practices but rather by whomever is producing them – is that correct? Ms. Farr said they are not required by either and these are your financials so you can include what you want and that she just wanted to identify them. Audit Committee At-Large Member Dobler asked specifically who is not requiring? Ms. Farr said GFOA or GASB - neither of them. Audit Committee Chairman Tulloch said what you are saying is that it is basically optionally. Ms. Farr said yes. Audit Committee At-Large Member Dobler said on the effluent pipeline, we are going to have disagreements, like to have somebody, either you or Staff look at the facts and not the suppositions, following Concept Statement 4 by GASB. There is no doubt in his mind because he has all the facts and that this should be resolved before the first draft of the financial statements. Audit Committee At-Large Member Dobler then drew Ms. Farr's attention to the May 31 memorandum written to the District General Manager and the Director of Finance that was not presented to the Audit Committee. There is construction in progress that should have been charged off that wasn't and in applying Concept Statement 4, there is a write off of a \$1 million and these things will have to be charged off. Ms. Farr said that is something that Staff can spend some time with you discussing. Audit Committee At-Large

Member Dobler said we don't get a lot of feedback from the Management Team. Audit Committee Chairman Tulloch said we will add that to the next agenda for the next meeting. Audit Committee At-Large Member Dobler said some do not think that it is material but he thinks it is material. Trustee Schmitz said investment management – we are reviewing our investment management policies and practices, so have those internal controls been a part of your review? Ms. Farr said we have reviewed and are doing testing. Trustee Schmitz said it does state that our internal controls are being reviewed so was that provided? The other thing is if the system of internal controls are the same internal controls that are in tonight's packet, if those are the same controls, many are out of date and have language from our old Board policies or Human Resources policies and are they the same that are in our Board packet today? Director of Finance Navazio said what is in the packet is really a subset of internal controls, Davis Farr has reviewed everything they requested, the policy is on paper and here is how we are currently managing and the external auditors will hopefully be able to render any concern about the financial statements. It is more than what is in your packet and they are in the process of being updated. Audit Committee Chairman Tulloch said are these working ones or what? Director of Finance Navazio said what is in your packet is a status report on an ongoing process. Trustee Schmitz said she was really surprised about the use of the word "should" is that something that you have noticed as well? Ms. Farr said we are not looking at the policies for proper syntax and more along the line of in practice so we have a different perspective. Trustee Schmitz said what about the one that says Staff doesn't put checks in the mail over \$25,000 until approved by the Board of Trustees? Ms. Farr said they are identifying those issues that are in conflict. Audit Committee Chairman Tulloch said for the one about petty cash, checked and reconciled, that is not a syntax issue and the standard phrase is shall, it is a syntax area because of the word should. Ms. Farr said what we are going to focus on is what is actually happening and we utilize the policies to help understand what is happening. When we do find inconsistencies, we do note that. Trustee Schmitz asked what is the definition of an internal control? Ms. Farr said, as an example, when a check is printed, two signatures are required, we perform the test on transaction, so if the policy says three signatures, we would point that out. We are focusing on if it says two different signatures, we are verifying if that is happening. Director of Finance Navazio said something Ms. Farr pointed out earlier in her

slides, identification of internal controls - risk, fraud, misuse of public funds, misappropriation of funds, deviating from NRS, Board policies/practices - they have identified areas that are prone to that risk and looking to see what documentation we have and doing testing such as interviewing Staff that are involved and then they will make recommendations in areas where we need to improve. They are focusing on the work we are doing and mitigating risk which trumps the policy that was written in 2017 and that haven't necessarily been updated to the written policy. Audit Committee Chairman Tulloch said what is your process for petty cash? Director of Finance Navazio said we can touch on it in the next item. We have a procedure that tells Staff how to do that, we are now doing desk audits, and there are cases where "should" might want to be "shall", if matching occurs. There are areas where we can improve. Audit Committee Chairman Tulloch said if you are not doing reconciliations, it will be hard. Director of Finance Navazio said Staff has been working on cash handling and that he will agree that the cash handling, contracts, etc. is the leading edge of our assets and our ability to monitor, etc. has to be a priority with internal controls. Audit Committee At-Large Member Dobler said we have a policy that says we should be doing something, so we are not in violation because we don't feel like doing that, auditors say didn't do, we would be ok as it says should? Audit Committee Chairman Tulloch said yes and there is a lot of case law surrounding that. Audit Committee At-Large Member Dobler said on the Audit Plan that we are get our first draft financial statement, October 15, doesn't say it goes to the Audit Committee? Ms. Farr said we do a very thorough review and that you might want to do a quick review. Audit Committee At-Large Member Dobler said it says financial section only – what does that include? Ms. Farr said financial statements, notes and required supplemental, everything but introductory and other section.

**D.3. Update presentation on Internal Controls
(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch; Requesting Staff Member: Director of Finance Paul Navazio)**

Director of Finance Navazio said that the Audit Committee Chairman requested a substantive update and that has been done. Director of Finance, referencing agenda packet page 28, went over the items included therein – spending authority to Staff, updated the NRS

requirements, and on that on agenda packet page 34, it shows the previous spending authority that was delegated in comparison to the updated spending authority that the District General Manager has designated as we move into the new fiscal year. He noted that because of a change to Policy 3.1.0, there will be a change in blanket purchase orders. Audit Committee At-Large Member Dobler said that there are nine items and are we going through them individually or jumping around? Director of Finance Navazio said he was hoping to highlight all items. Audit Committee Chairman Tulloch said on the spending authority – are there other restrictions around it or just a blanket – spend up to your authority? Director of Finance Navazio said this is the overall spending authority and that it goes without saying, in our direction to Staff, they can't spend it on whatever they want as they have a budget that they have to live within and, yes, there are several other factors on what a particular Staff member can and cannot do. Audit Committee Chairman Tulloch said this is just a high level number? Director of Finance Navazio said yes, absolutely. Audit Committee Chairman Tulloch asked about Parks Superintendent and Parks Supervisor both being at \$10,000? District General Manager Winquest said these are two separate positions with different responsibilities and both are absolutely appropriate. Audit Committee At-Large Member Dobler said in one of our policies, change orders on contracts, the Board must approve change orders that cumulatively exceed \$50,000. We had that happen on the ballfield. The District General Manager has the authority for the first \$50,000 – he doesn't see that incorporated in here? District General Manager Winquest said that is in a policy and asked how does that relate to a 10% contingency approved by the Board? That is where there is some confusion. Audit Committee At-Large Member Dobler said what are we saying – we are building a pool at a cost of \$4 million and that there was a contingency of \$400,000 authorized during the approval process? District General Manager Winquest said yes, the Board approved a contingency of \$400,000 and Staff has up to that amount. Audit Committee At-Large Member Dobler said we need to work that in there somehow. Trustee Schmitz said Director of Golf/Community Services – assuming Mr. Howard is the Director of Community Services. District General Manager Winquest said his position is Director of Golf/Community Services and that is a typographical error. Position was combined into one position and that is on the updated page. Trustee Schmitz said she is confused because one was increased and asked if the Director of Community Services is Mr.

Howard? District General Manager Winqest said yes and we will get that typographical error updated and yes, we upped that limit. Audit Committee At-Large Member Dobler asked why would the Director of Finance need \$25,000? Director of Finance Navazio said this is so he can approve the amount between \$10,000 and \$25,000 if the item is approved and budgeted and that the District General Manager has delegated some of his spending authority. Audit Committee At-Large Member Dobler asked if that makes sense? Director of Finance Navazio said it is to really to not have a bottleneck. Audit Committee At-Large Member Dobler said so it is approval authority? Trustee Schmitz said she wants to go back to Attachment A, believes that what she has read in NRS is that it is the total project value thus it looks at it as if it is one complete project. Audit Committee At-Large Member Tulloch said that is as it should be. Trustee Schmitz said the NRS states total project value and that is important that we all understand. Audit Committee At-Large Member Dobler said he doesn't know if it is wise to signal to a contractor the contingency, don't think it is good practice, and that he would recommend that we don't do it. District General Manager Winqest asked if you were suggesting that all change orders be brought back? Audit Committee At-Large Member Dobler said it is a signal and an opening and that he wouldn't do it. District General Manager Winqest said he doesn't necessarily disagree however on a \$4 million project, it is impossible to halt the project for a Board meeting and that Staff would still need a way for flexibility on change orders. Audit Committee At-Large Member Dobler said on the pool we have \$485,000 contingency. Audit Committee Chairman Tulloch asked if we can take this topic off line? Director of Finance Navazio said there is a difference between a budget and a change order threshold and what the change order authority is that is built in and delegated and what needs to come back to the Board. Audit Committee Chairman Tulloch asked the Director of Finance to move onto **procurement cards**. Director of Finance Navazio said there is some work going on to facilitate procurements and that this is not go around our policies and procedures. The current area being worked on now is the vendor's where we have volume and moving those vendors to purchase orders. Audit Committee Chairman Tulloch said you are doing a blanket purchase order and getting periodic updates? Director of Finance Navazio said yes. Audit Committee Chairman Tulloch said are you are in violation on all of these purchases with Amazon on office supplies as they should be purchased from OfficeMax? Director of Finance Navazio said that

they aren't exclusive contracts and that the goal is to get the best price. Staff does understand about piggybacking onto State contracts and that it does need to be done consistently. Audit Committee Chairman Tulloch said with an office supply contract, it typically restricts what you can buy and that for reference, that is the normal way it is done; please move onto the credit limit. Director of Finance Navazio said that they tend to be in relation with the position and that it is a little bit different on the overall spending authority. The more we can move these over to purchase orders, the more we can make sure Staff is purchasing within their authorities. District General Manager Winquest said he has a very good understanding of purchases and thus the credit limit theory is to go with the lower end, however there may need to be an increase with a one-time action and then it reverts back to their assigned credit limit. Audit Committee Chairman Tulloch said he is happy to hear that and shared a personal example. Trustee Schmitz said she knows that work has been done and she believes that you have updated the procurement card policy and authority limits therefore she thinks that would be very helpful to share that so as to have confidence of the work being done. Director of Finance Navazio responded that Staff is working on it. Trustee Schmitz said it is in this accounting documentation and maybe it should be removed and put it to another document. Audit Committee Chairman Tulloch asked that we move onto **internal accounting**. Audit Committee At-Large Member Dobler said Attachment D should be handled by itself, it is 44 pages, and that he is not prepared to address it yet. It is quite extensive and that a separate meeting, by itself, is what is needed as it will be time consuming so he would like to skip that one and go onto contract management. Director of Finance Navazio said that Staff has previously shared the Table of Contents and some are informed by the last Audit review. Staff is going through a process of reviewing and these are the ones that have been updated in the last couple of months. Staff has implemented these changes and that his question is does the Audit Committee want to be kept apprised or agendized these for discussion as we are moving forward and will continue to update the committee however we are not waiting for committee approval on policies and procedures. Audit Committee Chairman Tulloch said if we are putting them in place, it is a good start and that Audit Committee At-Large Member Dobler's comment was about today's time so he is asking if it is okay to park it? Trustee Schmitz said no and that in this documentation there are roles that need to be identified by titles and not be name, so please use title. The word

“should” should be globally searched and replaced with “shall” as this is a policy. These pages could be significantly reduced by removing out the policy as it is redundant and instead referring to the documents such as Board policies, Human Resources policies, etc. and that these materials could be reduced with those referrals. It is Management’s responsibility to do this and they have provided it to us. After review, there is just a great volume of information that could get removed with referrals. Audit Committee Chairman Tulloch said a referral doesn’t set out the procedure for compliance. Trustee Schmitz said there may be a mistake, on agenda packet page 62, where it is talking about NRS 338, she thinks it should also be NRS 332. Audit Committee Chairman Tulloch said he is in agreement with most of what Trustee Schmitz said and he agrees with the replacement of “should” with the word “shall”. Audit Committee At-Large Member Dobler asked does it become redundant and troublesome with Staff? Director of Finance Navazio said a lot of these are desk procedures so the redundancy is relevant. Trustee Schmitz said most of these are read online so including a link within might be helpful. Director of Finance Navazio said that there was a project in 2019 that was started and therefore he wants to give credit to the Controller on this project. Audit Committee Chairman Tulloch said the direction is that Staff is to go back and review these. He then asked if Staff needs a new liaison from this committee? Director of Finance Navazio said it has been helpful and that one of the foundational issues of the Audit Committee is having a good flow of communication so it is helpful. Audit Committee Chairman Tulloch said he would concur; asked if we should appoint another liaison for internal controls? Audit Committee At-Large Member Dobler said there are good writers, writers, and poor writers, and our idea is to get concepts down and that the very first page, he doesn’t know what that means. Audit Committee Chairman Tulloch said it is not the liaison’s task to write them but suggesting that we need a liaison. District General Manager Winquest said he agrees and would recommend the Audit Committee wait until they have five members on the committee and that Staff would enjoy working with that individual. Staff can work on these policies and then have someone from the outside polish them up. Staff will get to that point of handing over. Audit Committee Chairman Tulloch said he agrees to getting the content correct and then wordsmith. Audit Committee At-Large Member Dobler said he wouldn’t be a good liaison as he is a good investigator on contracts, etc. so this is not his field. Trustee Schmitz said she is pretty diligent on reviewing things but not an

expert on internal controls rather just in reviewing. Director of Finance Navazio said that Audit Committee At-Large Member Aaron did have a CPA and audit background and hope that before too long we have a full seated committee and that we can defer this appointment until the committee is full and that he will continue to work with the Board Chairman. Audit Committee Tulloch said he will act as the interim liaison on internal controls until we get a full Audit Committee. Audit Committee Chairman Tulloch then asked that Staff move onto **contract management**. Director of Finance Navazio said we have covered a lot of this and he went over the two added bullet points. Director of Finance Navazio then said that he wanted to make the Audit Committee aware that we are close to hiring a Project Manager. Audit Committee At-Large Member Dobler said a tracking tool should be available and hope we aren't reinventing the wheel. His biggest concern is the construction project and that on project closeout are we doing as built drawings? With change orders, and he is referring to the ballfields, the drainage plan was done on the back of a napkin so he would like to see as built drawings. Audit Committee Chairman Tulloch said it is a normal contract requirement. Director of Finance Navazio said we aren't reinventing the wheel and we are working to keep our District General Manager out of trouble. Audit Committee At-Large Member Dobler said do we have a date for that hire? District General Manager Winquest said we should be hiring in the next week or so with a start date in the next couple of months. Director of Finance Navazio said it will be helpful to have the new Project Manager review this policy. Audit Committee At-Large Member Dobler said it is a big deal to him and they are pretty weak and the guy we are going to hire is going to have work within that policy. Audit Committee Chairman Tulloch asked to move onto **cash handling audits**. Director of Finance Navazio said that quarterly audits are being done. Audit Committee Chairman Tulloch asked about spot checks? Director of Finance Navazio said he is a big believer in spot checks that are unannounced. Controller Marty Williams said that there are unscheduled audits. Trustee Schmitz said, with COVID-19, where are we accepting cash? District General Manager Winquest said at all the other venues except the beaches. Director of Finance Navazio said that the volume has been reduced and he explained the process. Trustee Schmitz said is there any value to going cashless? District General Manager Winquest said yes, however there would be negativity and while he doesn't know to what extent, Staff is pushing cashless. Director of Finance Navazio said for utility billing it is very

hard to go cashless. Audit Committee Chairman Tulloch said that for credit cards you do take a 3 or 4% hit with handling fees; Director of Finance Navazio said that is true. Audit Committee Chairman Tulloch asked that Staff move onto **utility billing**. Director of Finance Navazio went over an identified control risk and stated that Staff has implemented a two party validation. Audit Committee At-Large Member Dobler asked how many meters do we read? Director of Finance Navazio said over 4,000. Audit Committee At-Large Member Dobler asked what is the error factor? Director of Finance Navazio said the read is mostly a drive by of every meter on a monthly basis and then the information is transferred to the billing system. Controller Williams said that the file is in a csv format which is uploaded. Staff has changed the process to make sure that two people are involved. We have no evidence of inappropriateness and Staff has updated our internal controls so there is no chance of this happening going forward. We have worked with Staff to keep us safe and not impact the workload of Staff. Audit Committee At-Large Member Dobler asked if the process was normal? Audit Committee Chairman Tulloch said it was common. Director of Finance Navazio said he has seen it done in many ways and that we have connectivity issues within the village. Audit Committee Chairman Tulloch said smart meters never work out for a utility of our size. Director of Finance Navazio said they can be effective with leak detection as some communities struggle with that. Audit Committee At-Large Member Dobler said are we working with a chariot or a Tesla? Audit Committee Chairman Tulloch said we are working with a chariot and a wind behind it, not a Tesla, and the data is not being used. We are doing good with what we got. Audit Committee Chairman Tulloch then asked that Staff move onto **bank accounts**. Director of Finance Navazio said Staff has cleaned up all the authorities and we are working with our banks to look at vendor verification. Audit Committee At-Large Member Dobler asked how many checking accounts do we have? Director of Finance Navazio said we have 2 checking accounts. Trustee Schmitz said do we have an account for retiree health savings and what about TWSA? Director of Finance Navazio said TWSA doesn't have a separate bank account. Trustee Schmitz said what about the Veterans Club? District General Manager Winqest said same thing; they don't have a separate checking account. Audit Committee At-Large Member Dobler said we should have all those accounts listed. Audit Committee Chairman Tulloch then asked that Staff move onto **Board policies and practices**. Director of Finance Navazio went over the status;

there were no comments from the Audit Committee members. Audit Committee Chairman Tulloch then asked that Staff move onto **Material Weaknesses over Financial Reporting**. Director of Finance Navazio went over the status; there were no comments from the Audit Committee members. Audit Committee Chairman Tulloch then asked that Staff move onto the **Capitalization Policy**. Audit Committee Chairman Tulloch said, referencing agenda packet page 87, was this a draft? Director of Finance Navazio said it is the policy we have been working on and that Staff landed on it as the sample; it has a different format and attempts to be more comprehensive thus it is a working draft of an updated policy. It is not all encompassing at this time and there is more detail to come. Audit Committee Chairman Tulloch said none of this aligns with the Moss Adams recommendations? Director of Finance Navazio said he would be interested in following up with the Chairman as he has gotten feedback from Moss Adams and the goal is to come up with a capitalization policy that needs to be what it needs to be and if there are items that need to be discussed, he is happy to do so. Audit Committee Chairman Tulloch then reviewed agenda packet page 88 with the Director of Finance. Trustee Schmitz said once again we have the word “should” and that our policies shouldn’t contain the word “should” and asked that Staff watch for redundant language. Also what is the definition of extending when used in materially extending? That needs to be made clear. Also what is the established criteria definition? This is a really good start but she doesn’t want to introduce ambiguity. We also need to be careful in that we are not creating new things and pre-planning phase isn’t identified so there is some clean up that is required. Recommends that Staff be consistent and ensure tie back. Instead of saying “will consider establishing project codes” it should read “will establish project codes”. Clarity is what is really helpful. Director of Finance Navazio said that these are highlights and there is a recognition that they are not all created equally. The intent is to note that there are certain projects that lend themselves to this process and some that don’t. Trustee Schmitz said it should be all projects as we don’t want to say some projects don’t get planned. Audit Committee At-Large Member Dobler said we talked about this almost a year ago and we have been talking about this for a long time. Moss Adams spelled it out and it is all spelled out in his May 21, 2021 memorandum as well as spelled out in Moss Adams report. As to components, we are replacing things all the time so who is making this decision? We need to set up the capital projects such

that we expense the items for the monies that are expended prior to the money being appropriated and then when the money is appropriated, it becomes a capital project. Presently, the District has a \$40,000 contract with Moss Adams and Moss Adams is saying that they can't finish their scope of work until October, why is it taking so long and let's just get it done. Director of Finance Navazio said that this language comes right out of sample policies provided to us by Moss Adams. District General Manager Winquest said that Staff didn't write them. Director of Finance Navazio said he wrote this one. Audit Committee At-Large Member Dobler said if we know what we have to do, and we have been horsing around with this since June of last year, let's go through the projects, clean them up and get it done as it is not that difficult. Audit Committee Chairman Tulloch said that this one makes it worse. Director of Finance Navazio said he hears what the committee is saying. Trustee Schmitz said that clear policies help us all – the Board, Staff, etc. – and that it helps us work together so let's try to make things clear. When we have ambiguous phrases such as should, could, might, etc. let's all get on the same page. Audit Committee Chairman Tulloch said Staff needs to clean this up and make it much more prescriptive. We are operating on a cash basis therefore capitalization is almost unnecessary. Audit Committee At-Large Member Dobler said on the Moss Adams contract is it Management's intention to use the old policy and do we have to live with that one because we don't have a new one? It has taken 4 months to get a policy written that is simple; he doesn't like the staging of this. District General Manager Winquest said Moss Adams gave us this date. Audit Committee At-Large Member Dobler asked if Staff negotiated; District General Manager Winquest said yes. Audit Committee At-Large Member Dobler said well, it didn't work. Director of Finance Navazio said that it is for the overall project. Audit Committee Chairman Tulloch said that the relevant point, regardless of the timeline, is Davis Farr is working with the current capitalization policy? Director of Finance Navazio said yes and that Staff is working on the new capitalization policy and working on expense and non-expense and looking at the capitalization thresholds and that he doesn't see that impacting the audit. Audit Committee Chairman Tulloch said they are auditing the past year and it is hard to go back and change it. Audit Committee At-Large Member Dobler said we heard from Davis Farr what should be expensed on the pipeline and we have a big despitte to resolve. Audit Committee Chairman Tulloch said that is off topic, parking it for tonight, and that will be on another

agenda. Audit Committee Chairman Tulloch asked Staff to move on to **fund balance**. Director of Finance Navazio said he wasn't planning on going over this; Staff is just stating that we are working with others. Audit Committee At-Large Member Dobler said who? Director of Finance Navazio said GFOA and that Moss Adams looked at this and the Raftelis group who is sharing feedback and policies from their other utility clients. This will go to the Board of Trustees and he doesn't know if this policy is in the purview of this committee. Audit Committee At-Large Member Dobler said we have set these standards and are these standards or made up and we don't know what we are proposing. Some utilities have 490 days of operating expenses in hand so there has got to be some choices and when are we going to get that done as we don't have any money in the Utility Fund? Director of Finance Navazio said it will come to the Board probably no later than the end of October and where you set the policy is agency specific based on your specific situation and how risk adverse we are or aren't. Audit Committee Chairman Tulloch said this is going to the Board of Trustees and it is outside of the Audit Committee. Director of Finance Navazio said he does have Audit Committee At-Large Member Dobler's past memos. Audit Committee Tulloch said thank you for this effort.

D.4. Review, discuss and possibly consider recommendations for modifications to Board Policy 15.1.0 for submission to the Board of Trustees (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Audit Committee Chairman Tulloch asked about deferring this item until the next meeting? Audit Committee At-Large Member Dobler said he has input for 2.4 which he will submit to the Chairman. Audit Committee Chairman Tulloch acknowledged that he got comments from Audit Committee At-Large Member Dobler and Trustee Schmitz and that he can bring a much more comprehensive document forward. Trustee Schmitz said 2.6, on agenda packet page 104, is not supposed to be redlined out; she noticed that and did let Chairman Tulloch know. Audit Committee At-Large Member Dobler asked if the intent was to submit this to the Board of Trustees? Audit Committee Chairman Tulloch said this will be on the next meeting agenda.

D.5. Receipt of IVGID Staff's response to correspondence authored by Audit Committee At-Large Member Cliff Dobler regarding

allocation 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 (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch; Requesting Staff Member: Director of Finance Paul Navazio)

Director of Finance Navazio said this was correspondence that was referred over to Staff and gave a brief verbal overview of the memorandum included in the Board packet. Audit Committee At-Large Member Dobler said that this doesn't mean anything to him, what he wants to understand is that we have an account at LGIP and do we have a separate account for each fund? Controller Williams said we have five separate ones. Audit Committee At-Large Member Dobler said if you look at his exhibit, look at the amount of cash we have at the beginning of the year, he did two years, June 30, 2018 and June 30, 2019, average was cash was around \$20 million and we made \$563,000. With all things being equal, if we are putting investments wherever, it would be the same, unless trading securities and the State fund doesn't allow that so it would be impossible to be at 2.87% and impossible to make 8%. The General Fund in one year, 2019, had \$8 million in the LGIP account and then in 2020, \$12,865,000 but the General Fund never had that amount of cash as it had only \$4.6 million so this accounting doesn't mean anything as he is looking at the financial statements. In 2019, you made an 8.41% return, then a 7.36% return, and that the accounting has to be incorrect and what you have presented here doesn't mean anything because you could have had this return. Controller Williams said in a way you are correct however there are unrealized gains and yes, we got 8% revenue but not in interest. Audit Committee At-Large Member Dobler said that Staff will have to show him where those gains and losses came from. Audit Committee Chairman Tulloch asked if Controller Williams would work with Audit Committee At-Large Member Dobler and show him; Controller Williams agreed to doing that. Trustee Schmitz said in the Utility Fund, the money accumulated for the effluent pipeline is to accrue for that specific project, so are we crediting the effluent pipeline with the investment earnings that have been earned? Director of Finance Navazio said we acknowledge that policy and that has not yet been done.

E. LONG RANGE CALENDAR REVIEW (for possible action)
Review, discuss and possibly agendize for future Audit Committee meetings outstanding items on the Audit Committee agenda (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

The following items were noted as being on the Audit Committee's long range calendar:

- Discuss the option of calling for public comment
- Seeing the October financials sent to the auditors
- Procurement card policy and authority
- Contract management
- Dillon's Rule on DPSEF contract (Trustee Schmitz said that the Board of Trustees did approve a scope of work)
- Restricted funds versus committed funds
- 7 items on 6/9 agenda that were deferred to the future
- Items that should be expensed
- Misallocation of investment earnings
- Burnt Cedar pool contract in violation of NRS

Audit Committee Chairman Tulloch said he will prepare a long range calendar document.

F. APPROVAL OF MEETING MINUTES (for possible action)

H.1. Audit Committee Meeting Minutes of July 13, 2021

Audit Committee Chairman Tulloch asked for changes, none were received, the meeting minutes were approved as submitted.

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

There were no public comments made at this time.

H. ADJOURNMENT (for possible action)

The meeting was adjourned at 5:49 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.