

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **4:00 p.m.** on Wednesday, May 6, 2020 in the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

In compliance with State of Nevada Executive Department, Declaration of Emergency Directive 006 and 016, this meeting is closed to the public and attendance is limited to members of the Board of Trustees and essential staff. Public comment is allowed and the public is welcome to make their public comment either via e-mail (please send your comments to info@ivgid.org by 1:30 p.m. on Wednesday, May 6, 2020) or via telephone (the telephone number will be posted to our website on the day of the meeting).

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
- 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*)
- D. GENERAL BUSINESS ITEM (*for possible action*)
 1. Review, discuss and provide feedback on Draft Framework for Implementing System of Internal Controls (Requesting Staff Member: Director of Finance Paul Navazio) – **pages 3 - 6**
 2. Review, discuss and possibly take action to approve the amendments to Policy 15.1.0.; these changes will take effect upon the completion of the transition plan (Requesting Trustee: Sara Schmitz) – **pages 7 - 31**
 3. Review, discuss and possibly approve the Engagement Letter with Eide Bailly for the Independent Audit of the District's FY2019-20 Financial Statements (Requesting Staff Member: Director of Finance Paul Navazio) – **pages 32 - 40**
 4. Review, discuss and possibly take action related to the following communications that have been received and are included: (Requesting Trustee: Sara Schmitz)
 - a. Memorandum dated April 22, 2020 (12 pages) from Cliff Dobler and Linda Newman; Subject: Second request to amend budget form 4404LGF with the Department of Taxation for the FY 2019/2020 budget to comply with IVGID Board Resolution 1838, GASB 54, and NRS 354 – **pages 41 - 53**
 - b. April 2, 2020 e-mail communication regarding Dillon's Rule from Ms. Diane Heirschberg (8 pages) – **pages 54 - 62**

Incline Village General Improvement District

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

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

www.yourtahoeplace.com

NOTICE OF MEETING

Agenda for the Audit Committee Meeting of May 6, 2020 - Page 2

- c. 14 points of errors in the CAFR from Cliff Dobler and Linda Newman dated April 7, 2020 (20 pages) – **pages 63 - 85**
- 5. Set the date/time for the next Audit Committee Meeting (Requesting Trustee: Audit Committee Chairman Matthew Dent)
- E. APPROVAL OF THE MEETING MINUTES *(for possible action)*
 - 1. Audit Committee Meeting of April 1, 2020 – **pages 86 -91**
- 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 Friday, May 1, 2020, 2019 at 9:00 a.m., a copy of this agenda (Audit Committee Session of May 6, 2020) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; mailed to those people who posted at the following six Village/Crystal Bay in

- 1. IVGID Anne
- 2. Incline Village
- 3. Crystal Bay
- 4. Raley's
- 5. Incline Village Branch of Washoe County Library
- 6. IVGID's Recreation Center

SUSPENDED – STATE OF NEVADA EXECUTIVE DEPARTMENT, DECLARATION OF EMERGENCY, DIRECTIVE 006 (SECTION 3) AND 016

copies were either faxed or e-have requested; and a copy was locations within Incline accordance with NRS 241.020:

Vorderbruggen Building
(Administrative Offices)
Post Office
Post Office
Shopping Center

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

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

Audit Committee Members: *Matthew Dent – Chairman, Tim Callicrate, and Sara Schmitz*

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

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

MEMORANDUM

TO: Audit Committee

THROUGH: Matthew Dent
Audit Committee Chair

FROM: Paul Navazio
Director of Finance

SUBJECT: Review, discuss and provide feedback on Draft Framework for Implementing System of Internal Controls

STRATEGIC

PLAN REFERENCE(S): Long Range Principle #2

DATE: April 26, 2020

I. RECOMMENDATION

Review, discuss and provide feedback on a Draft Framework for Implementing System of Internal Controls.

II. BACKGROUND

The Board of Trustees and Audit Committee have identified the need to review and, where appropriate, strengthen internal control policies, procedures and practices consistent with financial management and accountability best practices. Further, the Board of Trustees recently authorized the Audit Committee to engage outside contract services to assist in the review of internal controls and, separately, the Board, through its Audit Committee, is working to update Policy 15.1.0 that establishes the role and responsibility of the Audit Committee to support its broad oversight charge, including in the area of internal controls.

By considering a comprehensive framework for developing and implementing a systems of internal controls, the Board, Staff and the public will be better informed as to how the various components of a system of internal controls work together and, taken collectively, achieve the goal of robust and sound internal controls in support of the Board's role as fiduciary of public funds and assets.

III. ALTERNATIVES

As deemed appropriate during discuss of this topic.

IV. STRATEGIC PLAN REFERENCE(S)

Long Range Principle #2

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

V. BUSINESS IMPACT

The Audit Committee, Board, and District leaders are enabling all of Staff to become actively engaged with the oversight of the District's finances.

VI. ATTACHMENTS

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

DRAFT

FRAMEWORK FOR REVIEW AND IMPLEMENTATION OF INTERNAL CONTROLS

PHASE TASKS

Part 1 - Comprehensive Assessment of IVGID Internal Controls / PROJECT

- Review all relevant Board Policies and Procedures
 - Review all Administrative Policies and Procedures
 - Evaluate "gaps" in internal controls
 - Absence
 - Oversight/compliance
 - Separation of duties
 - Develop formal recommendations for Updating Internal Controls
 - Update existing policies
 - Establish new policies
 - Formalize Accountability
 - Staff Training
-

Part 2 - Regular and Continual Review of Internal Controls

- Establish regular "cycle" of review / update / continuous improvements
 - Example: All administrative policies and procedures will be reviewed on a 3-year cycle (1/3 per year).
-

Part 3 - Internal Audit(s)

- a) Concurrent with tasks identified in Part 1, develop comprehensive list of "areas" for internal controls
 - Primary focus on areas with greatest "risk" to District related to liability, fraud, missappropriation of public funds and/or assets
 - On an annual basis, TWO (?) areas will be candidates for a formal Internal Audit
 - Assess adequacy of internal controls
 - Evaluate compliance with existing policies
 - Report on "Findings and Recommendations"
 - b) Implement / Formalize periodic "impromptu" internal audits of operations and administrative practices and procedures
 - Random, unscheduled, unannounced
-

Part 4 - External Independent Auditor

- SAS Requirements - Elected Officials and Executive Management
 - Identify areas of concern re risk/liability/fraud
 - Memorandum of Internal Controls
 - Review of Internal Controls related to Financial Management based on review of policies, procedurs and roles
 - Random sampling of transaction records (payroll, accounts payable, revenue, expoenitures, fixed assets, debt).
-

FRAMEWORK FOR REVIEW AND IMPLEMENTATION OF INTERNAL CONTROLS

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

MEMORANDUM

TO: Audit Committee

THROUGH: Matthew Dent
Audit Committee Chair

FROM: Sara Schmitz
Audit Committee Trustee

SUBJECT: Review, discuss and possibly take action to approve the amendments to Policy 15.1.0.; these changes will take effect upon the completion of the transition plan

STRATEGIC

PLAN REFERENCE(S): Long Range Principles #2 and #6

DATE: April 24, 2020

I. RECOMMENDATION

That the Audit Committee makes a motion to approve the amendments to Policy 15.1.0.; these changes will take effect upon the completion of the transition plan which is shown below under VI. Comments.

II. BACKGROUND

Policy 15.1.0 Accounting, Auditing, and Financial Reporting – Audit Committee needs to be revised to more robustly define the oversight responsibilities.

III. FINANCIAL IMPACT AND BUDGET

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

The following paragraph is an excerpt from the organization section of the proposed amendment to Policy 15.1.0:

“Members of the audit committee should obtain an understanding of accounting, auditing, financial reporting, and internal control to be able, with the assistance of 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”*

V. ALTERNATIVES

As deemed appropriate during discuss of this topic.

VI. COMMENTS

Audit Committee Transition Plan

1. Board of Trustees approval of the proposed amendments to Policy 15.1.0 subject to the completion of this transition plan
2. Work with the Director of Finance to include the financial advisor role as part of the external audit engagement.
3. Solicit applications for At-Large Audit Committee members. Skills desired include a background in public sector accounting, financial audit experience, financial internal control experience, financial managerial experience, CPA, and/or other relevant experience. Residence in Incline Village/Crystal Bay is not a requirement. Target Date: June 1
4. Board of Trustees review of applications and scheduling of interviews for candidates meeting experience requirements. Target Date: July 1
5. Board appointment of 3 At-Large members to the Audit Committee. Target Date: July 15
6. Training of the 3 At-Large members Target Date: August
7. Transition to the new committee organization with the removal of one Trustee. Target Date: September

VII. STRATEGIC PLAN REFERENCE(S)

Long Range Principle #2

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

Long Range Principle #6

The District will engage, interact and educate to promote understanding of the programs, activities, services, and ongoing affairs.

- Promote transparency in all areas including finance, operations and public meetings.
- Provide clear, concise and timely information in multiple, publicly accessible formats.
- Ensure that both internal and external communication is responsive, comprehensive and inclusive.

VIII. BUSINESS IMPACT

The Audit Committee, Board, and District leaders are enabling all of staff to become actively engaged with the oversight of the District's finances.

**Policy 15.1.0 as
it is today**



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results. As required by Nevada Revised Statute (NRS) 354.624, each local government shall provide for an annual independent audit of all of its financial statements.

POLICY: Each year, the Board of Trustees may establish the need for an Audit Committee and appoint no less than three members to such committee. Members of the Committee shall remain in place until successors are appointed. Members of the Audit Committee should be current Board members. As a general rule, no one having managerial responsibilities that fall within the scope of the audit should serve as a committee member.

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 should not engage in any work that will result in billing a fee, unless authorized by the Audit Committee. This includes response to items brought forward by any internal or external source. This does not preclude the work they must perform to meet their professional responsibility.

2.0 Scope of Audit Committee's authority and responsibilities

The Audit Committee at a minimum shall have the following authority and responsibilities:

- 2.1 To select, evaluate and, if necessary, replace the District's independent auditor, and to approve all audit engagement fees and terms, subject to Board of Trustees approval.

Adopted November 15, 2017



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

- 2.2 To review, with management and the auditors, the District's annual auditor's planning, process and engagement decisions.
- 2.3 To review procedures for the receipt, retention, and treatment of complaints received by the District regarding accounting, internal accounting controls, auditing matters, or suspected fraud. Review any submissions that have been received, monitor their current status, and the document handling or disposition.
- 2.4 To review confidential and/or anonymous submission by the District's employees of concerns regarding questionable accounting or auditing matters, or suspected fraud that cannot be handled by other appropriate levels of management.
- 2.5 The Audit Committee must meet annually to consider the appointment of the District's Auditor, receive the Comprehensive Annual Audit Report and related communications. Also, if necessary to consider circumstances that arise beyond the scope of the Audit Engagement letter that could result in additional fees, and otherwise as determined the Audit Committee Chair. Meetings may be combined with regularly scheduled Board of Trustees meetings, or may be held more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- 2.6 To submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
- 2.7 To review and reassess, the adequacy of the Audit Committee responsibilities and recommend any proposed changes to the Board of Trustees for approval.
- 2.8 To appoint a Chair for the Audit Committee who will act as the primary contact with the independent auditor and District staff.

Adopted November 15, 2017



Accounting, Auditing, and Financial Reporting
Audit Committee
Policy 15.1.0

- 2.9 All members of the Audit Committee should possess or obtain a basic understanding of governmental financial reporting and auditing.

- 2.10 The Audit Committee will keep adequate minutes of its meetings and will report on its actions and activities at the next regular meeting of the District's Board of Trustees. Audit Committee members will be furnished with copies of the minutes of each Committee meeting.

- 2.11 The Audit Committee is governed by the same open meeting laws NRS 241 as long as three current District Board of Trustees members are on the Audit Committee and in attendance at the Audit Committee meetings.

**Policy 15.1.0 as
proposed
(redlined)**



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and providing the highest form of financial accountability to its parcel owners. Achieving this goal requires clear rules and procedures for making decisions and their impact on financial results. ~~As required by Nevada Revised Statute (NRS) 354.624, each local government shall provide for an annual independent audit of all of its financial statements responsibilities~~

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. ~~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.~~



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

~~Each year, the Board of Trustees may establish the need for an Audit Committee and appoint no less than three members to such committee. Members of the Committee shall remain in place until successors are appointed. Members of the Audit Committee should be current Board members. As a general rule, no one having managerial responsibilities that fall within the scope of the audit should serve as a committee member.~~

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 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 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.

Adopted April, 2020



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

- Annually, the Board of Trustees will appoint up to 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 second 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.

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 should 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. not engage in any work that will result in billing a fee, unless authorized by the Audit Committee. This includes response to items brought forward by any internal or external source. This does not preclude the work they must perform to meet their professional responsibility.



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

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:

~~The Audit Committee at a minimum shall have the following authority and responsibilities:~~

~~2.1 2.1—Be independent, effectively communicate, and reinforce accountability~~

~~2.2 Manage the external independent audit procurement process~~

~~3.12.2.1 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.~~

~~2.3.2 If deemed necessary, identify and recommend additional services to be performed~~

~~4.2.3.3 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.~~

~~4.12.3.4 When appropriate replace the independent external auditors or auditing firms doing work for the District and initiate the procurement process (2.2).~~



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

- 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
 - 4.22.4.3 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.
 - 4.32.4.5 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
 - 4.42.6.1 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.
 - 4.52.6.3 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
 - 4.5.12.6.4 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern



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

~~4.5.1.12.6.4.1~~ 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

~~4.5.1.22.6.4.2~~ 2.6.4.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables

~~4.5.1.32.6.4.3~~ 2.6.4.3 Management will have the responsibility for implementation of identified internal control changes or enhancements

~~4.5.1.42.6.4.4~~ 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

~~To select, evaluate and, if necessary, replace the District's independent auditor, and to approve all audit engagement fees and terms, subject to Board of Trustees approval.~~

~~2.2 To review, with management and the auditors, the District's annual auditor's planning, process and engagement decisions.~~

2.83 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.



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

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.

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

2.9 (FUTURE: Specify the purpose, authority, and responsibilities of the independent Internal Auditor

- a. To ensure independence, the Internal Auditor is hired by and reports to the Committee Chair; this may be an external resource
- b. Review, approve, and assess the work plan of the Internal Auditor
- c. Evaluate the internal audit program annually based on the annual report of audits performed, significant findings, recommendations, and implementation of corrective actions prior to submission of the annual report to the Board of Trustees
- d. Review and update as needed the contract for Independent Internal Auditor services)

2.10 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.

~~2.4 To review confidential and/or anonymous submission by the District's employees of concerns regarding questionable accounting or auditing matters, or suspected fraud that cannot be handled by other appropriate levels of management.~~

~~2.5 The Audit Committee must meet annually to consider the appointment of the District's Auditor, receive the Comprehensive Annual Audit Report and related communications. Also, if necessary to consider circumstances that arise beyond the scope of the Audit Engagement letter that could result in additional fees, and otherwise as determined~~



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

- ~~the Audit Committee Chair. Meetings may be combined with regularly scheduled Board of Trustees meetings, or may be held more frequently as circumstances may require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.~~
- ~~2.6 To submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.~~
 - ~~2.7 To review and reassess, the adequacy of the Audit Committee responsibilities and recommend any proposed changes to the Board of Trustees for approval.~~
 - ~~2.8 To appoint a Chair for the Audit Committee who will act as the primary contact with the independent auditor and District staff.~~
 - ~~2.9 All members of the Audit Committee should possess or obtain a basic understanding of governmental financial reporting and auditing.~~
 - ~~2.10 The Audit Committee will keep adequate minutes of its meetings and will report on its actions and activities at the next regular meeting of the District's Board of Trustees. Audit Committee members will be furnished with copies of the minutes of each Committee meeting.~~
 - ~~2.11 The Audit Committee is governed by the same open meeting laws NRS 241 as long as three current District Board of Trustees members are on the Audit Committee and in attendance at the Audit Committee meetings.~~



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

3.0 Meetings

- 3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241.
- 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 [all newly received](#) 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, *(FUTURE: Internal Auditor)*, 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 auditors letter of findings.

Policy 15.1.0 as
proposed
(conformed –
red line
changes
incorporated)



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

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

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

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

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

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

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

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

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



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

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

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

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

- Annually, the Board of Trustees will appoint up to 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 second will serve a two-year term.
 - Each subsequent appointment will serve two-year terms.

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

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



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

1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of Audit Committee's authority and responsibilities

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

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

To fulfill these responsibilities, the Committee must:

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



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

- 2.3.2 If deemed necessary, identify and recommend additional services to be performed.
- 2.3.3 By March 31st of each year, the Board of Trustees is to formally designate an external audit firm and inform the Nevada Department of Taxation.
- 2.3.4 When appropriate replace the independent external auditors or auditing firms doing work for the District and initiate the procurement process (2.2).
- 2.3.5 Approve the scope of work and audit plans by June of each year.
- 2.4 Facilitate the external audit process.
 - 2.4.1 Review and approve formal reports or letters to be submitted to the external auditor.
 - 2.4.2 Provide an independent forum for (external and/or internal resources) auditors to report findings or difficulties encountered during the audit.
 - 2.4.3 Review the auditors' report of findings and recommendations with management and the auditor.
 - 2.4.4 Review the CAFR in its entirety, including unaudited sections and letters.
 - 2.4.5 Follow -up on any corrective action identified.
 - 2.4.6 Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
 - 2.4.7 Assess the performance of the independent auditors.
- 2.5 Review the financial statements; quarterly and annually for fair and accurate reporting.
 - 2.5.1 Review any changes in accounting policy.
 - 2.5.2 Ensure accounting policies are followed.
 - 2.5.3 Review any off-balance sheet financings.
- 2.6 Review the framework of internal controls; ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



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

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



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

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

2.9 (FUTURE: Specify the purpose, authority, and responsibilities of the independent Internal Auditor.

2.9.1 To ensure independence, the Internal Auditor is hired by and reports to the Committee Chair; this may be an external resource.

2.9.2 Review, approve, and assess the work plan of the Internal Auditor.

2.9.3. Evaluate the internal audit program annually based on the annual report of audits performed, significant findings, recommendations, and implementation of corrective actions prior to submission of the annual report to the Board of Trustees.

2.9.4. Review and update as needed the contract for Independent Internal Auditor services).

2.10 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.

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.



**Accounting, Auditing, and Financial Reporting
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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 external auditors, the General Manager, (*FUTURE: Internal Auditor*), 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 auditors letter of findings.

MEMORANDUM

TO: Audit Committee

THROUGH: Matthew Dent
Audit Committee Chairman

FROM: Paul Navazio
Director of Finance

SUBJECT: Review, discuss and possibly approve the Engagement Letter with Eide Bailly for the Independent Audit of the District's FY2019-20 Financial Statements

STRATEGIC

PLAN REFERENCE(S): Long Range Principles #2

DATE: April 26, 2020

I. RECOMMENDATION

That the Audit Committee makes a motion to approve the Engagement Letter with Eide Bailly for the Independent Audit of the District's FY2019-20 Financial Statements.

II. BACKGROUND

The District's Independent External Auditor, Eide Bailly is entering the fifth year of a five-year contract for audit services related to the annual financial statements. At their meeting of April 1, 2020, the Board took action to formally notify the State Department of Taxation of their intent to engage Eide Bailly for the FY2019-20 financial audit.

Eide Bailly has provided the District with a draft Engagement Letter (attached) that formalizes the scope of the upcoming audit as well as identifies roles and responsibilities between management and the audit team for completion of the audit work plan. The annual Engagement Letter is historically signed by the Chair of the Audit Committee, and should be signed no later than June 1, 2020 in order for the audit to commence on schedule.

In preparation for the upcoming audit of the District's FY2019-20 Financial Statements, staff has discussed preliminary work plan scope, tasks and schedule. In the course of these discussions, staff has identified two potential tasks that warrant consideration for possible inclusion in the audit work plan, as presented in draft Engagement Letter.

First, staff suggests that the Audit Committee give consideration to amending the Engagement Letter to request that the Independent Auditor prepare the financial statements to be include in the Consolidated Annual Financial Report. Historically, the financial statements have been prepared by management staff and reviewed by the Independent Auditor. This task would result in an increase to the fee(s) charged for the overall audit.

In addition, the Audit Committee – in conjunction with its update to Board Policy 15.1.0 – may choose to request that the Independent Auditor be retained to serve as a resource to the newly-reconstituted Audit Committee. The draft revision to Board Policy 15.1.0 (also appearing on this

Committee Agenda), identifies a role for an individual or entity to provide background and training to Committee members as well as serve as a resource to members to support the Committee in fulfilling its oversight role related to finance, accounting, financial reporting and internal controls. This potential role for the Independent Auditor is currently outside the scope of the Engagement Letter for the FY2019-20 audit work.

III. ALTERNATIVES

The Audit Committee can choose to approve the draft Engagement Letter, as presented, or consider one or more revisions to the tasks requested of the Internal Auditor.

IV. STRATEGIC PLAN REFERENCE(S)

Long Range Principle #2

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

V. BUSINESS IMPACT

The Audit Committee, Board, and District leaders are enabling all of staff to become actively engaged with the oversight of the District's finances.

DATE PENDING

To Matthew Dent, Audit Committee Chairman
Incline Village General Improvement District
893 Southwood Boulevard
Incline Village, Nevada 89451

The following represents our understanding of the services we will provide to Incline Village General Improvement District.

You have requested that we audit the governmental activities, the business-type activities, and each major fund of the Incline Village General Improvement District (the "District"), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America ("U.S. GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information ("RSI") in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Employer Required Contributions

Supplementary information other than RSI will accompany the District's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- 1) Budgetary Comparison Schedules

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- 1) Introductory Section
- 2) Statistical Section

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS and in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.
- h. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- i. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited

basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of the District's basic financial statements. Our report will be addressed to the governing body of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Tiffany Williamson is the engagement partner for the audit services specified in this letter. Responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. We expect to begin our audit in June 2020.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices are payable upon presentation. We agree that our fee for the audit will not exceed \$58,500. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the District's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

We may use third party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information accessed by such service provider and any work performed by such service provider.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least eight years from the date of our report.

At the conclusion of our audit engagement, we will communicate to management, the Audit Committee and Board of Trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Eide Bailly LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to a regulator pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Eide Bailly LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the regulator. The regulator may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Government Auditing Standards require that we provide, upon request, a copy of our most recent external peer review report and any subsequent review reports to the party contracting for the audit. Accordingly, we will provide a copy of our most recent peer review report at your request.

Eide Bailly LLP is a member of HLB International, a worldwide organization of accounting firms and business advisors, ("HLB"). Each member firm of HLB, including Eide Bailly LLP is a separate and independent legal entity and is not owned or controlled by any other member of HLB. Each member firm of HLB is solely responsible for its own acts and omissions and no other member assumes any liability for such acts or omissions. Neither Eide Bailly LLP, nor any of its affiliates, are responsible or liable for any acts or omission of HLB or any other member firm of HLB and hereby specifically disclaim any and all responsibility, even if Eide Bailly LLP, or any of its affiliates are aware of such acts or omissions of another member of HLB.

DISPUTE RESOLUTION

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason ("Dispute"). Specifically, we agree to first mediate.

Mediation

All Disputes between us shall first be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA").

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Reno, Nevada.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Either party may commence suit on a Dispute after the mediator declares an impasse.

INDEMNITY

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements that

we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify Eide Bailly LLP, its partners, affiliates, officers and employees (collectively "Eide Bailly"), against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

ASSIGNMENTS PROHIBITED

You agree that you will not and may not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly, its partners, affiliates, officers and employees, to any other person or party, or to any trustee, receiver or other third party.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,

Tiffany Williamson
Partner

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Incline Village General Improvement District by:

Signature: _____
Matthew Dent, Audit Committee Chairman

Date: _____

Item 4.A.

Memorandum

April 22, 2020

To: IVGID Audit Committee Chair Dent and Trustees Callicrate and Schmitz

cc: IVGID Trustees Morris and Wong

cc: IVGID Interim GM Winquest

cc: IVGID Director of Finance Navazio

From: Clifford F. Dobler and Linda Newman

Re: Second Request to Amend Budget Form 4404LGF with the Department of Taxation for the FY 2019/2020 Budget to Comply with IVGID Board Resolution 1838, GASB 54, and NRS 354

On September 9, 2019, we provided a Memorandum notifying the former Audit Committee that the fiscal year 2019/2020 Budget Form 4404LGF submitted to the Department of Taxation was filed incorrectly by budgeting expenditures for capital projects and debt service in the Community Services and Beach Special Revenue Funds. This budgeting violated Board Resolution 1838 establishing the funds, GASB Statement 54 and Nevada Revised Statutes requiring compliance with Generally Accepted Accounting Principles. We also identified the fallacies in former Director of Finance Eick's narrative which was included with the Budget Forms submitted to the State. Mr. Eick's unilateral determination that the Community Services and Beach Capital Project and Debt Service Funds would become inactive and used only in the event the District issues bonds for a specific construction project contradicted Board Resolution 1838 and violated Generally Accepted Accounting Principles as mandated by GASB statements. We requested the Audit Committee take action to amend the budget to properly reflect the requirements of Board Resolution 1838 and the mandated compliance with GASB Statement 54. (Memo Attached). To date, we have not received a response from Trustees Wong and Morris who served on the Audit Committee at that time and no action has been taken.

At the April 14, 2020 Board of Trustees meeting, new Director of Finance Navazio reported that the current DRAFT budget for fiscal year 2020/2021 had been prepared incorrectly along the lines of the incorrect fiscal year 2019/2020 budget. He stated that the Draft would have to be corrected to properly reflect revenues and expenditures for operations, capital projects and debt service in their respective funds for Community Services and the Beaches in order to be in compliance with Nevada law, GASB statements, and Board Resolutions. (Live stream at 3:15.21) His conclusion, of course, was correct. It should be expected that Mr. Navazio will prepare the 2020/2021 budget correctly.

However, since the fiscal year 2019/2020 Budget was incorrectly filed with the State, a BUDGET AMENDMENT must be submitted to the State. If the Budget is not corrected, the financial statements for the future 2019/2020 Comprehensive Annual Financial Report will be prepared incorrectly. This outcome must be avoided.

We once again recommend that the fiscal year 2019/2020 budget be amended to properly reflect expenditures for capital projects and debt service for the Community Services and Beaches be in the appropriate Funds. The Board of Trustees must immediately take action to approve the amendment and submit the amended Budget to the Department of Taxation prior to June 30, 2020. Without this action, former Audit Committee members and current Trustees Wong and Morris who voted to approve the 2019/2020 budget will have violated Nevada law and failed to comply with their own Resolution. We request written assurance that an amendment will be brought before the full Board for approval.

ATTACHMENT #1

Memorandum

TO: IVGID Audit Committee Chair Trustee Phil Horan

CC: IVGID Board Chair and Member of the Audit Committee Kendra Wong
IVGID Board Treasurer and Member of the Audit Committee Peter Morris
IVGID Board Secretary Tim Callicrate
IVGID Trustee Matthew Dent
IVGID Interim General Manager Indra Winquist

FROM: Clifford F. Dobler and Linda Newman

DATED: September 9, 2019

SUBJECT: Inaccurate Information in the 2019/2020 fiscal year budget

On May 22, 2019, the Incline Village General Improvement District Board of Trustees approved annual budget form 4404 LGF for the fiscal year ending June 30, 2020 (the "budget") for submittal to the Nevada Department of Taxation.

The budget for the Community Services Special Revenue Fund, the Community Services Capital Projects Fund, the Community Services Debt Service Fund, the Beach Special Revenue Fund, the Beach Capital Projects Fund and the Beach Debt Service Fund were not prepared in accordance with Board Resolution 1838. This Resolution specifically states the type of revenues and expenditures which must be reported in each fund. As required under NAC 354.241, the formation of these funds required the adoption of a Board resolution as well as the approval of the Nevada Department of Taxation.

The Resolution clearly states that expenditures for capital projects MUST be accounted for in the Capital Project Funds and expenditures for debt service MUST be accounted for in the Debt Service Funds. The budget prepared for the six funds completely ignores the Resolution and improperly budgets all capital project and debt service expenditures in the Special Revenue Funds.

As a consequence, the budget does not comply with Generally Accepted Accounting Principles ("GAAP") and violates the requirements of a special revenue fund as defined in Governmental Accounting Standards Board Statement ("GASB") #54. GASB #54 states: "A special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects." For your reference, per GASB #54, capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Also, according to GASB #54, debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. Debt service funds are used to report resources if they are legally mandated. Financial resources that are being accumulated for principal and interest maturing in future

years are also reported in debt service funds. Each year, together with the annual budget, the Board of Trustees, by a resolution, authorizes collection of Recreation Standby and Service Charges (also known as Recreation Facility Fee and Beach Facility Fee) which commits a portion of each fee specifically for operations, capital projects and debt service.

The budget message included with the State budget forms providing an explanation for the change in accounting and reporting for the budgeting of these six funds has absolutely no relevance to compliance with the principles, practices and procedures mandated by GASB for proper accounting and reporting. The message states:

"One major variation year on year relates to the District's use of Capital Projects and Debt Service Funds for the Community Services and Beach activities from July 1, 2015 through June 30, 2019. The objectives for using these funds was the expectation of the need to demonstrate the sources and uses of the facility fee for capital expenditures and debt service. Our experience has been expenditures are the most sought after information. This can be demonstrated effectively within the functional expenditure reporting in Special Revenue Funds. Therefore the Capital Projects and Debt Service Funds will become inactive as of July 1, 2019 and used only in the event the District issues bonds for a specific construction project."

For those unfamiliar with the rigors of proper accounting and reporting, staff's speculation on what citizens and others seek as useful information in financial reporting is immaterial. Only the Governmental Accounting Standards Board has the authority to establish the standards to promote clear, consistent, transparent and comparable financial reporting for local and state governments. And, only the Board can modify or rescind its own Board Resolutions. As you are aware, there was no separate Agenda item placed for a Board vote to do so nor resubmission to the Nevada Department of Taxation providing a Board approved modification or rescission of Resolution 1838.

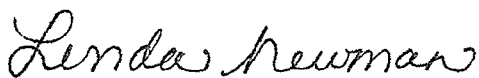
We respectfully request that the budget be amended to properly reflect the requirements of Board Resolution 1838 and compliance with the requirements of GASB #54.



Clifford F. Dobler

email: cfdobler@aol.com

mobile: 775-722-4487



Linda Newman

email: linda@marknewman.net

mobile: 775-225-1836

EXHIBITS:

Exhibit A – Link to the FY 2019 Budget: https://www.yourtahoeplace.com/uploads/pdf-ivgid/5-22-19_Item_1.5_-_General_Business_-_Budgets.pdf

Exhibit B – Board Resolution 1838

Exhibit C – NAC 354.241

Exhibit D – GASB #54 Definitions of Special Revenue Fund, Capital Projects Fund and Debt Service Fund

Exhibit E – Excerpt from Resolution 1871 Identifying Current and Historical Budgeted Allocation of the Recreation and Beach Fees among Operations, Capital Projects and Debt Service. Here is the link for the complete Resolution: https://www.yourtahoeplace.com/uploads/pdf-ivgid/5-22-19_Item_1.6_-_General_Business_-_Resolution_1871.pdf

Exhibit F - Excerpt of IVGID FY 2020 Budget Message

EXHIBIT "B"



RESOLUTION NO. 1838

A RESOLUTION TO CREATE GOVERNMENTAL FUND TYPE; SPECIAL REVENUE, CAPITAL PROJECTS AND DEBTS SERVICE FUNDS FOR THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT FOR COMMUNITY SERVICES AND BEACH FUNDS AS REQUIRED BY NEVADA ADMINISTRATIVE CODE 354.241, EFFECTIVE AS OF JULY 1, 2015

RESOLVED, by the Board of Trustees of the Incline Village General Improvement District, Washoe County, Nevada, that

WHEREAS, pursuant to Nevada Administrative Code (NAC) Section 354.241, a local government is required to adopt a Resolution to create a fund types covered by Nevada Revised Statute 354.624 5 (a); and

WHEREAS, the District Community Services and Beach Funds provides services as defined under Nevada Revised Statute (NRS) 318, which in effect requires the use of those Fund's fund balance for a specific purpose; and

WHEREAS, on December 10, 2014, the Board of Trustees directed staff to apply for approval of the District's 2015-16 budget by the Nevada Department of Taxation utilizing Special Revenue, Capital Projects and Debt Service Fund accounting for Community Services and the Beach Funds; and

WHEREAS, the District expects to receive notice that its budget is found to be in compliance with NRS 354.598 by the Nevada Department of Taxation.

NOW, THEREFORE, IT IS ORDERED, as follows:

1. Effective July 1, 2015 the Incline Village General Improvement District, Nevada shall establish the governmental fund type Special Revenue, Capital Projects and Debt Service Funds for use by its Community Services and Beach Funds.
2. The table on the last page of this Resolution contains the required elements 1-4 and 6-7 under NAC 354.241, element 5 is met by the existing fund balance of the affected funds.



RESOLUTION NO. 1838

A RESOLUTION TO CREATE GOVERNMENTAL FUND TYPE; SPECIAL REVENUE, CAPITAL PROJECTS AND DEBTS SERVICE FUNDS FOR THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT FOR COMMUNITY SERVICES AND BEACH FUNDS AS REQUIRED BY NEVADA ADMINISTRATIVE CODE 354.241, EFFECTIVE AS OF JULY 1, 2015

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted at a regularly held meeting of the Board of Trustees of the Incline Village General Improvement District on the 21st day of May, 2015, by the following vote:

AYES, and in favor thereof, Trustees: Jim Smith, Kendra Wong, Bill Devine, and Jim Hammerel

NOES, Trustees: Trustee Callicrate

ABSENT, Trustees: None

/s/ Jim Hammerel

Jim Hammerel

Secretary, IVGID Board of Trustees



RESOLUTION NO. 1838

A RESOLUTION TO CREATE GOVERNMENTAL FUND TYPE; SPECIAL REVENUE, CAPITAL PROJECTS AND DEBTS SERVICE FUNDS FOR THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT FOR COMMUNITY SERVICES AND BEACH FUNDS AS REQUIRED BY NEVADA ADMINISTRATIVE CODE 354.241, EFFECTIVE AS OF JULY 1, 2015

| Fund Name | Purpose | Source of Revenues | Short-term Expenditures | Long-term Expenditures | Plan for Fund Balance | Adequacy of Fund Balance |
|--|--|---|--|--|--|---|
| Community Services – Special Revenue | Recreational activities conducted by the District under NRS 318, other than Beach locations | User fees, stand by charges, rents, grant, investment earnings and other income | Operating expenditures to provide recreational activities | Transfers out to capital purchases and debt service to support recreational activities | Meet the minimum necessary to maintain District recreational activities | Consider the District's Board Policy on Appropriate Level of Fund Balance |
| Community Services – Capital Expenditure | Capital expenditures related to recreational activities conducted by the District under NRS 318, other than Beach locations | Sales of coverage and capital assets and transfers from the Community Services Special Revenue Fund | Operating expenditures related to Community Services capital expenditures | Capital purchases to support Community Services recreational activities | Meet the minimum necessary to execute Community Services capital purchases | Consider the District's Board Policy on Appropriate Level of Fund Balance |
| Community Services – Debt Service | Debt service expenditures related to recreational activities conducted by the District under NRS 318, other than Beach locations | Transfer from the Community Services Special Revenue Fund | Operating expenditures related to Community Services debt service expenditures | Debt service expenditures to support Community Services recreational activities | Meet the minimum necessary to execute Community Services debt service expenditures | Consider the District's Board Policy on Appropriate Level of Fund Balance |
| Beach – Special Revenue | Recreational activities conducted by the District under NRS 318 for Beach locations | User fees, stand by charges, rents, grant, investment earnings and other income | Operating expenditures to provide Beach recreational activities | Transfers out to capital purchases and debt service to support Beach recreational activities | Meet the minimum necessary to maintain District Beach recreational activities | Consider the District's Board Policy on Appropriate Level of Fund Balance |
| Beach – Capital Expenditure | Capital expenditures related to recreational activities conducted by the District under NRS 318 for Beach locations | Sales of coverage and capital assets and transfers from the Beach Special Revenue Fund | Operating expenditures related to Beach capital expenditures | Capital purchases to support Beach recreational activities | Meet the minimum necessary to execute Beach capital purchases | Consider the District's Board Policy on Appropriate Level of Fund Balance |
| Beach – Debt Service | Debt service expenditures related to recreational activities conducted by the District under NRS 318 for Beach locations | Transfer from the Beach Special Revenue Fund | Operating expenditures related to Beach debt service expenditures | Debt service expenditures to support Beach recreational activities | Meet the minimum necessary to execute Beach debt service expenditures | Consider the District's Board Policy on Appropriate Level of Fund Balance |

Exhibit "C"**TAXES AD VALOREM**

NAC 354.211 Submission to Department of resolution levying common rate for common services in unincorporated towns. (NRS 354.107, 354.594) The board of county commissioners shall submit to the Department a copy of any resolution which levies a common rate of taxes ad valorem for common services provided in unincorporated towns.

(Added to NAC by Tax Comm'n, eff. 5-16-86)

NAC 354.221 Submission of amended final budget which changes combined rate. (NRS 354.107, 354.594, 354.598) In addition to the requirements set forth in subsection 6 of NRS 354.598, a local government shall submit an amended final budget to:

1. The county auditor within 15 days after making any change in its final budget which decreases the combined ad valorem tax rate; and
2. The county clerk within 15 days after making any change in its final budget which increases or decreases the combined ad valorem tax rate.

(Added to NAC by Com. on Local Gov't Finance by R201-01, eff. 4-5-2002)

CREATION OF FUNDS

NAC 354.241 Contents and filing of resolution adopted to create certain funds. (NRS 354.612, 360.090) A resolution adopted by a local government to create a fund of a type which is listed in paragraph (a) of subsection 5 of NRS 354.624, must be filed with the Department immediately upon adoption and must contain:

1. A statement of the purpose of the fund.
2. The sources of the money that is expected to be deposited in the fund.
3. A short-term and long-term plan for the expenditures from the fund.
4. A plan for the retention or disposition of the balance, reserves and retained earnings of the fund.
5. A mechanism for curing deficiencies in the balance, reserves and retained earnings of the fund.
6. The method by which a determination will be made as to whether the balance, reserve and retained earnings of the fund are reasonable and necessary to carry out the purpose of the fund.
7. A list of all statutes and regulations that apply to the fund.

(Added to NAC by Tax Comm'n, eff. 7-9-96)

LETTER OF CREDIT; ADVANCE APPORTIONMENT OF TAX

NAC 354.270 Letter of credit issued to local government. (NRS 360.090)

1. As used in this section, "letter of credit" means an authorization from a county treasurer to a county auditor to honor warrants of a local government prior to the distribution of tax receipts to the account of the local government.

2. A letter of credit may be issued on behalf of an entity at the option of the county treasurer if the following conditions are met:

- (a) The letter of credit must be requested of the county treasurer by the governing body.
- (b) A letter of credit cannot be issued to cover more than 75 percent of the undistributed tax receipts on hand in the county treasury to be distributed to the entity.
- (c) The county treasurer shall make a distribution of taxes to cover any outstanding letters of credit prior to the end of each fiscal year. [Tax Comm'n, Local Gov't Reg. part No. 2, eff. 11-7-69]

NAC 354.280 Advance of taxes apportioned to local government. (NRS 360.090)

1. Any entity entitled to an apportionment of taxes may request of the county treasurer an advance tax apportionment if the following procedures are met:

- (a) An advance apportionment must be requested of the county treasurer by the governing body.
- (b) An advance apportionment cannot be made in excess of 75 percent of the undistributed tax receipts on hand in the county treasury to be distributed to the entity.
- (c) The county treasurer shall make an apportionment of taxes to cover any outstanding special apportionment prior to the end of each fiscal year.

2. Such an apportionment may be made at the option of the county treasurer.

[Tax Comm'n, Local Gov't Reg. part No. 2, eff. 11-7-69]

INTERFUND LOANS

NAC 354.290 Temporary interfund loans: Conditions; interest. (NRS 354.107, 354.6118)

1. Unless otherwise prohibited by law, the governing body of a local government may make a temporary interfund loan if:

- (a) The governing body complies with the provisions of NRS 354.6118;
- (b) Any money for the loan which is obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;
- (c) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;
- (d) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;
- (e) It is agreed in writing that the loan must be repaid within 1 year after the date on which the loan was made;
- (f) A copy of the resolution authorizing the loan is filed with the Department; and
- (g) The governing body agrees to notify the Department when the loan has been repaid.

2. If the resolution authorizing the making of a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph (d) of subsection 1, no interest may be charged.

3. As used in this section:

(a) "Component unit" means a separate legal entity from a local government whose financial statements must be included in the annual audit of that local government conducted pursuant to NRS 354.624.

(b) "Temporary interfund loan" means a loan of money for a term of less than 1 year from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources, including such a loan from a fund of:

- (1) A local government to:
 - (I) Another fund of that local government;

Exhibit "D"

Governmental Fund Type Definitions

28. Governmental fund types include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds, as discussed in paragraphs 29–35.

General Fund

29. The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

30. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

31. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund.² Other

²For revolving loan arrangements that are initially funded with restricted grant revenues, the consideration may be whether those restricted resources continue to comprise a substantial portion of the *fund balance* in the fund's balance sheet.

resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

32. Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund—identifying which revenues and other resources are reported in each of those funds.

Capital Projects Funds

33. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds

34. Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Exhibit "E"

Incline Village General Improvement District Facility Fee Reconciliation by Parcel

| Budget for 2019-2020 | | Historical Recreation Fee Per Parcel | | | | |
|---|---------------|--------------------------------------|-----------|---------------------|-----------------|-----------|
| Recreation Facility Fee charged to 8,203 Parcels | | | Operating | Capital Projects | Debt Service | Total Fee |
| Golf - Championship | \$ 21 | 2019-20 | \$ 250 | \$ 405 | \$ 50 | \$ 705 |
| Golf - Mountain | 40 | 2018-19 | 215 | 440 | 50 | 705 |
| Facilities | 16 | 2017-18 | 215 | 330 | 160 | 705 |
| Diamond Peak Ski | (200) | 2016-17 | 250 | 320 | 160 | 730 |
| Youth & Family Programming | 25 | 2015-16 | 266 | 308 | 156 | 730 |
| Senior Programming | 21 | 2014-15 | 211 | 303 | 216 | 730 |
| Recreation Center | 97 | 2013-14 | 239 | 277 | 214 | 730 |
| Comm. Services Administration | 127 | 2012-13 | 258 | 199 | 273 | 730 |
| Parks | 89 | 2011-12 | 199 | 242 | 274 | 715 |
| Tennis | 14 | 2010-11 | 128 | 304 | 298 | 730 |
| Per Parcel Operating Component | 250 | | | | | |
| Per Parcel Capital Exp. Component | 405 | | | | | |
| Per Parcel Debt Service Component | 50 | | | | | |
| Total Recreation Fee Per Parcel | \$ 705 | | | | | |

| Budget for 2019-2020 | | Historical Beach Fee Per Parcel | | | | |
|--|---------------|---------------------------------|-----------|---------------------|-----------------|-----------|
| Beach Facility Fee charged to 7,748 Parcels | | | Operating | Capital Projects | Debt Service | Total Fee |
| Per Parcel Operating Component | \$ 85 | 2019-20 | \$ 85 | \$ 39 | \$ 1 | \$ 125 |
| Per Parcel Capital Exp. Component | 39 | 2018-19 | 85 | 39 | 1 | 125 |
| Per Parcel Debt Service Component | 1 | 2017-18 | 85 | 39 | 1 | 125 |
| Total Beach Fee Per Parcel | \$ 125 | 2016-17 | 75 | 24 | 1 | 100 |
| | | 2015-16 | 75 | 24 | 1 | 100 |
| | | 2014-15 | 65 | - | 35 | 100 |
| | | 2013-14 | 63 | - | 37 | 100 |
| | | 2012-13 | 66 | 17 | 17 | 100 |
| | | 2011-12 | 98 | - | 17 | 115 |
| | | 2010-11 | 69 | - | 31 | 100 |

The combined Facility Fee for 2019-2020 would represent the tenth year held at the total of \$830.

Exhibit "F"

The District is expected to adopt the updated Community Services Master Plan during the budget year. Neither the operating nor capital budgets include any projects contemplated by this plan. Should any project's needs develop prior to June 30, 2020, they would have to follow the augmentation requirements to become authorized.

During the fiscal year 2016-2017 the District began the process of update and review of the Diamond Peak Master Plan by the Tahoe Regional Planning Agency (TRPA). This is a multi-year process that may not be completed until after June 30, 2020. A substantial portion of that capital project's budget will be carried over to 2019-20.

Governmental Fund Balance

The District Final Budget Summary reports the following select Fund Balances:

| | Estimated Fund Balance <u>6/30/19</u> | Projected Minimum by Board Policy | Projected Fund Balance <u>6/30/20</u> |
|--------------------|--|--|--|
| General Fund | \$ 3,093,112 | \$ 199,000 | \$ 2,304,242 |
| Comm. Services SR | \$13,183,167 | \$4,493,000 | \$ 9,146,076 |
| Beach Special Rev. | \$ 1,749,171 | \$ 526,000 | \$ 1,123,442 |

Comparison across Fiscal Years Presented in Form 4404LGF

A fundamental aspect of the Form 4404LGF is comparison of information across the audited results of the fiscal year ending June 30, 2018, an estimated result for the year ending June 30, 2019, along with a presentation of the Tentative and Final budgets for the year ending June 30, 2020. The form and content for those three periods utilizes the same accounting principles and methodologies. Comparisons can be made knowing that differences are the consequence of circumstances, not methodology.

One major variation year on year relates to the District's use of Capital Projects and Debt Service Funds for the Community Services and Beach activities from July 1, 2015 through June 30, 2019. The objective for using these funds was the expectation for the need to demonstrate the sources and uses of the facility fee for capital expenditure and debt service. Our experience has been expenditures are the most sought after information. This can be demonstrated effectively within the functional expenditure reporting in Special Revenue funds. Therefore the Capital Projects and Debt Service funds will become inactive as of July 1, 2019 and used only in the event the District issues bonds for a specific construction project.

Another variation is in the level of ~~activity for food and beverage operations~~. The fiscal year 2017-18 saw increased activity. However, the greatest jump for 2018-19 relates to the Beach Fund taking on delivering food and beverage services at the two beaches. For many years, this was a concessionaire service. The respective revenues and expenditures increase, as well as the bottom line results. This also resulted in increases to FTE's with the addition of staff.

Item 4.B.

Herron, Susan

From: Sara Schmitz
Sent: Wednesday, April 22, 2020 8:49 AM
To: Herron, Susan
Subject: Fw: Dillon's Rule and General Improvement Districts; Questions for IVGID to Investigate
Attachments: Dillon's Rule in Nevada, 2013 article.pdf

Susan,

Thanks for asking. I always assume you have EVERYTHING 😊

Here it is.

Sara

Sara Schmitz

Incline Village General Improvement District Trustee
893 Southwood Blvd.
Incline Village, NV 89451
925-858-4384



From: Diane Heirshberg <dbheirshberg@gmail.com>
Sent: Wednesday, April 8, 2020 10:06 PM
To: Matthew Dent; Sara Schmitz; Tim Callicrate
Subject: Dillon's Rule and General Improvement Districts; Questions for IVGID to Investigate

April 2, 2020

Dear IVGID Audit Committee, Ms. Schmitz and Messrs. Callicrate and Dent,

I was recently researching Dillon's Rule in connection with a request being made to Washoe County to combat the spread of the COVID-19 virus in Incline Village. I found that the Nevada State Legislature had passed a statute in 2015 to make the application of Dillon's Rule to County Commissioners less restrictive, but its application to other governmental entities, like General Improvement Districts, remains the same as it has been since its adoption in 1868. I am writing this email to bring Dillon's Rule and some complaints I have heard from local residents concerning IVGID accounting practices, to the attention of the audit committee. I sincerely recommend that IVGID's audit committee seek legal counsel to investigate whether IVGID has the authority to make some of the questioned expenditures described below under Dillon's Rule.

Dillon's Rule was articulated by Iowa Supreme Court Chief Justice John Dillon in the case of Merriam v. Moody's Ex'rs, 25 Iowa 163, 170 in the year **1868**, as follows:

“In determining the question now made, it must be taken for settled law, that a municipal corporation possesses and can exercise the following powers and no others: **First, those granted in express words; second, those necessarily implied or necessarily incident to the powers expressly granted; third, those absolutely essential to the declared objects and purposes of the corporation—not simply convenient but indispensable; fourth, any fair doubt as to the existence of a power is resolved by the courts against the corporation—against the existence of the power.**”

In the 1860’s Justice Dillon considered local governments to be more corrupt than state governments, and sought to limit the power of local officials to sign contracts. In his decisions and later in a treatise he wrote “Commentaries on the Law of Municipal Corporations, he established a legal principle that local jurisdictions had no inherent powers granted by the people; **all authority flowed from the state.**

I would also note that the same principal was determined several months earlier by the Nevada Supreme Court in *Tucker v. Mayor and Bd. Of Alderman*, 4 Nev 20, 26 (1868) so is was not a novel rule for Nevada. I have attached a 2013 article discussing Dillon’s Rule in Nevada provides a good discussion as to how Dillon’s Rule works in Nevada as it applies to GIDs.

The 1937 Nevada case, *Ronnow vs. City of Las Vegas*, 57 Nev 332 (1937) also provides instructive language on Dillon’s Rule:

“It is a general and undisputed proposition of law that a municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words; second, those necessarily or fairly implied in or incident to the powers expressly granted; third, those essential to the declared objects and purposes of the corporation—not simply convenient but indispensable. Any fair, reasonable substantial doubt concerning the existence of a power is resolved by the courts against the corporation, and the power is denied. Of every municipal corporation the charter or statute by which it is created is its organic act. **Neither the corporation nor its officers can do any act, or make any contract, or incur any liability, not authorized thereby, or by some legislative act applicable thereto. All acts beyond the scope of the powers granted are void.**”

As you can see from the above discussion, Dillon’s Rule is very strict as applied to GIDs. Therefore, I want to review the issues that I have heard raised so that you can be aware of and investigate the issues and seek written legal counsel as to what you can and cannot do as a GID.

The following expenditures by IVGID have been raised as not authorized. I know nothing about the allegations, but I wanted to communicate to the audit committee that these issues should be reviewed with your counsel if they are occurring or have occurred. I do not know if any of these issues are accurate, but I have heard the following complaints:

1. IVGID has allegedly donated merchandise which it purchased to local charities. This raises the question as to whether IVGID has the power to donate to charities under Dillon’s Rule. I saw a specific statutory authorization for Washoe County to donate to charity but did not see a specific statutory authority for GIDs to do so. (I have not seen the authorizing documentation for IVGID specifically and do not know if there is authorizing language there.)
2. Donations are allegedly made by IVGID to local charities, and the Incline Village Visitor Bureau is only charged \$1.00 per year for rent, even though the Visitor Bureau collects so much money from transient occupancy tax from the County. Again, this goes to the Dillon’s Rule question as to whether IVGID has the power to donate to charities.
3. IVGID has allegedly been giving IVGID venue cards to employees to use at no cost. I noticed that NRS 318.185 gives the Board the power to fix employee compensation. I don’t know if the IVGID venue cards are formally part of the compensation, and if so whether that would be sufficient support for this activity under Dillon’s Rule.
4. IVGID has allegedly been sending employees on business trips and reimbursing business expenses, including travel. NRS 318.145, 318.210, 318.175, and 318.116 give authority to IVGID to take actions needed to fulfill its responsibilities, but in order to be sure which specific business expenses are necessary and authorized by

Dillon's Rule, you should review your practices and policies with an attorney. I strongly urge IVGID to prepare a written Business Expense Policy with an employee expense reimbursement form, all approved by your attorneys. This will allow employees to know which business expenses are necessary to operate, as the Business Expense Policy will limit hotels, food, travel, etc., and require the employees to submit a reimbursement form with attached original receipts; the Policy would also advise as to when employees can travel to conferences, trainings, etc. Allowing for per diem reimbursement would not suffice to justify the underlying "necessary" or "indispensable" purpose of the expense.

5. I was advised that instead of the standard expense reimbursement procedure described in 4 above, employees allegedly are or were given purchase cards, and there are no written directions on the use of purchase cards, and no advance or subsequent approval or disapproval of charges made on purchase cards. I cannot imagine that the attorney will approve the use of the purchase cards instead of formal expense reimbursement with approval by IVGID in advance of reimbursement payment to employees. I was advised of some of the described purposes for the purchase cards and would urge that some of the descriptions require scrutiny by your counsel for authorization under Dillon's Rule, including such things as "pizza for employees working non-stop", "Gung Ho" meeting at Brewforia, birthdays at MOFOS, lunch "after a tough week", food for a "going away party ". Lunch, dinner and food expenses really need to be reviewed by your lawyers as to whether they are necessary/indispensable to the performance of IVGID's powers, rather than merely convenient.

6. IVGID allegedly has parties for birthdays, and celebrations and brings in food for employees or gives gift certificates. Whether the Courts or practice considers these as necessary rather than convenient needs to be discussed with your counsel.

7. It has been challenged that IVGID employees like the former General Manager, take people out to dinner as business entertainment. In one case Mr. Pinkerton took out the IVGID lawyers to dinner and was reimbursed. Again, the attorneys should advise as to what authority IVGID has for such activities, and when it is appropriate if at all, under Dillon's Rule to take people out for dinner who are being paid to provide services to IVGID, or otherwise.

8. Employees are allegedly rewarded with "IVGID bucks". Again, this should be reviewed by an attorney, and this activity if approved should be documented in your formal procedures.

In my opinion, a lawyer with expertise in municipal law as applied specifically to General improvement Districts should give you written direction on:

1. What IVGID can and cannot do with respect to the types of expenditures described above, and others that you may have heard challenged;
2. Review and approve written policies that are drafted and a reimbursement form, and
3. Advise you what you need to do going backwards if Dillon's Rule has been violated.

If your lawyers have already given advice on the above issues, hopefully the audit committee can get access to the writings they sent. If the legal advice was oral, I hope you will have the attorneys put it in writing to show IVGID's good faith reliance on the advice of counsel. And for going forward, I would hope that you get advice from your counsel. Dillon's Rule is very strict as applied to GIDs, and without the advice of lawyers I frankly do not see how you can be sure you are in compliance with the Rule.

Please know that I am personally very happy with IVGID. My husband and I purchased our home in Incline in 2013, in large part because of the wonderful amenities IVGID has built, the recreation center, Diamond Peak, the golf courses, and the trails. I am only writing this email because I want IVGID to know about these concerns that are being expressed by local residents, and to enable IVGID to review these concerns so as to be sure that Incline is operating in accordance with all applicable laws, including Dillon's Rule. I also know that sometimes it is hard to change past activities that employees view as benefits, and that sometimes employees forget that a GID or governmental entity is different than a

regular business. But for the protection of IVGID, I think that these concerns should be looked at promptly, and addressed by the audit committee as needed.

Very truly yours,

Diane L. Becker

Las Vegas City Hall, photo courtesy of the City of Las Vegas

DILLON'S RULE IN NEVADA

BY BRIAN CHALLY, ESQ.

Iowa Supreme Court Justice John Forrest Dillon penned his way into a measure of legal fame when he formulated the principle known as Dillon's Rule, in *Merriam v. Moody's Ex'rs*, 25 Iowa 163, 170 (1868).

He wrote:

In determining the question now made, it must be taken for settled law, that a municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words; second, those necessarily implied or necessarily incident to the powers expressly granted; third, those absolutely essential to the declared objects and purposes of the corporation – not simply convenient, but indispensable; fourth, any fair doubt as to the existence of a power is resolved by the courts against the corporation – against the existence of the power.



Five months earlier, Nevada Supreme Court Justice J. F. Lewis enunciated the same principle in *Tucker v. Mayor and Bd. of Alderman*, 4 Nev. 20, 26 (1868), noting that this

was a “general proposition,” and apparently so well understood that no citation to authority was necessary. Lewis, however, lacked the reverberation of the author of *Treatise on the Law of Municipal Corporations*, first published in 1872, and a seminal work on the subject until well into the 20th century.

Today, approximately 31 states follow a strict version of Dillon's Rule; nine others are blended, with the rule not applying to some local entities, and 10 are home rule states. Dillon's Rule has been frequently described as a canon of statutory construction, but it does not function as a

The 9/11 World Trade Center Monument, outside of Elko's City Hall.

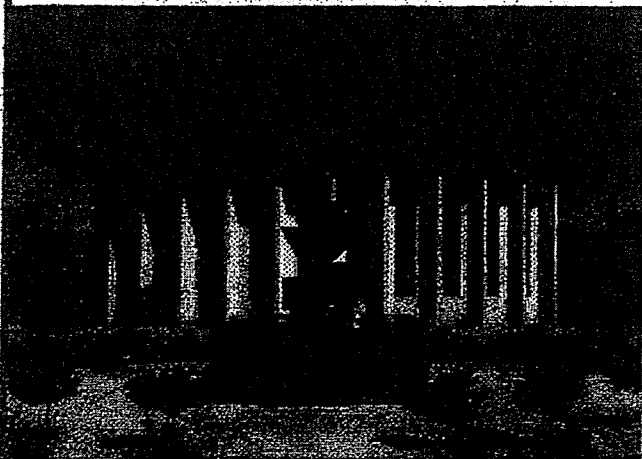


Photo courtesy of Curtis Calder, Elko City Manager

standard rule of construction where the intention of the enactment is to be discerned, if possible, from the language or, if necessary, from the statutory language or context of enactment.¹ Instead, it is a substantive, judicially-created rule that measures local government actions or enactments against its narrow standards and presumption — express, necessarily implied, absolutely essential, presumed not to exist.

Dillon's Rule is still an active factor in the Nevada municipal landscape, turning up in differing shapes in cases involving local entities and receiving detailed discussion in recent legislative sessions. This article will briefly recount that case law and legislative activity.

Local Government Creation

Legislative creation of, and control over, local governmental entities stems from several constitutional provisions. Municipal corporations can be created in two ways. The first, under Nev. Const. art. 8, § 1, provides for creation by special law (NRS 46, city charters). The second, under Nev. Const. art. 8, § 8, allows for creation under general laws (NRS 266 (cities) and 318 (general improvement districts)). The third provision, Nev. Const. art. 4, § 25, applies to the creation of a uniform county and township government throughout the state (NRS 243, 244).

Thirteen Nevada cities exist by special acts created by city charters. Special acts have also been used to create approximately 14 other municipal corporations. Incorporation of cities by general law has been used for seven cities (most recently Fernley in 2001). Creation of districts, under general laws, to carry out specific functions is common and varied (from general improvement districts to weed control districts).

Nevada Cases

Eight years after the Tucker decision, the court decided *State ex rel. Rosenstock v. Swift*, 11 Nev. 128 (1876), a case challenging the legislature's appointment of initial city officials as part of the law creating Carson City. The application of the rule to cities or other municipal corporations was affirmed and the unbounded constitutional authority of the legislature over their creation and existence was recognized.

The principle was first extended to counties in *Waltz v. Ormsby County*, 1 Nev. 370, 377 (1865): "[A]nd that such officers can have no powers except those expressly granted by the legislature, is too well established to admit of question now." It continues to the present day. *State ex rel. Harvey v. Second Judicial Dist. Court*, 117 Nev. 754, 773, 32 P3d 1263 (2001) ("Counties are legislative subdivisions of the state and obtain their authority from the legislature").

Most probably, the absence of cases involving special districts stems from the fact that such districts are created to carry out relatively narrow, statutorily specified purposes with the method of financing those activities also prescribed by the underlying statute. This is far different from the situation Nevada cities and counties face: an increasing myriad of functions imposed by the state or federal governments, with a taxing regime almost fully centralized and controlled by the state government.

Variations of Dillon's Rule appear in at least three forms. One involves police power regulation of enterprises involving liquor, gaming and adult entertainment.² As one commentator has noted, the court, in cases such as these, appears willing to apply a more flexible, "sensible" or "reasonable" reading of the rule.³ A second involves preemption by state law, as in *Lamb v. Mirin*, 90 Nev. 329, 526 P.2d 80 (1974), or a conflict with state law, as in *Falcké v. Douglas County*, 116 Nev. 583, 3 P.3d 661 (2000). Third, a version of the rule has also been applied to state administrative agencies, as in *City of Henderson v. Kilgore*, 122 Nev. 331, 131 P.3d 11 (2006).

Against this backdrop, generations of Nevada lawyers have advised their local government clients to proceed with caution, relying upon explicit statutory language.

Nevada Legislation

The Nevada Legislature has been contemplating the dichotomy of Dillon's Rule and home rule for more than 60 years. A 1952 Legislative Counsel Bureau report (*Home Rule in Nevada*) highlighted the significant number of local measures introduced in a legislative session (15 percent in 1947), which, in the 2007 session, was approximately 9 percent. Issues identified with so much local legislation included undue demands on the time of legislators in a limited session; a concomitant reduced amount of time for statewide matters; log rolling with members voting for another's local legislation in return for favorable votes on their own legislation; and cursory examination of local legislation because of a lack of interest by a nonresident legislator.

Recent legislative attempts to readjust the balance have resulted in the introduction of bills to accomplish this goal.

In 2005, the Senate Government Affairs Committee introduced Senate Bill (SB) 427, which, for counties, sought to abolish Dillon's Rule and impose a liberal construction upon county powers. The power to impose or increase a tax was restricted, requiring specific statutory authorization.

The committee allowed SB 427 to expire silently and automatically, without a hearing under Joint Standing Rule 14.3.1.

continued on page 8

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DILLON'S RULE IN NEVADA

continued from page 7

The 2007 legislature took up the mantle, introducing SCR 10, calling for an interim study "concerning the powers delegated to local governments." A premise of the resolution was that "[a]llowing greater autonomy for local governments may promote more efficient use of limited governmental resources." The subjects of the study were to be the "structure, formation, function, and powers of local governments," the fiscal impact of abolishing Dillon's Rule, the feasibility of increasing local government powers and the experiences of states that had previously rejected Dillon's Rule. No further action was taken, and no interim study was conducted.

In 2009, a different tack was taken, with the introduction of SB 264. The bill shifted all tax authority – property, sales, room and fuel – to local governments. The bill sponsor, Senator Terry Care, noted the 2007 attempt at an interim study: "I had no success with this request. I am term-limited, so I am not requesting a study, but am trying to pass legislation." Care emphasized that local officials should be accountable to their constituents for taxing decisions, not legislators who often do not even reside in the locality seeking a tax increase. Senator William Raggio (and others) raised the question of statewide consistency: "Without limitation, control, supervision or monitoring, local governments will freewheel and compete for tax dollars. I can see problems ... Home rule cannot freewheel." Hearing on SB 264 Before the Senate Committee on Government Affairs 15, 17 (March 25, 2009).

At a followup Government Affairs Hearing eight days later, the winds had shifted, and so had Care: "Senator Care said SB 264 was perceived as a protax bill ... He proposed deleting the bill in its entirety and replacing it with language found in SCR 10 of the 74th Session." This time, the legislature authorized the formation of the Committee to Study Powers Delegated to Local Governments.

The eventual committee report made two main recommendations:

1. Create an advisory committee on intergovernmental relations, and
2. Adopt an incremental, Indiana-style approach to granting local governments additional powers.

Although both were introduced (as SB 385 and 392) in the 2011 session, they languished in Senate Committee on Government Affairs and perished, pursuant to Joint Standing Rule 14.3.3.

SB 385 – applied to both cities and counties, but not to other political subdivisions – abrogated Dillon’s Rule, and proposed a presumption that any doubt as to the existence of a power must be resolved in favor of its existence. The bill emphasized that a board is granted its powers by statute, as well as “[a]ll other powers necessary or desirable in the conduct of [its] affairs.” One limitation on the power to act is an express denial by the United States and/or Nevada Constitution, or by a statute. A second is if the power is granted to another entity. A final limitation involved prohibitions on conditioning or limiting civil liability, enacting laws governing civil actions, imposing duties on another political subdivision, imposing a tax – regulating in place of a state agency and ordering or conducting an election.

Proponents argued that the bill provided a list of limited powers and that, ultimately, the legislature could revoke the authority granted by the bill should it wish to do so. They also pointed out that bills do not get out of committee for a number of reasons, and that cities and counties, for reasons having nothing to do with the merits of a bill, must wait 18 months, under Nevada’s biennial legislative schedule, to again pursue the bill. The bill was voted out of the Senate Government Affairs Committee and sent to the Assembly Government Affairs Committee. Hearing on SB 385 Before the Senate Committee on Government Affairs 29, 31-32 (April 8, 2011).

The Assembly Committee provided a different reception. There was concern about the breadth of the expansion of powers, about the ability of local entities to responsibly handle new authority and about the quality and consistency of legal advice provided to local authorities. After this hearing, no further action was taken and SB 385 expired, pursuant to Joint Standing Rule No. 14.3.3. Hearing on SB 385 Before the Assembly Committee on Government Affairs 10, 13-14 (May 2, 2011).

The present session has seen the introduction of SB 2, a duplicate of SB 385 from 2011. The bill applies to counties and cities. Hearings were held on February 27 and April 12, before the Senate Government Affairs Committee, followed by an 18 to 2 floor approval on April 18.

Conclusion

Some form of Dillon’s Rule has been a part of Nevada’s jurisprudence since early in its statehood. Recent efforts to abrogate the rule have included carefully demarcated areas (notably, taxation powers) where it will still apply in its present form. Passage, as has been repeatedly stated in committee testimony, would allow cities and counties much greater flexibility in dealing with mundane, day-to-day issues, such as naming rights for parks, graffiti removal or the towing of cars. ■

1. *Maynard v. Johnson*, 2 Nev. 16, reh’g denied, 2 Nev. 25, 33 (1866) (“Impressed by these influences and consideration, they passed the law, from the bowels of which we seek to eviscerate its meaning. Evisceribus Actus, What is its true meaning.”); Elijah Swiney, John Forrest Dillon Goes to School: Dillon’s Rule in Tennessee Ten Years After Southern Constructors, 79 Tenn. L. Rev. 103, 107-08 (2011).
2. *Ex Parte Sloan*, 47 Nev. 109, 217 P. 233 (1923); *State ex rel. Grimes v. Bd. of Comm’rs*, 53 Nev. 364, 1 P.2d 570 (1931); *Flick Theater, Inc. v. City of Las Vegas*, 104 Nev. 87, 752 P.2d 235 (1988).
3. *Louis v. Csoka*, *The Dream of Greater Municipal Autonomy: Should the Legislature or the Courts Mofify Dillon’s Rule, a Common Law Restraint on Municipal Power?*, 29 N.C. Cent. L. J. 194, 206-07 (2007).

BRIAN CHALLY is Legal Services Director for the Las Vegas Valley Water District and Southern Nevada Water Authority.

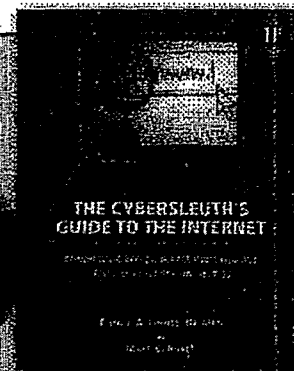
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Item 4.C.

From: cfdobler@aol.com <cfdobler@aol.com>

Sent: Tuesday, April 21, 2020 9:49 PM

To: Matthew Dent; Sara Schmitz; Tim Callicrate; Peter Morris; Wong, Kendra; Winquest, Indra S.;
Chorey, Nathan P.

Cc: linda@marknewman.net

Subject: 2nd Request to amend the 2019-2020 State Budget to comply with the law

Attached is Linda Newman and my second request to amend the 2019-2020 Budget Form 4404LGF to avoid violation with the law along with other issues.

We would like a response since it has been over 7 months without any action taken by this Board or any response from the Audit Committee.

Cliff Dobler and on behalf of Linda Newman

Herron, Susan

From: Sara Schmitz
Sent: Wednesday, April 22, 2020 9:05 AM
To: Herron, Susan
Subject: Fw: 14 points of errors in CAFR
Attachments: 1- 2019 CAFR errors - Improper change in Accounting and Reporting from Business Activities to Governmental Activities.docx; 2- 2019 CAFR errors - Capitalization of repair work on Effluent Pipeline.docx; 3- 2019 CAFR errors - Improper reporting as Constuction in Progress feasibility and master plan studies rather than expenses.docx; 4- 2019 CAFR errors - False recording of revenues - Punch Cards..docx; 5 - 2019 CAFR errors - Unallowable transfers from Special Revenues Funds to General Funds for Central Services Cost Allocations.docx; 6 - 2019 CAFR errors - Use of a false assertion to record Utility Fund deferred revenues as current revenues.docx; 7 - 2019 CAFR errors - Incorrect statement in Note 19 Commitments Affecting Future Periods.docx; 8- 2019 CAFR errors - Improper Reporting of Revenues and Expenses - Statement of Activities.docx; 9- 2019 CAFR errors - Failure to properly report grants for the Incline Park Ball Fields.docx; 10- 2019 CAFR errors - Failure to expense repairs, to report commitments, and fund balance commitments -Mountain Golf Course Clubhouse.docx; 11 - 2019 CAFR errors - Failure to disclose major leases.docx; 12 - 2019 CAFR errors - False statement on use of Fund Balance in Notes to Financial Statements.docx; 13- 2019 CAFR errors - Failure to disclose comitted Community Service Special Revenue Fund Balance for contracts.docx; 14 - 2019 CAFR errors - Inconsistent reporting for Note 1E in Notes to Financial Statements.docx

Sara Schmitz

Incline Village General Improvement District Trustee
893 Southwood Blvd.
Incline Village, NV 89451

925-858-4384



From: Sara Schmitz <schmitz61@gmail.com>
Sent: Tuesday, April 21, 2020 8:01 AM
To: Paul C. Navazio
Subject: FW: 14 points of errors in CAFR

Paul,

I was wrong. Linda wanted you to have the details so you could better understand each point. If you have questions, please reach out to Linda Newman.

Sara

Sara Schmitz
(925) 858-4384

[Incline Village Crystal Bay Community 1st](#)

From: cfdobler@aol.com [mailto:cfdobler@aol.com]
Sent: Tuesday, April 7, 2020 1:57 PM
To: schmitz61@gmail.com
Subject: 14 points of errors in CAFR

Linda asked me to send these. Errors in 2019 CAFR She claims you never got them

I left them in word so you can redline if you want.

Number 1

Improper change in Accounting and Reporting from Business Activities (Enterprise) to Governmental Activities

There could be no basis in changing the accounting and reporting of the Community Services and Beach Funds from Enterprise funds to Government funds.

Historically, up until June 30, 2015, the activities of the recreational venues of the Community Service and Beach venues were accounted for and reported as Enterprise funds based on a bedrock of facts:

1) Nevada Revised Statutes 354.517 defines an enterprise fund as a fund established to account for operations (1) which are financed and conducted in a manner similar to the operations of private business enterprises, where the intent of the governing body is to have expenses (including depreciation) of providing goods or services on a continuing basis to the general public, financed or recovered primarily through charges to the users.

2) Paragraph 67 of GASB #34 states:

that an enterprise fund may be used to report any activity for which a fee is charged to external users for good or services.

Activities are **required** to be reported as enterprise funds if any **one** of the three criteria are met

Two of the three conditions are met as follows:

Laws and regulations require that the activity's cost of providing services, including capital costs (such as depreciation), be recovered with fees and charges, rather than with taxes or similar revenues.

Note: NRS 318-197

The pricing policies of the activity establish fees and charges designed to recover its cost, including capital costs (such as depreciation or debt service)

Note: Board Policy 6.1.0

All of the above requirements for enterprise accounting are met by the facts from the citations above. Historically, IVGID reported

Mr. Eick, Director of Finance for f IVGID in conjunction with the former GM Pinkerton and Legal Council Jason Guinasso chose to ignore the facts and created an **alternative set of facts**.

1) Decided the recreational venues were not conducted in a manner similar to a private business. Other than providing services for Parks, all remaining venues Golf, Ski, Facilities, Recreation Center and Tennis

are operated similar to a private business and most revenues are obtained from these business activities.

2) Ignored that the primary sources of revenues from the activities were charges to users. Substantially all revenues of both Community Services and Beach venues are charges to users (which include the Facility Fees).

3) Decided that the Facility Fees collected pursuant to NRS 318-197 were no longer charges for services but somehow were a tax and subsequently considered an **imposed non exchange transaction** (which are defined as taxes, fines, penalties, Gift/donations, grants, entitlements, and promises to give). This is totally false. The Facility Fees are exchange transactions. In exchange for payment of the Facility Fee, parcel owners can obtain Resident Cards and Punch Cards which can be used to obtain lower user rates at the recreational venues. Approximately 22,000 Resident Cards and 11,000 Punch Cards are obtained annually by residents. These residents obtain the Cards because they obviously believe that an equal value or more value is received via lower user rates at recreations venue in exchange for the payment of the Facility Fees.

4) Decided that the Districts pricing policies had changed yet Board Policy 6.1.0 adopted by the Board and effective on July 1, 2015 had not changed

5) Created Note 19 - Subsequent Events in the CAFR for fiscal year ending June 30, 2014

*"Effective July 1, 2015, with its new fiscal and budget year, the District began utilizing Special Revenue, Capital Projects and Debt Service governmental fund accounting for the Community Services and the Beach Fund., which have to date been accounted for as enterprise funds. The District **has changed its approach to the pricing of services** and in particular recognizes that the use of the facility fee to provide recourses for capital expenditures and debt service **cannot be displayed in a readily understandable fashion for its constituents.**"*

There is no evidence that the approach to the pricing of services has ever changed. A change in accounting and reporting is not guided by constituents not being able to understand how funds are displayed.

At the December 16, 2015 IVGID Audited Committee meeting, Mr. Dan Carter of EideBailly provided answers to questions by members of the Audit Committee regarding the change in accounting. In response Mr. Carter stated: *"I guess I'll caveat the discussion with the fact that you know again that's a management decision and a board approved decision. We can't be in anyway be seen as approving those functions because we have to keep our independence with management what goes on up here."*

In another statement Mr. Carter stated: *It is unusual up here when we use the word fee like the Community Services fee and the Beach fee because it's actually technically a tax.*

It is quite clear that EideBailly never provided an opinion on the accounting transition, however, it was stated by IVGID management that the auditors provided consent for the transition. In addition, IVGID management stated that the Department of Taxation had approved the transition. This was totally false.

The basis assumption that the Facility Fees was a tax rather than a charge for services created a misguided understanding of the actual revenues being collected from parcel owners.

A separate opinion by EdieBailly is required that the change in accounting and reporting for the Community Services and Beach venues from Business activities to Governmental activities was either appropriate or inappropriate, based on GASB #34 and NRS.

:

Number 2

Error in Capitalizing conditions assessments and temporary repair work on the Effluent Pipeline which must be expensed

Statement of Net Position (CAFR page 21), Statement of Activities (CAFR page 22) Statement of Net Position (CAFR page 30), Statement of Revenues, Expenses, and Changes in Net Position (CAFR Page 31) and Notes to Financial Statements (CAFR pages 34-56). Also Management Discussion and Analysis and Transmittal Letter will be affected.

Since 2012, IVGID intended on replacing 6 miles of Effluent Pipeline in State Highway 28 and increased customer utility rates to provide resources for the replacement.

After a major spill from a leak in the effluent pipeline occurred in 2014, the Nevada Department of Environmental Protection ("NDEP") required IVGID to "provide a plan that shall immediately implemented to evaluate and repair or replace the export pipeline to protect Lake Tahoe and the Tahoe Basin from future unanticipated discharges". IVGID immediately conducted a conditions assessment on the 6 miles of pipeline which had cumulated costs of approximately \$1.4 million over a three year period. These costs were initially recorded as construction in progress then transferred to Capital Assets to be depreciated. These assessments were required by the NDEP mandate and should be expensed.

Approximately \$1.2 million was spent in 2017 and 2018 to repair only 1,080 linear feet of effluent pipeline which costs was recorded as construction in progress and then transferred to Capital assets in 2019. These repairs were temporary in nature to satisfy NDEP mandates and should have been expensed as incurred. The District intends to relocate the existing effluent pipeline to the center of Highway 28 which will result in abandoning the existing pipeline within the next three years. The costs do not meet the requirements of Board practices or required minimum life of 10 years. According to Board Practice 2.9.0 - 1.2.4 any repair or refurbishment that will be capitalized, the outlay will substantially prolong the life on an existing fixed asset, rather than returning the asset to a functioning unit or making repairs of a routine nature.

An additional \$546,000 (21%) of charges from the Internal Services Engineering Department relating to the assessments and repairs was also transferred from Construction in Progress to Capital Assets. These charges must be expensed.

By capitalizing these costs and depreciating the costs over an extended time period the financial statements of the Utility Fund are distorted and hides the actual expense impact of mandated assessments and temporary repairs.

According to Note 1J Significant Accounting Policies (CAFR page 40) the capitalization depreciable life for infrastructure assets are between 10 and 50 years. As such these repairs costs must be expensed.

These charge offs of approximately \$3,100,000 will have a material impact on the Utility Fund Statement of Net Position (CAFR page 30), the Statement of Revenue, Expenses, and Changes in Net

Position (CAFR page 31) and the Statement of Cash Flows (CAFR page 32). Also the Statement of Net Position for the entire District (CAFR page 21) will required restatement.

In addition, Note 4 (CAFR page 46) and Management Discussion and Analysis (CAFR pages 15 & 19) will require corrections

Number 3

Feasibility and Master Plan Studies should be reclassified from Construction in Progress to expenses of Special Revenue Funds and Utility Fund affecting Statement of Net Position - (CAFR page 21), Statement of Activities (CAFR page 22), Statement of Revenues and Expenses (CAFR page 25), Statement of Revenues and Expenses (CAFR pages 28 & 29) Statement of Net Position (page 30) Statement of Revenues and Expenses (page 31), Statement of Cash Flows (page 32), Notes to Financial Statements (CAFR page 46)

Feasibility and Master Plan Studies

Several consultants have provided studies on recreational venues which costs have been recorded as construction in progress. These studies are updates to master plans, recommendations for rehabilitation of existing facilities or potential new facilities. There was no construction in progress nor is there any assurance that any recommendations will be accomplished.

The following is the list of studies that have been recorded as construction in progress.

Governmental Funds

| | | |
|--|-------------------|--|
| Ski Area Master Plan Implementation - Phase 1 | \$67,302.73 | Speculation - on short term ground lease |
| Ski Area Master Plan Update & Summer Activities Assessment | 156,029.78 | Speculation - on short term ground lease |
| Tennis Facility Study | 40,142.24 | Did not follow recommendations |
| Parks and Recreation Master Plan Update | 261,501.64 | Speculation |
| Incline Beach Facility Study | <u>133,759.86</u> | Speculation |
| | \$658,736.25 | |

Enterprise Fund

| | | |
|---|--------------|---------------------------------------|
| Cost sharing with Tahoe Transportation District - Environmental Assessment Effluent Pipeline Co-Location in Bike Path | \$300,000.00 | Speculation - Probably of abandonment |
|---|--------------|---------------------------------------|

These studies should be expensed and removed from construction in progress

Number 4

Improper recording of revenues described in Note 1T as a significant Accounting Policy called "Punch Cards Utilized" and in Note 18 as a Segment Information and failure to disclose the resulting cash interfund transfers in Note 7 and required payments to parcel owners that have no Beach access.

This accounting scheme was initiated in fiscal year 2013 to increase noncash charges for services (revenues) in the Beach Fund (through 6/30/2014) and the Beach Special Revenue Fund (effective 7/1/2016 ("BSRF")) and subsequently offset 100 % of those revenues by a contra revenue charge in the Community Service Fund (through 6/30/2014) and the Community Services Special Revenue Fund (effective 7/1/2016 ("CSSRF")), resulting in a cash transfers of approximately \$2,230,000 since 2013. In fiscal year 2019 \$468,000 was transferred from the CSSRF to the BSRF.

As a result for fiscal year 2019 revenue from charges for services of the BSRF have been overstated by 43% and correspondingly revenues from charges for services of the CSSRF has been understated by 3.7%.

In addition, based on the May 22, 2019 board resolution 1871, a total of 455 parcel owners have been charged a facility fee which allows the use of only Community Services venues but their share of those facility fees have been transferred to the Beach venues in which they do not participate. These parcel owners represent 5.55% of all parcel owners and their share of the facility fee paid or \$26,000 (\$468,000 X 5.55%) has been transferred to the Beaches. Since 2013 \$124,000 of revenues from parcel owners not participating in the Beach venues have been transferred to the Beach Fund.

No revenues should have been recognized as the value of each punch card had been paid and recorded as revenues when the Recreation Facility Fee and Beach Fee was paid. No revenues were created by subsequently using a punch card to obtain a lower charge for services (user fees) at the recreational venues. This accounting scheme is a double booking of revenues with unrelated contra revenue offsets.

At the December 16, 2015 IVGID Audit Committee meeting, Mr. Dan Carter, provided answers to the Committee members questions, which indicate he did not have an understanding of what false accounting was transpiring and stated that IVGID had a policy for the accounting. There is no policy.

According to GASB #34 paragraph 122 Segment Information in Financial Statement Notes should be used only for enterprise funds. The CCRS and BSRF are not enterprise funds.

EideBailly must provide an opinion on the validity of the accounting and reporting complying with Nevada law, GAAP and GASB for "Punch Cards Utilized" transactions.

Number 5

Unallowable transfer of Funds for Central Services Cost Allocations. (Note 1S) (CAFR page 42)

Since July 1, 2015 certain unlawful transfers have been made from the Community Services Special Revenue Fund (CSSRF) and the Beach Special Revenue Fund (BSRF) to the General Fund based on provisions of NRS 354.613 subsection C and Board of Trustee Policy 18.1.0. Both the NRS and Board Policy only relate to Enterprise Funds. Both the CSSRF and the BSRF are governmental funds not enterprise Funds.

After a September 23, 2019 letter from Clifford F. Dobler and Linda Newman, Incline Village citizens, expressing concern about the illegal transfers made based on the above NRS and Board Policy, the IVGID Director of Finance, Gerald Eick, indicated in a memorandum to the IVGID Audit Committee dated November 27, 2019 that the transfers were made based on "following State guidance to share defined costs in the General Fund between operating governmental and enterprise funds." A subsequent public records request revealed that IVGID cannot produce the State Guidance. There is also no evidence that the Auditors opined.

Since July 1, 2015 and including the budget for fiscal 2020, a staggering \$3,874,900 has been transferred from the CSSRF and the BSRF to the General Fund under the guise of Central Services Cost Allocations.

Several Basic Financial Statements will require restatement if the Central Services Cost Allocations were not allowed.

A written opinion from EideBailly must be obtained.

Number 6

Use of a false assertion to record Utility Fund deferred revenues (unearned) of \$433,980 as current revenues in the Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net Position (CAFR page 31) causing an increase in Net Position on Proprietary Funds - Statement of Net Position (CAFR page 30).

IVGID currently bills customers monthly in advance a minimum base rate for water and sewer service which will be delivered in the subsequent month. The billings are recorded as a receivable but a portion of the billing has historically been deferred and recorded as unearned revenue because the base rate is billed in advance of the services being provided.

In fiscal year 2019, Mr. Eick, Director of Finance, decided on his own, that the advanced billings of base water and sewer rate should be considered current revenues based on a **false assertion** that base rates are a "non-exchange transaction" because the billing components are not tied to the receipt of any quantity of water and sewer services" (item #4 of Memorandum dated November 27, 2019 from Gerald W. Eick to the IVGID Audit Committee).

The base rates for water and sewer services are charged to customers in EXCHANGE for providing a future service and could not be considered as a tax, a fine, or donations which are examples of NON EXCHANGE TRANSACTIONS. Mr. Eick's narrative is NOT A LOGICAL EXPLANATION FOR NO LONGER DEFFERING BASE RATES BILLED IN ADVANCE

Apparently during the course of the audit performed by Eide Bailly L.P. (Auditor) this change in accounting was discovered by the Auditor and considered the change to be a misstatement. Rather than correct the misstatement, Mr. Eick and Lori Pommerenck, Controller, provided the following statement in the Management Representation Letter to Auditor dated November 18, 2019:

"The effects of the uncorrected misstatement below aggregated by you during the current engagement is immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole:

| | |
|---------------------|----------------|
| Revenues | 417,402 |
| Net Position | 417,402 |

To pass on recording the prior year impact to revenue for nonexchange fees billed in advance

It is quite apparent, the decision NOT to correct the misstatement was by IVGID management and the Auditor may be seeking legal protection through reliance on Managements representatons.

Also note the amounts used in the Memorandum to the Audit Committee and the Representation Letter to the Auditor do not agree and are different by \$16,578. How is it possible that the Memorandum to the Audit Committee dated November 27, 2019 would have different amounts than the CAFR and Representation Letter delivered on November 18, 2019?

Materiality is not the issue as Utility Fund revenues have been overstated by only 3.4%. The false assertion created by Mr. EICK was delineated in the Memorandum to the Audit Committee involving EideBailly which stated: "However further discussions with the Auditors found a more compelling factor is that they are a non exchange transaction because the billing components are not tied to the receipt of any quantity of water or sewer services."

Question for EideBailly - Are advanced billings for basic water and sewer services considered a non exchange transaction and if so why would that matter on not deferring advanced billing?

Number 7

Incorrect statements and failure to report all commitments in Note 19 - Commitments Affecting Future Periods (CAFR pages 54-55), and failure to report contractual arrangements as committed fund balance on the Balance Sheet of Governmental Funds.

- Capital Improvement Project Budget Carryover -

The following projects had committed Budgets outstanding but were not included

Incline Park Facility Renovation - \$1,174,741 affecting Community Service

Purchase of Vector Truck - \$416,564 affecting Utility Fund

Incline Creek Park Restoration - Amount of the carryover should be \$303,895 which is the unspent amount of two contracts. Only \$214,000 was included in the project carryover thus understating the carry over amount by \$89,895.

- The District has committed to these contractual arrangements for capital improvement projects-

Failure to report a roofing contract with Kodiak Roofing & Waterproofing dated 9/13/2017 for \$77,535. Work on the contract did not start until September 2019. The contract amount was included as a Capital Improvement Project budget carryover.

NOTE: The contracts reported in this section plus the contract above relating to governmental funds should be reported as a committed fund balance on the Balance Sheet (CAFR page 23) Total amount \$1,685,966

GASB Statement #54 paragraph 10 provides the requirements for Committed Fund Balance

"Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance"

The specific purpose would be the future contract costs. There is no longer intent to be an "Assigned" fund balance as an obligation was created.

The constraints imposed would be approval of the contracts by IVGID Board of Trustees (they being the highest level of decision-making authority)

- Budgeting for Fiscal Year Ending June 30, 2020

The General Fund 2019/2020 Budget provided for a TRANSFER of fund to the Community Services Special Revenue Fund for only \$561,800 and DID NOT include a transfer of \$145,000 in contingency. These transfers violate NRS 354.6117, as the funds were specified for the Mountain Golf Course Clubhouse Renovation. The \$788,870 transfer exceeds the limitation imposed in NRS 354.6117 which is 10% of the total amount of the budgeted expenditures of the general fund.

The narrative fails to address the actual Fund name.

According to the narrative a total of \$4,037,091 of accumulated resources in the Community Services Special Revenue Fund and \$625,729 in the Beach Special Revenue fund will be used for capital projects in direct violation of GASB Statement #54 paragraph 30

As Stated: "Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects".

Note: Separate capital project and debt service funds for the Community Services venues and the Beach venues were established by Resolution by the Board of Trustees effective July 1, 2015 and were discontinued as stated in the Letter of Transmittal (page 4) of the CAFR. Disclosure in the Notes to the Financial Statements would be required.

EdieBailly must opine on apparent non compliance with GASB #54

Number 8

Improper Classification of Revenues in the Statement of Activities for the year ended June 30, 2019 (CAFR page 22)

A. The Statement of Activities lists \$1,169,000 as Program Revenues -Charges for Services as received by the General Fund. These charges were generated by Central Services Cost Allocations (which may have been illegal transfers).

These charges are not revenues but reduction of expenses as indicated in the Governmental Funds Fund Statement of Revenues and Expenses (CAFR - page 25) and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance (CAFR - page 27).

B. The Statement of Activities also lists Facilities Fees of \$6,756,410 as General revenues of Governmental activities. The Facility Fees are NOT General revenues but are fees charged to parcel owners for the specific use of making facilities available for all Community Services and Beach recreational venues. These Facility Fees are not general revenues but are specific revenues for the two funds mentioned above.

The Facilities Fees are authorized to be collected by NRS 354.197 as fees (charges for services) for specific purposes.

The Facility Fees must be listed as a Program Revenues under Charges for Services for the Community Services and the Beach and must be reclassified.

C. The Internal Services fund has been named Fleet, Engineering, Bldgs. & Workman's Comp apparently to confuse the reader and should be corrected.

Number 9

Failure to report a grant for the Incline Park Ball Fields

Failure to report a major grant of \$1,409,201 from the Incline-Tahoe Parks and Recreation Vision Foundation, Inc. via a Memorandum of Understanding dated March 18, 2019, as a Grant Receivable and also a Deferred Revenue (possibly a current revenue) which effects the Statement of Net Position (CAFR page 21 and the Balance Sheet (CAFR page 23). GASB #33 (paragraph 19, 20, 21) clearly states that once all of four eligibility requirements are satisfied (there is no time limit) the grant commitment should be recorded as a receivable and as a revenues even though expenditures have not occurred.

The \$1,298,341 construction contract for the Ball fields project was issued in May, 2019 and was disclosed as a contractual arrangement in Note 19, however, was NOT included the **Capital Improvement Project Budget Carryover** section of Note 19.

EdieBailly should provide an opinion on compliance with GASB #34 regarding accounting treatment for this grant.

Number 10

Mountain Golf Course Clubhouse Fire Damage Short Term Rehabilitation

Improper classification of temporary fire damage repairs as construction in progress rather than an operating expense

Fire damage repairs of \$150,751 were completed on the interior of the Mountain Golf Course Clubhouse during fiscal 2019 in order to operate the facility for the 2019 golf season and thereafter would be abandoned as a complete renovation of the exterior and interior of the facility would begin in September 2019. These repairs were recorded as construction in progress. On August 14, 2019, contracts, staff time and a contingency budget for \$1,192,000 was approved by the Board of Trustees for a complete renovation of the facility.

The fire damage repairs must be removed from Construction in Progress and charged off as an expense. There was never an intend to extend the life of these repairs past the 4 month golf season.

There are several financial statements which will have to be restated together with Management Discussion and Analysis

Note 11

Failure to disclose major leases with the U. S Department of Agriculture Forest Service and Parasol Foundation Inc. in Note 16 - Lease Obligations (CAFR page 53)

IVGID has a Special Use Permit (effectively a lease) dated 7/17/2014 with the following basic terms:

361 acres of National Forest Service Land is leased to IVGID which is 49% of the Diamond Peak Ski area

Expires on 12/23/2023

Permit is not renewable

New permit is required. Sole discretion of Forest Service

Land use fees are various percentages based on 49% of the adjusted gross income from sales of Alpine and Nordic lift tickets, passes and ski school operations.

Monthly payments are required if previous year payments exceed \$10,000

Total payment in fiscal year 2019 is unknown.

IVGID leases 2.35 acres of land which IVGID owns to the Parasol Foundation Inc. who constructed a 31,500 square foot building with a grant from an outside donor.

The lease was executed 1/12/2000

The lease is for 30 years with 3 options for 10 years each

The lease is for \$1 per year

Only charities/non profits can occupy the building

Parasol must maintain a \$1,325,000 replacement endowment account during term of the lease

Parasol must keep the building substantially occupied during term of the lease

THE LAND WAS APPRAISED FOR \$1,000,000 ON JULY 7, 2017

Number 12

False statement in Note 1P Significant Accounting Policies to Financial Statements relating to Fund Balance

Note 1P (CAFR page 41) regarding information provided on Fund Balance which states:

"An assigned fund balance can be specified by the District's General Manager"

It is quite unclear what that statement actually means. A reader may conclude that the \$14,036,495 reported as an assigned fund balance for the Community Services and Beach Special Revenue Funds (CAFR page 23) may have been given to the General Manager to be used as that person sees fit.

GASB # 54 paragraph 13 states there are three choices who would determine intent to have a Fund Balance Assigned

a) the governing body itself

b) a body (a budget or finance committee)

or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes

There is no Board Policy or practice which would support the statement made in Note 1P and it should be removed.

Number 13

Failure to report committed amounts of the fund balance for the Community Service Special Revenue Fund on the Governmental Funds Balance Sheet as of June 30, 2019 (CAFR page 23) to reflect commitments for three construction contracts executed in fiscal year 2020.

Three construction contracts for \$ \$1,608,341 as disclosed in Note 19 (CAFR page 55) were budgeted and executed in fiscal year 2019, however, construction was not started. As such, the fund balance of the Community Services Special Revenue Fund should reflect the commitment of the Fund Balance for these contracts.

In addition, a contract for \$77,535 executed on 9/13/2017 for replacing the roof at the Mountain Golf Course Clubhouse was outstanding at June 30, 2019. Construction did not commence until September, 2019. This contract should be also included in Note 19.

GASB Statement #54 paragraph 10 provides the requirements for Committed Fund Balance

"Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance"

The specific purpose would be the future contract costs (there is no longer intent to be an "Assigned" balance as an obligation was created.

The constraints imposed would be approval of the contracts by IVGID Board of Trustees (they being the highest level of decision-making authority)

"Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements."

Number 14

Improper reporting of Notes to Financial Statements

The Notes to Financial Statements - Index (page 34) lists Note 1E as Budgets and Budgetary Accounting yet Note 1E in the text (page 37) states: Compliance with Nevada Revised Statutes and Nevada Administrative Code.

This error needs correction.

MINUTES

AUDIT COMMITTEE MEETING OF APRIL 1, 2020 Incline Village General Improvement District

The Audit Committee meeting of the of the Incline Village General Improvement District was called to order by Trustee Tim Callicrate on Wednesday, April 1, 2020 at 4:00 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Trustees Tim Callicrate and Sara Schmitz. Trustee Matthew Dent joined the meeting, via telephone, during public comment.

Also present was Director of Finance Paul Navazio.

There were no members of the public present (State of Nevada, Executive Directive 006)

(7 individuals in attendance at the start of the meeting which includes Trustees and Staff.)

Trustee Tim Callicrate made some announcements about the meeting and the directives of the State of Nevada.

B. PUBLIC COMMENTS* - Limited to a maximum of three (3) minutes in duration.

Dick Warren said why does the management continue to employ obstruction in their reporting? He sent an e-mail to the Interim District General Manager asking why the District sent one thing to the State and another to the residents; he has received no response as of this date. It is pretty pathetic how IVGID runs its operations. He suggests bringing in an outside group to run it and noted that in the very old days, that is how it was run. Today, we run it our way and run it with our employees and we don't make money rather we lose money because IVGID doesn't talk about expenses. Recently, the Interim District General Manager admitted this is the way IVGID is run, community services benefit the community, these are really, really important programs that don't break even but that IVGID needs to supply them because if they don't then it is almost like the social fabric would break down. Well, if the participants like them, they can support them financially and not with a subsidy. Mr. Warren concluded by stating that he is very

concerned about the management of IVGID and its always operated this way so that is why he questions. It needs to change quickly and dramatically.

Frank Wright said that he is a candidate for the Board and there are concerns that are going around that our financials are unapproachable as we can't get printouts of bottom lines and now that we have a new Board in place, we thought by now, we would have total financial transparency. We also thought we would have access. More important is that this virus has shut down all of our facilities so that lack of income will have an impact and the relief will come from the Recreation Fee. If we don't have our facilities open, why continue to subsidy them and not get any reduced Recreation Fee or a refund. How many full time employees have been furloughed or put on lease – are we still paying a full Staff? Are we going to be subsidizing employees at full time pay scales? They will be released eventually as this could go on for quite a while. What is going to happen in our District?

Hearing no further public comments, Trustee Callicrate closed this item.

C. APPROVAL OF AGENDA (for possible action)

Trustee Callicrate asked for any changes; none were received so the agenda was approved as submitted.

D. GENERAL BUSINESS ITEM (for possible action)

D.1. Review, discuss and possibly take action to approve the Audit Committee Charter which will replace the content of Policy 15.1.0 (Requesting Trustee: Sara Schmitz)

Trustee Schmitz said she would like to extend a welcome to the new Director of Finance Navazio and express the appreciation to the time provided as he provided thoughtful ideas, in an email, to the Audit Committee Charter, and noted that it is wonderful to have the collaboration. In reviewing the comments from other Trustees and the Director of Finance, she didn't feel it was necessary to make any modifications to the draft presented today. Only thing added is the very last page - agenda packet pages 13 and 14. One of the things that is new is the participation of the at large members. It talks about the at large members and the method for appointment. It will be externally advertised such that we are looking for people to submit an application for those at-large positions and then it will go through a process that was similar to the appointee process. Our District Clerk was very kind and took the same documents that were used during the appointment

activity and updated them. The only thing that would be different, referencing agenda packet page 14, is the declaration stating that you are a resident in the community; not sure if that should be a requirement to be an at-large member of the Audit Committee.

Chairman Dent said he had no questions at this time or stage so let's get this out of the committee and to the Board and that he might have a couple of suggestions at that point. Trustee Callicrate said he doesn't have any comments either. This is a great opportunity to move this forward and have it go to the greater Board.

Trustee Schmitz said she had one question for the committee – in the past, IVGID Audit Committee has been three members which is a quorum. She didn't speak with Washoe County but she did talk with our Director of Finance, who said that the Audit Committee shouldn't have a quorum of the Board. Washoe County has one County Commissioner and one alternate. We could go down to two and then three at-large members because it needs to be an odd number. The Board of Trustees is the ultimate decision maker and the present makeup doesn't give the Board an opportunity to be the final decision maker. Trustee Callicrate said he agrees and he too spoke with the Director of Finance and this is something we need to address.

Trustee Schmitz said that she would like to get input on the application process and that she did have a question about the boundaries in IVGID and get feedback from the Audit Committee if this is a requirement that want to include or not. Chairman Dent said he doesn't know the answer to the boundary question and that he is curious about the Director of Finance's experience. Director of Finance Paul Navazio said if the at-large members were meant to be members of the public versus voting and non-voting, there are issues and concerns with voting, he is okay with a non-resident participating but voting is different. Voting privilege should be limited to geographic boundary. Interim District General Manager Indra Winquest said he agrees with the Director of Finance and stated that it is important to whomever they select that they have a solid understanding and history of the District so there should be some criteria. Are you looking to require that the at-large members be full time residents or can they live here a certain time of the year or are you okay with them just being a parcel owner? To be a Board member, he thinks you have to be a full time resident but we should get clarification. Chairman Dent said it is probably a legal question as this is uncharted territory for us. Trustee Schmitz said that she will take this as an action item.

Trustee Callicrate made a motion to approve the Audit Committee Charter as presented. This charter will replace the content of Policy 15.1.0. If approved, the Audit Committee Charter will be reviewed, discussed and possibly approved by the Board of Trustees at their meeting on April 1, 2020, at 5 p.m. Chairman Dent seconded the motion. Trustee Callicrate called the question and the motion was passed unanimously.

**D.2. Set the date/time for the next Audit Committee Meeting
(Requesting Trustee: Audit Committee Chairman Matthew Dent)**

Chairman Dent asked if we have anything to work on at this time and that we can just set a placeholder for the last meeting of the month. Trustee Schmitz said that there is old business relative to internal controls and relative to the issues that need to be clarified on the Comprehensive Annual Finance Report. We should pencil it in and then determine what we will have on that agenda. Trustee Schmitz concluded by stating that she would like to have the approval of the application for the at-large members.

Interim District General Manager Winqest said that the next Board meeting is May 6. Chairman Dent said that a placeholder for May 6 is fine and that we can always set a date prior to that if needed. Trustees Callicrate and Schmitz concurred; the next Audit Committee meeting will be May 6 unless it is necessary to have one earlier.

E. APPROVAL OF THE MEETING MINUTES (for possible action)

E.1. Audit Committee Meeting of March 11, 2020

Trustee Callicrate asked if there were any changes; there were none so the minutes were approved as submitted.

Trustee Callicrate called for a break at 4:24 p.m. to allow people to call in for public comment; the Audit Committee reconvened at 4:30 p.m.

F. PUBLIC COMMENTS* - Limited to a maximum of three (3) minutes in duration.

Frank Wright said that he would like to point out when you make your committee, the committee of a diverse group of people, the panel should include a representative from Crystal Bay. There should be one position for a person from Crystal Bay, when we select this panel as it should be a diverse group of selection

people so we get a fair and equitable group of people on this committee. It shouldn't be the Interim District General Manager or the Director of Finance rather it should be a wide variety of people so we have a good group.

G. ADJOURNMENT (for possible action)

The meeting was adjourned at 4:31 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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

Submitted by Dick Warren (1 page): Written statement

Dick Warren
947 Incline Way, Unit 185
Incline Village, NV

Why does the management of IVGID continue to employ obfuscation in their financials? Yesterday I sent an email to the interim GM Indra, as to why IVGID says one thing to the State in their Form 4404LGF filings, and something else to the residents of Incline Village. I have not received an answer yet, but that is understandable; unfortunately, when Indra responds, it will be an answer that does not address any of the questions I raised. But that's Indra, address any question with an answer for another question that no one cares about, or a total non-answer.

It is pretty pathetic how terrible IVGID runs operations. I have suggested to our interim GM Indra to bring in outside groups to run operations like Golf, concessions at the Beaches, etc. In the very old days that's how IVGID ran things, and they did well, even making a profit. But today, we seem to want to run it our way, with our employees and our infrastructure costs like employees and equipment. Unfortunately, in this model we do not make money; in fact we lose money, and it's mainly because IVGID never focuses on expenses. IVGID loves to talk about how one increases revenues, but cutting expenses, forget it.

Recently, within 2 days, interim GM Indra has admitted to me that "this is the way it is with IVGID, historically IVGID has never made money, mainly due to all the Community Service Programs that have really benefitted the Community. Really? Depending upon who is doing the counting, Community Service Programs range from 60 to around 115. So let me get this right, these are really, really important Programs, and even though they do not breakeven, IVGID needs to supply them. It's almost as if the social structure of Incline Village would break down if these Programs were not available. If residents thought they were really great, would they not be willing to contribute to keep them going? Spare me, but if the participants in these Programs really liked them, wouldn't they support them financially instead of looking for other residents (not participating) to pay the Rec Fee to subsidize them?

I am very concerned about the management of IVGID, current management seems to take the position that this is the way IVGID has always operated, so why does anyone question it?

I do, it is irresponsible how IVGID operates today, and it needs to change quickly and dramatically.