

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **3 p.m.** on **August 10, 2021** at the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

In accordance with the Governor's Emergency Directive, all those in attendance will be required to wear a mask. Thank you, in advance, for your compliance

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

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

-OR-

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

- D. GENERAL BUSINESS ITEMS (*for possible action*)
 - 1. Update to Audit Committee on work products provided to the Board
 - o Whistleblower Policy – **pages 3 - 7**
 - o Annual Report from the Audit Committee – **pages 8 - 23**(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)
 - 2. External Audit Update from Davis Farr presented by Ms. Jennifer Farr – **pages 24 - 27**
(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)
 - 3. Update presentation on Internal Controls – **pages 28 - 96**
(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch;
Requesting Staff Member: Director of Finance Paul Navazio)
 - 4. Review, discuss and possibly consider recommendations for modifications to Board Policy 15.1.0 for submission to the Board of Trustees – **pages 97 - 123**
(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)
 - 5. Receipt of IVGID Staff's response to correspondence authored by Audit Committee At-Large Member Cliff Dobler regarding allocation of Investment Income earned on Cash, Cash Equivalents and Investments for the IVGID Governmental Funds ONLY for the fiscal years ending June 30, 2019 and 2020 – **pages 124 - 131**
(Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch;
Requesting Staff Member: Director of Finance Paul Navazio)

Incline Village General Improvement District

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

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

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NOTICE OF MEETING

Agenda for the Audit Committee Meeting of August 10, 2021 - Page 2

E. LONG RANGE CALENDAR REVIEW *(for possible action)*

Review, discuss and possibly agendize for future Audit Committee meetings outstanding items on the Audit Committee agenda (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch – **page 132**)

F. APPROVAL OF MEETING MINUTES *(for possible action)*

1. Audit Committee Meeting Minutes of July 13, 2021 – **pages 133 -158**

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

H. ADJOURNMENT *(for possible action)*

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Thursday, August 5, 2021 at 9:00 a.m., a copy of this agenda (Audit Committee Session of August 10, 2021) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne Vorderbruggen Building (893 Southwood Boulevard, Incline Village, Nevada; Administrative Offices)
2. IVGID's website (www.yourtahoeplace.com/Board of Trustees/Meetings and Agendas)
3. State of Nevada public noticing website (<https://notice.nv.gov/>)

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

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

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

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

MEMORANDUM

TO: Audit Committee

FROM: Ray Tulloch
Audit Committee Chair

SUBJECT: Update to Audit Committee on work products provided to the Board

DATE: August 10, 2021

I. BACKGROUND

At the Audit Committee meeting of July13, 2021, the Audit Committee reviewed, discussed and approved final versions of (i) Whistleblower Policy for Financial matters and (ii) Annual Report from the Audit Committee to the Board

II. ACTIONS

As agreed by the Audit Committee final versions of (i) Whistleblower Policy for Financial matters and (ii) Annual Report from the Audit Committee to the Board have been forwarded to the Board for consideration. Copies of these documents are attached.

Attachments:
Final Whistleblower Policy
AC Annual report to the Board memo
Exhibit A
Exhibit B

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

General

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

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

The Whistleblower Procedure includes the following:

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

Reporting

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

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

Proposed July 13, 2021

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

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

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

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

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

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

No Retaliation

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

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

Acting in Good Faith

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

Confidentiality

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

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

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

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT WHISTLEBLOWER PROCEDURE

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

1. Delegate the investigation to the General Manager when the submission is outside the Audit Committee responsibilities as defined in Board Policy 15.1.0, Section 2.0.
2. Engage an external independent resource to investigate and provide recommended corrective actions.
3. Delegate the investigation to the General Manager or General Counsel.

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

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

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

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

M E M O R A N D U M

TO: Board of Trustees

FROM: Ray Tulloch
Audit Committee Chair

SUBJECT: Annual Report to Board of Trustees from Audit Committee

DATE: July 30, 2021

I. BACKGROUND

Under Board Policy 15.1.2.9 the Audit Committee is to submit an annual report to the Board of Trustees assessing the results of its fulfillment of its duties and responsibilities.

At the Audit Committee meeting on July 13, 2021, the Audit Committee reviewed a draft of Audit Committee actions during the previous year and also discussed and reviewed Audit committee compliance with, and completion of, a checklist of delegated responsibilities for the Audit Committee as specified in Board policy 15.1.0.

II. Actions

Based on discussions and review the Audit Committee members prepared the attached Exhibits A&B for the consideration of the Board as requested by Chair Callicrate at the Board meeting of July 13.

As the Board will see from Exhibit A, the audit Committee has had a high success rate in meeting its responsibilities. The review process also helped the committee identify some of the responsibilities that were no longer applicable and which the committee will incorporate in their scheduled review of Board Policy 15.1.0.

Exhibit B provides details of the meetings of the Audit Committee during the year and the topics covered. This involved a total of 14 meetings and with a duration of over 40 hours

It is the Committee's view that, for a first year of operation under the revised policy 15.1.0, this represents a successful record which has also provided the community with additional transparency on financial aspects of the District's operations.

The Committee will be happy to discuss further with the Board.

EXHIBIT A

July 30, 2021

Audit Committee annual Report to Board of Trustee assessing the results of its fulfillment of its duties and responsibilities required by Policy 15.1.2.9

2.0	Responsibilities	
2.1	Be independent, effectively communicate, and reinforce accountability	Accomplished
2.2	External independent audit procurement process	
2.2.1	Request for Proposal RFP	Completed
2.2.2	Select Auditor	Completed
2.3	Recommend to the Board of Trustees an external auditor	
2.3.1	Recommendations on scope of work and funds to be audited	Completed
2.3.2	Identify and recommend additional services	No recommendation at this time
2.3.3	Board action to designate auditor	Board Responsibility
2.3.4	Replace auditor when appropriate	Completed
2.3.5	Approve scope of work and audit plan by June of each year	Completed
2.4	Facilitate the external audit process	
2.4.1	Review and approve formal reports submitted to external auditor	Unable - not provided to AC
2.4.2	Provide an independent forum for auditors to report findings or difficulties	Accomplished
2.4.3	Review the Auditors' report of findings and recommendations with management and the auditor	Completed
2.4.4	Review the 2020 CAFR	Accomplished, minimal time available due to delayed submission
2.4.5	Follow -up on any corrective action identified	Completed
2.4.6	Submit an annual Report of the Board of Trustees of the Audit	Completed
2.4.7	Assess the performance of the independent auditors	Completed
2.5	Review financial statements quarterly and annually for fair and accurate reporting	N/A Quarterly reports are submitted directly to the Board
2.5.1	Review change in accounting policy	Accomplished via Moss Adams Report
2.5.2	Ensure accounting policies are followed	No authority
2.5.3	Review any off-balance sheet financing	No off-balance sheet financing identified
2.6	Review the framework of internal controls - ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.	Work in progress
2.6.1	Review the annual internal control audit plan	Not provided
2.6.2	Review managements annual assessment of their internal controls for prior year's audit plan.	Not provided
2.6.3	Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be acceptable in any form.	Developed Whistle blower procedure
2.6.4	Committee may identify a need to engage an external internal auditor	Under review
2.7	Periodically review the Districts Code of Conduct	Not Done
2.8	Review and refine the procedures for the receipt, retention and treatment of complaints	Whistle blower procedure
2.9	Submit annual report to the board of Trustees assessing the results of its fulfillment of its duties	As attached for August 10 meeting
3.0	Meetings	
3.1	Meeting conducted according to state requirements	Accomplished
3.2	Meeting held once per quarter	14 Meetings

3.3	Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader	Accomplished Moss Adams & Management
3.4	Review past correspondence with action outstanding . Ensure responses is taken in a timely manner	No authority
3.5	Committee may Invite members of management	Accomplished
3.6	Committee Chair to establish agenda and provide briefing materials	Accomplished
3.7	Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Financial Report and auditors letter of findings	Accomplished

EXHIBIT B

July 30, 2021

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

July 29, 2020 (1 hour 34 minutes)

- Acknowledgement of new Audit Committee members
- Review Board Policy 15.1
- Review Members Roles and Responsibilities
- Elected Matthew Dent as Chairman
- Review liaison to Edie Bailly
- documented by Clifford Dobler and Linda Newman POSTPONED
- Verbal Update of Audit by Director of Finance
- Audit Time line 6-8-2020 to 10-30-2020
- Presentation of IVGID System of Internal Controls by Director of Finance - POSTPONED
- Referral of 14 point of errors in 2019 CAFR by Cliff Dobler and Linda Newman - REMOVED

August 19, 2020 (2 hours and 55 minutes)

- Long Range Calendar
- Nominated Matt Dent as liaison with Eddie Bailly
- Presentation by Director of Finance on IVGID System of Internal Controls
- Director of Finance response to 14 points of errors in 2019 CAFR submitted by citizens Dobler and Newman
- Legal Counsel Joshua Nelson response to Dillion's Rule relating to Donations and Employee Benefits

September 1, 2020 (1 hour 51 minutes)

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

September 30, 2020 (1 hour 51 minutes)

- Director of Finance VERBAL update on 2019/2020 CAFR

- Discussion of Timeline for an RFP for an Independent Auditor for fiscal year 2020/2021 - At large members Dobler and Aaron to draft RFP - Staff on vacation.
- Review Whistleblower procedure for financial matters - requested by Indra Winquest (POSTPONED)
- Review of legal Opinion by Josh Nelson regarding application of Dillion's Rule relating to Donations, Community Programming and Employee expenditures. (POSTPONED)

October 27, 2020 (2 hours 42 minutes)

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

November 19, 2020 (5 hours 55 minutes)

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

December 19, 2020 (2 hours 47 minutes)

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

January 20, 2021 (1 hour 48 minutes)

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

January 27, 2021 (5 hours 10 minutes)

- Presentation of Final 2019/2020 CAFR by Director of Finance and Tiffany Williamson of Edie Bailly
- Whistleblower Procedure for Financial Matters - Discussion only
- Director of Finance - VERBAL update on Internal Controls
- Director of Finance update on Chart of Accounts
- Director of Finance update on new External Auditor contract

February 10, 2021 (1 hour 50 minutes)

- Recommended Davis Farr LLC as new independent auditing firm for fiscal 2020/2021
- Accepted the Moss Adams report on accounting and reporting treatments and an additional spreadsheet of other questions and clarifications.
- Accepted the written annual Audit Committee report to the Board of Trustees as required by Board Policy 15.1.0 2.4.6 and agreed to forward the report to the Board of Trustees with recommendation that the 2019/2020 CAFR Transmittal letter be modified to identify ALL of the concerns and issues brought forth in the report. Opposition by Dobler on recommendation to Board of Trustees

March 11, 2021 (6 hours 24 minutes)

- Extensive review and debate on Whistleblower procedures - No action taken
- Extensive review and debate on moving forward on the Internal control procedures - Obtained 375 pages of documents assumed to be the existing internal controls
- Discussion on a new chart of accounts - No consensus on how the accounts should be established
- Review of five items 1. prior year auditor, items of correction, deliverables, timeline for 2020/2021 audit and Policy 15.1.0 - Agenda item was not clearly defined.
- Compliance with Dillon' Rule - Review of Nelsons opinion on Employees Benefits - Committee made affirmative motion to recommend to Board of Trustees to engage a law firm to create specific policies and practices addressing employee benefits
- Compliance with Dillon's Rule - Review of Nelson's opinion on leasing property to Non Profits - Committee made affirmative motion to recommend to Board of Trustees to price all leases of venue property at market rates and for non profits to cover full operating expenses less 10%
- Compliance with Dillion's rule - Providing community programming - not covered by Nelson's opinion and needs to come back at a future time.
- Correspondence - Dobler on Effluent Pipeline meters and equipment - Chairman decided to put on long range calendar
- Correspondence - Dobler and Newman e mail about failure to include correspondence in Audit committee packet. No resolution but to resubmit.

- Correspondence - Dobler and Newman - E mail and report to Moss Adams James C. Lanzarotta regarding punch cards. Moss Adams report issued - dead.
- Correspondence - Dobler regarding WRRF Aeration Systems Improvements - proper carryover into 2021 - corrected by Staff
- Correspondence - Dobler regarding IT Infrastructure cost overruns failure to abide by Board Policy. Winquest to meet with Dobler - Never done.
- Correspondence - Katz - Whistleblower retaliatory issue - Resolved by changes to draft documents.
- Long Range Calendar

April 29, 2021 (1 hour 56 minutes)

- Reviewed and Discussed Engagement letter with Davis Farr LLC representative Jennifer Farr - No action taken
- Reviewed and Discussed the Nevada Revised Statutes that relate to the annual audit. NRS statute 354.486 states the Audit must "***Evaluate internal controls over financial reporting of the handling of the public money and public property***" but Engagement Letter states Davis Farr will only review. Chairman Dent held over for further review.
- Review, discuss and possibly approve Whistleblower Procedure. Approval of document with changes was not approved and failed on a 2 to 2 vote.
- Review and discuss and possibly take action on funding Parks through the General Fund. Deferred

June 9, 2021 (1 hour 44 minutes)

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

June 19, 2021 (2 hours 36 minutes)

- Elected Ray Tulloch as new Chairman of Audit Committee
- Agreed to modify Policy 15.1 to allow an additional at Large Member (Chris Holet) to fill vacancy of a second Trustee on the Committee since 4 Trustees

declined to accept appointment. Agreed to submit several suggested changes in other sections of the Policy at another future meeting

- Reviewed and made changes to Whistleblower Procedure and agreed to attempt an approval of the final version at the July 13, 2021 Audit Committee Meeting.

EXHIBIT A

July 26, 2021

Audit Committee annual Report to Board of Trustee assessing the results of its fulfillment of its duties and responsibilities required by Policy 15.1.2.9

2.0 Responsibilities

2.1 Be independent, effectively communicate, and reinforce accountability	Accomplished
2.2 External independent audit procurement process	
2.2.1 - Request for Proposal RFP	Completed
2.2.2 - Select Auditor	Completed
2.3 Recommend to the Board of Trustees an external auditor	
2.3.1 - Recommendations on scope of work and funds to be audited	Completed
2.3.2 - Identify and recommend additional services	No recommendation at this time
2.3.3 - Board action to designate auditor	Board Responsibility
2.3.4 Replace auditor when appropriate	Completed
2.3.5 - Approve scope of work and audit plan by June of each year	Completed
2.4 Facilitate the external audit process	
2.4.1 - Review and approve formal reports submitted to external auditor	Unable - not provided to AC
2.4.2 - Provide an independent forum for auditors to report findings or difficulties	Accomplished
2.4.3 - Review the Auditors' report of findings and recommendations with management and the auditor	
2.4.4 - Review the 2020 CAFR	Accomplished, minimal time available due to delayed
2.4.5 - Follow -up on any corrective action identified	Completed
2.4.6 - Submit an annual Report of the Board of Trustees of the Audit	Completed
2.4.7 - Assess the performance of the independent auditors	Completed
2.5 Review financial statements quarterly and annually for fair and accurate reporting	Did not do quarterly as quarterly reports are submitted directly to Board

2.5.1 Review change in accounting policy	Accomplished via Moss Adams Report
2.5.2 Ensure accounting policies are followed	No authority
2.5.3 - Review any off-balance sheet financing	No off-balance sheet financing identified
2.6 Review the framework of internal controls - ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.	Work in Process
2.6.1 - Review the annual internal control audit plan	None provided
2.6.2 - Review managements annual assessment of their internal controls for prior year's audit plan.	Not provided
2.6.3 - Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be acceptable in any form.	Developed Whistle blower Procedure
2.6.4 - Committee may identify a need to engage an external internal auditor	In progress
2.7 - Periodically review the Districts Code of Conduct	Not done
2.8 - Review and refine the procedures for the receipt, retention and treatment of complaints	Whistle blower
2.9 - Submit annual report to the board of Trustees assessing the results of its fulfillment of its duties	Will be submitted on August 10, 2021

3.0 Meetings

3.1 - Meeting conducted according to state requirements	Accomplished
3.2 - Meeting held once per quarter	14 meetings
3.3 - Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader	Accomplished Moss Adams & Management
3.4 - Review past correspondence with action outstanding . Ensure responses is taken in a timely manner	No authority
3.5 - Committee may Invite members of management	Accomplished
3.6 - Committee Chair establish agenda and provide briefing materials	Accomplished
3.7 - Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Financial Report and auditors letter of findings	Accomplished

EXHIBIT B

July 26, 2021

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

July 29, 2020 (1 hour 34 minutes)

- Acknowledgement of new Audit Committee members
- Review Board Policy 15.1
- Review Members Roles and Responsibilities
- Elected Matthew Dent as Chairman
- Review liaison to Edie Bailly
- documented by Clifford Dobler and Linda Newman POSTPONED
- Verbal Update of Audit by Director of Finance
- Audit Time line 6-8-2020 to 10-30-2020
- Presentation of IVGID System of Internal Controls by Director of Finance - POSTPONED
- Referral of 14 point of errors in 2019 CAFR by Cliff Dobler and Linda Newman - REMOVED

August 19, 2020 (2 hours and 55 minutes)

- Long Range Calendar
- Nominated Matt Dent as liaison with Eddie Bailly
- Presentation by Director of Finance on IVGID System of Internal Controls
- Director of Finance response to 14 points of errors in 2019 CAFR submitted by citizens Dobler and Newman
- Legal Counsel Joshua Nelson response to Dillion's Rule relating to Donations and Employee Benefits

September 1, 2020 (1 hour 51 minutes)

- Long Range Calendar - Concern about obtaining information from management

- Engagement of Moss Adams to report on four issues regarding accounting and reporting
- Discussion with Josh Nelson on Dillion's rule applying to donations and employee expenditures - Nelson to provide a written opinion.
- Discuss citizens communication of improper use of Ad Valorem Taxes - Josh Nelson researched and found use was proper

September 30, 2020 (1 hour 51 minutes)

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

October 27, 2020 (2 hours 42 minutes)

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

November 19, 2020 (5 hours 55 minutes)

- Discussion of MATERIALITY with Tiffany Williamson, representative of Eide Bailey
- Reviewed and discussed DRAFT Basic Financial Statements and Supplemental Schedules
- Reviewed status of Moss Adams report on accounting and reporting matters

- Extension Request to the Department of Taxation to file the CAFR
- Update on RFP for new external auditor
- Director of Finance VERBAL update on System of Internal Controls
- Timeline and next steps of moving Community Services and Beach activities to Enterprise accounting and reporting.
- Receipt of Legal Opinion from Josh Nelson on applicability of Dillon's Rule

December 19, 2020 (2 hours 47 minutes)

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

January 20, 2021 (1 hour 48 minutes)

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

January 27, 2021 (5 hours 10 minutes)

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

February 10, 2021 (1 hour 50 minutes)

- Recommended DavisFarr LLC as new independent auditing firm for fiscal 2020/2021

- Accepted the Moss Adams report on accounting and reporting treatments and an additional spreadsheet of other questions and clarifications.
- Accepted the written annual Audit Committee report to the Board of Trustees as required by Board Policy 15.1.0 2.4.6 and agreed to forward the report to the Board of Trustees with recommendation that the 2019/2020 CAFR Transmittal letter be modified to identify ALL of the concerns and issues brought forth in the report. Opposition by Dobler on recommendation to Board of Trustees

March 11, 2021 (6 hours 24 minutes)

- Extensive review and debate on Whistleblower procedures - No action taken
- Extensive review and debate on moving forward on the Internal control procedures - Obtained 375 pages of documents assumed to be the existing internal controls
- Discussion on a new chart of accounts - No consensus on how the accounts should be established
- Review of five items 1. prior year auditor, items of correction, deliverables, timeline for 2020/2021 audit and Policy 15.1.0 - Agenda item was not clearly defined.
- Compliance with Dillon' Rule - Review of Nelsons opinion on Employees Benefits - Committee made affirmative motion to recommend to Board of Trustees to engage a law firm to create specific policies and practices addressing employee benefits
- Compliance with Dillon's Rule - Review of Nelson's opinion on leasing property to Non Profits - Committee made affirmative motion to recommend to Board of Trustees to price all leases of venue property at market rates and for non profits to cover full operating expenses less 10%
- Compliance with Dillion's rule - Providing community programming - not covered by Nelson's opinion and needs to come back at a future time.
- Correspondence - Dobler on Effluent Pipeline meters and equipment - Chairman decided to put on long range calendar

- Correspondence - Dobler and Newman e mail about failure to include correspondence in Audit committee packet. No resolution but to resubmit.
- Correspondence - Dobler and Newman - E mail and report to Moss Adams James C. Lanzarotta regarding punch cards. Moss Adams report issued - dead.
- Correspondence - Dobler regarding WRRF Aeration Systems Improvements - proper carryover into 2021 - corrected by Staff
- Correspondence - Dobler regarding IT Infrastructure cost overruns failure to abide by Board Policy. Winquest to meet with Dobler - Never done.
- Correspondence - Katz - Whistleblower retaliatory issue - Resolved by changes to draft documents.
- Long Range Calendar

April 29, 2021 (1 hour 56 minutes)

- Reviewed and Discussed Engagement letter with Davis Farr LLC representative Jennifer Farr - No action taken
- Reviewed and Discussed the Nevada Revised Statutes that relate to the annual audit. NRS statute 354.486 states the Audit must "***Evaluate internal controls over financial reporting of the handling of the public money and public property***" but Engagement Letter states Davis Farr will only review. Chairman Dent held over for further review.
- Review, discuss and possibly approve Whistleblower Procedure. Approval of document with changes was not approved and failed on a 2 to 2 vote.
- Review and discuss and possibly take action on funding Parks through the General Fund. Deferred

June 9, 2021 (1 hour 44 minutes)

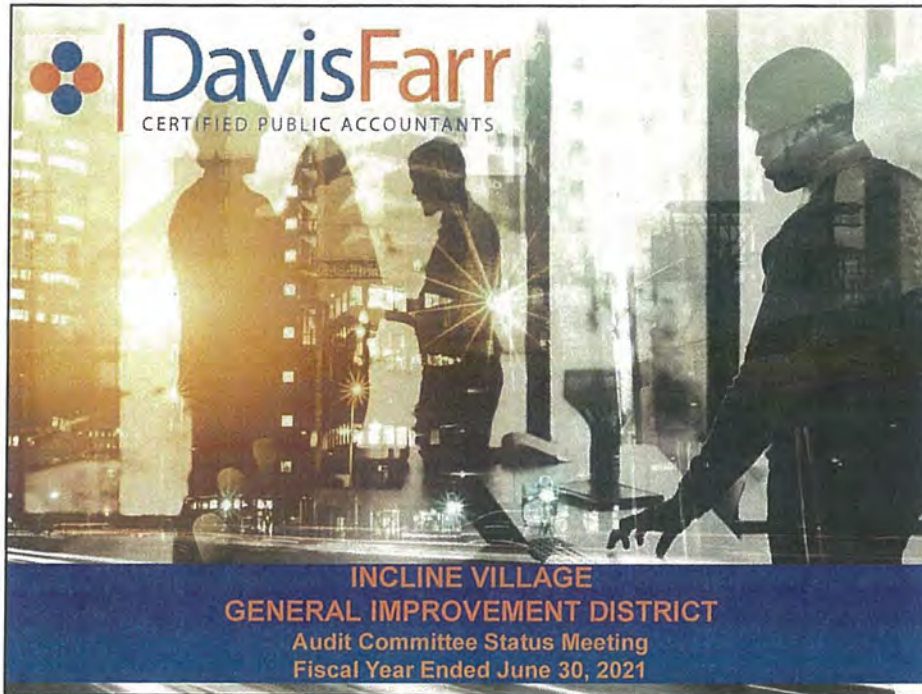
- Approved Davis Farr LLC Audit Schedule/Work Plan
- Request by Cliff Dobler to have new external auditor review 8 items regarding accounting and financial statement reporting which IVGID management does not agree with reports from citizens and Moss Adams

analysis wherein most items are not in compliance with GAAP or are materially misrepresented. Future agenda item

- No progress on overpayments to Contractors
- Determined No policy or internal controls on administering grants
- Agenda item to make a recommendation to Trustees to Expense certain costs on recent projects which had been capitalized - Was not addressed lack of time.
- Seven communications from Cliff Dobler - Was not addressed - lack of time
- Long range calendar
- Resignation of Matt Dent as Chairman and Committee Member

June 19, 2021 (2 hours 36 minutes)


- Elected Ray Tulloch as new Chairman of Audit Committee
- Agreed to modify Policy 15.1 to allow an additional at Large Member (Chris Holet) to fill vacancy of a second Trustee on the Committee since 4 Trustees declined to accept appointment. Agreed to submit several suggested changes in other sections of the Policy at another future meeting
- Reviewed and made changes to Whistleblower Procedure and agreed to attempt an approval of the final version at the July 13, 2021 Audit Committee Meeting.



1

Audit Work Plan

Target Date	Task Assigned To	Task
May 5, 2021	Davis Farr	Provide interim audit request list to Finance staff
May 14, 2021	Finance staff	Upload interim audit request items to FTP site
May 17, 2021	Davis Farr	Begin interim audit procedures on-site
May 28, 2021	Davis Farr	Status meeting with Finance staff
May 28, 2021	Davis Farr	Provide final audit request list and confirmation instructions to Finance staff
June 30, 2021	Finance staff	Due date for returning confirmation requests to Davis Farr
August 15, 2021	Finance staff	Accounts Payable Cut-off
August 30, 2021	Finance staff	Complete capital project closeouts and depreciation entries
Late Aug 2021	Audit Committee	Meeting #2 to discuss progress of year end close, issues identified during interim audit, complex accounting issues, and review final audit timeline



2

Interim Audit Procedures

3

- ❑ Planning and risk assessment documentation
- ❑ Internal control documentation
- ❑ Information system control documentation
- ❑ Cash disbursement testing
- ❑ Coordinating the upcoming final audit procedures



3

Prior Auditor Workpaper Review

4

- ❑ Prior auditors followed up on all of the concerns raised by the Moss Adams reports including:
 - ❑ performing significant additional testing
 - ❑ researching accounting issues
 - ❑ documenting their resolution of each of the Moss Adams findings
 - ❑ concluding that the financial statements materially conformed to GAAP
- ❑ Based on review of the prior auditor workpapers, we believe sufficient audit procedures were performed to allow us to rely on the audited beginning balances



4

Modifications to Audit Approach

5

- ❑ Concerns about contract documentation, competitive bidding, and exceeding contract amounts
- ❑ Performing additional testing of the 5 highest paid vendors contract compliance for the following attributes
 - ❑ Amount paid agrees to invoice/support
 - ❑ Amount paid is correctly calculated
 - ❑ Payments were made in accordance with the contract terms
 - ❑ Payments did not exceed the contract amount in total
 - ❑ Work performed was during the contract period
 - ❑ Contract was competitively bid in accordance with policies



5

Modifications to Audit Approach

6

- ❑ Concerns about capitalization of project costs
- ❑ We will test current year transactions for allowability of capitalization
- ❑ We will review construction in progress accounts to determine if the project should be written off or moved into service



6

Status and Results of Interim Audit

7

- ❑ Information System recommendations for improvements
- ❑ Internal Control recommendations for improvements



7

Financial Reporting Recommendations

8

- ❑ Cash and investments are reported on 4 separate lines in the asset section – consider consolidating them to improve readability
- ❑ Many disclosures are broken out by fund – not required and reduces readability
- ❑ Some footnote disclosures are not required at all:
 - ❑ Note 6 – Accrued Personnel Costs
 - ❑ Note 7 – Unearned Revenue
 - ❑ Note 10 – Deferred Inflow of Resources
 - ❑ Note 11 – Capital Grants
 - ❑ Note 17 – Due to Other Governments
 - ❑ Note 18 – Community Services and Beach Special Revenue Funds



8

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

Martin Williams
Controller

SUBJECT: Informational Update on Internal Controls

DATE: August 10, 2021

I. RECOMMENDATION

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

II. BACKGROUND

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

Management has previously presented to the Audit Committee a framework for strengthening the District's system of internal controls, to include a process and schedule for review and update of internal control policies and procedures. (See Audit Committee Agenda Item D.2, April 29, 2021). In addition, during the financial statement audit for the fiscal year ended June 30, 2020, the District's Independent Auditor identified material weakness in internal controls over financial reporting that contributed to a significant number of adjusting journal entries.

This agenda item has been prepared to provide the Audit Committee with an information update on management's ongoing efforts related to strengthening the District's internal control policies and procedures.

Former Audit Committee At-Large Member Derrek Aaron served as the Committee liaison on Internal Controls and, until his recent resignation, held several meetings with Staff and provided input on the overall work plan and specific tasks/deliverables as well as selected policy updates.

III. Discussion

Updates to Spending Authority for Purchasing / Contracts

- NRS Guidelines and Policy 3.1 (See Attachment A)

- Finance and Legal have updated the District's internal contract award threshold matrix to reflect compliance with NRS requirements as well as revisions to Board Policy 3.1.0 (September 2020).
- GM-delegated Spending Authority (See Attachment B)
 - Board Policy 3.1.0 establishes, among other things, the General Manager's authority related to budget, spending and contract authority. The GM, has, in turn established specific levels of delegated spending authority to members of IVGID staff.
- Blanket Purchase Orders
 - Prior to September 2020, Board Policy 3.1.0 provided that contracts that are not subject to the advertising and competitive bidding requirements established by the NRS may be authorized, approved and executed by the General Manager." Board Policy 3.1.0 was revised by the current Board such that the General Manager's spending authority is now strictly limited to contracts not exceeding \$50,000.
 - As such the following guidelines are provided to inform establishment of blanket purchase orders for planned procurement activities assumed within the FY2021/22 approved budget.
 - Department Directors are generally delegated spending authority to approve purchase orders up to estimated total amount of \$25,000.
 - The General Manager must approve Purchase Orders exceeding \$25,000, and up to \$50,000.
 - Most Purchase Orders exceeding \$50,000 require Board approval, provided that the underlying contract has been executed consistent with the public bidding requirements set forth in the NRS. (Board approval of Blanket Purchase Orders is scheduled to be on the agenda for the meeting of August 25, 2020).

Procurement Cards

- The District participates in a procurement card program through our banking institution (Wells Fargo) as a means of streamline certain routine purchasing activities
- All District staff has been advised that all transactions made using a District procurement card MUST be made in conformity with the District's Purchasing Policy as well as the District's Procurement Card policy and procedures.
- *Staff is reminded that procurement cards should be used judiciously, and only when issuance of formal purchase orders through the Accounts Payable system are not possible, or not required by IVGID purchasing policy.*
- Further. Procurement Cards use is discouraged with vendors for which the District's level of activity warrants establishment of commercial accounts.
- Staff has Update Procurement Card Authorizations / Approvers
 - Monthly spending limits applicable to the District's procurement card program have been updated
 - Staff has updated documentation required of District staff in order to issue, cancel, or modify procurement card authorizations, spending limits and approval thresholds. (Attachment C)

- Staff has ensured that all Procurement Card accounts for former District employees are closed and no longer active.

Review of Internal Accounting and Financial Procedures

- The District's Controller in the process of reviewing and updating internal documentation of accounting procedures.
- The following internal procedures have been reviewed by the Director of Finance (See Attachment D):
 - General Ledger and Journal Entries (6.3.3)
 - Cash Management (6.3.4)
 - Property and Equipment procedures (6.3.9),
 - Procurement and Accounts Payable procedures (6.3.10), and
 - Adopting Electronic Payment Systems (6.3.15)
- Human Resources and Payroll procedures are currently under review in conjunction with project to transition to Tyler Munis HRMS/Payroll system

Contract Management

- Contract Approvals / Change Order Tracking – the Director of Finance and Director of Public Works are working to develop a Contract Approval Form for contracts and change orders to ensure that documentation and approvals are in compliance with the requirements established by the NRS, Board Policy and GM-delegated approval authority.
- Project Close-out Checklist – in response to recommendation included in the Moss Adams Construction Advisory Report, Public Works staff is updating and formalizing its internal project close-out check-lists.

Cash Handling Audits

- Finance staff has instituted monthly audits of petty cash handled across all District-facilities, on a rotational basis, such that every location handling petty cash will be audited on a quarterly basis.

Utility Billing –

- The District's Controller has identified a potential internal control weakness related to the procedures used to upload monthly utility billing data from the meter reads to the billing system. Procedures have been updated to provide for two-person validation of the meter data being transferred and uploaded to the billing software.

Banking Accounts

- Account Access
 - Finance Staff has completed the process of updating authorized access to the District's bank accounts and safe deposit boxes. In the process of updating access for new staff, as required, it was noted that former District employees who have had access to the District's bank accounts were, in some cases, still listed as authorized users. This has been remedied and processes are now in place to ensure timely updates of account access when employees leave District employment.

- Fraud Prevention Services
 - Staff is currently reviewing the level of fraud prevention services provided through our bank, related to checks and vendor payments. The District has instituted “Positive Pay” verification for all check issued and is currently in the process of adding a “Vendor Verification” component to the existing fraud prevention measures.

Review of Board Policies and Practices –

- Management is currently in the process of updating selected Board Policies and Procedures
 - Capitalization of Fixed Assets (See Attachment E)
 - Policy 8.1.0
 - Policy 9.1.0 / Practice 9.2.0
 - Capital Planning, Budgeting and Capital Expenses
 - Policy 12.1.0
 - Policy 13.1.0 / Practice 13.2.0
 - Fund Balance and Working Capital (See Attachment F)
 - Policy 7.1.0 / Practice 7.2.0
 - Policy 19.1.0 / Practice 19.2.0
 - Central Services Overhead Allocation Plan
 - Policy 18.1.0 / Practice 18.2.0

Independent Auditor’s Findings of Material Weaknesses over Financial Reporting

- Adjusting Journal Entries and Adjustments - now that our accounting department is fully staffed, we have assigned reconciliations, and reviews to various staff to ensure any issues are investigated and handled timely. Additionally we reconciling accounts monthly and having them reviewed and approved monthly. The Central Service adjustments are now being reported net of the expenses, instead of as a revenue item in the General Fund. These internal control improvements, we believe, will prepare IVGID for a more streamlined year-end close and audit.
- Capitalization – Staff has reviewed the existing policies and procedures, and is in the process of reviewing with Board prior to formally updating policies.
- Additionally staff has implemented modifications to chart of accounts for tracking of capital maintenance expenditures to ensure repair and maintenance items that do not meet capital criteria are excluded from capitalization and depreciation of fixed assets.

VI. ATTACHMENTS

Attachment A – General Spending Authority Parameters (NRS and Board Policy)

Attachment B – GM-delegated Spending Authority

Attachment C – Procurement Card Authorization Form – Updated

Attachment D – Updated Finance and Accounting Procedures (Mark-up)

Attachment E – Draft Update to Capitalization Policy

Attachment F – Draft Update to Fund Balance / Working Capital Policies

Attachment A

General Spending Authority Parameters (NRS and Board Policy)

The following table provides guidance on limits to spending authority as well as NRS requirements for competitive bidding for construction contracts, professional services and purchases (i.e. commodities).

CONTRACT AWARD THRESHOLDS			
Contract Authority	Construction Contracts NRS 338	Professional Services NRS 332 <i>Not Subject to Competitive Bidding</i>	Purchases NRS 332
Board of Trustees	> \$50,000 a) <i>NRS requires contracts over \$100,000 to be Award To Low Responsible Bidder</i> b) <i>NRS requires Publicly Advertising</i> c) <i>Contracts under \$100,000 require solicitation of 3 bids</i>	> \$50,000 <i>Awarded Based on Qualifications (RFQ) Scope and Cost Negotiated</i>	> \$50,000 <i>Award To Low Responsible Bidder NRS requires Publicly Advertising for Contracts over \$100k; >\$50,000 requires 2 bids</i>
General Manager	> \$25,000 - \$50,000 <i>NRS Requires solicitation of 3 bids</i>	< \$50,000 <i>Awarded Based on Qualifications (RFQ) Scope and Cost To Be Negotiated</i>	> \$25,000 - \$50,000 <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>
General Manager <i>(or Delegated Authority)</i>	< \$25,000 <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>		< \$25,000 <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>

Note 1: Board Policy 3.1.5.f - Provides that:
Contracts proposed or estimated to be over \$50,000 must be approved by the Board of Trustees
The General Manager is authorized to approve contracts under \$50,000, provided that funds for that specific purpose are included in the budget.

Note 2: Assemble Bill 86, signed into law on May 15, 2019, and effective July 1, 2019, effectively raised the dollar amount threshold for advertising of public agency contracts for non-Public Works contracts, including professional services and procurement contracts from \$50,000 to \$100,000. These public advertising thresholds are now consistent with dollar thresholds that were in place for public works construction contracts, as defined.

Attachment B

General Manager- Delegated Spending Authority

Position	GM-Delegated Spending Authority	Comments
Board of Trustees	> \$50,000	Approves contract > \$50K per Board Polici 3.1
General Manager	50,000	Approves contract <= \$50K per Board Policy 3.1
Clerk to the Board Verification of BOT notice for items > \$25,000 when unbudgeted	10,000	Verify contract at \$50K for NRS 338
Director of Finance	25,000	Verify contract at \$50K for NRS 338
Controller	10,000	
Director of Human Resources	10,000	
Director of Information Technology	10,000	
Director of Public Works	25,000	
Engineering Manager / Director of Asset Management	10,000	
Fleet Superintendent	10,000	
Buildings Superintendent	10,000	
Utilities Superintendent	10,000	
Public Works Administration Manager	5,000	
Resource Conservationist	5,000	
Director of Community Services	25,000	
Superintendent of Parks & Recreation	10,000	
Parks Superintendent	10,000	
Recreation Center Manager	5,000	
Ski Resort General Manager	25,000	
Mountain Operations Manager	10,000	
Marketing Manager	5,000	
Executive Chef	5,000	
Sales and Event Coordinator	5,000	
Golf Course Merchandiser	5,000	
Golf Course Superintendent	10,000	

Attachment B General Manager- Delegated Spending Authority (Comparison to Prior Authority)

Position	GM-Delegated Approval Authority		Comments
	Previous	Updated	
Board of Trustees	> \$50,000	> \$50,000	Approves contract > 100k \$50K for NRS 338
General Manager	50,000	50,000	Approves contract > \$50K per Board Policy
Clerk to the Board	10,000	10,000	Verify contract at 100k \$50K for NRS 338
Verification of BOT notice for items > \$25,000 when unbudgeted			
Director of Finance	10,000	25,000	Verify contract at 100k \$50K for NRS 338
Controller	5,000	10,000	
Director of Human Resources	10,000	10,000	
Communications Coordinator	5,000		
Director of Information Technology		10,000	
Director of Public Works	50,000	25,000	
Engineering Manager / Director of Asset Management	10,000	10,000	
Principal Engineer	5,000		
Senior Engineer	5,000		
Public Works Contracts Admin	5,000		
Fleet Superintendent	10,000	10,000	
Fleet Mechanics	5,000		
Buildings Superintendent	10,000	10,000	
Buildings Assist. Super.	5,000		
Utilities Superintendent	10,000	10,000	
Utilities Maintenance Specialist	5,000		
Collection/Distribution Supervisor	5,000		
Water/Wastewater Supervisor	5,000		
Waste/Water Operator II Steve Gibbs	5,000		
Public Works/Treatment	5,000		
Public Works Administration Manager	10,000	5,000	
Resource Conservationist	10,000	5,000	
Compliance Supervisor/Chief Inspector	5,000		
Director of Community Services	10,000	25,000	
Director of Parks & Recreation, Assistant GM	10,000		
Superintendent of Parks & Recreation		10,000	
Parks Superintendent	5,000	10,000	
Community Services Analyst	5,000		
Recreation Center Manager	5,000	5,000	
Recreation Supervisor—Aquatics	5,000		
Recreation Supervisor—Programs	5,000		
Recreation Supervisor—Seniors	5,000		
Recreation Supervisor—Sports	5,000		
Parks & Rec Manger—Operations	5,000		
Parks & Rec Administration Specialist	5,000		
Ski Resort General Manager	10,000	25,000	
Mountain Operations Manager	5,000	10,000	
Lift Manager	5,000		
Slope Maintenance Manager	5,000		
Director of Skier Services	5,000		
Ski Patrol Director	5,000		
Base Operations Manager	5,000		
Diamond Peak Receptionist/Administrative Clerk	5,000		
Revenue Office Manager	5,000		
Marketing Manager	5,000	5,000	
Sales Manager	5,000		
Executive Chef	10,000	5,000	
Sales and Event Coordinator	5,000	5,000	
Event Coordinator	5,000		
Director of Golf/Community Services	5,000		
Mountain Head Professional	5,000		
Golf Course Merchandiser	5,000	5,000	
Golf Course Superintendent	5,000	10,000	
Golf Course Asst Superintendent	2,500		
Mountain Course Asst Superintendent	2,500		

**Attachment C
Procurement Card Authorization Form - UPDATED**



New Cardholder Set up Form	PLEASE FILL OUT ALL SHADED AREAS BELOW		
C a r d h o l d e r I n f o r m a t i o n			
Company ID:	incli001		
Company Name:	INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT		
Name Line 1:			
Name Line 2:	IVGID 88-760004-K		
Address Line 1:	893 SOUTHWOOD BLVD		
Address Line 2:			
City, State, Zip:	INCLINE VILLAGE, NV 89451		
Work Phone:	775-832-1100		
Employee ID (CCER Unique ID)			
Cardholder's Email Address:			
P a r a m e t e r s			
Credit Limit: (Supervisor fill out.)	New Card:	\$ -	Change: \$ -
Single Purchase Limit:(Super.fill out.)			
Cost Center			
Approver:			
M a i l i n g I n s t r u c t i o n s			
Issue Plastic:	YES		
Delivery Method:	BULK SHIP		
Send Cards To:	IVGID		
Name:	Martin Williams		
Address:	893 SOUTHWOOD BLVD		
City, State, Zip:	INCLINE VILLAGE, NV 89451		
Phone Number:	775-832-1169		
Cardholder's Signature:		Date:	
Authorized By Signature:		Date:	
Authorized Name			
General Manager's Signature:		Date:	

Attachment D



Adoption of Financial Practices

6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

MAINTAINING AN EFFECTIVE ACCOUNTING SYSTEM

Incline Village General Improvement District (IVGID) has established and maintains an effective accounting system to capture data regarding the economic activity of the District's funds.

District Leadership requires accurate and timely financial reports in order to judge the performance of the District's operations and plan for future activities. Preliminary operating reports (consisting of revenues and expenses compared to budget) are published on the 15th business day following the end of a month, and final operating reports are published within 20 business days following the end of a month.

Monthly financial reports (consisting of a balance sheet and operating reports) will be published within ten business days of the final operating reports.

A Comprehensive Annual Financial Report (CAFR) is published at the conclusion of our yearly audit. An independent auditing firm approved by our Board of Trustees and management completes our independent annual financial audit.

6.3.3.1.1 General Ledger Set-Up and Posting

IVGID has set up a general ledger system to timely and accurately aggregate all financial transactions. The framework for this system is called the chart of accounts. The chart of accounts consists of the account titles and account numbers assigned to the titles. The account titles are developed from an understanding of the economic activity and the information management deems necessary in the financial reports. Account titles must appropriately describe the assets, liabilities, fund balance, revenues, and expenses for IVGID accounting fund types.



Adoption of Financial Practices

6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

6.3.3.1.21 Arrangement of Accounts Titles

Accounts titles within the chart of accounts should, according to GAAP, generally be arranged in the following order:

- Assets
- Liabilities
- Fund Balance
- Revenue
- Expenses

Within these categories, ~~for presentation of a statement of net asset accounts,~~ current accounts are grouped first, followed by long-term accounts.

Accounts are numbered in the following manner:

1000-2999	<u>1000-1999</u> Assets
3000-3900	<u>2000-2999</u> Liabilities
4000-4999	<u>3000-3999</u> Fund Balance
5000-5999	<u>4000-4999</u> Revenue
6000-6999	<u>5000-7999</u> Expenses
7000-8900	<u>8000-9999</u> Non-operating
Revenue or Expense	

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6.3.3.1.3 Establishment of Contra Accounts

~~IVGID's account systems record transactions at their historical cost. However, there are instances where generally accepted accounting principles require that an account be presented in the financial reports at a lesser amount. This is accomplished through the use of contra accounts while allowing the accounting system to maintain records of the accounts at historical cost.~~

6.3.3.1.42 Financial Information Adequacy

The accounting systems shall provide adequate financial information to meet a variety of reporting needs.



Adoption of Financial Practices

6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

Every account includes codes for fund, function, cost center and object. Additional codes added to the accounts in the chart of accounts give all of the detail needed for each function or cost center.

The computerized accounting system is able to produce financial reports for each function or cost center, as well as combined reports to show the overall financial position and results of operations of IVGID by fund or in the aggregate.

The chart of accounts is arranged so that each function or cost center is consistent with each other. The accounts are arranged consistently so that the operating result of function or each cost center can be quickly merged with the operating results of other function or cost centers to produce the overall results.

GENERAL LEDGER ACTIVITY

TRANSACTIONS AND EVENTS

OCCURRENCE	Transactions and events that are recorded pertain to IVGID.
COMPLETENESS	All transactions and events that are authorized are recorded.
ACCURACY	Amounts, descriptions and other information is recorded appropriately for processing and reporting.
CUTOFF	Transactions and events are recorded in the proper accounting period.
CLASSIFICATION	Transactions and events are recorded in the proper accounts.



Adoption of Financial Practices

6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

6.3.3.2.1 Posting Monthly Activity to the General Ledger

At least monthly, all activity should be posted to the general ledger. The postings to the general ledger accounts may come from any and all of the following sources:

1. General journal – adjusting journal entries
2. Revenues journal – revenues and account receivable activities
3. Purchases – expense and accounts payable entries
4. Payroll journal – payroll summary
5. Cash receipts journal
6. Cash disbursements journal

Our computerized accounting software package ~~JDEdwards~~ is fully interactive and posts journal activity to the general ledger on command by a computer operator. ~~Daily revenues and cash receipt journal entries are automatically uploaded daily from our operating locations. Daily activities are posted to the accounting software by journal entries uploaded from third party softwares.~~

6.3.3.2.2 Documentation of Entry ~~Not Originating from Regular Transactions~~

~~All entries that do not originate from transaction journal entries should have supporting documentation. This supporting document should be sufficient to allow a reviewer to understand the transaction being posted, and verify the amounts entered.~~



Adoption of Financial Practices

6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

~~Certain entries (recurring adjusting journal entries) are made every period. These entries include, but are not limited to the following:~~

- ~~1. Depreciation of fixed assets~~
- ~~2. Amortization of intangible assets~~
- ~~3. Amortization of prepaid expenses~~
- ~~4. Amortization of deferred revenue~~
- ~~5. Accrual of interest expense on notes that are not paid within each accounting period.~~

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~~Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to the following:~~

- ~~1. Correction of posting errors~~
- ~~2. Accrual of revenue and expense items~~
- ~~3. Recording of non-cash transactions~~

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6.3.3.2.4 Adequate Documentation for All Journal Entries

~~All journal entries should be prepared only on the basis of adequate supporting documentation. Journal entries should include pertinent information such as original date, exact amount, vendor name, and reason for adjustments.~~

6.3.3.2.5 Authorization of Entries

All journal entries into the general ledger should be authorized by the ~~Controller assigned financial department staff.~~

6.3.3.2.6 Review of All Authorized Transactions

A review should be performed of the sequential transaction numbers to ensure that all entries have been made and posted accurately and timely.

6.3.3.2.7 Filing and archiving journal entries

~~All journal entries are to be kept in a central area in the finance and accounting department with access to accounting personnel. They are to be filed numerically in a binder by~~



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6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

~~general ledger period. These binders will be made available to the outside auditors.~~

~~After the audit is completed, all journal entries are to be scanned and archived in a secure place.~~

ADEQUATE GENERAL LEDGER MAINTENANCE

ACCOUNT BALANCES AT PERIOD END

EXISTENCE	Assets, liabilities and fund balance interests exist.
RIGHTS AND OBLIGATIONS	IVGID holds rights to identified assets and has the obligation on stated liabilities.
COMPLETENESS	All transactions and events that should be recorded are recorded.
VALUATION AND ALLOCATION	Assets, liabilities and fund balance interests are included in financial statements at appropriate amounts and that proper adjustments are recorded.

~~A trial balance should be prepared periodically from the general ledger. The trial balance should list all general ledger accounts and their balances as of a particular date. The trial balance will verify the general ledger account balances and serves as a basis to make adjustments to any accounts to correct their balances.~~



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6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

6.3.3.3.1 Performance of Reconciliations

Reconciliations should be performed at least quarterly between control accounts maintained in the general ledger and the subsidiary ledgers.

6.3.3.3.2 Review of Trail Balance and Reconciliations

The Controller should review the trail balance and the reconciliations and sign and date them as evidence of the review. The reasons for differences noted should be reviewed and any adjustments properly processed in the form of journal entries.

6.3.3.3.3 Monthly Reconciliation for Specific Accounts

Reconciliations will be performed monthly for all accounts representing cash on hand or in banks and investments.

6.3.3.3.4 Close of Revenue and Expense Items

At the end of the fiscal year, all items of revenue and expense should be closed so that they will not carry forward to the next fiscal year. After the closing entry is posted to the general ledger, the revenue and expense accounts should be zero and the general ledger is ready to begin accepting transactions for the next fiscal year.

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6.3.4 CASH

CASH MANAGEMENT

Objective Incline Village General Improvement District (IVGID) ~~will maintain~~ an effective system of cash management that anticipates cash needs and plans adequately to satisfy them and to be in compliance with Nevada Revised Statutes.

~~Cash is required to pay for all assets and services purchases by IVGID and to meet future obligations as they come due. The disbursements of cash, therefore, are a regular occurrence, and a sufficient level of cash should be kept available to meet these requirements. However, cash is not a productive asset, as it earns no return. Therefore, only cash necessary needed to meet anticipated day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. Any excess cash should be invested in liquid income-producing instruments.~~

The District's ~~Controller~~ Director of Finance invests operating and capital reserves following a formal investment policy adopted by the Board of Trustees.

Procedures

6.3.4.1.1 Maximizing Return on Idle Funds

Cash not required for operations should be invested. Authorized investments include obligations of the U.S. Government or U.S. Treasury with maturates of ten years or less, the State of Nevada Treasurer's local government investment pool, certificates of deposit issued by commercial banks or insured savings and loans, short-term negotiable notes or bonds issued by local governments, and bankers' acceptances eligible by law for rediscount with the Federal Reserve Banks not to exceed 180 days.

6.3.4.1.2 Expediting of Cash Receipts

The time lag between service performance and the deposit of funds to IVGID's bank account should be kept to a minimum. Invoices/billings should be issued timely and consistently, and as close as possible to the time of performance. All customer remittances should be sent to a single address at each of our facilities - utility, golf, ski, recreation, and general administration areas.

6.3.4.1.3 Collection Practices

A review of accounts receivable listings for past due balances should be performed on a continuous basis by qualified personnel at each of our facilities. Delinquent accounts should be contacted immediately. The overall aging of receivables will be considered each month end.

6.3.4.1.4 Disbursements



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Cash disbursements should be released at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken. Checks will be mailed each week on Fridays. Exceptions will be made if a holiday falls on a Friday. Vendor checks over and above \$2500 (major) must be approved by our Board of Trustees during their next scheduled meeting. Upon approval, those checks will be immediately mailed. IF the timing of meetings requires a check to wait more than 3 weeks, it can be released on the authority of the General Manager.

6.3.4.1.5 Cash Budgets

A cash projection should be prepared in order to effectively manage cash balances. The projection should be prepared on an annual basis, broken down by week or month. Reports should monitor each component by comparing actual performance with the projection, both for the current month and moving forward.

CASH RECEIPTS

Objective Control will be maintained over all cash, checks, and credit card payments received, and they should be deposited promptly within three days in IVGID's bank account.

Cash receipts should be protected from misappropriation. Physical access to cash receipts and cash receipt records should be limited to authorized personnel. Additionally, cash receipts should be recorded in the appropriate accounting period. Cash over/short should be recorded and reconciliations should not be forced to zero. Adjustments to cash over/short and receipts are to be made with the proper audit trail.

Procedures

6.3.4.2.1 Opening the Mail

The mail is to be opened and a listing of cash and/or checks received should be prepared under the supervision of a responsible staff member.

Individuals preparing the list of cash receipts should be persons other than those who deal with accounts receivable, accounts payable, or the general ledger. The listing of cash receipts should include the name, amount, date, and person and department to whom the cash receipt was sent.

6.3.4.2.2 Endorsement of Checks

In situations where cash receipts are received directly by IVGID, checks should be restrictively endorsed immediately.



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6.3.4 CASH

- 6.3.4.2.3 Bank Deposits**
All cash and check remittances should be deposited intact daily. Completing and balancing a daily revenue report and making the deposit does not have to be completed simultaneously but should be completed within three business days.
- 6.3.4.2.4 Reconciliation of cash/checks received to bank deposits**
Persons other than those who handle cash receipts should compare records of cash receipts and summaries to deposit slips and to bank statements on a monthly basis.
- 6.3.4.2.5 Summarize Cash Receipts**
Records of cash receipts should be summarized and totals established for posting to the general ledger. Daily reports should be completed and sent to accounting for posting or uploaded into our financial system within three working days.
- 6.3.4.2.6 Return Checks**
Return Items (return checks) should be redeposited immediately. Verification of good funds can be verified with the customer in a discrete manner and handled only between the customer and our appropriate personnel. Since our bank does not charge use a return item fee, we do not charge our customers a return item fee.

DISBURSEMENTS FROM BANK ACCOUNTS

Objective Disbursements from bank accounts should be made only for authorized transactions.

The payment for goods and services, whether accomplished by check or bank transfer, should be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks must be restricted to authorized personnel.

Procedures

6.3.4.3.1 Preparing Checks and Bank Transfers

Checks and bank transfers should be prepared based on the determination that the transaction is authorized and is in accordance with the District's procedures.



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A determination that the transaction is authorized, should be accomplished by reviewing the following supporting documentation as applicable:

1. Invoices – with receiving documents and purchase orders.
2. Payroll records.
3. Petty cash vouchers.
4. Remittance advices.
5. Check requisitions.

A responsible person indicating proper authorization and coding should sign and date all supporting documentation. All invoices, \$500 or more, should be completed through the purchase order process.

Persons other than those who initiate or approve any documents should prepare checks and bank transfers.

Checks and bank transfers should be designed or completed in such a way to make subsequent unauthorized alternation difficult through the use of protective paper, check imprint, and so on.

The following procedures are prohibited:

1. Checks payable to "bearer" or "cash."
2. Checks signed in blank.
3. Altered checks and bank transfers.

6.3.4.3.2

Check Signing

Officials other than those who approved the transactions for payment should sign checks. Two signatures are required on District checks. IVGID's official signatories are the General Manager and one of the District Trustees.

Limited control over the authorization of the use of the printer must be monitored to protect check stock and usage.

An original and one copy of accounts payable checks are to be printed. The copy should have "accounting copy" printed on them. The original of the check is to be distributed to the vendor and the copy attached to the voucher package for filing in the accounts payable files.

6.3.4.3.3

Disbursement of Checks

After checks have been printed and properly matched with voucher package, all checks should be forwarded to the payees. Major checks (over \$2,500) are listed on a Major checklist and forwarded to the Board



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of Trustees. After the bi-monthly Board meetings, at which major checks are approved, these checks should be immediately forwarded to the payees. Each weekly check run will have some checks that are picked up by other IVGID departments for distribution. These checks are to be listed on a separate sheet and signed for by a responsible person when picked up.

6.3.4.3.4 Maintenance of Check Control Log

1. A separate record of checks being processed should be maintained by using a control log. The control log should contain the date of the check, the range of the check numbers, the initials of the person in charge of writing the checks, and the verification initials of a supervisor.
2. A separate record of returned and/or voided checks should be maintained. This log should contain the name of the payee, the date the check was written, the date the check was voided and/or returned, the check number, and a void description.
3. The usage of checks should be accounted for by reconciling the quantity of checks issued to the cash disbursement records. Persons should perform this other than those who have authority to issue checks.
4. Supplies of unused checks should be properly safeguarded.

6.3.4.3.5 Summarize Cash Disbursements

All checks and bank transfers should be summarized and recorded in the General Ledger.

IMPREST AND SIMILAR FUNDS

Objective Reimbursement of imprest and similar funds (petty cash) should be made only for authorized reasons.

Imprest accounts are limited to a nominal balance, and reimbursements are to be in the amount equal to the total of miscellaneous payments made. Reimbursements are to be paid through accounts payable and require approved and coded slips for backup.

Procedures

6.3.4.4.1 Disbursements of Funds

Prior to the disbursement of any funds, a voucher should be prepared with supporting evidence such as receipts or other



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miscellaneous supporting details and approved where appropriate.

A summary of all disbursements should be maintained and an analysis should be performed in order to charge the proper general ledger accounts.

Periodically, the imprest account should be replenished so as to bring the balance up to the imprest amount. The amount replenished should equal the sum of all imprest account disbursements since the previous reimbursement and any differences should be reconciled.

The District maintains an Automated Teller Machine (ATM) at the Ski Resort. This will be accounted as an imprest account. When each draw for replacement funds is made, the balance will be reconciled to the general ledger and machine reported totals.

BANK RECONCILIATIONS

Objective Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger.

Monthly data on cash receipts and disbursements should be compared with the details reported on bank statements. Unmatched and mismatched data are used to reconcile the book and bank balances.

Procedures

6.3.4.5.1 Preparing Bank Reconciliations

Bank balances, as shown by the bank statement, should be reconciled monthly with the general ledger balance. Data on cash receipts journals, including credit cards and cash disbursement journals should be listed for review. The person who prepares the reconciliation should receive the bank statements directly from the bank and retain them until the reconciliations are completed.

6.3.4.5.2 Determination of Reconciling Items

Discrepancies between general ledger cash balances and closing balances reported on the bank statements result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks) and items on bank statements not yet processed and recorded by IVGID (such as bank service fees). Most of those items do not require further review.

Accounting personnel who do not have access to cash and are not involved in processing and recording cash transactions should review all significant differences. Review items should include but are not limited to



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items such as: 1) unmatched data in cash receipts, credit card processing and disbursements journals that fail to clear the banks within a reasonable period of time, 2) unmatched items on bank statements unanticipated or judged erroneous by IVGID, and 3) mismatched items in cash receipts and disbursements journals and bank statement items.

Bank reconciliations and proposed adjustments to the general ledger cash balances and cash detail files should be reviewed and approved by the Controller.



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6.3.9 PROPERTY AND EQUIPMENT

ADDITIONS TO PROPERTY AND EQUIPMENT

Objective All additions to property and equipment should be properly authorized utilizing our requisition/purchase order processing. Expenditures for tangible assets used actively in business operations ~~that benefit a period with a useful life exceeding one fiscal year and exceeding the below costs thresholds~~ should be capitalized. Repair costs are recorded as expenditures ~~unless they significantly increase the useful life of the asset or the benefit received from the asset.~~ The following procedure should be followed in determining if a purchase meets the necessary requirements for capitalization:

Asset Class	Minimum Cost
Equipment	\$ 5,000.00
Structures & Land Improvements	\$10,000.00

The following ~~are IVGID's broad asset types~~ generally categorize property and equipment:

- 1. Land
- 2. Land improvements
- 3. Buildings
- 4. Equipment
- 5. Furniture, fixtures, and office equipment
- 6. Computer equipment, including purchased software
- 7. Tools
- 8. Vehicles
- 9. Construction in process
- 10. Right to use
- 11. Water Rights

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Capital budgeting is ~~as~~ integral to forming the District's annual operating budget. ~~Since the budgeting process must take place far in advance, estimations of acquisitions in the budget year must be made.~~ The decision to purchase a capital asset should be ~~an informed one~~ based on the ongoing capital improvement projects, the multi-year capital plan, and the current year budgets, projected benefits of the addition, and ~~possibility~~ analysis of the lease versus purchase options.

The fixed asset accountant ~~should~~ maintain a capital improvement project (CIP) book, which contains details for all proposed capital project expenditures ~~over for~~ a five-year ~~and beyond~~ period.

Procedures

6.3.9.1.1 ~~Approval of Capital Budgeting~~



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6.3.9 PROPERTY AND EQUIPMENT

~~Capital budgets should be submitted along with operating budgets for review and approval by the appropriate levels of management and the Board of Trustees~~

6.3.9.1.21 Capital Asset Purchase Authorization

No purchase of capital assets should be made without proper authorization and review to ensure compliance with budget guidelines and sound investment decision making.

6.3.9.1.32 Approval of Requisition Requests

Requisition requests should be submitted and approved by appropriate levels of management as determined by the dollar magnitude of the acquisition before funds are committed for capital expenditures.

Requisition requests and purchase orders are required for all capital asset expenditures. The requisition and purchase order should specify the reason for the request and the estimated cost.

In some instances, capital items will need to be purchased that were not included in the budget. Proper change-of-scope forms and authorizations by the appropriate levels of management must be received prior to purchasing these items.

6.3.9.1.43 Long-Term Lease or Purchase

~~Obtaining the use of property and equipment through long-term leases is an alternative to outright a purchase. Leases vary in term, assumption of expenses, and many other details. The purchase versus lease decision should be based upon the basis of net cost, considering cash flows, financial statement presentation, and suitability of the asset to leasing. While leased equipment is not a capitalized-capitalized asset, the right to use the item will be capitalized.~~

ACCURATE RECORDS OF PROPERTY AND EQUIPMENT

Objective ~~Accurate records should be required to~~ be maintained of the cost ~~purchase date, useful life,~~ and accumulated depreciation of property and equipment.

~~The acquisition of capital assets should be organized. It is important to ensure that no unauthorized acquisitions have been made and that records of each acquisition are accurate, complete, and recorded in the appropriate period.~~

Procedures

6.3.9.2.1 Receipt and Identification of Capital Assets



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All property and equipment should be identified upon their receipt by the use of a prenumbered tag. The tag should be permanently affixed in a readily visible area. The property number on the tag should be recorded in the detailed fixed asset ledger ~~along with the asset's location.~~ ~~The location of the asset should be recorded in the detailed fixed asset ledger.~~

6.3.9.2.2 Review of Purchase Price Variances

For each capital item purchased, a comparison should be made of the actual versus budgeted cost. Differences should be explained and approved by a responsible person.

6.3.9.2.3 Maintenance of Detailed Fixed Asset Ledgers

Detailed fixed asset ledgers that are accurate and complete should be maintained for all asset classifications.

6.3.9.2.4 Depreciable Assets Net Acquisition Costs

Depreciable assets should be carried in the accounting records at the original net acquisition cost, less separate accounts for accumulated depreciation or depletion. Non-depreciable capital assets customarily should be carried in the records at the original net cost. Purchased items of property and equipment that meet the capitalization requirements are to be capitalized at the invoice price plus all charges incurred to prepare the asset for operations.

Cost of acquisition or construction includes not only the contract or invoice price but also such costs as preliminary engineering studies, ~~excluding feasibility studies,~~ and surveys, legal fees to establish title, installation costs, freight, and labor and material used in construction or installation.

Cash discounts taken should be recorded as a reduction of the cost.

6.3.9.2.5 Posting to Detailed Ledger

Asset additions, disposals, and period depreciation should be posted to the detailed ledger on a monthly basis.

6.3.9.2.6 Reconciliation to General Ledger

On ~~a periodic basis~~ basis, the detailed fixed asset ledger should be reconciled with the general ledger for asset cost and accumulated depreciation.

6.3.9.2.7 Investigation and Resolution of Differences

Any differences disclosed by the reconciliation in 6.3.9.2.6 should be investigated and resolved. ~~The resolution needs to be approved by the~~



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~~Controller before it is entered into the accounting system and detailed records~~

6.3.9.2.8 Review of Differences

~~The results of the reconciliation should be reviewed and approved by the Controller before any adjustments to the accounts are recorded. A signature should evidence such review.~~

6.3.9.2.98 Capitalization of Expenditures While Building

~~Expenditures made by the District while building a capital asset should be capitalized.~~

Expenditures involved in the construction of an asset such as those for materials, labor, engineering, supervision, clerks' salaries and expenses, legal expenses, insurance, overhead, and interest should be capitalized as "construction in progress" until the project is completed and placed in service. No depreciation should be taken on construction in progress.

Periodically during construction, a comparison should be made between projected and actual expenses incurred. Appropriate approvals should be obtained if projected costs will exceed the budgeted amount prior to expenditures going over budget.

Upon completion of construction and placement in service, the asset should be removed from construction in progress and entered into the detailed fixed asset ledger under the appropriate classification. Depreciation should now be taken on the asset.

6.3.9.2.109 Expenditures – Capitalization vs. Expense

Repair expense should be distinguished from expenditures for improvements, additions, renovations, alterations, and replacements.

Expenditures are repair expense if they do not materially add to the value benefit received from the property and do not materially prolong the life of the property. Examples of repair expense are:

- 1. Replacing loose or damaged shingles
- 2. replacing broken glass
- 3. Painting and decorating
- 4. Resurfacing a parking lot
- 5. Making temporary repairs to last less than one year
- 6. Making minor repairs to fully depreciated assets

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Repair costs that increase the value benefit received from the of property, prolong its life, or adapt it to a new or different use are capital



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expenditures. If the life of the asset has been significantly extended, the remaining original cost and the repair cost should be depreciated over the new life. Examples of repair expenditures that are capital expenditures are:

- 1. Replacing floors
- 2. Replacing a roof, thereby substantially prolonging its life
- 3. Reconditioning machinery, thereby extending its life
- 4. Replacing an auto's or a truck's engine
- 5. Overhauling an auto or truck that is substantially worn out
- 6. Installing a new heating system

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Other expenditures that may be capitalized are structural changes or alterations to company-owned buildings, which become a part of a building and increase its life or value benefit or significant improvements to property leased by the company, improvements that add value to the leasehold (e.g. permanent office partitions).

DEPRECIATION OF PROPERTY AND EQUIPMENT

Objective The cost of all capitalizable assets should be allocated over the estimated useful lives in a rational and systematic manner.

Straight-line depreciation is used for determining depreciation. Straight-line depreciation is calculated by using an equal amount of the net cost of an asset and retiring this amount monthly over dividing the asset acquisition value by the number of months in the useful life of the asset.

Procedures

6.3.9.3.1 Determination of Useful Life

The useful life should be determined when a capital asset is acquired. The useful life is expressed in terms of months.

The cost of an asset should be allocated over a useful life via depreciation or depletion.

IVGID's estimated useful life based on asset type

Buildings	466 months
Land Improvements	240 months
Vehicles	120 months
Equipment	120 months
Furniture, Fixtures, Office Equipment	84 months
Computer Equipment	60 months



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~~When a useful life is not determinable, such as for land, no depreciation should be taken.~~

If there is a change in the estimate of the remaining useful life after the asset is placed into service, the remaining cost to be depreciated should be spread over the revised remaining life.

The Controller should review the estimated useful life.

Once depreciation has been determined, it should be applied consistently until conditions change to such a degree that its application no longer produces reasonable results.

EXISTENCE OF CAPITAL ASSETS

Objective Control should be maintained over capital assets and their related records to ensure that all recorded assets exist and are in use for operations.

The physical existence of capital assets should be verified and reconciled to the fixed asset records or inventories.

Procedures

6.3.9.4.1 Identification and Record of Assets

At the time of acquisition, all assets should have been identified, tagged, and entered into the detailed fixed asset ledger. The tag should have been placed in a visible area. The tags provide a clear method of tracing the asset to the fixed asset ledger. Periodically, the District should take a physical inventory of all capital assets to ensure the completeness and accuracy of the company's records.

Responsible management employees who are not responsible for the custody or record keeping of the assets should oversee the inventory process.

All assets should be examined to determine that they are currently being used.

6.3.9.4.2 Comparison to Detailed Records

The inventory of the assets on hand should be compared to the detailed records.

A responsible management employee should resolve all differences.



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6.3.9 PROPERTY AND EQUIPMENT

DISPOSAL OF CAPITAL ASSETS

Objective Disposal of capital assets should occur only after proper authorization has been given.

Control over the disposition of property should be maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal.

Procedures

6.3.9.5.1

Documentation of Disposal

The following procedures should apply to the retirement and disposal of District assets:

1. No item of property and equipment should be removed from the premises without a properly approved disposal form
2. A disposal form should be completed for all disposals
3. This disposal form should be reviewed and approved by the fixed asset accountant

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6.3.9.5.2

Recording Disposal

Once the retirement has been properly approved and documented, the following procedures apply to the recording of the transaction:

1. At the time the property is retired, the cost should be removed from the appropriate asset account; the related accumulated depreciation including depreciation to date of disposal, should be removed from the accumulated depreciation account; and the profit or loss, adjusted for the cost of removal, should be recorded as an income (gain) or expense (loss) item.
2. When the disposal is via a trade-in of a similar asset, the acquired asset should be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance should such cost exceed the fair market value for the new asset.

6.3.9.5.3

Fully Depreciated Assets

Fully depreciated assets should remain on the property records with the related accumulated depreciation as long as the property is still in use.

IMPAIRMENT OF ASSETS

Objective Impairment of assets is defined by GASB 43 as a significant, unexpected decline in the service utility of a capital asset. Impairment of fixed assets occurs when



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~~the fair value is less than the carrying amount or book value. Book value or carrying value results from applying the cost of the related asset to an allocation over an estimated useful life. A change in the remaining useful life is only a change in the time over which the allocation should be made. Impairment is recognition that some element of value will not be recovered in the future. Impairment is more likely to be an accounting issue for non-depreciable assets such as land and land rights or factors from technology and intangibles. Proper recognition of impairment should be considered.~~

Procedure 6.3.9.6.1

Monitoring

The Finance Officer will make an annual review of the assets and consider the need for any recognition of impairment. This review will be conducted as a part of preparing the records for the annual audit. Any impairment discovered will be booked and future depreciation adjusted by the capital asset accountant.



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

DETERMINATION OF NEEDS

Objective Determination of IVGID's needs for goods and services should be made by appropriate personnel.

The determination of needs for goods and services, such as inventory, equipment, office supplies, and professional services, should be made considering levels of service and to avoid the disruption of operational efficiency because of improper or untimely purchases affecting the District's ability to serve the Community.

Procedures

6.3.10.1.1

Methods to Determine Needs

Purchasing requirements, categorized by the type of goods or service, should be determined according to the following methods:

1. Inventory replenishment needs should be determined by a supervisor who has responsibility for the specific task.
2. The need for services that are provided on a recurring basis by the same vendor, such as utilities, telephone, periodicals, or janitorial services, should be determined initially by authorized persons ~~and, thereafter, provided continuously or not redetermined until the end of the contract period. These services should be re-examined at the end of the contract period.~~
3. Determining the need for specialized services, such as insurance, advertising, and legal and accounting services, should be the responsibility of designated individuals.
4. Responsible individuals within each division of IVGID should determine routine operating and maintenance goods and services.

6.3.10.1.2

Preparation of Requisitions for Routine Goods and Services

Requisitions for routine goods and services should be prepared by the user ~~department~~ on the ~~JDE~~ ~~Edward's~~ ~~Innovise~~ software and contain the following information:

1. Vendors – names and address.
2. Billing address - all departments should use 893 Southwood Blvd., Incline Village, NV 89451.
3. The date the department made the requisition.



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

4. Ship or deliver to the specific location where goods or services are to be delivered.
5. Name of originator or individual designated to receive goods when received from vendor.
6. List of specific items requested including part number, model number, color, dimensions, item description, etc.
7. Specific quantity to be purchased and delivered.
8. Unit of measurement – each, dozen, carton.
9. Current unit price.
10. Approval obtained through ~~DEdwards~~ Innovise software if the amount is above the originator's approval level.
11. CIP requisitions should include the CIP budget year, the data sheet number, and area, and should be printed on the hard copy of the purchase order form.

6.3.10.1.3 **New Vendors**

When it is necessary to establish credit with a new vendor, the following information needs to be furnished to an Accounts Payable Clerk prior to placing an order:

- Vendor Name – DBA, if applicable
- Vendor Address and remit address if different
- Vendor Tax ID number or social security number
- Vendor organizational type – e.g. corporation, partnership, or sole proprietorship
- Vendor phone and fax numbers
- Vendor contacts

An Accounts Payable Clerk will then request from the vendor completion of a W-9 form and remit address form (before checks will be issued).

6.3.10.1.4 **Purchase Order Processing**

Once the requisition request has been approved, the requestor should obtain a purchase order number through the ~~DEdwards~~ Innovise computer software.

Purchase Order numbers must be obtained before ordering the services or materials and given to the vendor upon order - see exceptions, 2.1(b).

6.3.10.1.5 **Bid Processes**

There are 3 types of bidding processes to consider for local governments:



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

1. Informal bids: If bid/contract is over \$10,000 but less than \$25,000 then 1) requests must be submitted to 2 or more persons capable of performing the contract, and 2) Records of all requests for bids received must be kept for at least 7 years after the date of execution of contract.

2. Non-Public Works construction bids: If bid/contract is over \$25,000 then the following rules must be followed.
 - A. Must advertise all contracts for which the estimated amount required to perform the contract exceeds \$25,000.
 - B. Maintain a record of all requests for bids and all bids received for at least 7 years after the date of execution of the contract.
 - C. Publication of notice to bid must be published at ~~least~~ one every day for at least 7 days and not less than 7 days before the opening of bids. The advertisement must be by "notice to bid," and must be published in a newspaper having general circulation.
 - ~~D~~ The notice must state the nature, character or object of the contract, if plans and specifications are to constitute part of the contract, where the plans and specifications may be viewed.
 - ~~E~~ The notice must state the time and date on which responses will be opened.
 - ~~E-F~~ On-line bidding is allowable – see Statute on requirements (NRS 332.047).
 - ~~F-G~~ Exceptions to requirements for competitive bidding (NRS 332.115) include: items which may only be contracted from a sole source; professional services such as consulting, legal, etc; additions to and repairs and maintenance of equipment which may be more efficiently added to, repaired or maintained by a certain person; equipment which by reason of the training of the personnel or of an inventory of replacement parts, maintained by the local government is compatible with existing equipment; perishable goods; insurance; hardware and associated peripheral equipment and devices for computers; software for computers; supplies, materials or equipment that are available from contracts with the General Services Administration or another governmental agency in the regular course of its business; items for resale through a retail outlet operated in this state by a local government or the State of Nevada.

3. Public Works Construction bids:
Construction projects over \$100,000:

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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

1. Adhere to the law NRS 338.
2. May not divide a project into segments to avoid public bidding.
3. Must advertise in a newspaper of general circulation (Bonanza is fine).
4. Must have plans and specifications on file by the date of advertisement.
5. Plans and specifications must be available to all interested parties.
6. Place, date, and time of where plans and specifications are available must be advertised.
7. Date, place, and time of when and where the bids will be opened must be advertised.
8. Contract must be awarded to contractor who submits the best bid.
9. Best bid is not necessarily the lowest; but IVGID must have compelling reasons to award to a higher bidder. As a reference, refer to Case No CV01-05346, Second Judicial Court, and Washoe County (American General Development vs. Washoe Co School District.
10. Contractor must be licensed in Nevada in appropriate classification.
11. 10% bid bonds required.
12. IVGID Board of Trustees must award work.

Construction Projects between \$25,000 and \$100,000:

1. Advertising is not required.
2. Must maintain a list of qualified contractors.
3. May request bids by direct mail from the qualified contractors.
4. Other provisions of larger contracts apply.

Construction Projects under \$25,000 IVGID Internal Policy applies.

In-House Projects IVGID may do construction with its own forces if Board determines that the bidder isn't qualified, or that the bidder isn't responsive, or the quality of services, materials, equipment or labor does not conform to plans and specifications, or that the public interest would be served by bid rejection and using in-house construction forces.

- 6.3.10.1.6** **Emergency bidding not required:** If an emergency exists that may lead to impairment of the health, safety or welfare of the public if not immediately attended to, then the bidding process is not required.



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

PLACEMENT OF ORDERS

Objective Proper approval and a purchase order number should be obtained prior to the establishment of a firm order or contract to purchase.

Requisitions and purchase orders will be reviewed to ascertain that the amount of requisition is within the approved District's limit.

IVGID's terms are net 30 days. However, payments will be made earlier in order to take appropriate discounts, avoid penalties, or contract agreements.

Telecommunications (phone or data lines), computer hardware and software are handled through the Information Technology Division (IT). All inquiries and orders should first be identified, researched, and approved by IT.

Procedures

6.3.10.2.1

Establishment of Purchasing Guidelines

The General Manger, the Board of Trustees, and NRS determine purchasing guidelines that define approval requirements and procedures for purchase commitments. The following purchasing guidelines should be applied:

1. Approval limits are set for each employee over ~~whom~~ ~~which~~ the employee is required to obtain appropriate approval prior to the establishment of a firm order or contract.
2. All purchases are to be obtained using a purchase order with few exceptions - as listed below:
 - ~~Any cash purchase under \$500.~~
 - ~~Established revolving District charge cards~~
 - Small purchases at Incline Auto Parts, Spitsen Lumber and Village Ace Hardware.
 - ~~District Procurement card purchases~~
 - Payments to utility companies such as Southwest Gas, Sierra Pacific Power, and SBC.
 - Reimbursements such as petty cash or employees payments.
 - Recreation instructor payments.
 - Investment management invoices.
 - General Council payments.
 - Bond and Note payments and related payments.

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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

- 6.3.10.2.2 Entering Into Purchase Commitments**
Purchase commitments should be entered into to assure an adequate supply or price. All contracts should be documented in writing and the approval of the Board of Trustees should be obtained before a firm contract is signed. In order to avoid losses from inappropriate commitments, a projection of requirements for the specified goods or services should be prepared.
- 6.3.10.2.3 Preparation of ~~Preagreed~~ Purchase Orders**
Purchase order numbers are automatically assigned within the ~~JDEwards Inoprise~~ process. Purchase orders should be prepared and contain the following information:
- Name and address of vendor
 - Ship-to information
 - ~~Date the order was placed~~
 - Date the goods are to be delivered or service performed
 - Terms of purchase
 - Items listed separately with adequate descriptions
 - Specific quantity and unit of measure
 - Unit price
 - Signature of authorized buyer
- 6.3.10.2.4 Multiple-Copies of Purchase Orders**
Multiple-copies of purchase order forms may be used with copies being distributed as follows:
- Copy to vendor (if necessary)
 - Accounts payable department
 - Copy to originator (if necessary)
- 6.3.10.2.5 Review of Unmatched Purchase Commitments**
On a quarterly basis, a review should be performed by an Accounting Clerk of any commitments that have not been matched with receiving reports or equivalent records of goods or services received. Follow-up should be performed to determine whether or not the goods or services are yet to be received. If it is determined that the goods or services are not to be received, the purchase orders should be voided and removed from the system.

Cellular Telephone Use

Objective IVGID requires certain positions within the District to use cellular telephones for business purposes. The need and business purpose for use of a cellular telephone will be stated clearly in the Job Description.



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

Factors which support cellular telephone use include but are not limited to:

- Performing work requires the employee to be out of the office on a regular basis where availability of a land telephone is limited.
- Performing work which requires the employee to regularly serve in an off-duty, on-call status a minimum of 2-3 days a week.
- Performing work which requires the employee to stand by for emergency call back where once called, time becomes a significant response factor.
- Where the safety of the employee or participants at a District sponsored program or event requires it.
- Managerial responsibilities.

Each employee in a job requiring a cellular telephone will be offered a District provided ~~Nextel~~ cellular telephone. If it is to the mutual benefit of the District and the employee, the District may elect to allow the employee be provided a fixed dollar stipend for the use of the employee's personal cellular telephone as the means of communication for District business.

Procedures

6.3.10.3.1

Establishment of service

At the time of hire, the employee's supervisor and/or manager will determine the requirement for a cellular telephone. The employee and supervisor/manager will agree which plan suits the needs of the District and the employee.

If it is determined that a District Nextel cellular telephone will be issued, a cellular phone agreement will be completed, approved and forwarded to the Information Technology Department (IT). IT will purchase all equipment and set up.

If it is determined that the employee will use their cellular telephone and ~~District~~ plan, a cellular phone agreement will be completed, approved and forwarded to the Information Technology Department (IT). A monthly stipend for the cellular telephone will be included on the payroll check for the 20th of each month.

See the District Cellular Telephone Policy for complete rules and regulations.



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6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

RECEIPT AND ACCEPTANCE OF PURCHASES

Objective Control should be established over goods and services received as a basis for determining and recording the liability for goods and services received.

The physical receipt of all purchased goods should be the responsibility of the receiving department or a designated individual at each of our departments. The receiving person should inspect goods for conformity with specifications on the purchase orders. Counting, weighing, or measuring should verify quantities. Receipt and acceptance of a shipment should be documented with signature and date on a receiving document or packing slip and should then be routed to the accounting department.

Procedures

6.3.10.4.1

Inspection of All Goods and Services

A receiving department or designated individual should inspect all goods received for the following:

- Correct delivery point
- Verify the number of containers
- Verify contents – compare description of goods and quantity per the purchase order
- Inspect for damage
- Remove packing slip, sign and date, and send to the accounting department

6.3.10.4.2

Proper Communication Between Departments

The receiving department or originating individual should contact the vendor if any order has an obvious discrepancy (physical damage, wrong items, quantity error, etc.) in an expeditious manner to reach an understanding about how to correct the delivery.

6.3.10.4.3

Receiving Documentation Sent to Accounting to be Filed

After inspection, the packing slip should be signed, dated, and sent to accounting with any noted discrepancies noted. The accounting division matches the packing slip with the purchase order. These documents are to be filed while waiting for the invoice.

6.3.10.4.4

Inspection and Approval of All Services Received

Services that are received should also be inspected or reviewed by the user department to determine that the work was done in accordance with



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the purchase order or contract. Approval by the ~~user~~ department should be documented on the purchase order or on the invoice and sent to the accounting department.

If the work is of a confidential or highly technical nature, a specific department (e.g. engineering) or individual (e.g. risk manager) may wish to review the documentation and approve the services received.

6.3.10.4.5 Storing and Controlling of Goods

Inventory, component parts, and other goods should be accounted for and controlled from the time of receipt through utilization. Any transfers to the appropriate ~~user~~ department must be noted on a warehouse order form.

Storerooms should be locked. Access to storerooms should be restricted to authorized personnel.

6.3.10.4.6 Recording month-end inventory

A journal entry should be prepared to record goods that have been received prior to the end of an accounting period but have not been matched with the related suppliers' invoices. (See 6.0 for further discussion of cut-off procedures at the end of an accounting period.

ESTABLISHMENT OF ACCOUNTS PAYABLE

Objective All authorized accounts payable transactions should be accurately recorded as accounts payable.

Employees independent of the ordering and receiving functions should record assets or expenses and the related liability. The amounts recorded should be based on vendor invoices for the related goods or services. The vendor invoices should be in agreement with an approved purchase order. Furthermore, evidence of receipt or performance of services should be documented before the vendor invoice can be processed. Invoices and related general ledger account distribution should be reviewed before recording.

Procedures

6.3.10.5.1 Establishment of Invoice Control

All vendor invoices and statements should be mailed directly to 893 Southwood Blvd. and forwarded to the Accounting Department. Failure to do so may result in delays in recording the invoice and cause a misstatement of accounts payable and the related asset or expense



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accounts. Furthermore, cash discounts may be lost or penalties imposed because of untimely processing.

The ship-to address can be the main warehouse or an individual department address.

6.3.10.5.2 Accounts Payable Time-Line

All ~~approvals of~~ invoices must be submitted to the ~~Accounts Payable Department in Incline~~ by noon each Monday. If a holiday falls on a Monday then the deadline is on Tuesday by 10 AM.

6.3.10.5.3 Request-for-Check forms

A request-for-check form is only used in place of an invoice, for cash advances for trips or seminars, and for special purchase reimbursements. Proper coding and authorization must be completed.

6.3.10.5.4 Travel Authorizations and Reimbursable expense

Your supervisor and division head must approve a travel authorization form during the planning stages of a trip. The travel authorization is not a payment authorization. Payment authorizations are accomplished through the use of an expense report or a check request form.

IVGID will pay for expenses related to business only. Meal expenses will be covered at the established per diem rate unless specified on the IRS per diem table (contact an accounts payable ~~clerk~~ for area rates or refer to the table on the intranet). Mileage expenses will be covered at the established IRS rate per mile.

Expenses will be paid via an expense report. A clearly documented business purpose must be reported on the expense report, and all individual expenditures must have a supporting receipt attached except the meal per diem. Approved expense reports and receipts must be submitted to Accounts Payable within 30 days of the first date of incurred expense. Small receipts should be attached to an 8x5 blank sheet to

allow for easy verification and so those small receipts aren't lost in the process. (See additional information in IVGID's Personnel Policy Manual). A copy of the travel authorization must accompany a check request or expense report.

6.3.10.5.5 Preparation of the Voucher Package

The voucher package should be assembled with the following documents:

- Vendor invoice
- Packing slip



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- Purchase Order
- Authorization of acceptance of goods or services
- A separate voucher package should be assembled for each Capital Project.
- The same invoice can be used to support multiple voucher packages, especially for multiple CIP numbers

6.3.10.5.6 Procedures Performed on Voucher Package

After the voucher package has been assembled, the following procedures should be performed:

- The nature and quantity of goods ordered and the price per the vendor invoice should be compared to the purchase order and the receiving document
- Calculations of the invoice, such as totals and extensions of quantities multiplied by unit price, should be recomputed
- The general ledger account coding should be verified
- ~~If the invoice is over \$2,500, the voucher package should be reviewed and approved by the Accounting Supervisor or the Controller.~~

6.3.10.5.7 Processing of Freight Bills

Freight bills may be received for goods received from vendors and for goods shipped to customers.

The bill of lading should be routed from the receiving division to the accounts payable division. When the invoice for the freight is received, the invoice should be approved for payment by the original receiving division, coded, matched with the proper purchase order, and sent to the accounts payable division.

A voucher package should be assembled as stated above in item ~~4.5~~.

6.3.10.5.8 Guidelines for C.O.D. Purchases

Cash on delivery (C.O.D.) purchases are discouraged. When it becomes necessary for a C.O.D. purchase, a requisition and purchase order should be prepared, complete with proper coding and approval. A check request is then processed for payment ~~and the check returned to the auditing department~~. When the goods are delivered, the following procedures are ~~appropriate~~:



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- The goods should be inspected by the receiving division
- The bill of lading and the vendor invoice should be immediately marked "paid"
- The purchase order number should be marked on the invoice
- The documents should be sent to the accounts payable division for filing
- Accounts payable should review the documents and compare them to the check request and check that was issued earlier. Any discrepancies should be resolved.

6.3.10.5.9 Recording Invoices in the Accounts Payable Computer System

After the voucher package is complete, the vendor invoice is ready for recording. The following information should be entered into the ~~JDE~~ ~~Oracle~~ Innoprise computer system:

- Vendor name
- Vendor invoice number
- Date of vendor invoice
- Amount of invoice
- General ledger account number
- Date invoice is to be paid
- General ledger date
- Discount, if applicable
- Voucher number (assigned automatically by system)

Upon the posting of the vendor invoice into the accounts payable system, the vendor invoice has been automatically recorded into the accounting system as a liability. ~~Batch numbers or user names complete invoice postings.~~

6.3.10.6.10 Check Run Process

Check runs are completed weekly. Invoices are processed on Monday s and Tuesday s. Checks are printed on Wednesday s, matched, verified and readied for disbursement Wednesday afternoons and Thursday s. Checks are ready to be picked up or mailed from the accounting office on Friday s at 8 am. IVGID's vendor terms are Net 30 days.

Checks over ~~\$2500~~ 10,000 must be listed and presented to the Board of Trustees before they are released. Exceptions to holding checks for Board approval are checks that pay utilities, inventory, to avoid penalties, to receive discounts, or by contract agreement. Board meetings are normally held during the second and last week of each month. Checks



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over \$25,000 that receive board approval are mailed the day after the Board meetings.

6.3.10.5.11 Out-of-cycle Checks

Out-of-cycle checks are discouraged. Planning ahead should eliminate the need for out-of-cycle checks. If a check is necessary before the next scheduled check run, approval must be obtained from the Controller and/or the General Manager along with a detailed explanation as to why the check needs to be processed early.

6.3.10.5.12 Returned Checks

Returned checks should be forwarded to Accounts Payable Clerk for processing. The Accounts Payable Clerk will research the reasons for the return to determine if the check needs to be forwarded to a new address; or if the payment was made in error, the check should be immediately voided.

If a division has a check that they have picked up from Accounts Payable that they no longer need, the check needs to be returned to Accounts Payable immediately so that it can be voided or mailed to the vendor. All checks should be returned to the Accounts Payable Clerk within four weeks of the issuance date.

6.3.10.5.13 Reconciliation of Accounts Payable General Ledger Amounts

Quarterly, the accounts payable general ledger total should be reconciled. All differences should be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences should be reviewed and approved by the Controller. The reconciliation and adjustments should be made by someone other than the accounts payable clerk.

6.3.10.5.14 Review of Debit Balances in Accounts Payable

The accounts payable clerk should review the accounts payable detail list on ~~400-dwvnmk-1110011cc~~ ~~spend release~~ monthly for debit balances (amounts vendors owe IVGID). In reviewing debit balances, the employee should ascertain if the company will receive cash from the vendor or if an offset to another invoice is appropriate. If there is a significant dollar amount of debit balances in accounts payable, this debit balance should be removed from accounts payable and recorded in accounts receivable.



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- 6.3.10.5.15 **Review of Hold Balances in Accounts Payable**
The accounts payable detail list ~~should be reviewed weekly~~ ~~release~~ should be reviewed weekly by the accounts payable clerk for all "hold" amounts. In reviewing the holds, the employee should ascertain if these holds should be released against other invoices or if the invoice should remain on hold. All holds should be investigated and adjustments made accordingly.
- 6.3.10.5.16 **Reconciliation of Accounts Payable Records to Suppliers' Records**
Accounts payable records should be periodically reconciled to suppliers' records by comparison with supplier's statements. Any differences should be analyzed. A copy should be immediately obtained of any invoice(s) that is 60 days or more past due. Once received, proper approval must be obtained, and the invoice paid as soon as possible. Also, copies should be obtained of any credit memos that have not been recorded. No payments to vendors will be made from a statement. We pay only original invoices.
- 6.3.10.5.17 **Sales and Use Tax**
The Nevada Revised Statutes have granted IVGID sales/use tax-exempt status. Therefore, purchases in the state of Nevada are exempt from sales/use tax.

Our tax ID # is 88-760004-K. If a vendor requests further verification of the Districts exempt status, a copy of the letter from the State of Nevada, Department of Taxation can be faxed or mailed to them.
- 6.3.10.5.18 **Phone bills and Reimbursement of personal phone calls**
All phone bills will be reviewed by each division for accuracy. Any questionable charges will be researched and resolved.

RETURN OF GOODS TO SUPPLIERS

Objective Return of goods to suppliers should be adequately controlled, documented, and recorded.

The return of goods should be approved and documented by each area or the receiving division. Follow-up with the supplier ~~should be used~~ to ascertain that the supplier recognized the return of goods.

Procedures

6.3.10.6.1 **Shipment of Goods Back to Vendor**



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When each area or the receiving division has goods to return to a vendor, a log should be maintained recording the description of merchandise, vendor, quantity, and reason for rejection.

The area or receiving division should call the vendor and shipping company to arrange for return. A credit memo should be requested to be sent to the accounts payable division. Notice should also be given to the accounts payable division or the return or if a replacement item will be sent.

PURCHASE CUT-OFF

Objective At the end of the accounting period, it should be ascertained that the related liabilities for goods or services received during the accounting period are also recorded in the same accounting period.

Procedures

6.3.10.7.1 Procedures for Proper Purchasing Cut-Off at End of Accounting Period

Time delays in receiving and processing vendor invoices for goods and services can cause recording the liabilities for the related goods and services in a subsequent accounting period, unnecessary penalties, or C.O.D. requests. Therefore, it is imperative that an attempt be made to record all liabilities and that a proper purchasing cut-off is achieved. To accomplish this, the following procedures should be observed:

1. Closing of the accounting records should be delayed for a few days to allow receipt of vendor invoices. The preliminary and final month-end close is completed on approximately the 15th and 20th business day of each month.
2. Invoices that are received at the end of each month should be immediately sent to the accounts payable division for processing. Invoices are processed and recorded to the general ledger according to the invoice date unless otherwise noted by the receiving departments. Invoices received after a month end close are recorded in the current open month.

PETTY CASH PROGRAM

Objective The use of petty cash is for unexpected, small reimbursements. These transactions closely relate to the Procurement Card Program, below, and the procurement card is the preferred method of payment for these transactions.



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Procedures

6.3.10.8.1 Use of Petty Cash

The District has petty cash amounts at most locations for small purchases and reimbursements. These purchases should be limited to small amounts and urgent need items. Any purchase that can be processed through the standard purchasing process described above should be Petty Cash should also be used only in situations when a purchase card cannot be used, or the use of a purchase card would cause the District to pay a higher cost, as at some gas stations.

6.3.10.8.2 Petty Cash Procedures

Some of the District's administration staff have been given the responsibility to manage a petty cash drawer. It is their responsibility to maintain the cash in a secure location and distribute payments only after receiving proper documentation of a business related expense. This documentation is a cashier receipt with the proper coding and signature on it. These receipts are kept in the petty cash drawer, and at least once a month an audit shall be performed on the petty cash drawer with a witness to ensure the total amount of receipts and cash totals to the amount of the petty cash drawer.

When the petty cash drawer is running low on funds, the administration staff responsible for the petty cash drawer will process an Accounts Payable Check Request, and attach all the receipts collected to the check request. Once the check is printed it will be delivered to the administration staff in charge of the petty cash to have it converted to cash at a local bank.

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PROCUREMENT CARD PROGRAM

Objective The procurement card program is a fast and flexible purchasing tool which offers an alternative to the existing purchasing processes and provides an efficient and effective method for purchasing and method of paying for items. The procurement card has individual purchase limits and monthly total expenditure limits assigned to each cardholder.

The card is to be used for official purchases; primarily goods and services but includes official travel. The cards will be issued in the employee's name and have the Incline Village General Improvement District's sales tax ID number clearly indicated on the card.

Procedures

6.3.10.89.1 Approval of cards



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Individual cards will be issued to employees upon approval by their supervisors and the general manager. Approval is authorized by completion of an application, complete with signatures. Individual card limits are established at this time. The Procurement Card Administrator within the Finance and Accounting Division is responsible for ordering new cards. The administrator will also oversee the balancing and payment of the monthly statement. One-time limit over-rides can be arranged by the Procurement Card Administrator.

6.3.10.09.2 Issuance of cards

Each individual cardholder must sign the cardholder agreement including the receipt section in the presence of the Procurement Card Administrator. By signing this agreement, the employee indicates that he/she understand the intent of the program, and will comply with all guidelines of the program.

6.3.10.09.3 Cardholder responsibilities

The cardholder must use the procurement card for legitimate business purposes only. Misuse of the card will subject the cardholder to disciplinary action in accordance with IVGID's policies and procedures relating to disciplinary action. The cardholder must:

- Ensure the card is used for legitimate business purposes only.
- Maintain the card in a secure location at all times.
- Not allow other individuals to use their card without prior approval for each purchase.
- Adhere to the purchase limits and restrictions of the card and ensure that the total transaction amount of any single transaction does not exceed the authorized threshold.
- Obtain and reconcile all sales slips and register receipts to the cardholder statement and provide this documentation to the Procurement Card Administrator. Approval and account allocation must be provided.
- Attempt to resolve ~~issues of~~ billing errors directly with the vendor and notify ~~Bank of America/Wells Fargo~~ if the dispute or billing error is not satisfactorily resolved by faxing ~~Bank of America/Wells Fargo~~ the required Dispute Form. The Procurement Card Administrator can assist with this process.



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- Ensure that an appropriate credit for the reported disputed item or billing error appears on a subsequent cardholder statement.
- Not accept cash in lieu of a credit to the purchasing card account for returned items.
- Immediately report a lost or stolen card to Bank of America/Wells Fargo and the Procurement Card Administrator.
- Send invoices immediately to the procurement card administrator in the Finance and Accounting division.

6.3.10.89.4 Monthly statement review and approval

The card administrator will supply each cardholder with a copy of his or her monthly statement. All charges are to be verified. A copy of each receipt properly approved and coded should be returned to the administrator within three business days. Food purchases should include the names of all persons involved.

However, if all receipts for a monthly procurement card statement have been coded and sent to the card administrator, the card administrator will send the procurement card statement and receipts directly to his/her supervisor for final approval.

Occasionally no receipt will be available. If this happens, a note should be written explaining the purchase. Also included must be proper approval and coding.

6.3.10.89.5 Monthly statement payment

The Procurement Card Administrator will pay all charges due by the due date. Payment is to be made in the form of a bank wire transfer.

6.3.10.89.6 Purchasing Card Maintenance and Closure

All contact with Bank of America/Wells Fargo for card set up, maintenance and closure will be handled by the Purchasing Card Administrator who is located in the Finance and Accounting Division.

The Procurement Card Administrator is required to close an account if a cardholder transfers to a different department, moves to a new job in which a purchasing card is not required, terminates employment, or misuses his/her card.

A request for closing a cardholder account will be submitted to Bank of America/Wells Fargo by the Procurement Card Administrator. When an



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account is closed, the credit card must be returned to the Procurement Card Administrator.

6.3.10.89.7 Sales and Use Tax

The Nevada Revised Statutes have granted IVGID sales/use tax-exempt status. Therefore, purchases in the state of Nevada are exempt from sales/use tax.

Our tax ID # is 88-760004-K and should be on the face of the credit cards. If a vendor requests further verification of the Districts exempt status, a copy of the letter from the State of Nevada, Department of Taxation can be faxed or mailed to them. Copies of these letters can be obtained from the Procurement Card Administrator.

6.3.10.89.8 General Ledger Posting

The Procurement Card Administrator will complete a spreadsheet on a monthly basis of all amounts, coding, and descriptions of purchases. After balancing is complete, these amounts must be posted immediately to the correct financial period in our general ledger.

ADVERTISING

Objective There are three primary types of advertising that the district processes on a regular basis – classified ads, legal ads, and display ads.

Classified ad purchase orders will be used primarily by HR for employment advertising. Each division will work with the HR Division on all employment ads prior to ad placement.

Legal ad purchase orders will be primarily used by the General Fund and/or the Engineering Division to satisfy the district's legal requirements.

All other divisions will primarily use the display ad purchase order. Each division will work with the Marketing Division on all marketing ads prior to ad placement.

Procedure

6.3.10.910.1 Ad preparation and placement

Each division must contact the HR Division on employment ads or the Marketing Division on advertising ads prior to ad placement.



Adoption of Financial Practices

6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

A purchase order must be issued before the ad is placed. When an exact amount of the ad is not known, an estimate will be used. The purchase order number must appear on the tear sheets and invoices.

Each division will use its own account codes.

All ads shall be proofread by the division placing the ad and by the HR Division (for employment ads) or Marketing Division (for advertising ads) before being finalized and approved with the vendor.

At the time the division receives the ad invoice, they should immediately approve the invoice for payment by providing the purchase order number along with their signature, current date, a proper coding. The invoice should then be forwarded to the Finance and Accounting Division for payment.

TIPPING

Objective Tipping is a reasonable expense of the District but should be limited through the following guideline.

Procedure

6.3.10.1011.1 Limitation of food tips

Food tips should not exceed 15% of your food charges.

BULK PURCHASES

Objective Certain bulk purchases should be ordered through established vendors in order to take advantage of governmental or IVGID discounts.

Procedure

6.3.10.1112.1 Office Supplies

All office supplies should be purchased through Office Max which takes advantage of our governmental discount. To receive a sign-on password, please see our Management Assistant. Office supplies are ordered by each division for the supplies they need.

6.3.10.1112.2 Janitorial Supplies

All bulk janitorial supplies should be purchased by our Buildings Division and ordered through Lake Tahoe Supply. See our buildings division if you have any questions relating to janitorial supplies.



Adoption of Financial Practices

6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

6.3.10.112.3 Fuel Purchases

Fuel purchases are ordered by our Fleet Division, ski area personnel and golf area personnel. The vendor should be able to furnish us with the governmental-required bio-diesel and reformulated gasoline.

6.3.10.112.4 Printers and copiers

All purchases are handled by the IT Division to take advantage of our State discounts. After consultation, copier orders and maintenance are handled by the individual area. ~~IT handles the necessary paperwork.~~ IT handles all printer ordering, installations, — and paperwork. IT is responsible for verifying the compatibility — between all equipment and our computer equipment and systems.

6.3.10.112.5 Software licenses

All software licenses are handled by the IT division. Contact the IT division for further information.



Adoption of Financial Procedures

6.3.15 ELECTRONIC PAYMENTS SYSTEMS

OBJECTIVE

Moving funds electronically is both efficient and effective. Federal and state agencies are mandating the use of electronic payment for some tax receipts and payments to other governmental units. Many vendors also require or encourage the use of electronic payments. Increasingly, governments are now using the electronic movement of funds and information to take advantage of its efficiencies and to meet the growing demands of citizens and taxpayers for more ease and accessibility in government services.

Electronic payment methods include:

1. Fedwire — This method provides same day processing with guaranteed settlement. The cost per transaction is high and it is generally used for large dollar transactions.
2. ACH (Automated Clearing House) — This method is a batch process with one or two day settlement. The cost per transaction is low. It is designed for high volume, low-value transactions.
3. EBT (Electronic Benefits Transfer) — This is an electronic system that allows recipient transfer of Government benefits to a point of sale terminal or ATM. Most EBT systems use magnetic stripe cards and "online" authorization. Smart cards may also be used.
4. Purchase Card (Procurement Card or PCard) — This method is used for purchases to reduce overall purchase processing costs.
5. Prepaid cards — Prepaid cards can be used for payroll, rebates, incentives, or other single payments instead of using checks.
6. EFT (Electronic Funds Transfer) — This is an electronic system that allows transfer of payments bank to bank through pre-arranged account codes. It often is accompanied by EDI (Electronic Data Interchange) which communicates the details of the transaction. Cost of this form is relatively low, but can take up to four days to process and clear.

PURPOSE

The District will consider using electronic payments when it demonstrates advantages such as:

1. Eliminates the storage, handling, and processing of paper checks
2. Reduces the time spent on reconciliation
3. Reduces the visibility of information used in payment fraud
4. Eliminates the occurrence of lost or stolen checks and the cost of check reissuance
5. When used properly the electronic aspects of purchasing and prepaid cards can increase internal controls over high volume, small dollar purchases



Adoption of Financial Procedures

6.3.15 ELECTRONIC PAYMENTS SYSTEMS

ALLOWABLE ELECTRONIC PAYMENT SYSTEMS:

1. Fedwire – This method provides same day processing with guaranteed settlement and it is generally used for transactions greater than \$1,000.
2. ACH (Automated Clearing House) – This method is a batch process with one or two day settlement.
3. Credit Card – This method is a batch process with one to three day settlement, merchant fees generally are about three percent of the amount charged.
4. Electronic Check Conversion – This method converts checks to ACH collections. It should be used when there is time to accept a one to two day settlement process.
5. Web based collections for product and service ~~sales to picture pass holders and other customers.~~ Payment portals can be linked from the District's web page and allow a variety of payment methods. (If legally authorized and implemented in accordance with appropriate guidelines, Convenience fees may be utilized to pass on the merchant fees.)
6. EFT (Electronic Funds Transfer) This is an electronic system that allows transfer of payments from bank to bank through pre-arranged account codes.

ELIGIBLE TRANSACTION TYPES:

1. Disbursements
 - a. Payroll and retirement payments
 - b. Employee expense reimbursements
 - c. Vendor payments
 - d. Social benefits and child support payments
 - e. Intergovernmental payments
 - f. Debt Service payments
2. Collections
 - a. Repetitive collections - such as utility payments
 - b. Tax settlements
 - c. Fee payments
 - d. Grant advances or reimbursements
 - e. Registration fees
 - f. Online sales
 - g. Lease and other recurring receipts
3. Costs/Benefits Factors (when requested by the other party)
 - a. Cost savings
 - b. Customer needs and desires
 - c. Fundamental to type of transaction
 - d. Information technology resources require a specific form of transmission
 - e. Impact (either positive or negative) on the availability of funds and interest earnings
 - f. Grant requirement
 - g. Statutory regulations



Adoption of Financial Procedures

6.3.15 ELECTRONIC PAYMENTS SYSTEMS

INTERNAL CONTROLS AND SAFEGUARDS:

This form of processing requires strong internal and information technology controls on all programs and data files associated with identity information of vendors and employees to ensure privacy and prevent unauthorized use. These include security and appropriate segregation of duties. Attributes of the District's Electronic Payment Systems include:

1. Network security to protect data files from internal and external threats.
 2. Written agreements that establish procedures, risk exposure, and indemnification issues should be executed with banks and third party providers/recipients.
 3. Dual controls for the authorization of non-repetitive transactions.
 4. Dual controls for the establishment of repetitive transactions.
 5. Establishment of dollar limits for authorized personnel.
 6. Establishment and use of passwords for authorized personnel to initiate transactions.
 7. File receipt verification by the Originating Depository Financial Institution.
 8. All ACH activity should be properly authorized as defined by NACHA rules and Federal Regulation E.
 9. Establishment and use of adequate controls against unauthorized ACH debits, such as blocks and filters.
 10. Use of separate accounts for ACH debit activity where volume and type of payment warrant.
 11. Pre-noting or testing ACH transactions to vendors and employees when practical.
 12. Use of an ACH format that supports the transmission of the remittance advice when needed.
 13. Implementation and periodic review of internal controls that address access control, confidentiality of data, integrity of data, and other information security issues as appropriate.
- Internal controls should incorporate the current Payment Card Industry Standards.

SPECIFIC PROCEDURES FOR ELECTRONIC PAYMENT SYSTEMS

The District will maintain appropriate procedures of each transaction type. This statement allows for guidance on a set of tools that can be used to complete these transactions. It is not formulated to substitute or override established procedures. Any thresholds for approval or authority, from existing Policies, Practices or Procedures, must remain or be exceeded when utilizing an Electronic Payment System.

Attachment E

I - Capitalization Policy

- Background / Preliminary Recommendations (DRAFT)
- Board Policy 8.1.0 and 9.1.0
- Board Practice 2.9.0
- Best Practices / Guidelines

CAPITALIZATION POLICY

Preliminary Recommendations:

- 1) It is recommended that Board Policies 8.1.0 and 9.1.0 be consolidated into a single, comprehensive Capitalization Policy to include direction related to:
 - a. Capitalization Thresholds
 - b. Estimated Useful Life of capital assets
 - c. Definition of capital expense to be capitalized versus repair and maintenance costs to be expensed in period incurred
 - d. Distinction of costs incurred at various phases of capital project life-cycle to inform expensing of costs incurred prior to establishment of formal project definition, scope and financing plan. (*Cross-reference to Board Policy 13.1.0 and Board Practice 13.2.0*)

- 2) Board Practice 2.9.0 should be updated to reflect:
 - a. Updated numbering sequence (previously Practice 9.2.0)
 - b. Specific Capitalization Thresholds for ALL asset types
 - c. Default Estimated Useful Life for All asset types
 - d. Application of distinction between capital costs to be capitalized and repairs and maintenance costs to be expensed
 - e. Definition of pre-planning costs to be expensed versus capitalized

- 3) The updated capitalization policy will also need to reflect implementation of GASB 87, related to leases, which are required – as of 7/1/21 - to be reported as “intangible assets” and depreciated of the remaining lease term(s).

CAPITALIZATION POLICY (Sample)

Policy Overview

Capital assets include land, improvements to land, water rights, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, construction in process (CIP), and all other tangible or intangible assets that are used in operations, that have initial useful lives extending beyond one year and meets the capitalization threshold.

The District classifies capital assets in the following groups for financial reporting:

- Land
- Buildings and structures
- Venue Improvements
- Service Infrastructure
- Equipment and Vehicles
- Construction in progress

The District’s capitalization threshold shall be as follows:

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>	
Land	All	
Building and Structures	\$-10,000	\$ 25,000
Venue Improvements	\$-10,000	\$ 10,000
Service Infrastructure.....	\$-10,000	\$ 25,000
Equipment and Vehicles	\$-5,000	\$ 10,000

Capital assets purchased by the District are recorded at cost. Capital assets donated to the District are recorded at fair value on the date accepted.

Items should only be capitalized if they have an estimated useful life of ~~greater than two~~ three years of more.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>YEARS</u>
Buildings and Structures	10-40
Venue Improvements	10-25
Service Infrastructure	5-40
Equipment and Vehicles	3-20

Capital projects will be capitalized if they meet one of the following criteria:

- The project is creating a new asset for the District
- The project significantly extends the useful life of an asset beyond what was originally established as the estimated useful life for that asset and/or significantly increases the service capacity of the asset.

Improvements, replacement and major repairs of all capital assets, which were approved on the basis that the alterations or repairs achieve greater future benefits such as improving efficiency or materially extending the useful life of the asset should be capitalized. Expenditures that simply maintain a given level of service should be expensed.

Three major categories of costs subsequent to original construction or acquisition are incurred relative to capital assets:

- Improvements - an improvement is the substitution of a better component for which possesses superior performance capabilities, whereas a replacement is the substitution of a similar component.
- Replacement – a replacement, which is a substitution of a component of the asset with one of similar quality is to be expensed. On rare occasions, a replacement can be considered improvements and be capitalized if it meets certain established criteria.
- Maintenance - certain activities budget as capital projects will be expensed as repair and maintenance expenses if they meet one of the following criteria:
 - The activity is performed on a regular and recurring basis to keep the District's assets in their normal operating condition over the course of the originally-established useful life.
 - The project represents a repair activity that restores an asset to its original condition.

Capital Project Planning

Major capital projects, as defined in Board Policy 12.1.0, will often (but not always) be managed through the application of distinct project phases. These may include:

- Project Definition
- Planning
- Feasibility
- Design
- Construction

Costs incurred in pre-planning phases, including Master Plans and Project Feasibility Studies that explore potential capital projects should be expensed. Once a master-planning site-specific feasibility study results in a defined project, with a specific scope and cost, and the Board determines that a financing plan is to be developed for inclusion in the District's Capital Improvement Budget, costs associated with the capital project are to be capitalized.

To facilitate the tracking of capital project costs to be expensed versus capitalized, the District will consider establishing separate capital project codes to distinguish between phases where costs will be expensed and those capital project phases where costs are to be capitalized.

Capital project costs to be capitalized will be reported as Construction In Progress until the capital project is completed and the capital asset is placed into service.

Attachment F

III - Fund Balance / Working Capital Policy

- Background / Preliminary Recommendations (DRAFT)
- Board Policy 7.1.0 and 19.1.0
- Board Practice 7.2.0 and 19.2.0
- Best Practices / Guidelines

FUND BALANCE AND WORKING CAPITAL

Board Policy 7.1.0
Board Practice 7.2.0
Board Policy 19.1.0
Board Practice 19.2.0

Background -

- Board Policy 7.1.0 relates to “Appropriate Level of Fund Balance”
 - GFOA and GAAP guidelines and definitions
- Board Practice 7.2.0 relates to “Appropriate Level of Fund Balance”
 - Minimum requirement under NAC 354.650
- Board Policy ~~17.1.0~~ relates to “Appropriate Level of Working Capital”
 - GFOA and GAAP guidelines and definitions
- Board Practice ~~17.2.0~~ relates to “Appropriate Level of Working Capital”
 - Operating Working Capital = 25% of Operating Expenses
 - Debt = 1-year interest expense
 - Capital = 1-year of 3-year average depreciation

Best Practices and Resources:

- GFOA provides guidance on best practices for development of policies related to Unrestricted Fund Balance and Appropriate Level of Working Capital for Enterprise Funds.
 - Based on “risk” to be mitigated
- Best practices suggest that formal fund balance policies be established to provide for:
 - Appropriate level of fund balance
 - Appropriate use(s) of established reserves, and
 - Guidelines for replenishment of reserves when used.
- Fund Balance – General Fund
 - Nevada Administrative Code (NAC 354.650) establishes a (minimum) fund balance of 4% of operating expenditures for public agencies; the NAC further provides for notification/explanation to be provided to the Department of Taxation in the event that reported fund balances fall below 4% of actual expenditures.
 - The GFOA acknowledges that the appropriate level of fund balance for the General Fund should take into account each government’s own unique circumstances, but recommends general-purpose governments maintain an unrestricted fund balance of no less than 2-months of regular general fund revenues or general fund expenditures.

- Working Capital – Enterprise Funds
 - GFOA recommends that government’s target for working capital be no less than 45-days of annual operating expenses (1.5 months).
 - The District has contracted with an outside consultant (Raftelis) to review the Public Works operations and capital asset management and provide recommendations, to include appropriate level of working capital to inform update of Board Policy 17.1.0 and Board Practice 17.2.0.

Preliminary Recommendations:

- 1) It is recommended that Board Policy 7.1.0, Board Practice 7.2.0, Board Policy 17.1.0 and Board Practice 17.2.0 be updated to establish a target minimum fund balance(s) as well as incorporate fund balance policy language consistent with GFOA guidelines for best practices
- 2) It is recommended that Board Policy 17.1.0 and Board Practice 17.2.0 related to Appropriate Levels of Working Capital be updated to establish appropriate level of working capital for the District’s Enterprise Funds, informed by pending recommendations from the review of the District’s utility operations by third-party consultant.
 - a. Debt Service should be reviewed in relation to bond covenants; usually require annual revenues equal to 100-120% of annual debt payments, which have priority over operating expenses
 - b. Policy should distinguish between Capital Reserve (as a % of annual capital budget or depreciation) and Capital Asset Replacement fund (as a percentage of five-year CIP).
- 3) Staff is reviewing the applicability of establishing a Working Capital policy for its Internal Service Funds; while reported as Enterprise Funds, these funds activities are generally self-funded with year-end adjustments made to clear fund balances.
- 4) Board Practices 7.2.0 and 17.2.0 should also be updated to reflect the transition of the District’s Community Services Fund and Beach Fund from Special Revenue Funds to Proprietary (Enterprise) Funds.
- 5) Consideration should be given to consolidating updates to Policies 7.1.0 and 17.1.0 as well as Practices 7.2.0 and 17.2.0 to provide for a comprehensive Policy and related Practice related to appropriate levels of fund balance and working capital across all District funds.

Appropriate Level of Fund Balance
Practice 7.2.0 / Practice 19.2.0
(Sample Update)

PRACTICE. It is the practice of the Incline Village General Improvement District, hereinafter referred to as the District, to maintain Fund Balance in the General Fund and each governmental or proprietary fund type in a manner which provides for contractual, bond and customer service obligations, while meeting its routine and non-routine cash flow requirements and complying with all federal, state and local statutes and regulations.

This policy/practice establishes the minimum level of funding to be maintained in reserve within the fund balance of the District’s governmental and proprietary funds, defines the conditions under which these funds can be utilized, and provides a timeline for replenishment of reserve funds, when utilized.

1.0 Scope

This Practice shall apply accounting principals as forth in Governmental Accounting Standards Board (GASB) Statement 54 considering the unique characteristics of the District. To that end the following measurements will apply to each fund or type:

2.0 Appropriate Level of Fund Balance and Working Capital

General Fund

The policy of the District shall be to maintain a minimum funds balance within the General Fund of ___ % to provide for economic uncertainty, fluctuations in General Fund revenues and unforeseen events that may require of unbudgeted expenditures.

In no case shall the fund balance for the District’s General Fund fall below the 4% of expenditures required under Nevada Administrative Code Section 354.

The appropriate level of fund balance to be maintained in reserve within the District’s General Fund shall be reviewed annually

Proprietary Fund Types:

Measurements of target working capital ~~fund balances~~ with Stabilization Arrangements:

Community Services Operations - 25% of operating expenses
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*



(Capital Expenditure – 1 year of a 3 year average depreciation)

Beach Operations - 25% of operating expenses
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*
(Capital Expenditure – 1 year of a 3 year average depreciation)

Utilities Operations - 25% of operating expenses
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*
Capital Expenditure – 1 year of a 3 year average depreciation

Internal Services Operations - ~~25%~~ ____ % of operating expenses

Operating expenses for these calculations do not include depreciation or interest expense since they are covered by separate definitions.

The appropriate level of working capital to be maintained in reserve within the District’s enterprise funds shall be reviewed annually.

~~Governmental Activities:~~

~~Workers Compensation.....SIR—Stated Deductible~~

3.0 Appropriate Use of Fund Balances and Working Capital Held in Reserve

The targeted level of fund balance and working capital established by Board policy and practice serves to address significant short-term issues, including unexpected revenue shortfalls, higher than anticipated expenditures, or unforeseen emergencies.

It is the intent of the Board of Trustees to limit the use of reserved fund balances to address unanticipated, non-recurring needs. Fund balances should not be applied to recurring annual operating expenditures. Fund balances may, however, be applied buffer the impacts of a loss or reduction in revenues to allow time for the District to restructure its operations, but such use will only take place in the context of a Board-approved long-term financial plan.

4.0 Excess Fund Balance or Working Capital

At the end of each fiscal year, the Finance Department will report on the audited year-end budgetary fiscal results. Should actual revenues exceed expenditures, including contractual obligations and carry-forward items, a year-end surplus shall be reported.

Any year-end operating surplus which results in unrestricted fund balances in excess of the targeted fund balances established by the Board, shall be deemed available for allocation to specific needs, subject to Board action. These include:

- 1) Payments toward unfunded liabilities, deferred maintenance and asset replacement, or other non-recurring needs.*
- 2) Transfer to other funds, as deemed appropriate, to offset year-end deficits within those funds*
- 3) Allocation to capital projects with shortfalls in funding sources and/or to provide matching funds for awarded grants.*
- 4) Re-appropriation within the subsequent year's operating budget to provide for one-time, non-recurring needs.*

5.0 Replenishment of Fund Balances or Working Capital

If the General Fund fund balance reserve or Enterprise Fund Working Capital reserve are required to be drawn-down below the minimum level established by Board policy, a plan will be developed and implemented to replenish fund balances. Replenishing fund balances will be a priority use of one-time resources, and minimum fund balances will be restored within a maximum of two fiscal years.

6.0 Definition of Stabilization Arrangement

(To be updated in conjunction with pending Utility Rate Study)

In conformity with GASB Statement 54, the District will establish a stabilization arrangement only when it includes:

- 2.0.1 Recognition of the authority by which the arrangement is established including resolution, ordinance or other action.
- 2.0.2 When to make additions to the stabilization amount
- 2.0.3 When stabilization amounts can be spent
- 2.0.4 That a balance will be reported at each fiscal year end.

7.0 Other Classifications

The District will apply other classifications and accounting standards under GASB 54 including the use of Non-spendable, Restricted, Committed, Assigned, Unassigned and Unrestricted when presenting either a Statement of Net Assets or other forms of fund balance in its financial reports.

MEMORANDUM

TO: Audit Committee

FROM: Ray Tulloch
Audit Committee Chair

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

DATE: August 10, 2021

I. RECOMMENDATION

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

II. BACKGROUND

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

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

III. ACTIONS

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

IV. ALTERNATIVES

Do not move forward with the proposed review.

V. FINANCIAL IMPACT AND BUDGET

There is no budgetary impact.

Redline Version



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

PROPOSED REVISIONS FOR DISCUSSION

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

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

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

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

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~~ the independent auditors.

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



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

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

Members of the ~~Audit Committee should~~ shall obtain an understanding of accounting, auditing, financial reporting, and internal controls to be able, with the assistance of an ~~financial advisor if needed,~~ to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for ~~periodic training of the Committee members and an outside financial advisor to assist the Committee with the independent conduct of its work. The financial 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. Any~~ The advisor so engaged 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 over financial reporting
- An understanding of the function of an audit committee

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

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



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

have any material role in the financial matters of the District. This guideline would generally preclude the Board Chair and Treasurer from joining the Committee.

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

Commented [RT1]:
Commented [RT2]: Source – GFAO Guidelines, as quoted in the Raffellis Report “Therefore, no member of the governing body who exercises financial management responsibilities should serve as a member of the audit committee.”

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

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

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor will be engaged by and 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 (and related fee impact), beyond the scope of work contained in the engagement agreement, to fulfill their responsibilities before any such work is undertaken.

2.0 Scope of ~~Audit the~~ Committee’s Authority and Responsibilities

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

1. Financial reporting
2. Internal controls



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

3. The independent audit of ~~financial statements~~ the CAFR

To fulfill these responsibilities, the Committee must:

- 2.1 Be independent, effectively communicate, and reinforce accountability.

- 2.2 Manage the external independent audit procurement process. Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.

~~2.2~~

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- ~~2.2.1~~ 2.2.1 Review and approve the Request For Proposal (RFP) for an independent auditor to be retained by the District. Such engagement should be for no more than five fiscal years in duration. ~~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.~~

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- ~~2.2.2~~ 2.2.2 Select the independent external auditor.

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- 2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an external-independent 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.

- ~~2.3.1~~ 2.3.2 Review and approve the engagement letter (i.e., contract) between the District and the independent auditor

- ~~2.3.2~~ 2.3.3 If deemed necessary, identify and recommend additional services to be performed.

- ~~2.3.3~~ 2.3.4 By March 31st of each year ~~calendar year~~, the Board of Trustees is to formally designate an external audit firm and inform the Nevada Department of Taxation.

- ~~2.3.4~~ 2.3.5 When appropriate replace the independent external auditors ~~or auditing firms doing work for the District~~ and initiate the procurement process (2.2).

Commented [MOU4]: Update reference in final version.



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

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

2.4 Facilitate the external audit process. The Committee will oversee and, annually, evaluate the work of the independent auditor and the lead audit partner. The Committee shall review, in consultation with the independent auditor, the annual audit plan and scope of audit activities. At least annually, obtain and review a report by the independent auditor that describes (i) the independent auditor's internal quality control procedures, and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding any independent audit performed by the independent auditor, and any steps taken to deal with any such issues

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2.4.1 Review and approve formal reports or letters to be submitted to the external auditor including the CAFR and all related external filings/correspondence.

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

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2.4.4 Follow -up on any corrective action identified. Throughout each fiscal year, the District is to provide the Committee members for review copies of all Committee meeting pre-read materials at least one week before each meeting and before their respective report issuance deadlines.

2.4.2

2.4.3 Review the auditors' report of findings and recommendations with management and the auditor.

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~~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~~ 2.4.5 Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.

2.4.6 Obtain and review the report prepared for and provided to the Committee from the independent auditor at least annually regarding (a) the independent auditors' internal quality control procedures, (b) any material issues raised by the most recent internal quality-control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and (c) any steps taken to deal with any such issues.

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~~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.~~

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

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

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~~2.6.1 Review the annual internal control audit plan(s).~~

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

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2.5.1 Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures

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~~2.6.2 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.~~

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~~2.6.3~~ 2.5.2 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.

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~~2.6.3.1~~ 2.5.1.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.

~~2.6.3.2~~ 2.5.1.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.

~~2.6.3.3~~ 2.5.1.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.

2.5.1.4 Management will report the findings and resolutions to the Committee.

2.6 Review all major issues regarding accounting principles and financial statement presentation, including any significant changes in the District's selection or application of accounting principles. • Analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the CAFR. • The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the District's financial statements. • Any significant changes required or taken in the audit plan as a result of any internal control deficiencies. • Any problems or difficulties the independent auditor encountered during its audit work, including any restrictions on the scope of the auditor's activities or on access to requested information, and management's response.

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

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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,



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

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

3.0 Meetings

- 3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.
- 3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing three consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.
- 3.4 Review all past correspondence which contains outstanding action items with action outstanding. Ensure responses and/or corrective action is taken in a timely manner.

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- 3.5 The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
- 3.6 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.
- 3.7 An annual meeting is to be held with the independent external auditors, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's material written communications with the District letter of findings.

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

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Changes Incorporated



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PROPOSED REVISIONS FOR DISCUSSION

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

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

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

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

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

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

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



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

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

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

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

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



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

1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of the Committee’s Authority and Responsibilities

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

1. Financial reporting
2. Internal controls
3. The independent audit of the CAFR

To fulfill these responsibilities, the Committee must:

2.1 Be independent, effectively communicate, and reinforce accountability.

2.2 Manage the external independent audit procurement process. Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.

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



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- 2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.
- 2.3.1 Make recommendations on the scope of work including the identification of funds to be audited.
 - 2.3.2 Review and approve the engagement letter (i.e., contract) between the District and the independent auditor
 - 2.3.3 If deemed necessary, identify and recommend additional services to be performed.
 - 2.3.4 By March 31st of each calendar year, the Board of Trustees is to formally designate an external audit firm and inform the Nevada Department of Taxation.
 - 2.3.5 When appropriate replace the independent auditor and initiate the procurement process (2.2).
 - 2.3.6 Approve the scope of work and audit plans by June of each year.
- 2.4 Facilitate the external audit process. The Committee will oversee and, annually, evaluate the work of the independent auditor and the lead audit partner. The Committee shall review, in consultation with the independent auditor, the annual audit plan and scope of audit activities. At least annually, obtain and review a report by the independent auditor that describes (i) the independent auditor's internal quality control procedures, and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding any independent audit performed by the independent auditor, and any steps taken to deal with any such issues
- 2.4.1 Review and approve formal reports or letters to be submitted to the external auditor including the CAFR and all related external filings/correspondence
 - 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 Disagreements between the independent auditor and District Management. To review with District management and the independent auditor any material conflicts or disagreements



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- between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that individually or in the aggregate could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.
- 2.4.4 Follow -up on any corrective action identified. Throughout each fiscal year, the District is to provide the Committee members for review copies of all Committee meeting pre-read materials at least one week before each meeting and before their respective report issuance deadlines.
- 2.4.5 Submit a written annual Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
- 2.4.6 Obtain and review the report prepared for and provided to the Committee from the independent auditor at least annually regarding (a) the independent auditors' internal quality control procedures, (b) any material issues raised by the most recent internal quality-control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and (c) any steps taken to deal with any such issues.
- 2.5 Review management's annual assessment of the effectiveness of the District's internal controls over financial reporting
- 2.5.1 Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures
- 2.5.2 The Committee may identify a need to engage an external Internal Auditor to address a specific area of concern.
- 2.5.1.1 The Committee will review and approve or modify Management's proposal for the scope of work and selection of the resource.
- 2.5.1.2 Management is responsible for engaging the resource to perform the scope of work and overseeing contract deliverables.



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- 2.5.1.3 Management will have the responsibility for implementation of identified internal control changes or enhancements.
- 2.5.1.4 Management will report the findings and resolutions to the Committee.

2.6 Review all major issues regarding accounting principles and financial statement presentation, including any significant changes in the District's selection or application of accounting principles. • Analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the CAFR. • The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the District's financial statements. • Any significant changes required or taken in the audit plan as a result of any internal control deficiencies. • Any problems or difficulties the independent auditor encountered during its audit work, including any restrictions on the scope of the auditor's activities or on access to requested information, and management's response.

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

2.8 To review and refine as necessary the procedures for the receipt, retention, and treatment of complaints received by the District, from the public or anonymous submissions by employees of the District, regarding accounting, internal accounting controls, auditing matters, or suspected fraud.

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

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

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



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

2.9 The Committee is to submit an annual report to the Board of Trustees assessing its fulfillment of its duties and responsibilities as described in the Charter.

3.0 Meetings

3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.

3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis. Any member missing three consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.

3.3 Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.

3.4 Review all past correspondence which contains outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.

3.5 The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

3.6 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.

3.7 An annual meeting is to be held with the independent auditor, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual



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financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's material written communications with the District

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

Current Policy

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Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

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

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

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

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

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

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

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

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



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

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

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

- Annually, the Board of Trustees will appoint two Trustees to be voting members. Appointing Trustees to serve successive years increases the consistency and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the committee.
- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate expertise with staggering two-year terms.
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - Each subsequent appointment will serve two-year terms.

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

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



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1.0 Independent auditor reports directly to the Audit Committee

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

2.0 Scope of Audit Committee's Authority and Responsibilities

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

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

To fulfill these responsibilities, the Committee must:

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



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



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



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

2.9 The Audit Committee is to submit an annual report to the Board of Trustees assessing the results of its fulfillment of its duties and responsibilities.

3.0 Meetings

3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy of the meeting minutes. Meeting minutes will be posted on the District website.

3.2 The committee will hold meetings at a minimum of once per quarter. All members are expected to attend on a regular basis.

3.3 Review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.

3.4 Review all past correspondence with action outstanding. Ensure responses and/or corrective action is taken in a timely manner.

3.5 The committee may ask members of management or others to attend meetings and provide pertinent information as necessary.

3.6 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.

3.7 An annual meeting is to be held with the independent external auditors, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual financial statements including the Comprehensive Annual Financial Report (CAFR) and the auditor's letter of findings.

MEMORANDUM

TO: Audit Committee

FROM: Martin Williams
Controller

THROUGH: Paul Navazio
Director of Finance

SUBJECT: Investment Allocation Analysis

REFERENCE: Correspondence authored by Audit Committee At-Large Member Cliff Dobler regarding allocation of Investment Income earned on Cash, Cash Equivalents and Investments for the IVGID Governmental Funds ONLY for the fiscal years ending June 30, 2019 and 2020

DATE: July 23, 2021

In responds to the memo dated June 21, 2021 from Cliff Dobler, I have conducted an in depth analysis of the investments and the allocation process. I have learned that historically IVGID tracks investments by the individual fund that purchased the investment, therefore, allocation of interest across funds would not be needed, nor following GAAP and GASB.

Although the Community Services and Beach funds were special revenue, and therefore governmental funds for the last 5 years, through FY2019/2020 the investments were not processed as pooled investments. Rather, each bond purchased or LGIP transfer, was tracked independently and all income generated by said investments were allocated to the fund involved in the investment.

There are two exceptions to this - the interest earned on the money market funds and the Operational Checking account, which were posted to the Interest Income account, in the General Fund. The money market interest totaled \$13,432.63 in FY2019 and \$15,003.87 in FY2020. The interest earned on the operating checking account was \$19,658.12 in FY2019 and \$9,534.91 in FY2020. Although these amounts have not been allocated historically, we agree they should be allocated going forward. The below charts shows how much each fund would have received if we allocate based on balanced as of June 30, 2021.

G/L#	DESCRIPTION	BALANCE	% of MM	FY2019	FY2020
100-00-000-0160	TOTAL	4,401,848.28	30.2281%	4,060.43	4,535.38
200-00-000-0160	TOTAL	4,661,978.53	32.0144%	4,300.38	4,803.41
340-00-000-0160	TOTAL	1,074,928.23	7.3817%	991.55	1,107.54
360-00-000-0160	TOTAL	3,357,273.28	23.0549%	3,096.87	3,459.12
390-00-000-0160	TOTAL	1,066,080.75	7.3209%	983.39	1,098.42
450-00-000-0160	TOTAL	0.00	0.0000%	-	-
		14,562,109.07	100.0000%	13,432.63	15,003.87

G/L#	BALANCE	% of Cash	FY2019	FY2020
100-00-000-0110	4,907,409.66	18.2354%	3,584.75	1,738.73
200-00-000-0110	4,973,750.07	18.4820%	3,633.21	1,762.24
320-00-000-0110	(607,733.26)	-2.2583%	(443.93)	(215.32)
330-00-000-0110	120,690.27	0.4485%	88.16	42.76
340-00-000-0110	7,160,957.98	26.6094%	5,230.91	2,537.18
350-00-000-0110	924,426.05	3.4351%	675.27	327.53
360-00-000-0110	6,346,215.51	23.5819%	4,635.76	2,248.51
370-00-000-0110	(1,282,100.99)	-4.7642%	(936.54)	(454.26)
380-00-000-0110	(54,157.41)	-0.2012%	(39.56)	(19.19)
390-00-000-0110	1,394,493.98	5.1818%	1,018.64	494.08
410-00-000-0110	139,209.92	0.5173%	101.69	49.32
420-00-000-0110	(63,397.57)	-0.2356%	(46.31)	(22.46)
430-00-000-0110	(60,861.27)	-0.2262%	(44.46)	(21.56)
450-00-000-0110	-	0.0000%	-	-
520-00-000-0110	(877,138.82)	-3.2594%	(640.73)	(310.78)
530-00-000-0110	(6,262.04)	-0.0233%	(4.57)	(2.22)
540-00-000-0110	(148,261.99)	-0.5509%	(108.30)	(52.53)
550-00-000-0110	228,464.58	0.8490%	166.89	80.95
560-00-000-0110	92,569.71	0.3440%	67.62	32.80
570-00-000-0110	1,505,322.30	5.5936%	1,099.60	533.35
580-00-000-0110	(780,433.41)	-2.9000%	(570.09)	(276.51)
590-00-000-0110	2,967,191.70	11.0258%	2,167.46	1,051.30
620-00-000-0110	(182,765.24)	-0.6791%	(133.51)	(64.76)
630-00-000-0110	(174,470.22)	-0.6483%	(127.45)	(61.82)
640-00-000-0110	(19,472.03)	-0.0724%	(14.22)	(6.90)
650-00-000-0110	(2,220.01)	-0.0082%	(1.62)	(0.79)
660-00-000-0110	412,747.67	1.5337%	301.50	146.24
670-00-000-0110	(2,960.00)	-0.0110%	(2.16)	(1.05)
680-00-000-0110	(1,284.99)	-0.0048%	(0.94)	(0.46)
690-00-000-0110	1,449.70	0.0054%	1.06	0.51
Totals	26,911,379.85	100.0000%	19,658.12	9,534.91

925-00-000-0110	349,509.41
950-00-000-0110	72,688.78
990-00-000-0110	-

27,333,578.04

This allocation would cause a reduction of the General Funds Investment Income of \$25,445.57 in FY19 and \$18,264.67 in FY20. While we agree that this income should be allocated over the funds based on cash balance in the Wells Fargo Operating account, we do not feel the amounts in the previous years justify a prior year adjustment.

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tolloch

FROM: Clifford F. Dobler

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

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

DATE: 1-13-2021

I. RECOMMENDATION

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

II. BACKGROUND and ANALYSIS

See Attached memorandum from Cliff Dobler dated June 21,2021

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

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

V. ALTERNATIVES

NONE

VI. COMMENTS

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

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

None.

or

June 21, 2021

To: IVGID Audit Committee

From: Cliff Dobler

cc: Board of Trustees, Paul Navazio and Indra Winquest

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

Issue

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

Background

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

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

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

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

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

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

Analysis - EXHIBIT A

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Incline Village General Improvement District

EXHIBIT A

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

Governmental Fund ONLY - Does not include Utility Fund

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

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

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

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

MINUTES

AUDIT COMMITTEE MEETING OF JULY 13, 2021 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Tuesday, July 13, 2021 at 3:00 p.m. at the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

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

Members of Staff present were Director of Finance Paul Navazio. Members of the public present were Frank Wright.

Audit Committee Chairman Tulloch said it is unfortunate that we don't have phone in public comments and that is something that should be reconsidered as it is not that easy to get to this meeting; hopefully, the Board will review this at their meeting.

B. PUBLIC COMMENTS*

Frank Wright said he would like to start with some comments about the lawsuit with Mark Smith. It came down that there was some invalidity to some of IVGID's claims. He is shocked that this community is allowing this to go on. We have a problem. Audit Committee is the only legitimate group representing us, people are taking us, we need to go after Mr. Guinasso and get our money back and go after Trustee Wong. The court order said it adopted the Special Masters report in its entirety. IVGID's claim were a joke. Public records should go to the public as this is a part of democracy. Audit Committee has uncovered a lot of things such as \$100,000 being transferred from Utilities for legal fees. He doesn't know of anything that would be for so we have to hold the District accountable as it is always under minded and try and take away the rights of the people. You need to ask for an audit to find how much we give away to try and keep this game going on by Trustees who shouldn't be elected. They are representing special groups – golf course taken over by clubs and they vote the way this Board wants them to vote. They don't own parcels, don't represent us, and they do everything Staff asks for. We need to go after Mr. Guinasso and he should be disbarred. It is wrong and the Board won't do that as they are a select group of people who don't do anything. Now we have a court order, we will get the e-mails, and we will find out about a lot of legal crap that has been going on. This makes you complacent and it makes

you part of the problem. If you don't do your job, why are you on the Board? Why did you run? Enough is enough, let's put an end to it. We are going to lose everything we have, which is really sad. There are people coming forward telling us all of this stuff, they are telling the truth, and we have the facts. The gig is up and we all know it.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee At-Large Member Dobler said, regarding General Business Item E.1., that the lawyer was actively involved in this item and it was intended for him to be involved today so maybe he should call in and that he is surprised that he is not here. District General Manager Winqest said that because of the movement of the meeting, he had a conflict with this meeting and he is with the NTPUD for their meeting and that is why he is not attending today. Audit Committee Chairman Tulloch said that Mr. Nelson has been involved and kept abreast of all the changes and that this is just a redrafting. Hearing no further changes, Audit Committee Chairman Tulloch said that the agenda is approved as submitted.

D. AUDIT COMMITTEE CHAIRMAN'S OPENING REMARKS*

The Audit Committee Chairman will be making opening remarks regarding meeting decorum and procedure (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Audit Committee Chairman Tulloch said he would like to layout his standards for his committee and that he thought about bringing a target with him as pot shots are taken at this committee and that he was persuaded not to bring a target. He then outlined how he would like the Audit Committee members to behave – follow the standards of decorum, he doesn't expect slurs, etc. to be directed to Audit Committee members, Board members or towards Staff, and he doesn't expect that to be done by the same. He expects everyone to behave as they do in their normal professional life, stay on topic during discussions, and keep him in check on that as well, and to focus on the topic at hand. He also expects the Audit Committee members to have read and be familiar with the items as it doesn't help progress and the topics at hand if one is just trying to read ahead during the meeting thus he expects the Audit Committee members to read the packet before the meeting. Just because we are Audit Committee members, we don't lose our rights as members of the public and if they are appropriate, they will be agendized. During the past year, have learned a lot and some of these issues have diverted us and we may have missed some other items so let's stay on task. We need to make sure that the agenda items are on task. He noticed that the public comments are directed more towards the Board of Trustees. Thank you to all Audit Committee

members for contributing their time and he hopes to move forward with a proactive committee. Trustee Schmitz said one thing that she is requesting you do, as a Chair, is to determine how much detail should be in our meeting minutes. Trustee Schmitz then drew attention to agenda packet page 47, and stated that this is your decision and that people do read the meeting minutes, but they just say “gave a brief overview of the submitted materials”. She will leave up to you on what types of things we do or don’t want in our meeting minutes. Audit Committee Tulloch said he agrees with that, and that his personal opinion is that materials should be included but he doesn’t want to bulk up the packet so he asked District Clerk Herron to include a summary of the items as a mind jogger. District Clerk Herron said she would do as requested. Audit Committee At-Large Member Dobler said he agrees with that 100% and that in the future meetings, we need to start to stay on topic. We have had 14 meetings since being on this committee and it seems like several times we start to go off topic and thus it is hard to understand what we are talking about. Audit Committee Chairman Tulloch said he and Audit Committee At-Large Member Dobler are two of the biggest challenges and that he will do his best to keep on topic.

E. GENERAL BUSINESS ITEMS (for possible action)

E.1. Review, discuss, and possibly consider adopting the Whistleblower Procedure under Board Policy 15.1.2.8 (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Audit Committee Chairman Tulloch said that we have spent the last three or four meetings going over drafts and with the assistance of Mr. Nelson and Trustee Schmitz, this is the cleaned up version. We came to an agreement at the last meeting and that it is his view that the policy is now in the condition for submittal to the Board of Trustees. Trustee Schmitz said all of the edits are consistent with what they have discussed with the exception of agenda packet page 13 and that is when the scope of the Audit Committee read that it is related to accounting and audit controls or suspected fraud – that is the definition of the Audit Committee. We delegate the investigation to the District General Manager when the submission is not related to internal accounting and audit controls or suspected fraud because that would be outside of the definition of the Audit Committee. Audit Committee At-Large Member Dobler said he isn’t following. Trustee Schmitz said go to agenda packet page 18, it says delegate the investigation to the District General Manager when the concern is outside of the Whistleblower procedure, her suggestion is when it is outside the scope of the Audit Committee. To her,

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Audit Committee Meeting of July 13, 2021

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this #1 is supposed to clarify how these items should be handled. Audit Committee At-Large Member Dobler said under 2.0 Scope of Audit Committee and Authorities and Responsibilities. Trustee Schmitz said her suggestion is that #1 should say, delegate to District General Manager outside of the Audit Committee responsibilities, and that is the gist of what she is trying to say. Audit Committee At-Large Member Dobler said he agrees. Audit Committee Chairman Tulloch said he agrees with that change so let's make that change. Audit Committee At-Large Member Dobler said there was a redlined version, we have red, blue and yellow lines – is there a code? Audit Committee Chairman Tulloch said red and blue reflect different editors. Trustee Schmitz said she was asked to red line it and that her changes were items that were done at the last meeting and she thinks that Audit Committee Chairman Tulloch changes are in blue. Audit Committee At-Large Member Dobler asked about yellow. Audit Committee Chairman Tulloch said those are the items that were asked about at the last meeting and deletions. The blue is just a cleanup and that Audit Committee At-Large Member Dobler used the dictionary definition and it is a defined term so it is defined and that is why it is in the policy. Trustee Schmitz said going to back to what should be clearly stated, agenda packet page 6, Item 2, Scope of the Audit Committee authority and responsibilities, which she then read. This should be tied back and say “outside of the scope of Policy 15.1.0, 2.0”, and Audit Committee Chairman Tulloch said he wants to add 2.8 in its entirety, which is agenda packet page 8. Trustee Schmitz said leave it at 2.0 and Audit Committee Chairman Tulloch agreed. Audit Committee At-Large Member Dobler said here is the problem he has, if you go to agenda packet page 15, look at definition of misconduct, there is an A., B., and C. One of the things that is our primary responsibility is internal controls – if there is ever going to be misconduct, it will be with internal controls. His problem with this whole thing is that he doesn't like the idea that where we are trying to draft a contract as he has always hired a contract attorney to do this work so we can pass it if you want, it is up to you guys. Audit Committee Chairman Tulloch said internal controls would be covered under procedures and policies and that the difficulty is if you try to be too specific and detail all the items, you will run the risk of failure of the mission. With any legal proceedings, when you define one or two things, then you are expected to define everything. We can include it under general heading and cover internal controls with policies and procedures. Trustee Schmitz said she does understand the point and that it is covered because it says all IVGID policies. Audit Committee Chairman Tulloch said yes, if not, we have much more serious issues. Director of Finance Navazio said if as drafted does this cover internal controls? He would say yes as it is pretty comprehensive.

Trustee Schmitz made a motion to forward to the Board of Trustees, for their consideration, the revised Whistleblower procedure as shown with one minor revision to change the delegation of the investigation to General Manager when the submission is outside the Audit Committee responsibilities as defined in Policy 15.1.0, Section 2.0. Audit Committee At-Large Member Dobler seconded. Audit Committee Chairman Tulloch asked for any further comments, receiving none, he called the question and the motion was passed unanimously.

E.2. Review and discuss the performance of the external auditors (Eide Bailly) for the fiscal year ending June 30, 2020 as required by Board Policy 15.1.0, subparagraph 2.4.7 (Requesting Audit Committee Member: Audit Committee At-Large Member Cliff Dobler)

Audit Committee At-Large Member Dobler said what was interesting was what was said back on March 11 when we had it on as an agenda item. One of our items is to assess the performance of Eide Bailly, auditor for the June 30, 2020 financial statements. First, the assessment of performance is a funny way of saying things and that the performance would have to be were they following their audit plan. Unfortunately, he thinks that the plan was sketched out on the back of a napkin as there are four or five items. He would like to make a few comments about his thoughts about the auditor. He would like to see us expound on our performance to what maybe their audit plan was as he would imagine it. His thoughts are that we met with Ms. Tiffany Williamson of Eide Bailly two times; the first time was November 19, 2020 and she was brought in to discuss something that is dear to his heart and it was to discuss materiality to which we never got an answer as it was a secret. Even though in many writings, by various authorities, they defined it as a percentage of this and that. If you recall when Ms. Jennifer Farr came in for her first meeting with us, she defined it right off the bat as 1%. He thought that was pretty bad with Eide Bailly so it was left wide open and therefore her judgement. In October, what really disturbed him was that he asked the previous Audit Committee Chairman that while Linda Newman and he had given 27 points of concern with the 2019 Comprehensive Annual Financial Report, 6 were being handled by Moss Adams thus that left a total of 17 that he thought we should get answers from Eide Bailly. Former Audit Committee Chairman Dent had a telephone conversation with Ms. Williamson and he called me and gave me a rundown of the points that either

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needed to be restated, immaterial, handled next year or corrected, etc. and he asked if he would get it in writing from Eide Bailly as that would resolve their 21 points – we never got anything in writing. We met next on the 27th of January of 2021 as we have to approve the Comprehensive Annual Financial Report because our backs were against the wall. Our backs are never against the wall. There were three questions that the Audit Committee had put in their report that said (1) the statement of activities was incorrect with the facility fee as a General Fund revenue; (2) is the facility fees for capital and debt service could not have been picked up for revenues for the Special Revenue Fund; and (3) charge off of expenses on the effluent pipeline. Ms. Williamson's answers were ridiculous. The first thing on the statement of activities she said because it is a general revenue is because it is on the tax bill. The facility and beach fees are collected by Washoe County on our behalf and they are defined as to what they are to be used for, separated into three parts, so that was a dumb answer. Audit Chairman Tulloch reminded Audit Committee At-Large Member Dobler of his previous comments and to please keep on track. Audit Committee At-Large Member Dobler said he is and that the second and third thing was the charge off for the pipeline; there was considerable data presented on that and the answer we got back was that she had done testing and all items should have been capitalized however if you go back to the answers she gave to former Audit Committee Chairman Dent back in October, the amounts had to be written off and statements would have to be restated. His whole point is if it is our job to be with the auditor and resolve these problems, he doesn't see that we got those results. Trustee Schmitz said, as a sidebar here, one of the things that the Audit Committee should do is how do we evaluate the auditor and how do we evaluate ourselves? Audit Committee At-Large Member Dobler's approach of looking at the work plan is valid, and this year, with Davis Farr, we have a much more detailed and comprehensive work plan as we can do check ins. Last year, it was a little bit in the dark on and when we were going to be getting documentation. Going forward, she does think it will be better this year but we need to identify how we do the evaluation and she thinks it should be to their work plan. Audit Committee Chairman Tulloch said we can come back to some of the points on E.4. and he agrees with the approach of evaluation based on the work plan. There are a lot of learning points there. Materiality = it is/was very refreshing to hear that definition by Ms. Farr and he is comfortable with that so we are both on the same page as it is an important item. It is not really definitive on how much you total up non-material items to get to materiality, it is something he does in his audits, and one can add up some things. Materiality is key and he is assuming that the auditors are addressing that in their work plan. The other point is that these

items are properly minuted and ensuring that they are taking up items that they should.

E.3. Review, discuss and come to an agreement on the content for the annual report (review draft outline as submitted by Audit Committee At-Large Member Cliff Dobler) to be submitted to the Board of Trustees assessing the results of the fulfilment of the Audit Committee’s duties and responsibilities as required by Board Policy 15.1.0, Section 2.9 (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

Audit Committee Chairman Tulloch said he is grateful to Audit Committee At-Large Member Dobler for summarizing the meetings of our last years and there was a lot of work done and if you look at the time of the meetings, that is significant, as we raised a number of important issues. The feedback that he has received is that people welcomed the transparency he has brought. Audit Committee At-Large Member Dobler said that the Audit Committee is required by Policy 15.1.0, paragraph 2.9, to submit a report to the Board of Trustees with assessing our duties and responsibilities. This is open to discussion as we had a lot of duties and responsibilities with some areas being almost impossible and some others where we did quite well. Audit Committee At-Large Member Dobler then referenced agenda packet pages 28 and 29, Exhibit A, and stated that it would be good to attach Exhibit B, on agenda packet pages 30-33, which was a list of each meeting where he drew a summary, from the minutes, of all the things they were hit with and that was addressed and now it is time to discuss it. Going back to agenda packet page 28 and starting at the beginning, he doesn’t know if we covered all of them or just those that he didn’t know how to answer. A couple of them are kind of interesting. Audit Committee Chairman Tulloch said let’s run through them and noted that we spent 43 hours as the Audit Committee. Audit Committee At-Large Member Dobler said we spent 43 hours which is the life of 10 ants and that his neighbor works for Delotte and he bills out at \$1000 per hour. Audit Committee At-Large Member Dobler then went over the report line by line:

2.0 Responsibilities

2.1 Be independent, effectively communicate, & reinforce accountabilityAccomplished

Audit Committee Discussion/Comments

All Audit Committee members agreed that this task was accomplished.

- 2.2 External independent audit procurement process
 - 2.2.1 - Request for Proposal RFP Completed
 - 2.2.2 - Select Auditor Completed

Audit Committee Discussion/Comments

All Audit Committee members agreed that these two tasks were accomplished.

- 2.3 Recommend to the Board of Trustees an external auditor
 - 2.3.1 - Recommendations on scope of work and funds to be audited Completed

Audit Committee Discussion/Comments

All Audit Committee members agreed that this task was accomplished.

- 2.3.2 - Identify and recommend additional services ..No recommendation at this time

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said he recommended some additional services at a meeting but no recommendation was made so no recommendation was made. Audit Committee Chairman Tulloch said that this is a work in progress and it shall be brought to an Audit Committee meeting; a recommendation. All Audit Committee members agreed to that plan of action.

- 2.3.3 - Board action to designate auditor No involvement
..... Not applicable

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said it should come out of the policy in the future as it is not applicable. Trustee Schmitz said it is sort of a process and that the Board of Trustees is involved so it should stay in there and be denoted that it is a Board of Trustee responsibility. Audit Committee Chairman Tulloch said he is keeping track of this for Policy 15.1.0

- 2.3.4 - Replace auditor when appropriate Not applicable

Audit Committee Discussion/Comments

Audit Committee Chairman Tulloch said we did do that and completed it; Trustee Schmitz agreed.

- 2.3.5 - Approve scope of work and audit plan by June of each year..... Completed

Audit Committee Discussion/Comments

All Audit Committee members agreed that this task was accomplished.

2.4 Facilitate the external audit process

2.4.1 - Review and approve formal reports submitted to external auditor.....Unable - not provided

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said that the Audit Committee didn't get to review anything that went to the Auditor. Trustee Schmitz said that this was one at our last meeting, on May 9, where she had put forward a suggestion to change to tying it to the work plan. It wasn't identified with specificity so we need to modify it so it is clear on what we are looking for because we didn't complete it last year. Audit Committee Chairman Tulloch asked for Staff clarification on submittals to external auditor as formal reports is throwing him. Director of Finance Navazio said he doesn't have a definitive definition. He would note that Staff gets lots of requests for materials and might ask the auditor what they consider. Staff did endeavor to submit drafts and thus he is viewing those as being responsive to this item. There are a lot of formal and informal requests and the definition does warrant some clarification so Staff and the Audit Committee can adhere to it. Audit Committee Chairman Tulloch said in his work, there are formal data reports to get answers. He is not totally familiar with the District's process but we need it properly identified and tied in. Director of Finance Navazio said he would like some clarification on how the Audit Committee receives that information as Staff would benefit on knowing how that is to be done. Audit Committee At-Large Member Dobler said on the formal report, which is one of the most important, is the management representation letter, we all need to understand that the auditor relies on the management representation letter and one of the most of the important things is that when it is signed, it means the District is in compliance with GAAP and GASB. Then we had the Moss Adams reports that we weren't in compliance and we recommended to put the report in compliance with GAAP. We need to see that representation letter before it goes to the Auditor. #2 - accounting and reporting – he is not clear on how we present so his concern is about reporting someone. Trustee Schmitz said one of the things we learned is that the management representation letter isn't drafted by management rather it is how the auditor interprets. We assumed that Staff was writing something in October and handing it over to the auditor. What we learned was that one of the things that the auditors produce is that letter, which is signed, as it is not something that is turned over in advance but turned over at the end. Director of Finance Navazio said regarding the management

representation letter, Trustee Schmitz is correct, they are essentially boilerplate accounting standards they follow. They have the letter that says we didn't withhold any information, etc. and that is typically how it is done as it is basically conveying to the auditors that we provided all materials and we believe it is fair and accurate. Audit Committee Chairman Tulloch said it is important and it would be appropriate that it is reviewed between management and the Audit Committee. Audit Committee At-Large Member Dobler said he would like to give one example from the year before. The bills for the utilities are sent out in the middle of the month so they recommended deferring half of the revenue and IVGID said no, we want to do it all at once. Auditors said please change, IVGID didn't want to change, but they included in their representation letter that the auditor found this mistake, we aren't going to change, it is immaterial, and it is 3.5% of revenues. This had the auditor looking for cover because they said change, IVGID said no, and it was put in the representation letter and it was then put in the control of management and that is why it is important to see the letter before it goes to the auditor. Director of Finance Navazio said it would be appropriate to have a finding so he has to check. Purpose is to convey to the auditors the information that we have sent. Your point is well taken. Audit Committee At-Large Member Dobler said it goes beyond on that as there were certain adjustments they wanted to make and Staff didn't want to make them. Director of Finance Navazio said Staff will follow up on that. Audit Committee Chairman Tulloch said ok. All the Audit Committee members agreed it is ok as stated.

2.4.2 - Provide an independent forum for auditors to report findings or difficulties Accomplished

Audit Committee Discussion/Comments

Audit Committee Chairman Tulloch said that he doesn't think we asked for it and that this is a chicken and egg thing. Trustee Schmitz said accomplished is fine. The meeting is slated in August and it will be a bit more formal this year.

2.4.3 - Review the Auditors' report of findings and recommendations with management and the auditor..... Not Accomplished

Audit Committee Discussion/Comments

All Audit Committee members all agree that it was not accomplished and Audit Committee Chairman Tulloch said we need to take that into consideration with our work plan this year.

2.4.4 - Review the 2020 CAFR..... Minimal time available
.....due to delayed submission

Audit Committee Discussion/Comments

All Audit Committee members agreed that they did do it; Audit Committee Chairman Tulloch said again it is something that is in our work plan and should be integrated with the external auditor work.

2.4.5 - Follow -up on any corrective action identified Completed

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said that the reason he used completed was because we got a report from Moss Adams that was thoroughly reviewed and it was followed up with a memo to the Board of Trustees so he believes it is completed. Audit Committee Chairman Tulloch said he agrees and that he thinks the Board approved it and the items are to be incorporated.

2.4.6 - Submit an annual Report of the Board of Trustees of the
Audit Completed

Audit Committee Discussion/Comments

All Audit Committee members agreed that this task was accomplished.

2.4.7 - Assess the performance of the independent auditors..... 7-13-2021

Audit Committee Discussion/Comments

All Audit Committee members agreed that this task was accomplished as that is what is being done today.

2.5 Review financial statements quarterly and annually for fair
and accurate reporting Did not do quarterly

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said we didn't do this quarterly so we need to agendize it or take it out as we didn't do it.

2.5.1 - Review change in accounting policy GAAP or ?

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said he struggled with this one because are we talking GAAP or as outlaid in the Board policies thus he is not sure what it means. Audit Committee Chairman Tulloch said we did review changes and we are not in the position to change GAAP policies so we did do this. Trustee Schmitz said she agrees and that with the whole 2.5, she is fine with what Audit Committee At-Large Member Dobler did. She thinks 2.5 was put in here because the Board of Trustees weren't reviewing

quarterly financial reports. The Audit Committee needs to decide if we are going to have this included and do we want to consider this for a policy revision.

2.5.2 - Ensure accounting policies are followed ?

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said that this was a tough one as we have no authority. Audit Committee Chairman Tulloch said it is a nice to have. The Audit Committee members agreed to no comment.

2.5.3 - Review any off-balance sheet financing (LEASES)No request

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said he thinks this is leases and that we didn't have it on the agenda so there is nothing to review and we wouldn't know unless we understood the GASB rules; it is an interesting one that we need to review further. Audit Committee Chairman Tulloch asked Staff if we have an off balance sheet leases? Director of Finance Navazio said he doesn't believe so and that he thinks this was intended to capture all leases (GASB 87) and that we didn't have any for this reporting period. Audit Committee Chairman Tulloch said he didn't see any leases there. Audit Committee At-Large Member Dobler said he thinks it might be software leases which we have a ton of those. Audit Committee Chairman Tulloch said normally software is an annual maintenance agreement. Director of Finance Navazio said that they are licensing agreements for software. Audit Committee Chairman Tulloch said it depends on how long the term is. Audit Committee At-Large Member Dobler said how do you want to answer this one? Audit Committee Chairman Tulloch said further review. Audit Committee At-Large Member Dobler said he is on track with that. Audit Committee Chairman Tulloch said yes and he is sure it isn't referring to a second set of books.

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

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said he only put two question marks but he should have put ten question marks as we have seen nothing on internal controls and Audit Committee At-Large Member Aaron isn't here to address that. Audit Committee Chairman Tulloch said it is one of our weakest areas and we haven't finalized anything on that. Director of Finance Navazio said that the Board of Trustees did designate Audit Committee At-

Large Member Aaron as the liaison so that has been put in process. There is a lot of work going on and Staff is working with the Audit Committee representative. Again, it is your report. Audit Committee Chairman Tulloch said we can come back to that. Audit Committee At-Large Member Dobler said that he has presented to us a framework and we did review the first segment. Audit Committee Chairman Tulloch said he would agree and note it as a work in progress. District General Manager Winquest said that might be about the auditors ensuring review of internal policies but that he is not sure about that. Audit Committee At-Large Member Dobler said if you read the reports by the auditors, they don't give opinion on internal controls.

2.6.1 - Review the annual internal control audit plan

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said that this is a work in progress.

2.6.2 - Review managements annual assessment of their internal controls for prior year's audit plan

2.6.3 - Evaluate management's identification of fraud risks, ensure the implementation of anti-fraud measures and that management is setting the tone at the top that fraud will not be acceptable in any form ?

Audit Committee Discussion/Comments

Audit Committee At-Large Member Dobler said that we need some discussions as some are very disturbed by this and thought it should be stricken; he then read the item. Trustee Schmitz said that the whistleblower procedure is one step of supporting that and that is how she would look at it. Management is to identify where they have potential fraud risks and how they are going to mitigate, setting the tone at the top, and that is the support for the whistleblower procedure. Audit Committee Chairman Tulloch said it is also about the Dillon's Rule and we don't want to forget that as we need to be sure it is properly observed.

2.6.4 - Committee may identify a need to engage an external internal auditor

Audit Committee Discussion/Comments

Audit Committee Chairman Tulloch said we don't have a specific internal auditor position so this is a work in progress.

- 2.6.5. – Code of Conduct.....
Audit Committee Discussion/Comments
Audit Committee At-Large Member Dobler said we didn't do this task.
- 2.7 Periodically review the District's Code of ConductNot done
Audit Committee Discussion/Comments
- 2.8 Review and refine the procedures for the receipt, retention and treatment of complaints - Whistleblower.....
Audit Committee Discussion/Comments
Audit Committee At-Large Member Dobler said this is a work in progress and it is dependent on the Board of Trustees.
- 2.9 Submit annual report to the Board of Trustees assessing the results of its fulfillment of its duties
Audit Committee Discussion/Comments
Trustee Schmitz said it is a self-assessment.
- 3.0 Meetings**
 - 3.1 - Meeting conducted according to State requirementsAccomplished
Audit Committee Discussion/Comments
 - 3.2 - Meeting held once per quarter 14 meetings
Audit Committee Discussion/Comments
 - 3.3 - Review correspondence to determine action. If needed assign responsibility to investigate and resolve to the appropriate organizational leader..... No Authority to assign
Audit Committee Discussion/Comments
Trustee Schmitz said we accomplished that, Moss Adams 2 was one of those, did action and assign responsibility, that is something that we accomplished and that the WB procedure will give us the tool to accomplish this. Dobler said ok, he gets it, look at contracts and four Board policies, accomplished it. Tulloch said add the actions identified by Moss Adams and that Staff put forth the actions to take.
 - 3.4 - Review past correspondence with action outstanding. Ensure responses are taken in a timely mannerNo authority
Audit Committee Discussion/Comments
Audit Committee At-Large Member Dobler said we have a lot of correspondence and that he did work on the air pressure relief valve which

was short \$75,000. That was turned over to Management who hasn't done anything yet and that is 6 months old so it depends on how much time. Audit Committee Chairman Tulloch said when we pass items like this we should set timelines. Trustee Schmitz said that tracking is one of the items with the whistleblower procedure and she thinks it is a work in progress. The whistleblower procedure gives details on tracking, detail and it gives clarity. Audit Committee Chairman Tulloch asked Staff if that is reasonable as the Audit Committee is happy to set some dates? District General Manager Winquest said yes and that Staff will comply.

3.5 - Committee may invite members of management.....Not accomplished
Audit Committee Discussion/Comments
All Audit Committee members agreed that this task was accomplished.

3.6 - Committee Chair establish agenda and provide briefing materialsAccomplished
Audit Committee Discussion/Comments
All Audit Committee members agreed that this task was accomplished.

3.7 - Annual meeting to be held with external auditor, General Manager, the Director of Finance, legal counsel and anyone else to review the annual financial statements and the Comprehensive Annual Report and auditors letter of findingsNOT accomplished
Audit Committee Discussion/Comments
Trustee Schmitz said this was done on January 27.

Audit Committee At-Large Member Dobler said we have to submit a report. Trustee Schmitz said this is what we are doing. Audit Committee Chairman Tulloch said they are all above average. Audit Committee At-Large Member Dobler said that former Audit Committee Chairman Dent isn't here to assess himself. Trustee Schmitz said in her review, there is actually an Audit Committee self-evaluation form and there is a form by the CPA Association that we should review and see if we want to use it. She closed by stating that she appreciates Audit Committee At-Large Member Dobler's work as it was a lot of work, he did a good job and it gave us objectives. Audit Committee Chairman Tulloch said he agrees. Audit Committee At-Large Member Dobler said on Exhibit B, we held 14 meetings with 40 some odd hours and anybody that says that this Audit Committee is not effective would not be quite truthful as we have accomplished quite a bit. Audit Committee Chairman Tulloch said thank you and thank you for the support from Staff. Audit Committee At-Large Member Dobler asked if we should agendize this

item. Audit Committee Chairman Tulloch said he will report on it tonight and he will ask that it be included with the next Board of Trustees meeting packet.

E.4. Review, discuss and agree on the approach of the Audit Committee to facilitating the external audit process for financial year 2020/2021 in accordance with Policy 15.1.0, Section 2.4 including election of a liaison to the Auditor and review actions taken to date including report on meeting with Davis Farr LLC (Requesting Audit Committee Member: Trustee Sara Schmitz)

Trustee Schmitz said she went back and reviewed best practices as well as reviewed charters for Audit Committees and one of the things she did come across is that the liaison was the Board Chair and that she thinks former Audit Committee Chairman Dent was the liaison. Audit Committee At-Large Member Dobler said we elected him. Trustee Schmitz said her recommendation is that we should elect Audit Chairman Tulloch for this fiscal year to that position and that these are two separate subjects.

Trustee Schmitz made a motion that the Audit Committee elects Audit Committee Chairman Tulloch to be the liaison to the external auditor. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch said he would like the flexibility to have two members to meet with the auditor so can you please amend the motion so the Chair can have the flexibility to have two members present? Trustee Schmitz said the motion is so amended that the Audit Committee liaison has the flexibility to have two members of the Audit Committee present to meet with the auditor. Audit Committee At-Large Member Dobler agreed to the amendment. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question and the motion was passed unanimously.

Trustee Schmitz then said she had a meeting with Jennifer Farr and she thought it was very productive as Ms. Farr was very open and responsive. Trustee Schmitz said that she likes to do meeting highlights, her comments are in black, and she asked Ms. Farr to review the meeting highlights as she didn't want to share it without Ms. Farr making sure it was accurate as sometimes you can have a meeting and people interpret things differently so Ms. Farr's comments are in red. What we talked about was the discussion about the unaccounted expenses related to the 2018 pond lining project and the air pressure relief valves so what we were talking about was financial concerns that had been brought forward for prior fiscal years. Ms.

Farr was very clear in that they are reviewing this fiscal year, they will not be evaluating prior years, and that any non-compliance with policy issues would be limited to this fiscal year. There were questions from the past and they are not here to try and investigate and resolve any of those issues as they are solely focused on this fiscal year. Audit Committee At-Large Member Dobler said let him clarify as a new auditor cannot go back and change an opinion of a previous auditor so what Ms. Farr is basically stating that she won't go back and restate, however, if Management and the Audit Committee finds things that were incorreced stated in a prior year, you have to bring them forward either as an impairment charge or as a prior period adjustment and that is up to Management and the Audit Committee as to what we want to incorporate in this year's financials and then of course they would audit that because it would be a prior period or impairment charge and the largest would be the impairment charge on the effluent pipeline. So, you are correct in that Ms. Farr can't go back and change an opinion of previous auditor. Audit Committee Chairman Tulloch said he agrees and that would be an expansion of the scope of work and based on the Board resolution of February on the identified changes by Moss Adams, the outstanding issue we need to address is the additional scope of work. He agrees with Audit Committee At-Large Member Dobler that it is not the auditor's work to do the previous year unless there is malfeasance and that would be a forensic audit. Trustee Schmitz said Ms. Farr did say that the issues have been brought to light so they are aware of them. They are doing a bit more testing and to ensure that the problems of the past have been addressed and that they are not continuing to occur. On item 2, she thinks she might need to do a follow up as she doesn't think Ms. Farr understood as Trustee Schmitz didn't think that she wrote it very clearly. What they discussed, specifically, was the issue brought forth by Moss Adams related to the substantial portion and how the Special Revenue Funds were not rolling up underneath the General Fund. So when she wrote this and Ms. Farr reviewed and commented in red, her concern is that she was a bit vague in her description of what they discussed because what we did discuss was specifically the substantial portion concern related to the statements. But Ms. Farr did say GAAP is a bit more of a guideline and there is no hard and fast and that last year's auditors ruled it as acceptable. Ms. Farr did go on to say that it is not aligned with best practices. The way in which we were reporting is not in aligned with best practices. However, it has been getting reported that way for so long, that in our final year of reporting Special Revenue Fund, and we are converting to Enterprise Fund, Ms. Farr didn't necessarily think that it was a good idea to change it because of consistency of the financial reports. They talked a lot about and Ms. Farr

kept saying that there are some gray areas and that it has been getting reported this way and no one has brought this from the State or what have you as an issue and Ms. Farr believes that other entities report in the similar fashion so yes, we didn't necessarily meet the substantial portion but she used the analogy of if she is driving 60 miles an hour in a 55 mile per hour lane, is she really speeding or not. There are guidelines and then there is actually what is going to be enforced. Trustee Schmitz said that she can follow up but Ms. Farr is clearly stating here that she believes that we do need to migrate to Enterprise Funds. So she was saying, yes, she sees it but it has been getting done that way and in your final year do you want to make a change so she was a bit sort of on the fence which supports Moss Adams being here and Eide Bailly being there and that she was definitely straddling the fence on that particular issue. Audit Committee At-Large Member Dobler said one of the bedrocks of accounting is consistency, so for us to turn around, Enterprise Fund going to Governmental Funds and in the Governmental Funds there are Special Revenue Funds and then turning around and making it a part of the General Fund and then the next year coming back to Enterprise Funds, we are destroying all concepts of accounting and reporting so we have to stay with what we have but we have to do proper disclosure and his recommendation to the Audit Committee and to the Management is that we need to disclose that we never qualified for a Special Revenue fund according to GFOA standard but we are keeping it this way for a consistency point of view otherwise the whole intent is consistency and we would be absolutely just blowing that way and in his opinion that would be more destructive. Trustee Schmitz said that Ms. Farr said that consistency at that point would have been more important. Audit Committee Chairman Tulloch said without that we won't have any year over year comparisons and that wouldn't be good for transparency. Overall, he supports that concept of consistency. Trustee Schmitz said she was asking that question and she felt comfortable with her response and better to leave it as reported and while it is not best practices, move forward. In discussing the Utility Fund and Engineering, Engineering internal charges specifically, her suggestion was on a periodic basis, there should be a cost basis study done by an external resource and that the Board should, every couple of years, have someone from the outside look at how we are doing cost allocations and provide a recommendation. The fact that the Board doesn't understand how the internal charge backs are done should be something that is done and understood by the Board of Trustees and she recommends that the Board of Trustees hire an external resource to look at a variety of items and do so as one scope of work. Audit Committee At-Large Member Dobler said the problem with the Engineering Department is that they are

only supposed to be working on new projects and they sometimes don't get off the ground. His position is they are an expense across the board. On the effluent pipeline, they ran up a \$1 million in fees. The Engineering Department works in a lot of different areas such as Parks and Recreation repair. The Engineering Department may get involved so an expense across the board and allocation into capital projects is not a good idea. Trustee Schmitz said that is something that she recommended and that she suggested the same approach with Information Technology. We need to have an assessment done and then decide how to handle it. Audit Committee Chairman Tulloch said he is very familiar with that and there is no one leading the practice as it depends on how you want to capture the costs. Is this something where a recommendation is coming from Davis Farr? Trustee Schmitz said it wasn't anything rather she just met with Ms. Farr and she and Ms. Farr just had a nice conversation. She hasn't reviewed or discussed this with General Manager Winquest and that she believes that the Director of Finance Navazio is putting forward a scope of services for this and maybe we need to broaden it; she will follow up. District General Manager Winquest said he had similar conversations with Moss Adams, it is different at every agency, depends on the agency itself, and the statement that Audit Committee At-Large Member Dobler made was accurate on how Engineering works as they have to follow up on upcoming projects, completing projects, and having discussions with partners. He has asked our Director of Public Works to take a look at this as it is a point of contention so it is important to get on the same page on how we are allocating these costs. Staff needs to clarify on tightening this up. Audit Committee Chairman Tulloch asked if this will be a formal proposal to the Board of Trustees? District General Manager Winquest said he can discuss with Staff. Director of Finance Navazio said he would clarify that Staff is not working on an outside consultant but we are working on the policy and documenting how we are doing this process as one of the findings, from Moss Adams, is that our back up was lacking. Trustee Schmitz said that she did highly recommend a consulting firm to do this and getting best practice and that is her recommendation hands down. Director of Finance Navazio said if you are doing Federal granting accounting and central service allocation and Engineering, Fleet, and Information Technology is none of the above; 100% direct costs for work done at Utility. Trustee Schmitz said perhaps we do need to make a recommendation to the Board of Trustees? Audit Committee At-Large Member Dobler said he would like to have session on this because as he looks at IVGID, which has massive infrastructure, and anyone who says they have engineers on board all the time, the idea he is asking, is traditionally, have we charged off all of the Engineering to capital projects?

He would think that most is general and administrative. His concern is doing cost allocation and that it should be no different than Accounting, Information Technology or Human Resources. Audit Committee Chairman Tulloch said he has sympathy for that view. It is agreed, by the governing body, that a certain amount/percentage goes to capital and then some goes to administrative and that the flip side is to account for every 15 minutes for work. Director of Finance Navazio said to respond to Audit Committee At-Large Member Dobler, about 85% of Engineering is to be charged to capital projects and 15% is operations and maintenance. If it is the intent to capture the full costs of capital and charge thusly, everyone needs to be comfortable with how that is being done. Audit Committee Chairman Tulloch said it is a major item, he is not sure what the proper way would be to do this, might be outside our scope, and a finding from auditor might be one direction to go. It seems like this is to be a hot topic and that advice from Davis Farr is consistent with his own experience and the best is to have a clear, concise policy. This should be two or three weeks work for a consultant so it is not a huge undertaking. Trying to charge hour by hour can also be counterproductive. District General Manager Winqest said his recommendation is for the Audit Committee to formally agendize and item to make a recommendation to the Board and work on a scope of work. Staff supports this matter and getting an accurate reading on how much time should be spent; we would benefit from outside resources. Trustee Schmitz said that the Audit Committee shouldn't be agendized it as it doesn't fall within their responsibilities. Rather this is a topic that the Audit Committee has discussed and that this falls under the Board of Trustees and Staff as opposed to an Audit Committee meeting. Audit Committee At-Large Member Dobler said he disagrees completely as allocating costs is an accounting issue. At the end of the day, it has to be decided on an appropriate way to do it – it becomes how do you account for it? He thinks it is an Audit Committee item. Audit Committee Chairman Tulloch said he is sitting on the fence here. There is a strong case that if that is a finding from the auditor and that may be the way to do it, then it is not appropriate for the Audit Committee to review it. It is very easy to hide costs in capital costs as he has done it in past careers. Trustee Schmitz said perhaps we ask the auditors if this is going to be a formal recommendation and if not, then she thinks management and the Board of Trustees needs to carry the baton. District General Manager Winqest said he understands both sides of this issue and it is more about recommending that the Board of Trustees address this with the assistance of Staff. Audit Committee Chairman Tulloch said perhaps it is a joint recommendation by the Audit Committee and the District General Manager and that the position is the Board of Trustees to decide so

that might be the approach. He will sit down with the District General Manager to draft the memorandum to the Board of Trustees. It is a hot topic and he knows that Staff is getting inundated with public records requests. Trustee Schmitz said we discussed the financial health of the Utility Fund and it was suggested that there should be better disclosure on the \$2 million and then she read what she wrote/said. She doesn't know what the resolution was when the \$2 million began and that her concern is that if those funds were for that project, they can't use it for other projects. Look at the agenda today and you will see that \$1 million is being used. Audit Committee At-Large Member Dobler said that the rates have to be done every year, it said what it is being used for, redirect \$1 million for the SPS and pond and that the resolution is just a document - what is the intent? The Utility rate is the important document and the resolution is the cover. We need to get into substance, former General Counsel Guinasso's play was to attach it to the document, and because it wasn't stapled, we need to get back to what we are doing. It is spelled out in the rate study and not in the resolution. Director of Finance Navazio said how the rate is set, what it is being used for, and there is more than \$2 million. Through Board of Trustees action, it is reserved. There is still an open question regarding the amount being collected as it all comes in and is bundled together so we need to be clear on what is to be done. Audit Committee Chairman Tulloch said perhaps it is covered under the attorney/client privilege. Audit Committee At-Large Member Dobler said it is not gray and there is mixed intent. The Board of Trustees has to have common sense and that when the bank account is zero, they have to release those funds. It gets down to intent. We all know what we are doing, the Utility Fund is broke, and a lot of money was diverted, and project summaries were changed, and so let's be serious for once. Trustee Schmitz said it was properly disclosed on the financial statements. Audit Committee Chairman Tulloch said absolutely as we publish a tariff document with rates and the intent was to collect that money for the pipeline. This is not an Audit Committee thing but maybe it time to fess up and say it was used for something else. He agrees about intent and that we should come clean and make a clean breast with it. Have the auditors brought it up at this stage? Director of Finance Navazio said they are aware of the issue, seen some of the Moss Adams and Eide Baily information, there is disclosure in the financial statements, and the matter is really about the restriction. Audit Committee At-Large Member Dobler said it is the highest level of decision making authority. He had this discussion two or three years ago, former District General Manager Pinkerton is right, and how much do we build this fund up to while we decide? This project should be bonded in the first place. We don't have any reserves and we need \$10 or \$11 million

in reserves. We have shoe stringed this thing, ran into a hole, fess up to it, and state why we are doing this \$2 million when we should be bonding it. There is no point and this has been five years of horsing around. Staff keeps on changing the project summary which he doesn't get it. Audit Committee Chairman Tulloch said he agrees and we shouldn't be trying to collect in advance when we should be bonding. Audit Committee At-Large Member Dobler asked what our credit rating was as money is cheap and that he has had enough of it. Trustee Schmitz said the last thing they discussed was standby fees and over collecting the fees. They discussed it and when budgeting the numbers, it should be more accurate so not over collecting. The Board of Trustees did reduce the facility fees this year and said we need to make sure we are budgeting accurately so we don't build up excess fund balance. She thought it was a great conversation that went over 90 minutes, and that Ms. Farr is easy to converse with and that she appreciated her time. Audit Committee Chairman Tulloch said he is in broad agreement and it should be an issue with the Audit Committee and discuss if it should be one of her recommendations. Audit Committee At-Large Member Dobler said he would like to discuss it more but not today.

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

Audit Committee Chairman Tulloch said it has been on the agenda for a couple of instances and it is also on the Board of Trustees agenda. His suggestion, to the Board of Trustees, is to delay this as we have been going the achievements etc. and we have identified a number of changes. He would like to go through this document item and item, do so offline, and come back with suggestions. He thinks that the Board of Trustees is open to suggestions from the Audit Committee as this could turn into another whistleblower situation thus it is appropriate to give some recommendations on it. Audit Committee At-Large Member Dobler said it would seem to him that we had a first year with an extensive policy and that the previous policy was one page. Now, we are ready to amend it and get a better policy but this is a Board policy and the Board tells us what to do as we make only recommendations. It seems like the Board of Trustees wants to be in competition with the Audit Committee and that we haven't filed our annual report. Now they are looking to change our policy and they go out and get a consultant that tells us that the Audit Committee has issues. He doesn't feel like going through the hoopla if the Board is going something else. He wants

to have Chris Nolet join the Audit Committee because he has the time for meetings as we can't get one member to show up for our meetings. Trustee Schmitz said she agrees with Audit Committee At-Large Member Dobler and that what we should do is to provide our report back to the Board of Trustees on our ability to deliver. By providing that report, it clearly identifies the area where modification is needed and request that the Board of Trustees give us the opportunity to provide recommendations to this policy as we have been working really hard and we know what works and what doesn't therefore she would request that the Board of Trustees gives us time to reflect with Audit Committee At-Large Member Dobler's excellent report and gives us the areas to review and make modifications. Audit Committee Chairman Tulloch said he is in agreement with both of you and the recommendation is to appoint Mr. Nolet and includes a request along these lines; he is in agreement with that. He has seen some changes over the year, and when you review Audit Committee At-Large Member Dobler's report, you can see some huge changes. It is all up to the Board of Trustees on accepting the recommendations and his preference to move forward.

Audit Committee Chairman Tulloch made a motion to delay further in depth analysis of this policy and request direction from the Board of Trustees and a state of execution to review this and if the Board wishes to move ahead without that input. Audit Committee At-Large Member Dobler seconded. Audit Committee Chairman Tulloch asked for further comments, none were received, so he called the question and the motion was passed unanimously.

F. LONG RANGE CALENDAR REVIEW (for possible action)

Review, discuss and possibly agendaize for future Audit Committee meetings outstanding items on the Audit Committee agenda (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

The Audit Committee discussed their long range calendar with the following highlights:

- ✓ Ms. Jennifer Farr has asked for a date to meet with the Audit Committee in August and that the Audit Committee can pick that date so that she has a deadline.
- ✓ Next Audit Committee meeting is August 10 at 3 p.m.
- ✓ Audit Committee At-Large Member Dobler said he will submit more comments on the long range calendar.

- ✓ Audit Committee Chairman Tulloch said he will get with former Audit Committee Chairman Dent to see what is outstanding.
- ✓ Trustee Schmitz said that there is some thing from Moss Adams that she may wanted added to the long range calendar.
- ✓ Audit Committee Chairman Tulloch asked that all Audit Committee Members provide him with the long range calendar input.

Director of Finance Navazio said one of the things he was working with former Audit Committee Chairman Dent on was a standing item for an update of internal controls and the audit. He will work with Audit Committee Chairman on those two items. Audit Committee At-Large Member Dobler asked, regarding a standing item on the agenda, are we going to get an update that we are working on the internal controls or that it has been busted down into ten or twelve pieces and a date for when we will see first piece? Director of Finance Navazio said he would argue that you have seen the first pieces and an overview and that Staff is continuing to work with Audit Committee At-Large Member Aaron to provide meaningful information. Audit Committee Chairman Tulloch asked for the next Audit Committee meeting to have an agenda item, from Staff, on that status and work plan as that would be a good start.

G. COMMUNICATIONS RECEIVED (for possible action)

Acknowledge communications that have been received (Requesting Audit Committee Member: Audit Committee Chairman Raymond Tulloch)

G.1. Memorandum from Clifford F. Dobler; Subject: Misallocation of Investment Earnings on Cash, Cash Equivalents and Investments - fiscal year 2019 and 2020.

Audit Committee At-Large Member Dobler said this memorandum is how we recorded our investments as we have around \$30 million of cash and that we use the State investment pool (LGIP). Thus, all funds go into one pot and the earnings should be made back to the relative funds as appropriate from each fund. Most of the money was being recorded in the General Fund and the problem is the General Fund only had a minimal amount so we have to make an adjustment to our financials, a prior period adjustment, which we need to bring up with the auditor as Staff is already aware of it. We also need to check to see how it happened. We have to get the money in the right slot because we keep assessing a fee but we might not have to if the money is recorded in the prior place. Director of Finance Navazio said Staff is looking

at this issue and we can come back with a report on what has been and what are doing regarding proper reporting. He will circle back with Audit Committee At-Large Member and the Audit Committee. Audit Committee At-Large Member Dobler said that the key idea it is an error therefore how would we report it in this upcoming comprehensive annual financial report? We need that advice from Davis Farr as to whether or not it is a prior period adjustment, etc. as he thinks it is restatement. Director of Finance Navazio said there are two parts – history and accounting going forward. Audit Committee Chairman Tulloch said Director of Finance Navazio and Audit Committee At-Large Member Dobler will have this as an action item and can report back.

H. APPROVAL OF MEETING MINUTES (for possible action)

H.1. Audit Committee Meeting Minutes of June 9, 2021

Audit Committee At-Large Member Dobler said that what happened here was he submitted an agenda item with several bullet points and that the narrative doesn't agree with bullet points in the meeting minutes. He talked to the District Clerk prior to the meeting and that he will provide a rearrangement. Hearing no further comments, the Audit Committee Meeting Minutes of June 9, 2021 were approved as amended by Audit Committee At-Large Member Dobler.

H.2. Audit Committee Meeting Minutes of June 29, 2021

Audit Committee Chairman Tulloch asked for changes, none were received, the June 29, 2021 Meeting Minutes were approved as submitted.

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

Frank Wright said he has listened to most of the meetings as does Dick Warren. Read his letter and commend the things you have done as it has been spectacular. He appreciates the honesty integrity and outstanding ability you have in moving this District in the right direction. He doesn't know if we will be able to overcome everything, hopefully the Board will figure out their job, as we have a lot of problems and they are big ones. He also hopes they start taking you really seriously and he doesn't think that a community has any better people. You are fantastic. Wish we had better management with integrity as we have people who fool us. It is going to

be exposed and his fears are the incompetent Board members and the money we have spent on this lawsuit. Time wasted, money wasted, and lies continued to be perpetuated. We are going to be getting those e-mails and seeing how this place operates. They should have been given us to us in the first place. There is something in there they don't want out. When it does come out, they will be held responsible. The charade has gone on long enough and he hopes the Audit Committee makes a recommendation to do a forensic audit. He is going to reiterate it at the Board meeting.

J. ADJOURNMENT (for possible action)

The meeting was adjourned at 5:40 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.