

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~~ 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
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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



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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.

Commented [RT1]:

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

Commented [RT2]: Source – GFAO Guidelines, as quoted in the Raffetis 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



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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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Commented [MOU3]: Rotation is the responsibility of the audit firm.

~~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.



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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

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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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~~2.6.3.4~~

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2.7 Periodically review the District's ~~Ce~~code of ~~Ce~~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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Commented [MOU5]: More than just the CAFR?

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



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 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.

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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

15.1.0



Accounting, Auditing, and Financial Reporting Audit Committee Policy 15.1.0

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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.