

## MINUTES

### **AUDIT COMMITTEE MEETING OF MAY 10, 2022 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, May 10, 2022 at 4:00 p.m. via Zoom.

#### **A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS\***

Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member) (Chair)

On roll call, present were Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Raymond Tulloch (At-Large Member, Chairman) and Matthew Dent (Trustee).

#### **B. PUBLIC COMMENTS**

There were no public comments made at this time.

#### **C. APPROVAL OF AGENDA (for possible action)**

Audit Committee Chairman Tulloch requested that General Business Items D.3., D.4, and D.5 be moved prior to General Business Item D.1. and D.2.; the agenda was approved as revised.

#### **D. GENERAL BUSINESS ITEMS (for possible action)**

- D.1. Review, discuss and determine if any further action is necessary on the Effluent Pipeline Capital Improvement Project charges to expense for FY 2020 and 2021 (*was General Business Item D.3.*)**
- D.2. Review, discuss and determine if any further action is necessary on the Golf Courses Irrigation, Greens, Tees, Bunkers and similar items as expenses rather than capital assets (*was General Business Item D.4.*)**
- D.3. Review, discuss and determine if any further action is necessary on the expensing net costs which were historically capitalized relating to 3 ongoing projects in the Utility Fund (*was General Business Item D.5.*)**

After a lengthy discussion of all three of the above General Business items, Trustee Schmitz made a motion that the Audit Committee requests that Management put together a formal report identifying the

reasons for not taking the input and recommendations of Mr. Dobler in the above 3 memorandums. Trustee Dent seconded the motion.

Audit Committee Chairman Tulloch said that the memorandums are very comprehensive and that we are looking for a response to all three items. Trustee Dent asked Staff how quickly can the Audit Committee get a response. Director of Finance Navazio said thank you for asking and that Staff does have a number of other pressing items that we are working on so it won't be June 1 but it could potentially be any meeting after that. Audit Committee Chairman Tulloch said June 16 is fine as he understands the pressure Staff is under. Director of Finance Navazio said that we can put it on the long range calendar and see where it falls. Trustee Dent said when Staff does respond, we are trying to understand why and that is the underlying question so if you can address that, it will be put to bed. Audit Committee Tulloch said that is what all of us want.

Audit Committee Chairman Tulloch, hearing no further comments, called the question and the motion was unanimously passed.

**D.4. Review, discuss, amend as necessary and approve the DavisFarr draft engagement letter to include review discussion and approval of supplementing FY2021/22 Independent Audit to Include Additional Agreed-Upon Procedures Related to 1) Capitalization of Assets and 2) Purchasing/Contracts options for expanding annual audit by DavisFarr to include review of internal controls as integrated audit (*was General Business Item D.1.*)**

Trustee Schmitz gave an overview of the submitted materials. Audit Committee Chairman Tulloch asked for some clarity on the capitalization policy regarding the effective dates. Director of Finance Navazio said Staff is using the old policy through the end of December 2021 and then starting in January 2022, we are using the new policy. The Audit Committee and Staff then had a lengthy discussion regarding the submitted materials.

Trustee Schmitz made a motion that the Audit Committee approve the engagement letter as submitted. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed unanimously.

Trustee Schmitz made a motion that the Audit Committee approve the additional services for capitalization of assets with the additional clarification for Item 7. Director of Finance Navazio reminded the Audit Committee that these two items will require Board approval. Trustee Dent seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed with Audit Committee members Tulloch, Dent, and Schmitz voting in favor of the motion and Audit Committee At-Large Member Dobler voting opposed.

Trustee Schmitz made a motion that the Audit Committee approve the Purchasing/Contracts options for expanding annual audit by DavisFarr to include review of internal controls as integrated audit. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed unanimously.

Audit Committee Chairman Tulloch called for a break at 6:21 p.m.; the Audit Committee reconvened at 6:24 p.m.

Trustee Schmitz said that Director of Finance Navazio did the heavy lifting; Audit Committee At-Large Member Dobler said but the Director of Finance Navazio gets paid. Trustee Schmitz said sorry that she didn't say that before. Director of Finance Navazio said thanks.

**D.5. Review, discuss and possibly update the Audit Committee Long Range calendar *(was General Business Item D.2.)***

Audit Committee Chairman Tulloch said he has scheduled the next two Audit Committee meetings for June 1 and June 16 as he is trying to wrap up things for the forthcoming new Audit Committee. Audit Committee At-Large Member Dobler said he would like to have on the June 1 meeting agenda, items 2 and 3 from today as they should possibly be expensed. Trustee Schmitz said when we put together our memo to the Board of Trustees, three items were included, these two items were included in that and where are we going and are we going to ask Management to do a report. Audit Committee At-Large Member Dobler said he knows more now and that he would like to have a discussion about being in agreement as we will never have agreement with the Board. Trustee Schmitz said we should add the other items for capitalization and request whatever we did tonight. Audit

Committee At-Large Member Dobler good point and it is over \$4 million, based on costs over \$4 million so it is probably \$8 million or \$9 million so it might be a good idea that we have it all assembled together and put it all to bed; it should be consolidated as we have 8 things. Trustee Schmitz said we need to make sure Staff is available on June 1. Audit Committee Chairman Tulloch said he would like to have it on the June 16 meeting. Director of Finance Navazio said he doesn't know if we can put it together in a week and a half. Trustee Schmitz said we should push off the whistleblower item until we have the new Audit Committee members; Audit Committee At-Large Member Dobler and Audit Committee Chairman Tulloch agreed. Trustee Dent said Policy 15.1.0 is going back to the Board for some minor administrative changes regarding vacancies. Trustee Schmitz said we should incorporate the DavisFarr audit work plan into our long range calendar and ask Ms. Farr if perhaps she could meet with us once a month to keep us up to date on the other engagements. Trustee Schmitz asked about the contract management item; Audit Committee Chairman Tulloch said he was hoping someone could educate him on that. Audit Committee At-Large Member Dobler said this goes back almost two years ago and it was about the investigation of the PICA contract and then the cart paths contract and that he really doesn't know if this falls within the Audit Committee purview. Trustee Schmitz said it is not the Audit Committee's responsibility and Audit Committee Chairman Tulloch agreed. Audit Committee At-Large Member Dobler said contracts come to the Board and they are not in very good shape. Trustee Schmitz said we have templates in place and so we can take that one off of the calendar. Audit Committee At-Large Member Dobler said he doesn't know if we should rehash restricted funds. Audit Committee Chairman Tulloch said he agrees and that is an action for District Legal Counsel. Audit Committee At-Large Member Dobler said he didn't know what the Moss Adams deliverables were? Trustee Schmitz said she has them at the end of the document and she can work on them with the Director of Finance. Audit Committee At-Large Member Dobler asked what is our input? Trustee Schmitz asked about internal controls procedures? Audit Committee Chairman Tulloch said those two items can be included on the June 1 agenda and then we can discuss them together. Director of Finance Navazio said there is a whole update on strengthening internal controls as well as a follow up from last August and that he can work with the Chair on agendizing an item. Staff would like to target June 16 for those issues and that he will work with the Chair on how to get that on the agenda. Audit Committee Chairman Tulloch said he will work with the Director of Finance to work through that. Audit Committee At-Large Member Dobler said regarding Policy 15.1.0, this was about the report

card on what the Audit Committee did and that it is not in the new policy so it can be removed. However, the new policy does have an annual financial risk assessment and that should be discussed as he is concerned about the Utility Division and we are going to be down to \$800,000 in the bank and that is tittering on the brink. The District has a capital plan of \$18 million and based on the cost increases, Jacobs, HDR, and financial risk assessment, he is concerned. Audit Committee Chairman Tulloch said the item is risk assessment. Audit Committee At-Large Member Dobler read the item from the policy and stated that this was scary stuff. He and Trustee Schmitz went over the budget and there is a huge risk here especially with the utility and that he would never run a company like this. Audit Committee Chairman Tulloch said that there is structural risk there so let's add it to the June 16 meeting in terms of the duties allocated to us to have a more generic discussion. Audit Committee At-Large Member Dobler said then there is unearned revenue and it has gone up from \$1 million to \$3 million and we need to have a better understanding of it and the handling of the accounting. What does the Director of Finance think about it? Director of Finance Navazio responding explaining what is revenue and at the end of the fiscal year we will have sold season passes which will be unearned revenue as are play passes and it starts with a discussion about how what is revenue. Audit Committee At-Large Member Dobler said we are doing the same thing year after year after year and he wants to understand why. Director of Finance Navazio said that is about the fiscal year and revenue. Audit Committee Chairman Tulloch asked Audit Committee At-Large Member Dobler to prepare the annual report to the Board of Trustees related to Policy 15.1.0 and that it will be included on the June 16 Audit Committee agenda for review.

**D.6. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee**

Audit Committee Chairman Tulloch announced that he has received an e-mail raising some concerns, under the category of Whistleblower, and that he will take it off line with District General Counsel Nelson.

**E. MEETING MINUTES (for possible action)**

**E.1. Meeting Minutes of April 13, 2022**

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of April 13, 2022 were approved as submitted.

**E.2. Meeting Minutes of April, 21, 2022**

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of April 13, 2022 were approved as submitted.

**F. PUBLIC COMMENTS\***

There were no public comments made at this time.

**G. ADJOURNMENT (*for possible action*)**

The meeting was adjourned at 7:04 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.