

MINUTES

AUDIT COMMITTEE MEETING OF DECEMBER 12, 2018 Incline Village General Improvement District

The special meeting of the Audit Committee of the Board of Trustees of the Incline Village General Improvement District was called to order by Chairman Phil Horan on Wednesday, December 12, 2018 at 4:40 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Trustees Phil Horan and Peter Morris. Trustee Kendra Wong joined the meeting at 4:47 p.m.

Also present were District Staff Members Director of Finance Gerry Eick and Communications Coordinator Misty Moga.

Members of the public present were Margaret Martini, Frank Wright, Dan Carter, and Craig Morley.

(13 individuals in attendance at the start of the meeting which includes Trustees, Staff, and members of the public.)

B. PUBLIC COMMENTS*

Margaret Martini read from a written statement which is attached hereto.

Frank Wright said first of all, he opposes Trustee Horan participating as he lives in Reno. What exactly do you do on the Audit Committee? The guy behind me is with Eide Bailly and Ms. Martini just gave a bunch of information and this guy just sat there and took no notes. There is a lot of allegations about money that is missing and reports issued to the auditors, Eide Bailly, and here you are about to approve to have them again and they don't do anything. The Audit Committee doesn't do anything and you are supposed to represent this community and you don't really do anything thus he is not sure why you are all on this committee. Financial disclosures for this District are nonexistent. Money that is missing is up to the auditors to see if it is missing and up to them to ask about it. He was at a Board meeting where Mrs. Dobler asked where the money was and no one answered her. Now Staff is hiding the information and scrambling for the facts. What it all comes down to is that he wants to let the auditors understand that they are responsible and that the public has seen some accounting and auditing firms that have paid huge fees for not doing their due diligence. He would not want to be the

auditors for this District. The Nevada Legislative numbers have changed and it is going to come down so he would not play games as things are going change. Be very diligent about what you do.

C. APPROVAL OF AGENDA (for possible action)

Chairman Horan asked for changes to the agenda; none were requested thus the agenda is approved as submitted.

D. REPORT TO AUDIT COMMITTEE*

D.1. Verbal Report from Chairman of the Audit Committee on the status of the updated Policy 15.1.0, sub-paragraph 2.4

Chairman Horan turned it over the District General Manager Pinkerton. District General Manager Pinkerton discussed the ability for employees to directly relay their concerns to the Audit Committee, that Staff implemented the required policy, and all employees have been made aware. Chairman Horan asked how we did that. District General Manager Pinkerton said it was communicated to the Management Team and is available online for awareness. Chairman Horan asked if the Director of Human Resources was responsible for managing that communication, District General Manager Pinkerton said yes, that is correct. Trustee Morris said that he has received nothing and asked if we have had any member of the team receive anything regarding the audit items. District General Manager Pinkerton said no, we have not. Trustee Wong confirmed that she has not received anything either.

E. GENERAL BUSINESS ITEM (for possible action)

E.1. Presentation and Acceptance of June 30, 2018 Comprehensive Annual Financial Report including an Unmodified Report by the District's Auditor (Requesting Staff Member: Director of Finance Gerry Eick)

Director of Finance Gerry Eick gave an overview of the submitted memorandum. Eide Bailly Engagement Partner Dan Carter was present and said that they have provided an independent audit report with an unmodified opinion, which is the highest level of assurance they can provide and is a clean audit opinion. Agenda packet page 108 is the yellow book audit and on the last paragraph of the first page, it states that they did not find any deficiencies so again; this is a clean audit and a good opinion. Our Auditors

comments are on agenda packet page 110. There were no Nevada Revised Statutes or Nevada Administrative Code violations nor any findings related to the prior year's audit; a clean audit and opinion. Trustee Wong asked if there were any significant adjustments. Mr. Carter said no, they did find one but it was deemed a past adjustment that was an error in the pivot table and the District corrected it. Trustee Wong asked what is materiality. Mr. Carter said the auditors calculate as part of their audit and that it is the auditors' judgment as to what goes into our testing, etc. Trustee Morris said that you are aware that we have a small but pretty vocal group in the community who are all about accounts being fixed and fudged thus he would appreciate your professional comment that you found nothing on that. Mr. Carter replied that if we find things that concern us, we are required to report that. We have a team of three people plus him who look at the books and records and they found everything to be accurate. When we receive those communications, we do discuss them with the Audit Committee and Management and do consider those as part of our audit. Chairman Horan said following up on that, we have had some conversations and that there have been different times where people have addressed correspondence to you, State of Nevada, and us and that there was a letter sent in early September that suggested abuse of accounting and other things that weren't appropriate; were those considered in your opinion. Mr. Carter said yes, they were.

Trustee Wong made a motion to accept and recommend to the Board of Trustees approval and acceptance of the June 30, 2018 unmodified audit report and direct Staff to file the Comprehensive Annual Financial Report (CAFR) with the State of Nevada and make it generally available for public use. Trustee Morris seconded the motion. Chairman Horan asked for further comments, receiving none, he called the question and the motion was passed unanimously.

E.2. Designation of Audit Firm for Audit Services for Fiscal Year Ending June 30, 2019 – Eide Bailly, LLP in the amount of \$57,000

Director of Finance Eick gave an overview of the submitted memorandum.

Trustee Morris said, regarding the annual fee in the memorandum, that this annual fee was the one that was previously set. Director of Finance Eick said that is correct and that it has remain unchanged.

Trustee Wong thanked Mr. Carter for their service.

Chairman Horan said that Eide Bailly is a well respected entity and that they also do the auditing for the city of Sparks as well as Washoe County and that their firm is ranked nineteenth or twentieth.

Trustee Wong made a motion to designate Eide Bailly, LLP as the District's audit firm for the fiscal year ending June 30, 2019, under their multiyear contract (covering 2016 through 2020) as outlined under the financial section in the amount of \$57,000. Trustee Morris seconded the motion. Chairman Horan asked for any comments, receiving none, he called the question and the motion was passed unanimously.

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

F.1. Audit Committee Meeting of January 24, 2018

Chairman Horan asked for any changes, receiving none, the minutes were approved as submitted.

G. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration; see Public Comment Advisory Statement above.

Frank Wright said as he suspected we approved a contract with Eide Bailly, which is like the oversight of a mall cop, and that he cannot believe they have done any due diligence to see what is going on in this place. He will predict that Eide Bailly will be found guilty of malfeasance. Today, he verified that the Audit Committee does nothing. What we have is a rubber stamp Audit Committee and Board who do not ask any questions about what this audit is trying to accomplish. All are complacent, all the information we are trying to get is being denied to us, and there are people who have grabbed on to that there are things that are wrong. Trustee Wong – who hid behind TrueBluFacts, Chairman Horan – doesn't live here, and Trustee Morris – who has serious financial problems; it is unbelievable that you allow the General Manager to act and it is unbelievable as he doesn't think you give a snot about this community. There are people who are going to come forward about the election and are upset about what is going to happen. He is going to make predictions – Chairman Horan, if you live in Reno, leave in peace and do not bring the negative to yourself. Trustee Morris, why are you bring the negative to yourself - do what is right.

Margaret Martini said that the Audit Committee should have members of the community on it and that there are certain members of the community who are far more qualified and who have asked to be on the committee yet they were members shunned from this committee which is inherently wrong. If you want to be there, you need input from a source that is not a member of the Board or someone who has far more qualifications. To Trustee Morris, there are a few who are causing all of these problems, well, we have more people at the Board meetings than you do. What does that say – exercise in futility, look at it, as you need to be open to qualified members of the community to give you advice because it is certainly needed.

H. ADJOURNMENT *(for possible action)*

The meeting was adjourned at 5:08 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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

Submitted by Margaret Martini (1 page): IVGID December 12, 2018 Audit Committee Meeting Public Comments By: Margaret Martini – to be included with the Minutes of the Meeting

IVGID December 12, 2018 Audit Committee Meeting Public Comments
By: Margaret Martini – to be included with the Minutes of the Meeting

This Audit Committee exists in name only. It doesn't even attempt to meet the minimum standards of its responsibilities. Although there are three members, all the authority is vested in the Chair. Although it used to meet quarterly, it only meets annually. In November of 2017 it created a new Policy 15.1.0. One year later, this policy has no relevance as Chair Horan and Trustees Wong and Morris have failed to comply.

Today, there is no written annual Audit Committee Report for the District's Board as required under clause 2.6. There is also, no further explanation of the procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing matters or suspected fraud. There are also no reports of investigations, responses or resolution of these complaints.

Apparently, we will have a verbal report from the Chair on the status of sub-paragraph 2.4. Not having this written for advance review by our Trustees and our citizens does us all a disservice. So too, does a rubber stamp approval by this Committee of the Audited Report and the appointment of our auditor for another year. I say this because I have no confidence in this Committee and have no validation that they exercise any level of due diligence.