



NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at 4:15 p.m. on Wednesday, July 29, 2015 in the Chateau, 955 Fairway Boulevard, Incline Village, Nevada.

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
- B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.

Public Comment Advisory Statement – Public comment, as required by the Nevada Open Meeting Law, is an opportunity for people to publicly speak to the assembled Board of Trustees. Generally, it can be on any topic, whether or not it is included on the meeting agenda. In other cases, it may be limited to the topic at hand before the Board of Trustees. Public comment cannot be limited by point of view. That is, the public has the right to make negative comments as well as positive ones. However, public comment can be limited in duration and place of presentation. While content generally cannot be a limitation, all parties are asked to be polite and respectful in their comments and refrain from personal attacks. Willful disruption of the meeting is not allowed. Equally important is the understanding that this is the time for the public to express their respective views, and is not necessarily a question and answer period. This generally is not a time where the Board of Trustees responds or directs Staff to respond. If the Chair feels there is a question that needs to be responded to, the Chair may direct the General Manager to coordinate any such response at a subsequent time. Finally, please remember that just because something is stated in public comment that does not make the statement accurate, valid, or even appropriate. The law mitigates toward allowing comments, thus even nonsensical and outrageous statements can be made. Counsel has advised the Staff and the Board of Trustees not to respond to even the most ridiculous statements. Their non-response should not be seen as acquiescence or agreement just professional behavior on their part. IVGID appreciates the public taking the time to make public comment and will do its best to keep the lines of communication open.

- C. GENERAL BUSINESS ITEM (for possible action)
 - 1. Prior Year Passed Adjustments and consideration for Upcoming Closure of Financial Statements for the year ending June 30, 2015 (Requesting Staff Member: Director of Finance, Accounting, Risk Management and Information Technology Gerry Eick) – **pages 1 - 3**
- D. APPROVAL OF THE MEETING MINUTES OF MARCH 25, 2015 (for possible action) – **pages 4 - 6**
- E. 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.
- F. ADJOURNMENT (for possible action)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Friday, July 24, 2015 at 9:00 a.m., a copy of this agenda (Audit Committee Session of July 29, 2015) 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 (Administrative Offices)
2. Incline Village Post Office
3. Crystal Bay Post Office
4. Raley's Shopping Center
5. Incline Village Branch of Washoe County Library
6. IVGID's Recreation Center

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

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

Board of Trustees: Jim Hammerel, Chairman, Tim Callicrate, Kendra Wong

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

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

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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MEMORANDUM

TO: Audit Committee Members (Chairman Jim Hammerel, Trustee Kendra Wong and Trustee Tim Callicrate)

FROM: Gerald W. Eick, CPA CGMA
Director of Finance, Accounting, Risk Management and Information Technology

SUBJECT: Prior Year Passed Adjustments and consideration for Upcoming Closure of Financial Statements for the year ending June 30, 2015

DATE: July 17, 2015

I. RECOMMENDATION

Staff is recommending no change to the District's accounting for Investments, Real Estate Taxes, Facility Fees and Utilities Deferred Revenue for the year ending June 30, 2015. However, Staff wants to inform the Audit Committee of the reasons ahead of the performance of the audit.

II. BACKGROUND

In December 2014, when the audit was delivered by Kafoury Armstrong, the engagement shareholder made an audit presentation which included three passed adjustments. Passed adjustments are identified during the course of the audit but these adjustments to the accounting records are not made because they are not significant enough to change how a reasonable person would interpret the financial statements. The financial statements are presented fairly without the inclusion of these adjustments. This is based on the limits utilized by the auditors commonly known as materiality. Staff observed that Audit Committee members appeared to be less comfortable in that several of these items seemed larger than what should be considered as immaterial. Passed adjustments should be considered individually and in the aggregate as to financial statement impact.

Staff has worked with the engagement partner of Eide Bailly to discuss and evaluate the issues surrounding those items presented for 2014. We also have evaluated the same items for 2015. Based on that evaluation, Staff recommends no change in our accounting or financial reporting for these items. The rationale for not changing relates more to recognition of revenue over valuation of assets.

Also, the evaluation made each year by the auditor needs to consider if a similar item was passed in the prior year, resulting in consistency of financial statement presentation. Staff does not wish to put the District at odds with the auditor and thus had an open discussion about the choices we make and whether those will be acceptable to Edie Bailly. We believe that is the case but wish to advise the Audit Committee in case they also want to give further input or direction.

III. FINANCIAL IMPACT

- A. Recognition of Delinquent Real Estate Taxes and Facility Fees Receivable. The District accounting practice has been to only recognize taxes and fees received by the close of the audit which is in August. That is an appropriate practice for fund level financial statements. The District's audit report also includes a section on District-wide financial statements. These can include items where the timing is measured differently than at the fund level. Thus, the consideration of delinquent taxes and fees given that eventually they might be realized up to three years later upon a tax sale. However, there is no assurance a tax sale will result in collection. The District has not historically received multi-year reports from Washoe County to allow monitoring those outstanding amounts. We have used other reports to monitor for facility fee privileges. Several years ago, we started to monitor delinquencies to facilitate claiming properties under forfeit. In June 2015, Staff contacted Washoe County to secure multi-year reports to allow an evaluation of the condition. During this fiscal year, a number of delinquencies have been paid. At June, 30 2014, the passed adjustment included Taxes of \$14,637, Recreation Facility Fees of \$74,316 and Beach Facility Fees of \$6,656. At June 30, 2015, it is estimated these amounts are \$5,855 taxes, Recreation Facility Fees \$46,190 and Beach Facility Fees \$6,227. Since the current year amounts are even less than a year ago, Staff feels they can be passed again for 2015. If they are not passed, they would affect only District-wide results with a onetime recognition of revenue. This does not affect the comparison to budget.
- B. Recognition of Deferred Revenue for advanced utility billings. The issue about this billing would apply at the fund level and District-wide. It is a question of whether the revenue is earned as billed or with the passage of the billing period that spans the June 30 year end. The District has always accounted for the revenue over the service period not the billing date. The auditor raised the issue for the first time in 2014 because of our movement to billing for usage, with no minimum usage. The amount they identified in

question is the fixed component of our billings. After careful review of the circumstance and accounting principles, Staff has concluded that there remains sufficient support that the amount billed goes with customer served over the period covered through the last date of the range. Our current practice results in a more conservative recognition of revenue by making sure we have fulfilled the service period. Therefore, we have responded to the auditor we intend to maintain our present practice. They have indicated they can accept our reasoning. If they are not passed, it would be a onetime recognition of additional revenue.

- C. Actual adjustment to investments to reflect current fair market value. This issue would apply at the fund level and District-wide. The issue is whether to adjust the carrying value of investments for their change in fair market value from year to year. Through 2008 the District utilized investment managers and made regular adjustments to investments to aid in monitoring their performance. Since that time the economic conditions have made the returns on investment very compressed. Given the State's restriction, which forces us to use fixed interest instruments, fair market value fluctuates on matters of length of maturity. The District invests to match its maturities with spending needs not to make an added return. There is no performance measure needed in those circumstances. The current decision to not adjust investments to market value is driven largely to save time because we'd still invest in the same instruments and hold them to maturity. Staff, however, is willing to calculate and make the entries if that is the direction given. In 2013, the passed adjustment was \$128,860, for 2014 it was \$52,610, it is estimated the adjustment for 2015 would be close to \$53,000, an amount that has been passed in prior years. If not passed, the carrying amount of investments would be reduced and over time they would be added back as we approach the individual maturity dates. Most of our maturities are under 4 years.

IV. COMMENTS

The main objective of this report is to inform members of the Audit Committee of the nature of these items and give a greater detail on what they are and why they have been treated as they have in the past. Staff feels this is preferable to being reported after the audit is concluded. Audit Committee members can discuss this with the auditor during the engagement. If there are any further questions or concerns, please pursue them.

MINUTES

AUDIT COMMITTEE MEETING OF MARCH 25, 2015 Incline Village General Improvement District

The Audit Committee meeting of the Board of Trustees of the Incline Village General Improvement District was called to order by Chairman Jim Hammerel on Wednesday, March 25, 2015 at 5:00 p.m. at the Chateau located at 955 Fairway Boulevard, Incline Village, Nevada.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS

On roll call, present were Trustees Jim Hammerel and Jim Smith. Also present were District Staff Members Director of Finance, Accounting and Risk Management Gerry Eick, District General Counsel Devon Reese, and General Manager Steve Pinkerton. The member of the public present was Kendra Wong. *(7 individuals in attendance which includes Trustees, Staff and members of the public.)*

B. PUBLIC COMMENTS*

No public comments were made at this time.

C. GENERAL BUSINESS *(for possible action)*

C.1. Recommendation of Audit Firm for Audit Services for Fiscal Year Ending June 30, 2015 by the Audit Committee to the Board of Trustees, of Edie Bailly, LLP (formerly Kafoury Armstrong & Co.) (Requesting Staff Member: Director of Finance, Accounting, Risk Management and Information Technology Gerry Eick)

Director of Finance, Accounting, Risk Management and Information Technology Gerry Eick gave a brief overview of the submitted memorandum.

Chairman Hammerel said that he didn't see anything that stood out as being different and asked if there anything different from previous years. Director of Finance, Accounting, Risk Management and Information Technology Eick said the audit will have the same look and feel as the previous audit and there is no need for a single audit that was done last year because the District hasn't gotten any sizeable grants. Trustee Smith asked what was the cost of the audit was going to be and will it be the

same as it was in the past. Director of Finance, Accounting, Risk Management and Information Technology Eick said back when the audit firm was selected, rather than having yearly increases, they committed to a set pricing structure and agreed to a flat amount in years two and three with a slight increase in years 3 and 4 and by not having a single audit there will be several thousand dollars not charged. Trustee Smith asked if the not-to-exceed price of \$46,500 was firm. Director of Finance, Accounting, Risk Management and Information Technology Eick said that the engagement letter states \$46,500. Trustee Smith asked when the auditors will be able to start. Director of Finance, Accounting, Risk Management and Information Technology Eick said the auditors will come in and do preliminary work in May, which is the same as in the past, and then the bulk of the work will occur in September. Trustee Smith asked if the District could work with the auditors a little sooner or give them some specific tasks. Director of Finance, Accounting, Risk Management and Information Technology Eick said he will contact them to ensure they can accommodate that request. Chairman Hammerel said that the auditors commended the District for how streamlined our audit process was last year and thus will there be any difference this year. Director of Finance, Accounting, Risk Management and Information Technology Eick said that the technical review is done by the Reno office and that this year it will move along just as well.

Trustee Smith made a motion that the Audit Committee recommend that the Board of Trustees designate Eide Bailly, LLP (formerly Kafoury Armstrong & Co. a Nevada based firm) as the District's audit firm for the fiscal year ending June 30, 2015, under their multiyear contract as outlined under the financial section. Chairman Hammerel seconded the motion. Chairman Hammerel asked for public comment, hearing none, called the question and the motion was unanimously passed.

D. APPROVAL OF THE MEETING MINUTES OF DECEMBER 10, 2014

Chairman Hammerel approved the Audit Committee Meeting Minutes of December 10, 2014 as submitted.

E. PUBLIC COMMENTS*

No public comments were made at this time.

F. ADJOURNMENT (for possible action)

The meeting was adjourned at 5:09 p.m.

Respectfully submitted,

Susan A. Herron, CMC
Clerk to the Board of Trustees

