NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at **6:00 p.m.** on **February 7, 2023** via Livestream/Zoom only.

Public comment is allowed and the public is welcome to make their public comment via telephone (the telephone number will be posted to our website on the day of the meeting). The meeting will be available for viewing at https://livestream.com/accounts/3411104. (Remote only meeting permitted by AB 253 as Audit Committee contains non-elected members.)

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
Vito Brandle (At-Large Member), Mick Homan (At-Large Member), Raymond Tulloch (Trustee), and Michaela Tonking (Chairwoman)

B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration. The Audit Committee may address matters brought up during public comment at the conclusion of the comment period but may not deliberate on any non-agendized item.

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. Follow-up on Final Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, as presented to the Board of Trustees at their meeting of December 14, 2022 and filed with the State of Nevada Department of Taxation. (Requesting Staff Member: Director of Finance Navazio) – ***pages 3-12***
    a. Board memorandum prepared for meeting of December 14, 2022.
    b. Correspondence from State of Nevada Department of Taxation, dated January 24, 2023

2. Receive and discuss draft report from Davis Farr, LLP related to supplemental engagement to review compliance with Capitalization policies and procedures and best practices (Requested by: Director of Finance Navazio; Prepared by Jennifer Farr, Partner, Davis Farr, LLP) – ***pages 13 - 23***

3. Review and discuss possible next steps on outstanding accounting and financial reporting issues identified by former Audit Committee and through past Correspondence. (Requesting Trustee Audit Committee Chair Michaela Tonking) – ***pages 24 - 44***

4. Review, discuss, and determine if any further action is required for the following correspondence and memos received by Audit Committee. (Requesting Trustee: Audit Committee Chairwoman Michaela Tonking) – ***pages 45 - 96***

Date	Subject	Author
12-14-2022	Audit Finding	Chris Nolet
1-9-2023	Observations and potential corrections to AFCR for June 30, 2022	Cliff Dobler
1-9-2023	GFOA Certificate of Achievement (	GFOA
1-14-2023	Lack of FULL disclosure in Note 18 of the ACFR FOR FISCAL YEAR ENDING JUNE 30, 2022 and false approval of contracts to avoid requirements under NRS and Board Policies	Cliff Dobler
1-21-2023	Unauthorized change in reporting from fiscal 2021 to 2022 for the Community Services venues	Cliff Dobler
1-23-2023	Item E.3A - Report - Facilities (Weddings and Events) - Multiple errors or lack of complete information - Board Packet 12-14-2022	Cliff Dobler
1-30-2023	Follow-up on my memo on January 9, 2023 - Investment Earnings 2022 fiscal year AFCR	Cliff Dobler
1-31-2023	Violation of GASB #34 - Improper Reporting of Internal Services Fund as part of Proprietary Funds 1) Statement of Net Position (Exhibit B), 2) Statement of Revenues Expenses and Changes in Net Position (Exhibit C) and 3) Statement of Cash Flows (Exhibit D). Page 24 to 27 of the June 30, 2022 Annual Comprehensive Financial Report.	Cliff Dobler

E. LONG-RANGE CALENDAR

1. Discuss and provide input to inform 2023 Audit Committee meeting schedule, work plan priorities and long-range calendar (Requesting Trustee: Audit Committee Chairwoman Michaela Tonking)

F. MEETING MINUTES (for possible action)

1. Meeting Minutes of December 5, 2022– ***pages 97-120***

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, February 2, 2023 at 9:00 a.m., a copy of this agenda (Audit Committee Session of February 7, 2023) 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 three 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/ **Melissa Robertson**
Melissa Robertson
District Clerk (e-mail: @ivgid.org/phone # 775-832-1268)

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".

M E M O R A N D U M

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

Martin Williams
Controller

SUBJECT: Follow-up on District's Final Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2022 as presented to the Board of Trustees at their meeting of December 14, 2022 and filed with the State of Nevada Department of Taxation. (Requesting Staff Member Director of Finance Paul Navazio).

DATE: February 7, 2023

I. BACKGROUND

This agenda serves as a follow-up to the District's Final ACFR for the fiscal year ended June 30, 2022.

- At their meeting of December 5, 2022, the Audit Committee received a presentation on the Draft ACFR and related Audit Reports, presented by the District's independent auditor, DavisFarr, LLP.
- Feedback from the Audit Committee was incorporated into the Final ACFR, presented to the Board of Trustees at their meeting of December 14, 2022 (see Attachment 1).
- Following presentation to the Board of Trustees, the Final ACFR for the fiscal year ended June 30, 2022 was filed with the State of Nevada Department of Taxation, pursuant to NRS 354.624.
- On January 24, 2023 the District received correspondence from the Department of Taxation summarizing their review of the District's Final ACFR (see Attachment 2).

II. DISCUSSION

Since the filing of the Final ACFR the Board of Trustees and Audit Committee have received correspondence from community members related to the document. (See Agenda Item D.4). This agenda item addresses several of the issues raised in these communications.

Correspondence from Mr. Dobler, dated 1/9/23:

Statement of Net Position:

- The $1.7 million referred to is the lease receivable, not capitalized assets. The lease assets capitalized are $78,537 as listed in Note 5. The $1.7 million receivable is for the cell tower leases, for which the District receives lease revenue. This is not capital assets, this is the way GASB 87 requires assets being leased out to be recorded.

- Note G, clearly states other receivables are, "service charges to customers and resident for deposits or fees that are earned, but not collected." Earned, but not collected would be they have not been received yet.

- Note H is a description of what a prepaid expense is, not stating there are any prepaid expenses in the financial statements. The difference from FY21 and FY22 is prepaid insurance, which was not paid until July in 2022, therefor it was not prepaid as of June 30, 2022.

- Note 5 has been created following the guidelines provided by GASB and our auditors. Adding another column to show items moved from CIP to capital would not be following these guidelines. This information is available in the CIP reconciliation done each year and can be provided as a public records request.

Statement of Revenues, Expenses and Changes in Net Position:

- The interest earnings in the Statement of Revenue, Expenses, and Change in Net Position is precisely that, the interest earned during the 12 months reported. The Interest listed on the Statement of Cash Flows shows the cash effect of interest received, lease interest, and interest earned. As these two statements are tracking different things, thus the numbers will be different. As for interest allocation, since the Board concurred with management's recommendation to allocate interest based on cash balance, investment income has been allocated by that methodology every month. (See memo to Board, dated April 13, 2022).

- Capital grants $159,832 are not transfers, but grant funds provided by agencies outside the District. This $47,926.54 was received from the Incline-Tahoe Foundation (ITF). This grant has nothing to do with the Recreation Center Expansion. Also, no billing for the Recreation Center had been processed by June 30, therefore no grant receivable was processed. A receivable has to be available, and collectable, without a grant claim, otherwise it cannot be a receivable.

Statement of Cash Flows:

- The Statement of Cash Flows takes into account every item in the change in net position, and the statement of net position. There the number shown for cash effect of these items will never match the number listed on either report, as both reports need to be considered. The cash spent on acquisition of capital assets includes the changes in all the capital assets, plus lease receivables. The $2,552 for the internal services funds is the change in deferred inflows from FY2021.

NOTE 18:

- The carry-forward amounts referenced in Note 18 include both capital and capital expense items approved by the Board (8/31/22) as well as General Fund carry-over amounts approved as part of the Final Budget (5/26/22). As a Governmental fund, any General Fund carry-overs must go through a more detailed approval process, so these roll forwards are added to the new fiscal year's budget when it is approved.

Correspondence from Mr. Dobler, dated 1/14/23:

- The listing of contractual commitments shown in Note 18 is not intended to be an exhaustive listing of contractual obligations. The list provides examples of contractual obligations, selected to include priority projects of community interest.

- Two errors were noted in the table of contractual obligations included in this note. The Avail contract, which was fully spent by June 30, and the Axess America (RFID) contract was executed after June 30, 2022, and the expenditures shown were incurred in the current fiscal year. Corrections are reflected below:

The District has committed to contractual obligations for selected capital improvement projects through contracts, resulting in encumbered funds at year-end. These are included in the appropriations carry-forward to the FY2022/23 budget, and are summarized as follows:

Contractor	Project	Contract Amount	Completed (6/30/22)	Remaining Amount
CORE West, Inc	Burnt Cedar Pool Imp	$3,845,865	$3,567,790	$ 278,075
~~Avail Enterprises, LLC~~	~~Rec Center Lobby~~	~~159,832~~	~~159,832~~	~~--~~
Ward-Young Architects	Rec Center Lobby	36,724	32,724	4,000
Ward-Young Architects	Rec Center Locker Room	91,972	85,904	6,068
Granite Construction	Effluent Pipeline	369,218	190,609	178,609
~~Axess America~~	~~RFID Gates~~	~~369,105~~	~~105,458~~	~~263,647~~

Attachments:

A. Board Memorandum – Presentation of Final ACFR for Fiscal Year Ended June 30, 2022 (meeting of December 14, 2022)
B. Correspondence from State of Nevada Department of Taxation, dated January 24, 2023

ATTACHMENT A

M E M O R A N D U M

TO: Board of Trustees

THROUGH: Indra Winquest
District General Manager

FROM: Paul Navazio
Director of Finance

SUBJECT: Transmittal of District's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2022 and Related Audit Report(s) (Director of Finance Paul Navazio and Jennifer Farr, Partner, Davis Farr, LLP).

DATE: December 14, 2022

I. BACKGROUND

This agenda item serves to transmit to the Board of Trustees the District's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2022, as well as the required Audit Communications provided by the District's Independent Auditor, Davis Farr, LLP.

The final Annual Comprehensive Financial Report being transmitted via this agenda item incorporates the following reports provided by the District's Independent Auditor, DavisFarr, LLP:

- Audit Opinion – Independent Auditor's Report
- Audit Communications (*Attachment 3)*
    - Required Audit Communications
    - Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*

II. DISCUSSION

This agenda item presents the District's Final ACFR for the Fiscal Year ended June 30, 2022, to include the results of the audit conducted by the District's independent auditor, Davis Farr, LLP, and required Audit Communications.

AUDIT RESULTS

- The District's Independent Auditor has issued an unmodified opinion that the District's financial statements present fairly, in all material respects, the financial position of the District, its governmental activities, business-type activities, and all major funds, as of June 30, 2022.

- In their *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters,* the District's Independent Auditor did not note any "material weaknesses"; however the auditor has highlighted three areas that have been determined to be reported as "significant deficiencies". These are summarized as follows:

  <u>2022-001 – Journal Entries Detected During the Audit</u> –
  This stems from three journal entries that were processed as a result of the audit work performed, and are reflected in the financial statements. These include:
  a) An entry to remove legal settlement liabilities in the General Fund to reflect this liability in the government-wide financial statement rather than in the fund-type statement ($596,253).
  b) An entry to remove compensated absences from the General Fund because the long-term liabilities are to be recorded in the government-wide financial statements rather than the fund-type statement ($145,840).
  c) An entry to increase the Due from Other Governments in the General Fund ($84,340).

  <u>2022-002 – Physical Inventory Observation</u>
  This stems from the fact that the District did not perform a fiscal year-end physical inventory of assets in the Championship Course Pro Shop. The auditor notes that while the inventory balance is not considered material, they nonetheless highlight the need to perform year-end inventory counts.

  <u>2022-003 – Timely Preparation of Bank Reconciliations</u>
  The auditors note that the District did not complete the year-end bank reconciliation until mid-October, and recommends that bank reconciliations be completed within 30 days of each month-end.

The *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters* includes Management Reponses, as required, to findings and recommendations identified by the independent auditor.

CHANGE IN ACCOUNTING PRACTICES

The District's audited financial statements for the fiscal year ended June 30, 2022 reflect two changes in accounting practices from the prior year:

1) *Transition from Governmental Fund to Proprietary Fund accounting for the District's Community Service Fund and Beach Fund*. This change was implemented, per Board of Trustees direction, as of July 1, 2021. As a result, prior period adjustments are required to re-state beginning fund balance/net position for each of these major funds.

2) *Implementation of GASB 87 – Leases*. Implementation of GASB Statement 87, effective with the fiscal year ended June 30, 2022, requires the recognition of certain leased assets and liabilities for leases that were previously classified as operating leases. This required change in accounting practice impacts the treatment of the District's golf cart lease (as lessee) and cell tower leases (as lessor).

FINANCIAL HIGHLIGHTS

Financial highlights based on Government-wide Financial Statements, for the year ended June 30, 2022:

Incline Village General Improvement District
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Chages for services	$ 2	$ 17,060,831	$ 32,480,390	$ 12,831,060	$ 32,480,392	$ 29,891,891
Operating Grants	2,000	18,440	39,138	39,857	41,138	58,297
Capital Grants and contributions	-	88,505	47,927	-	47,927	88,505
General Revenues:						
Ad valorem taxes	1,893,214	1,812,958	-	-	1,893,214	1,812,958
Consolidated taxes	2,049,551	1,888,448	-	-	2,049,551	1,888,448
Facility Fees	-	6,537,641	6,090,681	-	6,090,681	6,537,641
Unrestricted Investment income	(17,188)	73,594	(93,733)	33,681	(110,921)	107,275
Other	1,402	127,897	435,446	-	436,848	127,897
Total Revenues	3,928,981	27,608,314	38,999,849	12,904,598	42,928,830	40,512,912
Expenses						
General Government	3,497,944	2,887,892	-	-	3,497,944	2,887,892
Utilities	-	-	12,399,729	11,449,802	12,399,729	11,449,802
Community Services	-	18,996,222	20,779,505	-	20,779,505	18,996,222
Beach		2,186,645	1,784,943	-	1,784,943	2,186,645
Total Expenses	3,497,944	24,070,759	34,964,177	11,449,802	38,462,121	35,520,561
Excess Revenue (Expenses)	431,037	3,537,555	4,035,672	1,454,796	4,466,709	4,992,351
Changes in Net Position	431,037	3,537,555	4,035,672	1,454,796	4,466,709	4,992,351
Beginning Net Position, as reported	82,946,057	79,265,885	76,985,593	78,697,763	159,931,650	157,963,648
Prior Period Adjustment	(75,105,674)	142,617	75,199,871	(3,166,966)	94,197	(3,024,349)
Beginning Net Position, as adjusted	7,840,383	79,408,502	152,185,464	75,530,797	160,025,847	154,939,299
Ending Net Position	8,271,420	82,946,057	156,221,136	76,985,593	164,492,556	159,931,650

- The District's net position as of June 30, 2022 was $164.49 million and reflects an increase in net position of $4.47 million over the prior year. Of this amount, a total of $45.44 million (unrestricted net position) is available to meet the District's future obligations, including future planned capital projects.

- The net position of the District's governmental activities increased by $0.43 million (to $8.27 million) and the net position of the District's business-type activities increased by $4.04 million (to $156.22 million).
- The District's General Fund unassigned fund balance increased to $5.25 million. This compares favorably to the District's fund balance policy of 15% of annual expenditures (or $0.52 million).
- The District's Utility Fund ended the fiscal year with a net position of $77.57 million, which represents an increase of $0.58 million from the prior year. The Community Services Fund ended the year with a net position of $64.72 million, reflecting a decrease of $0.75 million from the prior year; the Beach Fund ended the year with a net position of $13.93 million, reflecting an increase of $4.21 million from the prior year.
- As of June 30, 2022 the District had total bond debt outstanding of $3.43 million including Utility Revenue Bonds outstanding of $2.99 million and Recreation Bonds outstanding totaling $0.39 million. The District retired $0.93 million in bond principal during the fiscal year.

Audit Committee Review

The Audit Committee received a copy the District's initial draft ACFR on November 16, 2022, concurrent with staff's transmittal of same to the Independent Auditor. At their meeting of December 5th, the Audit Committee received an updated draft ACFR, a report from Jennifer Farr, Partner, Davis Farr, LLP, on the audit as well as drafts of the Audit Opinion and Audit Communications.

Based on the Audit Committee's review and comments, final revisions have been incorporated into the Final ACFR being presented to the Board via this agenda item. In addition, the Independent Auditor has updated its *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters,* as included the Compliance Section of the ACFR.

Revisions incorporated into the Final ACFR as a result of the Audit Committee's review include:

- *Statement of Net Position* - Reclassification of the amount reflected in the draft ACFR related to Claims Payable from "restricted" to "unrestricted." As a result of the liability reported for this item, it should not have been included as a restricted amount in the Statement of Net Position.

- *Note 2 – Cash and Cash Equivalents, and Investments.* The dollar amounts shown in the text of the Note were updated to match the figures shown in the table (as of June 30, 2022). The draft document had not been updated from the amounts reported as of June 30, 2021.

- *Supplementary Information*: Utility Fund Statement of Revenue, Expenses and Change in Net Position. This is a new supplementary schedule added in this year's ACFR at the request of the (former) Audit Committee. A formula error as noted in the "variance" column (Net Position), and has been corrected.

- Various, non-substantive edits were made in the Notes to the Financial Statements to clarify certain explanations and acronyms.

- In its review of the Management Representation Letter, the Audit Committee noted a reference to an attachment related to Adjusting Journal Entries that were passed on by Management due to the fact that they did not meet the auditor's threshold for materiality. The auditor has provided this attachment that was included in the executed Management Representation Letter.

NEXT STEPS

Per Nevada Revised Statutes (NRS) requirements (354.624), the District is required complete the audit within five months of the end of the fiscal year (November 30th), and present it to the governing Board within 30 days (December 30th). Immediately following presentation to the governing board the Annual Comprehensive Financial Report, audit report, and management representation letter are to be filed with the State Department of Taxation.

Pursuant to Policy 15.1.0 the Audit Committee is charged with submitting a report to the Board of Trustees in conjunction with the presentation of the Annual Comprehensive Financial Report.

Website Link to Policy 15.1.0: https://www.yourtahoeplace.com/uploads/pdf-ivgid/15_1_0_Audit_Committee_Charter_Eff_06-29-2022.pdf)

Attachments:

1. Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022.
2. Audit Opinion (Davis Farr, LLP)
3. Required Audit Communications (Davis Farr, LLP)
4. Management Representation Letter, dated December 5, 2022

ATTACHMENT B

STATE OF NEVADA
DEPARTMENT OF TAXATION
Web Site: https://tax.nv.gov
Call Center: (866) 962-3707

LAS VEGAS OFFICE
700 E. Warm Springs Rd, Suite 200
Las Vegas, Nevada 89119
Phone (702) 486-2300
Fax (702) 486-2373

JOE LOMBARDO
Governor
TONY WREN
Chair, Nevada Tax Commission
SHELLIE HUGHES
Executive Director

CARSON CITY OFFICE
1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000
Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane, Suite L235
Reno, NV 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

January 24, 2023

Incline Village General Improvement District
Paul Navazio, Finance Director
893 Southwood Boulevard
Incline Village, NV 89451

Re: Annual Audit Report – Fiscal Year 2022

Dear Mr. Navazio:

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The Department must also identify all violations of statute and/or regulations reported therein.

The Department has completed its review of your audit report and NO violations of statute and/or regulations were noted. The auditor met the statutory provisions required by NRS 354.624 and NRS 354.6241.

If you should have any questions, please do not hesitate to contact me at 775-684-2065 or my e-mail at kgrahmann@tax.state.nv.us.

Sincerely,

Kellie Grahmann

Kellie Grahmann
Budget Analyst
Local Government Finance

M E M O R A N D U M

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

SUBJECT: Independent Auditor's Report: Agreed-Upon Procedures Related to Capitalization of Assets

STRATEGIC PLAN REFERENCE(S): Long Range Principle #2 - Finance

DATE: February 7, 2023

I. RECOMMENDATION

It is recommended that the Audit Committee receive a report (Attachment 1) from the District's Independent Auditor, Davis Farr, LLP, on Agreed-Upon Procedures related to capitalization of fixed assets.

II. BACKGROUND

In their Annual Report to the Board of Trustees, dated March 9, 2022, the Audit Committee recommended that the annual financial audit for the fiscal year ended June 30, 2022 be augmented through supplemental engagements focusing on a review of the District's internal controls. Following authorization by the Board of Trustees, the Audit Committee executed two supplemental engagement letters with the independent auditor to perform additional "agreed-upon" procedures to review the following areas:

1) Capitalization of Assets
2) Purchasing/Contracts

This agenda item serves to transmit to the Audit Committee a report, Attachment A, prepared by the District's Independent Auditor (Davis Farr, LLP) in response to a supplemental engagement to review compliance with policies, practices and procedures related to capitalization of assets.

The Audit Committee received the final report from the supplemental engagement related to purchasing/contracts at their meeting of December 5, 2022: https://www.yourtahoeplace.com/uploads/pdf-ivgid/D.2._-_General_Business_-_Supplemental_Engagements.pdf

Following is a summary of the scope of the work outlined in the Engagement Letter for the agreed-upon-procedures related to capitalization of assets (Attachment B):

Capitalization of Assets:

- Review of applicable Board Policies, Practices and internal accounting procedures
- Review detail of all capitalized costs for the fiscal year ended June 30, 2022; summarize the expenses by project, type of asset, and transaction amount.
- For the period July 1, 2021 through December 31, 2021, obtain supporting documentation for all capitalized costs less than $5,000. Determine if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0
- For the period January 1, 2022 through June 30, 2022, obtain supporting documentation for all capitalized costs less than $10,000. Determine if transactions met the capitalization requirements of Board Policy 8.1.0
- For projects exceeding $50,000 for the fiscal year ended June 30, 2022, perform the following procedures:
  - Review the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project
  - Determine if the capital project met the capitalization requirements
- Prepare a report for the Audit Committee that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies, practices or procedures.

The report (Attachment A) prepared by Davis Farr, LLP summarizes the work performed, highlights findings of their review.

The report prepared by DavisFarr, LLP does not include any findings or recommendations requiring management's response.

III. <u>ATTACHMENTS</u>

A. Report prepared by Davis Farr, LLP – Agreed-Upon Procedures Related to Purchasing and Contracts

B. Engagement Letter - Agreed-Upon Procedures Related to Purchasing and Contracts

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

INDEPENDENT ACCOUNTANT'S REPORT

Audit Committee
Incline Village General Improvement District
893 Southwood Boulevard
Incline Village, NV 89451

We have performed the procedures enumerated below, in reviewing Incline Village General Improvement District's ("District") capitalized assets for the fiscal year ended June 30, 2022. District is responsible for adhering to the District's Board of Trustee's Policies and Practices ("Policies").

The Audit Committee has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement to assist the District in evaluating adherence with the Board of Trustee's Policies for the fiscal year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed, and the results of those procedures are as follows:

1. We obtained an understanding of the District's policies, practices and procedures for capitalizing assets during the fiscal year ended June 30, 2022. For purposes of this engagement, Board Policy 8.1.0 updated and approved in January 2022 will be effective for costs incurred or assets received after January 1, 2022.

   Results: We reviewed the following policies, practices and procedures and included the policies as attachments to this report.

Policy Name	Dated	Attachment
Board Policy 8.1.0	Updated January 2022	Exhibit A
Board Policy 8.1.0	Effective July 2016	Exhibit B
Board Policy 9.1.0	Effective July 2016	Exhibit C
Board Practice 2.9.0	Effective July 2016	Exhibit D

2. We compared the Board of Trustee's policies and practices to the District's Policies and Procedures Manual for Accounting & Financial Control and provided a listing of any inconsistencies. We obtained the Government Finance Officers Association capital assets best practice policies and identified any differences with the Board of Trustee's policies and procedures.

   Results: The Government Finance Officer's Association best practices pertaining to Capitalization Thresholds for Capital Assets. These best practices include:

a. A government may establish a single capitalization threshold for all of its capital assets, or it may establish different capitalization thresholds for different classes of capital assets;

b. Establish a minimum capitalization threshold of $5,000 for any individual item;

c. Establish a minimum capitalization threshold of at least a two-year useful life for any individual item;

d. Indirect costs pertaining only to capital projects should be capitalized, general overhead costs such as human resources services or the district's office staff not exclusively performing capital work should not be allocated to capital projects and capitalized.

During our fieldwork, we noted that the District does use different capitalization thresholds for different classes of assets. These thresholds range from no threshold (land and right to use assets); to $10,000 for equipment, vehicles, and venue improvements; and finally at $25,000 for building, structures and service infrastructure. In addition, no asset is capitalized if it has a useful life of less than three years.

Although our procedures did not test the calculation of how overhead was calculated and applied to construction in progress, the description used to capitalize overhead was titled "CIP Engineering Charges", indicating that the nature of the overhead being capitalized was not considered general overhead. This is consistent with best practices.

Finally, although we did not find any exceptions to the capitalization threshold component of the Board's policy, we noted that individual ski rental assets purchased from American Sports Winter and Outdoor were capitalized, although their individual asset values were less than $5,000. The Board's policy does state that, "Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets." This is consistent with generally accepted accounting practices.

3. We obtained detail of all capitalized costs for the fiscal year ended June 30, 2022. We summarized the expenses by project, type of asset, and transaction amount.

Results: The detail provided included the following capitalized costs. Projects with costs under $100,000 are summarized as Other Projects.

Asset	Amount
Burnt Cedar Swimming Pool Project	$3,216,455
Mountain Golf Course Cart Path Reconstruction	$491,932
Replace Snow Grooming Equipment	$400,000
Effluent Export Pipeline Project	$269,703
Purchase of Replacement Rental Shop Equipment	$255,707
Slott Peak Watermains and PRV 3-1 Improvements	$224,195
Recreation Center Lobby Restroom Remodel	$195,753

Four Snowmaking Fan Guns	$154,159
Recreation Center Expansion	$121,063
Other Projects (less than $100,000 of costs)	$761,784
Total capital asset additions	**$6,090,751**

4. For the period July 1, 2021 through December 31, 2021, we obtained supporting documentation for all capitalized costs less than $5,000. We determined if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0 as follows:
    a. Amount capitalized agrees to supporting documentation
    b. Initial useful life was more than two years
    c. Capitalized item met the $5,000 capitalization threshold (i.e. multiple invoices were split but combined to over $5,000)
    d. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

    Results: We identified 30 transactions totaling $66,945 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

    All charges were properly recorded as either construction in progress or combined with other charges and capitalized as a complete asset that exceeded $5,000. No exceptions were noted as a result of our procedures.

5. For the period January 1, 2022 through June 30, 2022, we obtained supporting documentation for all capitalized costs less than $10,000. We determined if transactions met the capitalization requires of Board Policies 8.1.0:
    a. Amount capitalized agrees to supporting documentation
    b. Initial useful life was three years or more
    c. Capitalized item met the $10,000 capitalization threshold ($25,000 for certain assets)
    d. If capitalization threshold was applied to a network or group of items:
        i. Asset was part of a group purchase for similar assets (example: golf carts when they are components of a fleet; banquet facility furnishings)
        ii. Item is a component of a system or network (components of a computer/telephone network; snow-making system)
        iii. District documented justification for grouping the assets
    e. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

    Results: We determined that there were 105 transactions totaling $284,330 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

    All charges were properly recorded as either construction in progress or combined with other charges and capitalized as a complete asset that exceeded $10,000.

    For the Effluent Storage Pond at the Water Recovery Facility, the District expensed 80% of the project costs and capitalized 20% of the project costs incurred. We were provided rationale for the determination. However, the amount capitalized was subjective and not tied to specific invoices.

6. We selected a sample of 30 transactions greater than $5,000 for the period July 1, 2021 through December 31, 2021 and greater than $10,000 for the period January 1, 2022 through June 30, 2022 (15 transactions for each period). We determined if the transactions met the capitalization requirements as follows:
   a. Amount capitalized agrees to supporting documentation
   b. Initial useful life was two (or three) years or more, as applicable to the period
   c. Item was not for a repair or maintenance that does not extend the original useful life of expand the capacity of the asset
   d. Item was not a feasibility study for purposes of determining whether or not to move forward with a project
   e. Transaction was not related to master plan costs that are not specific to a capital project

   Results: We determined that there were 11 transactions totaling $198,867 that met this definition, excluding CIP Engineering Overhead charges, journal entries to move costs between projects, journal entries to close out funds, and construction in progress. No exceptions were noted as a result of our procedures.

7. For projects exceeding $50,000 for the fiscal year ended June 30, 2022, we performed the following procedures:
   a. Reviewed the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project
   b. Met with the project manager to obtain additional information about the nature of the project
   c. Determined if the capital project met the capitalization requirements as follows:
      i. Initial useful life is three years or more
      ii. Items was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
      iii. Item was not a pre-planning activity or feasibility study
      iv. Transaction was not related to master plan costs that are not specific to a capital project
   d. If the project is a replacement project, the replaced asset was removed from the accounting system

   Results: We determined that there were 15 projects that met this definition. We did not test CIP Engineering Overhead charges, journal entries to move costs between projects, and journal entries to close out funds.

   For replacement projects, we verified the replaced asset was removed from the accounting system with the exception of the Fan Guns Purchase and Replacement Project. The District did not remove the replaced asset because it was not previously capitalized. Additionally, we noted certain assets were not yet replaced because the replaced capital asset had not been completed yet. Per management, the replaced asset will be removed at the completion of the project.

We were engaged by the Incline Village General Improvement District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tenant's accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirement related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the Audit Committee of the Incline Village General Improvement District and should not be used by anyone other than those specified parties.

Irvine, California
January 24, 2023

DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

May 15, 2022

Incline Village General Improvement District
Attn: Audit Committee
893 Southwood Boulevard
Incline Village, NV 89451

We are pleased to confirm our understanding of the additional services we are to provide for the Incline Village General Improvement District ("District"). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement.

We agree to apply procedures to the District's capitalized assets for the fiscal year ended June 30, 2022. The District is responsible for complying with the District's Board of Trustee's Policies and Practices ("Policies").

The Audit Committee has agreed to and acknowledged that the procedures to be performed are appropriate to meet the intended purpose of the engagement to assist the District in evaluating compliance with the Board of Trustee's Policies for the fiscal year ended June 30, 2022. The procedures we will perform may not address all the items of interest to a user of our report and may not meet the needs of all users of our report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

These agreed-upon procedures are included on the attached schedule. These procedures will be applied for the purpose of reporting our findings in regard to the results of the procedures performed as compared to the Policies. The procedures we will perform are for the intended use of the following specified parties: the Board of Trustees, the Audit Committee, and Management of the Incline Village General Improvement District.

We will conduct our engagement in accordance with the attestation standards for agreed-upon procedures engagements established by the American Institute of Certified Public Accountants. The agreed-upon procedures are not designed to constitute an examination or a review of the subject matter. Therefore, we will not express an opinion or a conclusion on the subject matter. We have no obligation to perform any procedures beyond those agreed to as enumerated in this letter of engagement. However, the procedures may be expanded or modified by mutual agreement with the Audit Committee during the engagement. If additional time is necessary as a result of the modified procedures, we will discuss it with the Audit Committee and management and arrive at a new fee estimate as soon as reasonably practicable. If, for any reason, we are unable to complete the procedures, we will not issue a report as a result of this engagement.

At the conclusion of our engagement, we will request certain written representations from management about the subject matter information and related matters. We will issue a written report listing the agreed-upon procedures performed and our related findings. This report will be intended for use by and restricted to the use of the specified parties as identified above, and our report will contain such restricted use language.

We plan to begin our procedures in August 2022 after the year end accruals and accounting entries are recorded to close the fiscal year ended June 30, 2022. Our fees will be billed at the hourly rates in our proposal for audit services dated December 14, 2020 which range from

$90-$180 per hour based on the personnel used. We will also bill the District for any travel costs incurred, if applicable. We estimate the fees for this engagement will range from $6,000-$10,000 based on the number of transactions tested.

Jennifer Farr is the engagement partner for the services specified in this letter. Her responsibilities include supervising Davis Farr LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the agreed-upon procedures report.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement including our respective responsibilities. If you have any questions, please let us know.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Very truly yours,

Jennifer Farr

Jennifer Farr, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Incline Village General Improvement District.

By: ______________________

Title: AUDIT COMMITTEE CHAIR

Date: 5/23/22

Procedures to be Performed

1. We will obtain an understanding of the District's policies, practices and procedures for capitalizing assets during the fiscal year ended June 30, 2022. For purposes of these procedures, Board Policy 8.1.0 updated and approved in January 2022 will be effective for costs incurred or assets received after January 1, 2022. We will include the following policies and practices as exhibits in our report:
   - Board Policy 8.1.0 (updated January 2022)
   - Board Policy 8.1.0 (effective July 2016)
   - Board Policy 9.1.0 (effective July 2016)
   - Board Practice 2.9.0 (effective July 2016)

2. We will compare the Board of Trustee's policies and practices to the District's *Policies and Procedures Manual for Accounting & Financial Control* and provide a listing of any inconsistencies. We will obtain the Government Finance Officers Association capital asset best practice policies and identify any differences with the Board of Trustee's policies and practices.

3. We will obtain detail of all capitalized costs for the fiscal year ended June 30, 2022. We will summarize the expenses by project, type of asset, and transaction amount.

4. For the period July 1, 2021 through December 31, 2021, we will obtain supporting documentation for all capitalized costs less than $5,000. We will determine if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0 as follows:
   a. Amount capitalized agreed to supporting documentation
   b. Initial useful life was more than two years
   c. Capitalized item met the $5,000 capitalization threshold
   d. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

5. For the period January 1, 2022 through June 30, 2022, we will obtain supporting documentation for all capitalized costs less than $10,000. We will determine if transactions met the capitalization requirements of Board Policy 8.1.0 as follows:
   a. Amount capitalized agreed to supporting documentation
   b. Initial useful life was three years or more
   c. Capitalized item met the $10,000 capitalization threshold ($25,000 for certain assets)
   d. If capitalization threshold was applied to a network or group of items:
      i. Asset was part of a group purchase for similar assets (example: golf cards when they are components of a fleet; banquet facility furnishings)
      ii. Item is a component of a system or network (components of a computer/telephone network; snow-making system)
      iii. District documented justification for grouping the assets
   e. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset

6. We will select a random sample of 30 transactions greater than $5,000 for the period July 1, 2021 through December 31, 2021 and greater than $10,000 for the period January 1, 2022 through June 30, 2022 (15 transactions for each period). We will determine if transactions met the capitalization requirements as follows:
   a. Amount capitalized agreed to supporting documentation

b. Initial useful life was two (or three) years or more, as applicable to the period
c. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
d. Item was not a feasibility study for purposes of determining whether or not to move forward with a project
e. Transaction was not related to master plan costs that are not specific to a capital project

7. For projects exceeding $50,000 for the fiscal year ended June 30, 2022, we will perform the following procedures:
    a. Review the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project.
    b. Meet with the project manager to obtain additional information about the nature of the project
    c. We will determine if the capital project met the capitalization requirements as follows:
        i. Initial useful life is three years or more
        ii. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
        iii. Item was not a pre-planning activity or feasibility study
        iv. Transaction was not related to master plan costs that are not specific to a capital project
    d. If the project is a replacement project, determine if the replaced asset was removed from the accounting system

8. We will request written representations from the District's Management stating that the accounting records we examined are accurate.

9. We will prepare a report for the Audit Committee that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies, practices or procedures.

10. We will meet with Management and the Audit Committee to report on the results of our procedures prior to finalization of our report.

M E M O R A N D U M

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

Martin Williams
Controller

SUBJECT: Review and discuss possible next steps on outstanding accounting and financial reporting issues identified by the former Audit Committee and through past Correspondence. (Requesting Trustee: Audit Committee Chair Michaela Tonking)

DATE: February 7, 2023

I. BACKGROUND

This agenda serves to provide the Audit Committee with a summary of issues identified by the former Audit Committee as well as selected issues from Correspondence received by the Committee.

A number of the issues have been previously addressed, or deemed, by either the Audit Committee or, in some cases, the Board of Trustees to not warrant further action. Nonetheless, they are presented herein for background information purposes as a number of these same issues are recurring matters brought to the attention of the Audit Committee. As such, the Audit Committee may wish to recommend follow-up action, as deemed appropriate.

Attachment A to this memorandum provides a summary of topics and issues raised by the former Audit Committee as well as through correspondence that has appeared on prior Committee agendas, as well as recent correspondence received by the current Audit Committee.

The summary is presented in (roughly) chronological order, with issues identified as pertaining to one or more of the following categories:

- Moss Adams Recommendations – stemming from recommendations provided through three separate consulting engagements, most notably an Evaluation of Certain Accounting and Financial Reporting Matters.

- Capitalization of Fixed Assets – includes issues related to application of generally-accepted accounting principles, applicable Board policy, and Moss Adams recommendations.

- Financial Reporting / Annual Comprehensive Financial Report (ACFR) – include issues raised related to the information provided in the District's Annual Comprehensive Financial Report. May include questions about financial statement, Notes, or Supplemental Information contained in the report(s).

For each issue identified, the summary table provided in Attachment A also identifies, where applicable, a stated dollar impact (or estimate), whether the dollar impact is deemed "material", and comments to include status and references.

Several attachment are provided as reference to selected issues identified in this report. These include excerpts to previous management responses provided to the Audit Committee and/or Board of Trustees.

II. ATTACHMENTS

A. Summary Table of Issues Identified by Former Audit Committee and ongoing Correspondence.
B. Summary of Moss Adams Recommendations with Management Responses (BOT memorandum, meeting of 6/29/22).
C. Management Responses to Audit Committee Report on 2021 ACFR, dated 4/13/22
D. History of District's reporting of Facility Fee revenues (excerpt from report to Audit Committee dated 6/16/22.

ATTACHMENT A

SUMMARY OF ISSUES IDENTIFIED BY AUDIT COMMITTEE AND CORRESPONDENCE

	Moss Adams Recommendations	Capitalization of Fixed Assets	Financial Reporting ACFR	Stated Impact on Financial Statements	Material (Y/N)	Notes
• **Moss Adams Report Recommendations**						
○ AC Meeting 4/13/22 - Item D.2 – Moss Adams Recommendations						
1 Account and report on central services cost allocations using an Internal Services Fund with a detailed schedule of individual expenditure line times to be allocated.	X		X	None - Methodolgy	N	Central Services Overhead Methodology under review
2 Cease using contra-accounting (punch card accounting) within Community Services effective July 1, 2022.	X		X	Minor	N	Implemented change related to Contra-Revenues across Community Services and Beach Funds; maintain contra-revenue WITHIN each fund.
3 Reflect revenues from the Facility Fee within each activity/fund/cost center at the time of budget adoption.	X		X	Presentation; Impacts Sub-Funds	N	Implemented
4 Report the Facility Fees as nonoperating revenue in the statement of revenues and expenses, as non-capital related financing activities section in the statement of cash flows and as program revenue in the statement of activities.	X		X	Presentation	N	Response included in 6/16 memo to AC and 6/29 Memo to Board of Trustees (excerpt attached); Controller, Indepenendent Auditor and State Dept. of Taxation DO NOT concur with Moss Adams recommendation
5 Modify the newly updated capitalization policy to include the following:						
a. The different stages of a project and the types of costs incurred in the different stages.	X	X			N	Issues addressed with adoption of new Capitalization Policy (8.1.0), approved by the BOT eff. 1/1/22. Moss Adams engagement #3 assisted with and reviewed drafts of updated policy.
b. The accounting treatment of costs incurred in the different stages.	X	X			N	
c. What elements or criteria need to be met for expenditures associated with a repair project to be eligible for capitalization based on the concept of service capacity in addition to the extension of useful life of an asset.	X	X			POSSIBLY	
○ Board Meeting of 6/29/22 – Item H.5. - Status Report on Moss Adams						
• **AC Meeting agenda items**:						
○ Meeting Date: 4/13/22						
▪ D.3 – Effluent Pipeline (Dobler)		X		$ 182,022	N	Capital and Construction in Process were reviewed by the District's Independent Auditor as part of the financial audit for FYE 6/30/21; an number of items were expensed, as a result of this review. Items remaiing in capital or CIP were not expensed with concurrence from the auditors.
▪ D.4 – Golf Courses (Dobler)		X		Avg. $103,666 per year over past 6 yrs		
▪ D.5 – Claims Payable (Dobler)			X	Presentation / Disclosure	N	
▪ D.6. – Expensing Net Costs (Dobler)			X	$ 169,230		
▪ D.7. – Note 22 (Dobler)		X		$105,433 (net)	N	Requested restatement of 2021 ACFR; issue is moot given transition back to Enterprise Fund accounting for Community Services.
▪ D.8 - Burnt Cedar Pool (Dobler)						Memo claims violation of NRS policy; reviewed with State Dept of Taxation which had no issues - in fact, DOT feedback informed BOT action. That said, past practice has been modified to avoid occurrence.

SUMMARY OF ISSUES IDENTIFIED BY AUDIT COMMITTEE AND CORRESPONDENCE

○ Meeting Date: 6/1/22					
▪ D.1 – Water and Sewer Pump Station Improvements (Dobler)	X		Water - $306,670 est. Sewer - $238,563 est.	Y	Capital and Construction in Process were reviewed by the District's Independent Auditor as part of the financial audit for FYE 6/30/21; an number of items were expensed, as a result of this review. Items remaiing in capital or CIP were not expensed with concurrence from the auditors.
▪ D.2. – Wetlands Effluent Disposal Facility (Dobler)	X		$ 174,332	N	
▪ D.3. – Management Response to ACFR (Management)		X			Provides management responses to AC Recommendations from 2020/21 ACFR
▪ D.4 – Note 22 - Prior Period Adjustment (Dobler)		X			Same Memo as D.5 from 4/13/22 Mtg.
▪ D.5 – Accounting and reporting of Facility Fees (Dobler)		x			See Response to AC 6/16/22 and BOT 6/29/22
○ Meeting Date: 6/16/22					
▪ D.2 – Wastewater Treatment Plant Improvements (dobler)	X		Undetermined	N	See response above
▪ D.3. - Burnt Cedar Water Disinfection Plant (Dobler)	X		Undetermined	N	See response above
○ Meeting Date: 9/28/22					
▪ D.6 – Correspondence Wastewater Treatment Plant Improvements (Dobler, 7/10/22)	X		$ 167,118	N	
• **Correspondence from Mr. Cliff Dobler**					
○ Date: July 10, 2022 - Wastewater Treatment Plant Improvements	X			N	See Response to AC 6/16/22 and BOT 6/29/22
○ Date: August 15, 2022 - Charge off: Capital asset costs 2021 ACFR	X	X	Undermined	Y	See Response to AC 6/16/22 and BOT 6/29/22
• **Correspondence re FY2021/22 ACFR**					
○ Dobler Correspondence:		X			
▪ Date: 1/9/23 – Observations and Potential Corrections 2022 ACFR		X		N	
▪ Date: 1/14/23 - Lack of Full Disclosure in Note 18 of ACFR		X		N	
▪ Date: 1/21/23 – Unauthorized Change in Reporting		X		N	
▪ Date: 1/30/23 – Investment Earnings		X		N	See discussion of Investment Earinings (Mgmt response provided to AC at 6/1/22 mtg.)
▪ Date: 1/30/23 – Internal Service Funds				N	

EXHIBIT 2

Moss Adams #2 0 – Evaluation of Certain Accounting and Financial Reporting Matters

Subject: Review of selected District Accounting and financial reporting issues: GAASB Compliance related to:

Contract Executed:	September 21, 2020 (Audit Committee) Not-to-Exceed: $28,410
Start of Engagement	June 8, 2021
Final Report Completed:	January 14, 2021
Presented to BOT:	January 28, 2021
Progress Report on Recommendations:	October 26, 2021 (Audit Committee)

Scope: Review District policies and practices related to the following areas for consistency with GAAP/GASB:

1) Enterprise vs Special Revenue Fund Accounting for Community Services and Beach activities.
2) Central Services Cost Allocation Plan (charged to Special Revenue Funds)
3) Punch Card Accounting
4) Evaluate the District's capitalization practices for compliance with GAAP/GASB

Summary of Recommendations – See Attachment 3

- *Special Revenue Fund Accounting – Moss Adams concluded that the GAAP/GASB does not require Enterprise Fund Accounting for Community Services and Beach Activities; however the report recommended that this is a policy decision and recommended that the District would be well-served by transitioning back to Enterprise Fund accounting*

  The District transitioned back to Enterprise Fund accounting for Community Services and Beach Activities for fiscal year 2021/22.

- *Central Services Cost Allocations Plan – Moss Adams concluded that the application of Central Services Cost Allocations to Enterprise Funds is consistent with GAAP/GASB and is not prohibited by the NRS. The report recommended that the District review its Central Services Cost Allocation Plan and provide additional explanations for the methodology and basis for the cost allocations.*

  The District has incorporated a discussion of the methodology used to develop and administer its Central Services Cost Allocation Plan, and this information was included in the materials provided to the Board of Trustees in approving the Central Services Cost Allocation for the FY2022/23 budget (see Board packet of May 26, 2022).

- *Punch Card Accounting - Moss Adams concluded that the Districts accounting for Punch Cards does not violate GAAP/GASB; however, the report noted that the accounting practice is confusing and recommended ceasing contra-revenue accounting (related to adjustments between Community Services and Beach Funds*

The District ceased the practice of adjusting contra-revenue accounting entries related to use of Punch Cards between the Community Services and Beach Funds. Additionally, as the District continues to evaluate the existing use of Punch Cards as part of the broader policy discussion related to Ordinance 7, management will continue to review and update the accounting treatment related to Punch Cards, accordingly..

- *Capitalization Practices – the Moss Adams report concluded that, while "there is relatively little material in the accounting standards to provide guidance on when it is appropriate an expenditure as capital," the District's past practices related to capitalization of feasibility studies and certain maintenance and repairs activities did not conform to accounting practices. The report recommended that the District update its capitalization policy to provided clearer direction on capitalization criteria.*

  As a result of this recommendation, the District entered into a follow-up engagement with Moss Adams (see Moss Adams #3) to include consultation on the update of the District's capitalization policies. A new capitalization policy was approved by the Board of Trustees in January, 2022.

  As it relates to questions and concerns related to specific items that were capitalized in prior years, management reviewed a number of items that were written-off as expense items during the preparation of both the FY2019/20 and FY2020/21 ACFR. Consistent with recommendations included in the Moss Adams report, management's review of capitalized items was conducted in consultation with the District's independent auditors.

  Most recently, the Board authorized the Audit Committee to execute a supplemental engagement with Davis Farr, the District's current independent auditor, to review compliance of capitalization practices with applicable Board policies.

Enterprise Fund Accounting

Executive Summary:

While governmental fund reporting can be supported with the District's current circumstances, the District should report these activities through the use of Enterprise Funds to achieve the benefits of the full accrual basis of accounting. These activities generally meet the GAAP definition of 'business-type' activities and are better suited for reporting within enterprise funds that use the full accrual basis of accounting to provide stakeholders with a better understanding of the sufficiency of the rates charged to users in covering all costs incurred including the use of capital assets and debt service. See additional observations and recommendations in the body of this report.

Additional Recommendations:

1 The District should use the full accrual basis of accounting through the use of enterprise funds for the recreational activities reported within Community Services and Beach. The full accrual basis of accounting will allow the District to determine what portion of its operating costs, including the use of capital assets and interest incurred on debt, are recovered from the rates it charges for these activities.

2 Should the District decide to continue the use of governmental funds for the reporting its recreational activities within Community Services and Beach, the District should consider adopting a separate resolution with wording that clearly establishes its intent to commit the Factility Fees to the activities within Community Services and Beach as provided by the applicable accounting standards. Further, the District would need to commit additional resources reported within Community Services and Beach in order to meet the spirit and intent of GAAP to use special revenue funds. In the absence of a substantial portion of resources

either restricted or committed as defined in GAAP, the Community Services and Beach funds would need to be combined with the General Fund for external financial reporting purposes.

3 Should the decision be made to report Community Services and Beach as enterprise funds, the District could consider the use of separate budgetary funds for purposes of tracking and monitoring resources designated for specific purposes like acquisition of capital assets or repayment of debt that are combined with the enterprise funds for external financial reporting purposes, or otherwise tracking resources within the enterprise funds with constraints separately through the chart of accounts and related separate line items in the budgetary forms used for State budget compliance purposes.

Overhead Cost Allocations

Executive Summary:

If the current method of reporting expenditures initially within the General Fund is maintained, the expenditures and reporting of the related income as a negative expenditure should be removed from the General Fund and only reported as expenses or expenditures in the reimbursing funds. See additional observations and recommendations in the body of this report.

Additional Recommendations:

1 Costs initially incurred and paid by the General Fund that ultimately benefit activities reported within, and reimbursed by, the other District funds, should not be reported in the General Fund's financial statements. They should be reported as transactions within the fund benefitting from the services provided.

2 While the allocation of costs incurred by the General Fund and charged to other funds is in conformance with GAAP, it is more common to report costs that benefit multiple funds within Internal Service Funds similar to how the District accounts for and reports for its fleet, engineering, and building maintenance services. The District should consider the accounting for administrative costs that benefit multiple activities and funds within Internal Service Funds and charge the activities and funds that benefit from the underlying services.

3 The District could improve the transparency of its central service cost allocations by providing the detail of line items included in the budget that make up the total central service costs that ultimately are allocated to the District's various activities.

4 The District should consider revising Policies and Practices to include the methodology to be used to allocate central service costs. The methodology should allow for different bases for different types of costs incurred to better match amounts allocated with the drivers of those costs to the activities responsible for paying for them.

5 The District should consider adjusting amounts charged to the various activities at year-end to match actual costs incurred, or alternatively, revise ensuing year allocations by prior year over or under charges compared to actual costs incurred so that reimbursements over time approximate the actual costs incurred.

Punch Card Accounting

Executive Summary:

We find the contra revenue accounting associated with the value of punch card usage to be consistent with annual budgets adopted by the Board and approved by the State, and in compliance with governmental accounting standards. That said, we recommend the District discontinue the use of contrarevenue accounting for the utilization of punch cards for the reasons noted above. See additional observations and recommendations in the body of this report.

Additional Recommendations:

1 While we find there is a reasonable purpose behind the contra revenue methodology that is not inconsistent with GAAP and the budget requirements of the State, we recommend ceasing the use of the current accounting methodology. This methodology complicates revenue estimates to use for budget purposes, is confusing to stakeholders, and requires a significant amount of staff time during the year to administer. The time, cost, and complexity involved appears to outweigh the benefits perceived to be achieved.

2 The District should record revenues from charges for services and Facility Fees within the different activities and funds according to the net cash collected from rates charged and the allocaiton of Facility Fees determined by the Board at the time of the budget adoption

3 Whether the District continues to report its recreational activities within governmental funds or switches to enterprise funds, its policy on the
Incline Village General Improvement District | 21
classification of the Facility Fee revenue should be disclosed in the notes to the financial statements. We recommend the District stick to the non-exchange classification of the Facility fees, and if the decision is to switch to enterprise fund reporting, to report the fees within the nonoperating section in the statement of revenues and expenses and the non-capital related financing activities section in the statement of cash flows.

Accounting for Capital Expenditures

Executive Summary:

The District is in need of developing more robust capitalization policies that provide for the different stages of a capital project, how to handle costs incurred in each stage, clarification on the nature of expenditures that increase the service capacity and therefore appropriate to capitalize, and the nature of expenditures that are repairs and maintenance and therefore should be expensed as incurred. See additional observations and recommendations in the body of this report.

Additional Recommendations:

1 The District's practices and policies should be revised to acknowledge different stages to a project, definition of costs incurred in each stage, and how to account for the expenditures incurred in each stage, consistent with established and accepted governmental accounting practices.

2 In most cases, the District should expense expenditures for feasibility studies and master plans. Policies should be revised to address the few circumstances where preliminary engineering, architectural, or design costs are actually utilized in a capital project and eligible for capitalization.

3 Board policies and practices should be revised to provide for capitalization of expenditures that truly increase service capacity, and further, that provide the criteria to be followed in making the increased service capacity decision on expenditures by nature or function of the different asset types versus expenditures that should be expensed.

Incline Village General Improvement District
Classification of accounting/reporting issues raised

		Suggested for expanded SOW	To be addressed in future CAFRs with the District's future audit firm	Issue is immaterial to the financial statements	Addressed in MA consulting report	Comments	Management Comments - FY 2020/21 CAFR Preparation
1	Improper switch from enterprise funds to use of special revenue funds for Community Services and Beach				X	Our recommendation is to switch back to enterprise fund reporting, and we understand the District is planning to make this change.	Does not apply to 2020/21 financial statements. (Transition back to Enterprise Funds for Community Services and Beach funds for FY2021/22 Budget)
2	Improper capitalization of effluent pipe repairs and condition assessments		X			We understand the projects in question have some elements of extension of useful life and likely some elements that would not meet capitalization criteria. We understand management already has plans to perform a more detailed analysis, and we believe the project will require more evaluation and judgement. Further, the evaluation necessary will be enhanced by development of more robust capitalization policies yet to be developed as we recommended in our report. **We believe this to be better addressed in the District's work with its external auditor and once the dollar amount of any necessary adjustments is determined the reporting implications can be determined at that time.**	Under review by District's external auditor; recommended expensing of assets previously capitalized are being done in accordance to auditor recommendations.
3	Improper capitalization of feasibility studies and master plans				X	We understand management has already identified amounts capitalized incorrectly and has made adjustments to the 19/20 financial statements.	Substantially addressed in 19/20 financials; additional items being expensed in 20/21 based on review by external auditor.
4	Improper use of punch card contra-revenue accounting				X	This issue was addressed in our report with a recommendation to cease the use of punch card accounting. We understand management is already making plans to cease use of this methodology.	Partially implemented; Punch Card contra-revenues are no longer adjusted based on ration of Recreation / Beach Facility Fee; Punch card utilization was changed in 20/21 to remain within Community Services or Beach funds, based on venue.
5	Improper allocation of administrative and overhead costs from the GF		X		X	This issue was addressed in our report. Changes were noted as necessary in the financial statement for both reimbursements between funds and how internal service fund activity is reported in the government-wide financial statements that can be revised in future CAFRs since neither issue has a bearing on total net position or fund balance of any individual fund.	Issue addressed in 19/20 financials
6	Incorrect revenue recognition for utility base rate charges in periods prior to delivery of service		X	X		The amount in question is immaterial to the utility fund financial statements. **This issue would best be discussed with the District's external audit firm with any revisions made in future CAFRs.**	Under review by District's external auditor.
7	Indadequate disclosure of construction commitments and lack of classifying related amounts of fund balance as committed for capital projects		X			There is adequate accounting guidance for disclosure requirements of construction and other commitments as well as classifying fund balance among the different levels of constraints. **This can be worked out with the District's external audit firm with any revisions made in future CAFRs.**	Note to Financial Statement is being updated for 20/21 to reflect complete list of (material) construction contract commitments.
8	Improper classification/reporting of Facility Fees and GF admin and overhead charges in the Statement of Activities		X			This has to do with the placement of Facility Fee revenues in the Statement of Activities, and the 'netting' vs. 'gross' reporting of expenditures and reimbursement revenues within the Statement of Revenues and Expenditures for the General Fund, and does not impact net position or fund balances of individual funds. **Therefore, this can best be addressed in future CAFRs.**	Under revierw by District's external auditor. (See document request list)

Incline Village General Improvement District
Classification of accounting/reporting issues raised

		Suggested for expanded SOW	To be addressed in future CAFRs with the District's future audit firm	Issue is immaterial to the financial statements	Addressed in MA consulting report	Comments	Management Comments - FY 2020/21 CAFR Preparation
9	Potential for error in the period of recognition of a grant obtained for the Incline Park ball fields		X			We understand a grant was obtained and as of 6/30/20, was completely or nearly completely received and expended. We understand the budget contained estimated resources and expenditures in the year(s) cash was expected to be received and expenditures made. **If the grant is an 'expenditure-driven' grant, it is likely the timing of revenue recognition in past CAFRs have been correct**. If the grant is not an expenditure-driven grant - there is a chance revenue should have been recognized sooner and in the year all eligibility requirements were met securing the District's right to the grant resources. Given this is a timing issue in the year(s) grant revenues are to be recognized, we would not recommend restating prior year financial statements for this item absent a request by the grantor, federal or state regulator, or some other reason for which the District would deem the benefit of the restatement effort to be greater than people and financial resources required.	Under revierw by District's external auditor. (See document request list)
10	Improper capitalization of $150,751 of repairs to Mountain Golf Course Clubhouse addressing fire damage		X	X		An evaluation of all costs incurred in the year of the fire and in future years, incurred specifically to address the fire damage and bring the facility back to its condition prior to the fire, should have been compared to any insurance proceeds received with a resulting gain or loss recognized in the year of the fire. **The amount noted is immaterial to the Community Service financial statements and any expenditures incurred for the renovation of the Clubhouse can best be evaluated annually as they occur and discussed with the District's external auditor.**	Under revierw by District's external auditor.
11	Indadequate disclosure of lease commitments with US Dept of Agriculture and Parasol Foundation		X			Current accounting standards issued require footnote disclosure of signifcant lease commitments, and GASB 87 which can be implemented by the District at any time now and no later than its fiscal year beginning July 1, 2021 will significantly change how leases are reported within the financial statements. **We suggest the evaluation of the signifcance of these leases and related disclosures and the implementation of GASB 87 be discussed with the District's external audit firm and any revisions to the accounting and disclosures be made in future CAFRs.**	Under revierw by District's external auditor. (See document request list)

Incline Village General Improvement District
Classification of accounting/reporting issues raised

#	Issue	Suggested for expanded SOW	To be addressed in future CAFRs with the District's future audit firm	Issue is immaterial to the financial statements	Addressed in MA consulting report	Comments	Management Comments - FY 2020/21 CAFR Preparation
12	Inaccurate disclosure of who has authority to create assigned fund balance		X			Any remaining positive fund balance amounts in governmental funds outside of the General Fund are appropriately reported as 'assigned' as specified in GASB 54. In essence, the fact the Board is accounting for certain resources in governmental funds, GASB deems the resource to be 'assigned' if it is not otherwise non-spendable, restricted, or committed - by definition. Local governments can establish who has the authority to establish assigned resources in the General Fund and it is common for that authority to be given to certain members of management. It is a best practice to memorialize who has the authority and what action and documentation is required to establish an assignment. This is something that can be addressed in a review and enhancements to Board policies in the future to memorialize the Board's decision on who can create an assignment and how, and the reporting in the financial statements can be discussed with the District's external auditor and any revisions made to future CAFRs.	
13	Lack of classification of certain amounts as 'fund balance committed for capital projects' for commitments on executed construction contracts		X			The mere fact the Board and management have remaining commitments for capital projects at any year-end does not result in a requirement for a portion of fund balance in governmental funds to be reported as 'restricted' or 'committed', or net position in any enterprise fund to be reported as 'restricted'. Such a classification would only be required for an externally created restriction on a resource for any fund or an interally created commitment by the Board for governmental funds related to unspent resources at year-end. **We suggest this issue is best addressed with the District's external auditor and if any revisions are found to be necessary, that they are made to future CAFRs.**	Under revierw by District's external auditor. (See document request list)
14	Inconsistent references to note titles		X			We find it to be a best practice to use consistent titles throughout the financial statements. This is something best addressed in future CAFRs.	Notes reviewed for consistency (ongoing).
15	Incorrect reporting in the notes of 'segment information' for Community Services and Beach funds that is not applicable only to enterprise funds		X			Segment information is only required in certain circumstances for enterprise funds that include multiple activities. It is not appropriate for governmental funds. This is something that can be revised in future CAFRs.	Under review - applies to Supplemental information

Incline Village General Improvement District
Classification of accounting/reporting issues raised

		Suggested for expanded SOW	To be addressed in future CAFRs with the District's future audit firm	Issue is immaterial to the financial statements	Addressed in MA consulting report	Comments	Management Comments - FY 2020/21 CAFR Preparation
16	FYE 6/30/19 CAFR under-reporting of Facility Fees and Beach Fees the Board intended for capital projects and debt service		X			To the extent the Board is in agreement with the findings in our report that Facility Fees in general and portions assessed for capital projects and debt service specifically meet the criteria for 'commited' resources, to the extent any Facility Fees committed to capital projects or debt services remain unspent at the end of the year, the calculated amount should be reported as 'committed for capital projects' or 'committed for debt service' within the governmental funds to which they relate. In discussing this with management and review of prior CAFRs, it appeared greater amounts have been spent on capital projects than the allocation of the Facility Fees to capital projects. So it is not clear if any change would need to be made to the classifications of ending fund balance at this time. **Since this relates to a reclassification of existing fund balance amounts, if a revision is necessary, this could be addressed in future CAFRs.**	Facility Fee revenues are budgeted and reported within Special Revenue, Capital and Debt funds in FY20/21 financials.
17	Improper reporting of fund balance classifications in Community Services and Beach funds between committed, assigned, and unassigned		X			This appears to be the same issue noted in #12 and #16 above which we suggest can be addressed in future CAFRs.	Under revierw by District's external auditor. (See document request list)
18	Inadequate capital asset policy disclosure in the notes to the financial statements		X			**This is a disclosure issue we believe can be addressed with the District's external auditor and any revisions made in future CAFRs.**	Note disclosure to be updated
19	Lack of disclosure of minimum fund balance policies		X			**This is a disclosure issue we believe can be addressed with the District's external auditor and any revisions made in future CAFRs.**	Note disclosure to be updated
20	$198,135 of proceeds from land sales between 2016 to 2019 were innappropriately recorded in Community Services special revenue fund instead of the related capital project fund.			X		The amount involved is immaterial to the financial statements.	No action needed.
21	Missallocation of Facilities Fees the Board allocated to Capital Projects and Debt Service of Community Services and Beach to the CS and Beach special revenue funds.		X			This appears to be the same issue noted in #16 above.	
22	Innappropriate classification of effluent pipe special assessments in the Statement of Revenues and Expenses as operating revenues		X			The issue noted here addresses the location/classification of the special assessment amounts for the effluent pipe replacement project within the Statement of Revenues and Expenses for the Utility fund. The proper classification is dependent on how the special assessment is calculated, how it is assessed, and how it relates to what was represented to the community at the time of its assessment. **Given it does not impact the total net position of the Utility fund, we suggest this can be addressed with the District's external auditor in future CAFRs.**	The amounts being collected from customers for the Effluent Pipeline project are not, technically, a special assessementl rather, it is included in the Capital Project charge in both the Sewer Rate ordinance and on the utility bills. The Board has designated a portion of the capital charge for a specific project, but it is being collected and accounted conistent with the other rate revenues collected by the uitlity.

Incline Village General Improvement District
Classification of accounting/reporting issues raised

#	Issue	Suggested for expanded SOW	To be addressed in future CAFRs with the District's future audit firm	Issue is immaterial to the financial statements	Addressed in MA consulting report	Comments	Management Comments - FY 2020/21 CAFR Preparation
23	Interest earned on unspent effluent pipe replacement special assessments should be limited in use to the effluent pipe replacement project to comply with Board Policy 13.1.0 and Board Practice 13.2.0		X	X		The amount involved is immaterial to the Utility fund. That said, the amount could be significant and involves the application of a written Board practice. We believe a calculation can easily be performed of interest deemed to be associated with average actual unspent special assessments annually and cumulatively and a balance of unspent special assessment amounts plus unspent interest earnings can be disclosed in the footnotes for Board designations in future CAFRs.	Note has been updated to include interest earnings applied to Effluent Export Pipeline set-aside
24	$119,497 of costs incurred to assess underground piping, potential leaks, and other pool related issues were capitalized that should have been expensed			X		Amounts are immaterial fo the financial statements.	No action needed.

036

M E M O R A N D U M

TO: Board of Trustees

THROUGH: Paul Navazio
Director of Finance

FROM: Indra Winquest
District General Manager

SUBJECT: Management Comments Related to Audit Committee Annual Report (dated March 9, 2022)

DATE: April 13, 2022

I. RECOMMENDATION

Staff recommends that the Board of Trustees consider management's response(s) to the recommendations included in the Annual Report of the Audit Committee, presented to the Board of Trustees on March 9, 2022, prior to consideration of formal Board action related to the Audit Committee's recommendations.

II. BACKGROUND

The purpose of this memorandum serves to provide management's response to the recommendations presented to the Board of Trustees via the Audit Committee's annual report on the FY2020/21 audit, which was transmitted to the Board on March 9, 2022.

Upon receipt of the Audit Committee's Annual Report, the Board of Trustees deferred action on the specific recommendations being advanced by the Audit Committee, pending review and comment from management (and, where appropriate, the District's external auditor).

This agenda item has been prepared in response to the request from the Board of Trustees.

The Audit Committee's Annual Report, presented to the Board of Trustees at their meeting of March 9, 2022 contained a series of specific recommendations within five general topics, for consideration by the Board.

Staff concurs with recommendations of the Audit Committee related to:

> *Recommendation #1 - Expanding the scope of audit work for FY21/22 to include enhanced review of internal controls.*

Staff has largely implement the recommendation of the Audit Committee related to items to be included in the District's Capital Budget:

> *Recommendation #5 - the Audit Committee recommends the Capital Improvement budget contain only project costs that are to be capitalized. The Audit Committee recommends that projects or project elements related to preliminary stage activities, repair and maintenance items are separated and included in operating expenses.*

In addition, related to Recommendation #4, staff concurs with updating the historical methodology for allocating interest earnings; however, staff wishes to clarify that a change in methodology for allocating investment earnings was implemented for FY2021/22. This revised approach is consistent with best management practices. Staff feels that the Audit Committee's recommendation, as presented in their Annual Report, is based on a misunderstanding of the how investment earnings were allocated in the past, as well as the change in methodology that has been implemented in the current fiscal year.

Staff does not concur with the Audit Committee's recommendations related to the need for additional prior period adjustments. Each of these items were reviewed by the District's external auditors (past and/or present), and the most recent audit of the District's financial statements were determined by the independent auditor to be "fairly represented in all material respects." Therefore, a review and revision of items already audited and deemed appropriate by both management and the District's independent auditor is unwarranted and unnecessary. These Audit Committee recommendations include:

> *Recommendation #2 - The Audit Committee recommends a prior period adjustment to expense items 2a & 2b for consistency and accuracy of our financial statements. (Related to maintenance and repair activities).*
>
> *Recommendation #3 - The Audit Committee recommends a prior year adjustment to expense these items for compliance with Board Practice and consistency and accuracy of our financial statements. (Application of capitalization threshold criteria).*
>
> *Recommendation #4 - The Audit Committee recommends a prior period adjustment removing investment income credited to the General Fund and included in the fund balances for the fund(s) which had cash invested at LGIP, as it had historically been done, prior to FY 2018-2019.*

III. DISCUSSION

This discussion sections provides more specific responses to each of the recommendations included in the Audit Committee's Annual Report to the Board of Trustees, dated March 9, 2022. The Audit Committee's recommendations are presented herein, verbatim, and *management's responses are presented in italics.*

1. The Audit Committee notes actions are being taken by management to address the identified issues in the Auditors Compliance Report related to Internal Controls and Construction Projects.

   The Audit Committee recommends that the FY 21-22 audit be expanded in scope to include enhanced review of internal controls.

   Management Response:

   Management concurs that the scope of the independent audit engagement did not constitute a "comprehensive forensic audit," nor is this typically the scope of an annual audit of financial statements.

   Should the Board choose to undertake an audit that goes beyond the standard audit procedures for review of financial statements for compliance with GAAP/GAASB and Generally-Accepted Audit Standards, this should be discussed with the external auditor. Additional audit scope would likely require a separate engagement (and cost) from the specific scope of the annual financial statement audit, for which the District has entered into a multi-year, fixed-price contract.

2. Management corrected prior years of capitalization for items considered to be maintenance and repairs. However, the FY 2019-2020 and 2020-21 ACFRs are inconsistent.
   a. For the Utility Fund, this is estimated to be $181,882 (see Comments and Concerns #2 and Section 3.1)
   b. For Community Services the amount is estimated to be $1,171,606 (see Concern 11, Section 3.3, and Appendix D). These were for preliminary stage activities which include conceptual formulation and evaluation of alternatives, determination of future needs, feasibility studies and development of financing alternatives, temporary repairs for the Burnt Cedar pool and temporary repairs at the Mountain Golf Course Clubhouse.
   c. Similar costs were expensed for 2019-2020 (as a prior period adjustment - Note 22 of CAFR) for the Parks Master Plan ($212,044) and the Incline Village Ballfield ($77,216). In FY 2020-2021 similar costs of $3,100,110 for the Effluent Pipeline were charged off as a prior period adjustment. This highlights the inconsistency of the financial statements.

The Audit Committee recommends a prior period adjustment to expense items 2a & 2b for consistency and accuracy of our financial statements.

Management Response:

All FY2020/21 capital and construction-in-process items were reviewed by management and the auditor and concluded that capitalization was appropriate.

3. Contained in the initial draft of the ACFR, the Auditor had identified an additional $866,503.70 of charge off to expenses items for items capitalized in past CAFRs. After review by Management, some items were removed including levee and roadway repairs at the wetlands, spot paving at various recreational venues, sewer line repairs and roof repairs which, as noted in #2 above, had been determined to be expense items rather than capital.

   Additionally, equipment items were grouped together to meet the capitalization threshold while Board Practice 2.9 states "**In no case will the District establish a capitalization threshold of less than $5,000 for any individual item.**". The Audit Committee Chair reviewed this with the Auditor, after the financial report was complete, and she concurred that the Board Practice is clear and not open to interpretation. In addition, an Audit Committee member reviewed with Melissa Crosthwaite, District Legal Counsel, who also concurred the statement is clear. (see Concern 8 and Section 3.2)

   The Audit Committee recommends a prior year adjustment to expense these items for compliance with Board Practice and consistency and accuracy of our financial statements.

   Management Response:

   As discussed with the Audit Committee, and supported by the Auditor, at issue are items that the Auditor had identified as potential write-offs, based on their review of Board Policy and GAAP/GASB guidelines. The reversals of items initially written-off were all reviewed with the Auditor <u>and were only reversed upon concurrence of the Auditor</u>.

   Moreover, management believes that the review of capital assets and subsequent write-offs to be consistent with Board Policy 9.1 and Board Practice 9.2. At the same time, given the identified need to clarify aspects of the capitalization policy, these have been largely addressed in the updated capitalization policy approved by the Board in January.

   Staff notes that in following up with both the external auditor and the District's legal counsel, the comments attributed to both in this Audit Committee recommendation *are taken out of context and should not be viewed as concurrence with the Audit Committee's position.*

4. Beginning in FY 2018-2019 investment income was credited to the General Fund instead of other funds which had cash deposits at LGIP. This caused the General Fund's opening balance in the FY 2020-21 ACFR to be overstated by approximately $492K (over a 10% overstatement). This has not been corrected.

   The new process management has chosen to implement is allocating investment income not by the fund with cash invested at LGIP, but based on total cash equivalents by fund.

   The Audit Committee recommends a prior period adjustment removing investment income credited to the General Fund and included in the fund balances for the fund(s) which had cash invested at LGIP, as it had historically been done, prior to FY 2018-2019.

   Additionally, the committee recommends the approach for distribution of investment income be based solely on cash invested by fund or to have separate LGIP accounts by fund, like the Utility Fund, to avoid any confusion.

   Management Response:

   The accounting for investment income has been modified beginning with the 2021/22 (current) fiscal year. This change in methodology is consistent with best management practices and, staff believes, is more closely aligned with the implied goal of the Audit Committee's recommendation.

   Staff does not concur with the Audit Committee's recommendation to record prior period adjustments related to past practice of allocating investment earnings.

   Simply stated, the District's past practice was to record and track investments in LGIP and the District's investment portfolio "by fund." Accordingly, individual funds were credited with investment earnings based on the interest received by investments held by each individual fund. Under this approach, the General Fund was historically credited with interest earnings from pooled cash within the District's governmental funds.

   Beginning July 1, 2021, management modified the methodology for allocating investment earnings. Consistent with best management practices, all available cash on hand is pooled for investment purposes. Individual investments are not recorded, or tracked, by fund, but rather investments are managed under a pooled portfolio, with interest earnings allocated to each of the District's individual funds based on each fund's proportional share of cash balances available for investment.

5. For ease of transparency, and to align with best practices, **the Audit Committee recommends the Capital Improvement budget contain only project costs that are to be capitalized. The Audit Committee recommends that projects or project elements related to preliminary stage activities, repair and maintenance items are separated and included in operating expenses. A separate line item in the Statement of Income, Revenue and Expenses and Change in Net Position for preliminary stage activities, repairs and maintenance is recommended for all funds.** This will allow for cross referencing the expense items budgeted within Services and Supplies.

   Management Response:

   Management does not concur with the full extent of this recommendation, and this issue warrants Board discussion.

   Management concurs, and has implemented, budgeting and accounting practice of reflecting all capital maintenance expenses as operating costs within the District's budget and financial statements. Specifically, items to be capitalized are budgeted as capital outlay within the District's budget, and items that are deemed capital maintenance and repairs (or otherwise do not meet the District's capitalization criteria) are budgeted and accounted for within each fund's operating budget.

   However, the presentation of these items within the District's overall mulit-year capital plan is not only consistent with current Board Policy 13.1/ Practice 13.2, but also assists in identifying individual projects, with varying levels of funding requirements, all related to the maintenance and replacement of the districts, facilities, infrastructure, and assets.

   Notwithstanding, management is developing improved presentation and reporting of the different elements contained in the capital plan for improved transparency and ease of understanding.

   Lastly, management does not concur with the recommendation to reflect all of the maintenance and repair items in a separate line item within the District's financial statements (specifically, Statement of Income, Expense and Change in Net Position). While these items are presently reflected in a single account object code (7505) within the budget and general ledgers, these items are more appropriately reflected in the account codes appropriate for the "type" of expenditure (example: computer equipment, professional services, etc.). Moreover, establishing a separate line item within the District's formal financial statements, as recommended by the Audit Committee, is contrary to GAAP/GASP requirements for these type of expenditures.

(Note: In the context of this discussion, it is important to clarify that, with the transition to Enterprise Fund accounting for the District's Community Services and Beach funds, there is no longer any formal distinction between utility and venue "operating budgets" and "capital budgets." All of the revenues and expenditures for each fund are reflected in a single fund (or sub-fund) budget that includes operating, capital and debt line items).

III. ALTERNATIVES

This report recommends that the Board of Trustees consider management's response to each of the Audit Committee's Annual Report recommendations prior to considering formal Board action.

As an alternative to considering each recommendation individually prior to any Board action, the Board could consider:

1) Accepting all of the recommendations in the Audit Committee's Annual Report, as recommended by the Audit Committee, or
2) Take no action on the recommendations contained within the report, and consider receiving the report and directing the Audit Committee to return to the Board of Trustees with a specific recommendation related to scope and cost of additional audit work to expand the external auditor's review of the District's internal controls.

HISTORY OF REPORTING OF FACILITY FEES IN DISTRICT FINANCIAL STATEMENTS

	Statement of Activities		Statement of Revenues, Expesnes and Change in Net Postion		Statement of Cash Flows				
FYE	Program Revenues	General Revenues	Operating Revenues	Non-Operarting Revenues	Operating Activities	Non-Capital Financing Activities	Capital and Related Financing Activities	Investing Activities	Independent External Auditor
Propietary (Enterprise) Funds									
6/30/2022									
Govrernmental (Special Revenue) Funds									
6/30/2021		X							Davis Farr, LLP
6/30/2020		X							Eide Bailly, LLP
6/30/2019		X							Eide Bailly, LLP
6/30/2018		X							Eide Bailly, LLP
6/30/2017		X							Eide Bailly, LLP
6/30/2016		X							Eide Bailly, LLP
6/30/2015		X							Eide Bailly, LLP
Propietary (Enterprise) Funds									
6/30/2014	X		X		X				Kafoury, Armstron & Co.
6/30/2013	X		X		X				Kafoury, Armstron & Co.
6/30/2012	X		X		X				Kafoury, Armstron & Co.
6/30/2011	X		X		X				Kafoury, Armstron & Co.
6/30/2010	X		X		X				Barnard, Vogler & Co.
6/30/2009	X		X		X				Barnard, Vogler & Co.
6/30/2008	X		X		X				Barnard, Vogler & Co.

IVGID Board of Trustees Meeting
December 14, 2022
Chris Nolet – 765 Lakeshore Blvd

Before the 2022 ACFR is approved by the Board and submitted to the state of Nevada, I believe District financial management, DavisFarr and our Audit Committee should carefully reconsider one important audit finding. Management and our auditor reported 3 "significant deficiencies" (SDs) in internal control over financial reporting for the year ended June 30, 2022. One of the SDs was that that bank reconciliation for our main operating account was not completed until October 12, approximately 3.5 months after yearend. This account had a balance of approximately $14 million on June 30th, which was not subject to effective internal controls at year end.

In general, the failed control(s) would normally be two 1) the completion of the bank reconciliation, and 2) the management review of the finalized reconciliation. Occasionally, these two controls are combined, which is often referred to as a "super control." In either instance, the fact the internal controls over one of the District's largest liquid assets failed is extremely concerning.

Our audit was completed in accordance with both US GAAS and Government Auditing Standards (GAS). To evaluate the severity of observed internal control weaknesses, I believe that one first looks to GAS 7.42, which cross-references to US GAAS AU-C Section 265. The guidance in Sections A6 and A7, noted below, requires management and the auditor to consider the "maximum potential error" in determining the nature of the internal control deficiency. The guidance goes on to say that the maximum potential error is the actual account balance itself. Hence, management is required to evaluate this internal control deficiency as more that remote, but less than likely, that a $43 million error could occur in the ACFR.

It is possible that I may not understand the complete fact pattern, or the unlikely situation that there were mitigating controls. Otherwise, I am at a loss to understand how management, our auditor, or the Audit Committee did not conclude that this condition represents a "material weakness" in our system of internal controls?

Thank you

AICPA US GAAS AU-C 265 – Sections A6 and A7

A6. Factors that affect the magnitude of a misstatement that might result from a deficiency, or deficiencies, in internal control include, but are not limited to, the following: • **The financial statement amounts** or total of transactions exposed to the deficiency • The volume of activity (in the current period or expected in future periods) in the class of transactions or account balance exposed to the deficiency [As amended, effective for audits for periods ending on or after December 15, 2016, by SAS No. 130.] .

A7 **In evaluating the magnitude of the potential misstatement, the maximum amount by which an account balance or total of transactions can be overstated generally is the recorded amount,** whereas understatements could be larger.

January 9, 2023

To: IVGID Audit Committee members

CC: Indra Winquest, Paul Navazio, IVGID Board of Trustees

From: Clifford F. Dobler

Re: Observations and potential corrections to AFCR for June 30, 2022

<u>This memorandum is to be included as correspondence on the next Audit Committee Agenda</u>

I reviewed the Proprietary Funds financial statements and related notes presented to the Audit Committee on December 5, 2022. The items below were not addressed and should be considered. The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows are included as exhibits A,B&C.

<u>Statement of Net Position</u>

Lease Receivables - A new addition this year was the capitalization of leases for $1,749,412 (Exhibit G). Under Note 1 -G of the Financial Statements there is no reference to the new addition. As an extra jolt of wrong information is the narrative on "*other receivables".* It would be hard to conceive how an earned deposit (which is already received) could be a receivable.

Prepaid Expenses - In fiscal year 2021, and prior years there was approximately $200,000 in prepaid expenses for Community Services and now in 2022 there is nothing. Was there a change in accounting? Why would Note 1-H have a statement about prepaid expenses for a mere $762 in the Beach Fund?

Note 5 - Capital Assets (Exhibit E) is a detail of activities and should be expanded. "Decreases" should be changed into 2 columns - 1) Transfers to Capital Assets from Construction in Progress and 2) Disposition of Assets from retirement or sale. This will provide a better explanation of what "Decreases" actually are.

<u>Statement of Revenues, Expenses and Changes in Net Position</u>

Investment earnings(loss). The amounts for the Utility Fund and the Community Service Fund do not agree with the investment earnings(loss) on the Statement of Cash Flows:

- Utility Fund - ($57,286) as opposed to ($53,496)
- Community Services Fund ($17,441) as opposed to $271,192

The proper allocation of investment earnings has been a grave concern of the former audit committee members. IVGID staff cannot seem to properly allocate interest earned on cash deposit to the proper funds. See my memorandum dated October 18, 2021.

Capital Grants (or grants for capital improvements) of $47,927 for Community Services is not a revenue item and should only be reflected in the Statement of Cash Flows. Transfers are never revenues or s. It should be noted that as of June 30, 2022, $121,063 was expended on the Recreation Center Expansion. The Duffield grant was for $65,000, of which, only $47,927 was assumed collected. As such, a grant receivable of $17,073 should have been reported.

Statement of Cash Flows

The amounts for acquisition of capital assets for the Community Service Fund and Beach Fund do not agree with the Capital Project report (Exhibit G) provided to the Board on September 28, 2022. The largest difference is contained in the Community Services Fund wherein the Capital Project report indicates only $1,966,553 in expenditures, however, the Statement of Cash Flows (Exhibit C) reports $2,430,733. While it is understood that the Capital Project report is "unaudited" and adjustments could be made. If so, then a corrected version of the report should be provided when the audit is complete.

It is odd that the Internal Services Fund would have acquisitions of $2,552 which is far below any threshold established by Board Policy.

Lastly the Capital Improvement Project Budget Carry-Forward (Note 18) (Exhibit F) indicates a total of $9,827,031 of unspent budget would be carried over into fiscal 2023, however, the 9-28-2022 Capital Project report indicates only $8,818,437 would be carried over which is over a $1million difference. Too much of a difference for comfort.

The entire point of this memorandum is to stress to the Audit Committee and the Board of Trustees that there are no internal controls over financial reporting. Cross referencing is a must and obviously there are not appropriate staff members up to the task. In most cases information is disseminated which is inaccurate and should be changed (and normally never is) . This leads to wasteful reporting and a lack of trust in evaluating historical reports.

- Exhibit A - Statement of Net Position - June 30, 2022
- Exhibit B - Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2022
- Exhibit C - Statement of Cash Flows for the year ended June 30, 2022
- Exhibit D - Note 1-G - Receivables
- Exhibit E - Note 5 - Capital Assets
- Exhibit F - Note 18 - Commitments Affecting Future Periods - Capital Improvement Budget Carry Forward
- Exhibit G - Capital Projects -Capital Asset report - September 28, 2022

EXHIBIT A

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 18,710,558	$ 18,715,561	$ 6,024,608	$ 100,260	$ 43,550,987
Accounts receivable	1,508,619	26,792	-	-	1,535,411
Lease receivable	-	1,749,412	-	-	1,749,412
Grants receivable	12,881	-	-	-	12,881
Due from other governments	-	24,032	118,434	-	142,466
Inventories	165,127	589,751	-	123,601	878,479
Prepaid expenses	-	-	762	-	762
Total current assets	20,397,185	21,105,548	6,143,804	223,861	47,870,398
Noncurrent assets:					
Contractual deposits	100	6,075	-	-	6,175
Restricted deposit for debt service reserve	230,729	-	-	-	230,729
Restricted for TRPA Deposits	94,189	135,951	1,000	-	231,140
Total noncurrent assets	325,018	142,026	1,000	-	468,044
Capital Assets:					
Land	6,715,544	12,315,573	2,304,850	-	21,335,967
Construction in progress	1,498,869	537,741	-	-	2,036,610
Buildings and structures	15,959,753	33,627,523	7,234,499	-	56,821,775
Improvements and Infrastructure	113,353,076	35,896,434	2,038,694	-	151,288,204
Right-to-use assets	-	78,537	-	-	78,537
Equipment and vehicles	3,797,362	12,536,411	529,560	240,596	17,103,929
Total capital assets	141,324,604	94,992,219	12,107,603	240,596	248,665,022
Less: accumulated depreciation	(80,208,266)	(45,929,003)	(3,678,075)	(199,352)	(130,014,696)
Total capital assets (net)	61,116,338	49,063,216	8,429,528	41,244	118,650,326
Total noncurrent assets	61,441,356	49,205,242	8,430,528	41,244	119,118,370
Total assets	81,838,541	70,310,790	14,574,332	265,105	166,988,768
LIABILITIES					
Current liabilities:					
Accounts payable	582,227	360,569	441,905	52,198	1,436,899
Accrued personnel costs	172,357	529,059	112,466	100,726	914,608
Accrued interest payable	38,837	4,328	71	-	43,236
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	11,939	-	11,939
Unearned revenue	183,519	1,824,668	39,243	-	2,047,430
Deposits payable	-	440,102	-	-	440,102
Current portion of compensated absences	82,417	101,232	9,757	24,774	218,180
Current maturities of long-term debt	569,407	384,429	6,291	-	960,127
Lease payable due within one year	-	30,401	-	-	30,401
Total current liabilities	1,628,764	3,674,788	621,672	369,985	6,295,209
Non-current liabilities:					
Compensated absences	218,510	209,876	17,866	46,010	492,262
Non-current long term debt	2,422,983	-	-	-	2,422,983
Lease payable due in more than one year	-	12,365	-	-	12,365
Total non-current liabilities	2,641,493	222,241	17,866	46,010	2,927,610
Deferred lease inflows	-	1,695,703	-	-	1,695,703
Total liabilities and deferred inflows	4,270,257	5,592,732	639,538	415,995	10,918,522
NET POSITION					
Net investment in capital assets	58,123,948	48,678,787	8,423,237	41,244	115,267,216
Restricted	325,018	142,026	1,000	-	468,044
Unrestricted	19,119,318	15,897,245	5,510,557	(192,134)	40,334,986
Total net position	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

EXHIBIT B

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
OPERATING REVENUES					
Sales and fees	$ 12,885,588	$ 18,590,272	$ 750,123	$ -	$ 32,225,983
Recreation fee	-	830,977	5,259,704	-	6,090,681
Operating grants	22,138	17,000	-	-	39,138
Interfund services	122,384	149,813	-	2,594,923	2,867,120
Total operating revenues	13,030,110	19,588,062	6,009,827	2,594,923	41,222,922
OPERATING EXPENSES					
Wages and benefits	4,210,437	9,037,152	1,002,834	1,788,304	16,038,727
Cost of goods sold	10,212	1,305,464	1,652	-	1,317,328
Services and supplies	2,971,167	4,941,072	350,475	947,279	9,209,993
Defensible space	77,969	77,970	-	-	155,939
Central services cost	445,092	999,759	93,956	-	1,538,807
Insurance	211,382	442,932	39,371	15,829	709,514
Utilities	931,759	1,125,484	103,507	9,878	2,170,628
Professional fees	175,021	26,690	4,293	525	206,529
Depreciation	3,285,127	2,960,293	188,686	10,541	6,444,647
Total operating expenses	12,318,166	20,916,816	1,784,774	2,772,356	37,792,112
Operating income (loss)	711,944	(1,328,754)	4,225,053	(177,433)	3,430,810
NONOPERATING REVENUES (EXPENSES)					
Investment earnings (loss)	(57,286)	(17,441)	(19,005)	(671)	(94,403)
Insurance proceeds	-	97,894	-	-	97,894
Gain on sales of assets	9,096	-	-	-	9,096
Lease revenue CS-Does not agree with cash flow	500	131,523	-	-	132,023
Miscellaneous revenue Nothing in Cash Flow for this line item		328,456	-	-	328,456
Interest on bond debt	(81,563)	(12,501)	(169)	-	(94,233)
Total nonoperating revenues (expenses)	(129,253)	527,931	(19,174)	(671)	378,833
Income before transfers and contributions	582,691	(800,823)	4,205,879	(178,104)	3,809,643
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Grants	-	47,927	-	-	47,927
Change in net position	582,691	(752,896)	4,205,879	(178,104)	3,857,570
Total net position, July 1, as previously reported	76,985,593	-	-	27,214	77,012,807
Prior Period Adjustment	-	65,470,954	9,728,915	-	75,199,869
Total net position, July 1, as adjusted	76,985,593	65,470,954	9,728,915	27,214	152,212,676
Total net position, June 30	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 12,766,774	$ 20,371,990	$ 5,974,106	$ -	$ 39,112,870
Receipts from interfund services provided	122,384	149,813	-	2,594,923	2,867,120
Payments to suppliers	(4,532,707)	(8,917,646)	(949,796)	(812,612)	(15,212,761)
Payments to employees	(4,070,858)	(8,296,220)	(870,745)	(1,678,828)	(14,916,651)
Net cash provided (used) by operating activities	4,285,593	3,307,937	4,153,565	103,483	11,850,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(715,805)	(2,430,733)	(3,209,295)	(2,552)	(6,358,385)
Proceeds from sale of assets	9,096	-	-	-	9,096
Insurance proceeds	-	97,894	-	-	97,894
Lease proceeds	500	176,871	-	-	177,371
Proceeds from capital grants Assume Duffield grant	-	47,927	-	-	47,927
Payments on capital debt	(553,842)	(370,264)	(6,059)	-	(930,165)
Interest paid on long term debt	(89,292)	(13,500)	(237)	-	(103,029)
Net cash provided (used) by capital and related financing activities	(1,349,343)	(2,491,805)	(3,215,591)	(2,552)	(7,059,291)
CASH FLOWS FROM INVESTING ACTIVITIES					
Long-term investments matured	1,507,905	760,122	-	-	2,268,027
Investment earnings (losses) Do not agree with page 25	(53,496)	271,192	(19,005)	(671)	198,020
Net cash provided (used) by investing activities	1,454,409	1,031,314	(19,005)	(671)	2,466,047
Net change in cash and cash equivalents	4,390,659	1,847,446	918,969	100,260	7,257,334
Cash and cash equivalents, July 1	14,644,917	17,010,141	5,106,639	-	36,761,697
Cash, cash equivalents and investments, June 30	$ 19,035,576	$ 18,857,587	$ 6,025,608	$ 100,260	$ 44,019,031

(Continued)

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 711,944	$ (1,328,754)	$ 4,225,053	$ (177,433)	$ 3,430,810
Non-cash adjustments -					
Depreciation	3,285,127	2,960,293	188,686	10,541	6,444,647
Increase (decrease) in cash from changes in:					
Accounts receivable	(152,550)	38,173	13,056	-	(101,321)
Grants receivable	-	373,912	-	-	373,912
Due from other governments	-	38,836	(34,709)	-	4,127
Inventories	(4,059)	(170,195)	-	(47,806)	(222,060)
Prepaid expenses	-	197,520	(762)	-	196,758
Accounts payable	293,954	(25,600)	(352,593)	16,418	(67,821)
Accrued personnel costs	(161,348)	429,824	104,466	38,692	411,634
Compensated absences	300,927	311,108	27,623	70,784	710,442
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	(3,187)	-	(3,187)
Misc. Liabilities	-	(8,334)	-	-	(8,334)
Deposits payable	-	(57,133)	-	-	(57,133)
Unearned revenue	11,598	548,287	(14,068)	-	545,817
Total adjustments	3,573,649	4,636,691	(71,488)	280,916	8,419,768
Net cash provided (used) by operating activities	$ 4,285,593	$ 3,307,937	$ 4,153,565	$ 103,483	$ 11,850,578

There were no noncash capital, financing, and investing activities

The notes to the financial statements are an integral part of this statement.

District Funds share bank accounts for operations, payroll and reimbursements. Activity between funds occurs in the regular activities of the District. The General Fund issues accounts payable and payroll and related benefits for all funds. To the extent payment has not occurred, but the cost was realized by the benefited fund, internal balances for Due from or to Other Funds are established. These are cleared monthly through pooled cash. The combined pooled balances are monitored to assure no fund makes temporary loans to another, within the context of Nevada Revised Statute 354.6118.

Short-term investments reflect items held with maturities within one year. These are predominantly certificates of deposit and agency issues. These provide funds for capital projects.

Long-term investments reflect items held with maturities beyond one year. These include certificates of deposit and instruments issued by the Federal Government or its agencies.

Nevada Revised Statutes authorize the District to invest in obligations of the U.S. Government or U.S. Treasury, providing maturities are 10 years or less from the date of purchase; the local government investment pool (LGIP) (operated by the Nevada State Treasurer); negotiable 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.

Funds on deposit with LGIP are considered cash and cash equivalents. Even though the weighted average maturity of the underlying investments in the LGIP are greater than 90 days, the District can liquidate its deposits within a few days. The District has reported these deposits at cost plus accrued interest, which approximates fair value.

The District's investments are stated at fair value as of the reporting date. These are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs: Level 3 are significant unobservable inputs.

G. Receivables

Receivables reflected in the District's basic financial statements include monies due from other governments, grants receivable as well as other accounts receivable.

Due From Other Governments. Property taxes are levied no later than July 10 of each year on property values assessed for the same year. The taxes may be paid in four installments as follows: the first installment is due on or before the third Monday in August, the second installment is due on or before the first Monday in October, the third installment is due on or before the first Monday in January, and the fourth installment is due on or before the first Monday in March. If payment of the taxes is not made within ten days following the day the installments become due, penalties are assessed in accordance with NRS 361.483. Once the installments become delinquent, interest is added at the rate of 10 percent per annum. Taxes levied become a perpetual lien against the property assessed until the tax and any penalty charges and interest which may accrue thereon are paid. Washoe County assesses the property tax, bills, collects, and distributes the property tax revenue.

The District also receives certain tax revenues in the General Fund which are collected by the State of Nevada. These settlements arrive within 60 days of the month close when they are generated. The amounts are listed as Due from Other Governments. The District also has an operating grant from Washoe County, received monthly in arrears. The uncollected balance of this grant is carried in Due from Other Governments.

Grants Receivable. The District has been awarded grants to finance the construction of various infrastructure projects (ex. utilities, creek zone restoration, and upgrade a ballfield). Such grant funds are considered earned when requisite construction costs are incurred. The District has recognized funds earned but not collected by a Grants Receivable, in the government wide financial statements.

Other Receivables. Accounts receivable reflects service charges to customers and resident for deposits or fees that are earned, but not collected. The District may file a tax lien for uncollected utility service fees.

H. Inventory and Prepaid Items

There are no inventories in the General Fund. Inventories of items for resale for Utility, Community Services, and Beach Proprietary Funds are stated at the lower of cost (first-in, first-out) or market.

Certain payments are made to vendors for costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. They are recognized under the consumption method when used.

I. Restricted Assets

The District has restricted several deposits for the benefit of other agencies in connection with performance under a retail operation, construction projects, and debt service. These agencies establish the restriction by regulation or agreement.

J. Capital Assets

Capital assets include land, buildings, machinery and equipment, or water rights which are reported in the applicable governmental or business-type activities column in the government-wide financial statements. If purchased or constructed, all capital assets are recorded at historical cost. Donated capital assets are valued at acquisition value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets (all categories except land and construction in progress) is charged as an expense against each fund's operation. The District's policy is to capitalize assets with a normal useful life of three or more years.

The District holds 4,272 Acre Feet of Water Rights. This represents about 1,405,000,000 gallons. The District's historical records cannot separately identify the cost of water rights from land.

Activities of the General Fund include District administration, accounting and finance, information systems and technology, human resources, risk management, the General Manager's office, communications and the Board of Trustees. The land, buildings, furniture and equipment, including technology assets, represent items used in common by all of the activities of the General Fund at the District's administrative office. The computers and technology represent equipment of the Information Systems & Technology (IST) department that services the needs of the entire District. These assets are presented as a part of government-wide net position.

Activities of the Community Services Proprietary Fund include two 18-hole golf courses, a large and small meeting facility, a ski resort, a recreation center, parks, a tennis center, a skateboard park, and green spaces. Venue improvements include the cost of developing program-ready locations.

Activities of the Beach Proprietary Fund include three beaches with restricted access. One has a watercraft launch ramp and storage areas for paddleboards and kayaks. Two beaches have concession stands and playground areas. One beach provides swimming and wading pools.

EXHIBIT E - 1 of 2

Additional column required for dispositions.
Combining dispositions with transfers from Construction in Progress to capital assets provides a lack of disclosure.

5. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2022:	Balance 7/1/2021 *	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Capital assets, not being depreciated				
Land	$ 2,669,904	$ -	$ -	$ 2,669,904
Construction in Progress	292,949	98,550	(55,596)	335,903
Total governmental capital assets, not being depreciated	2,962,853	98,550	(55,596)	3,005,807
Capital assets, being depreciated				
Buildings and Structures	828,251	-	-	828,251
Equipment and Vehicles	1,762,263	55,596	-	1,817,859
Total governmental capital assets, being depreciated	2,590,514	55,596	-	2,646,110
Less accumulated depreciation for:				
Buildings and Structures	(750,008)	(16,766)	-	(766,774)
Equipment and Vehicles	(1,455,212)	(111,564)	-	(1,566,776)
Total accumulated depreciation	(2,205,220)	(128,330)	-	(2,333,550)
Total governmental capital assets being depreciated, net	385,294	(72,734)	-	312,560
Governmental Activities Capital Assets, net	$ 3,348,147	$ 25,816	$ (55,596)	$ 3,318,367
Business-Type Activities				
Proprietary Capital assets not being depreciated				
Land - Utilities	$ 6,715,544	$ -	$ -	$ 6,715,544
Land - Community Services	12,315,573	-	-	12,315,573
Land - Beach	2,304,850	-	-	2,304,850
Construction in progress - Utilities	1,035,834	905,605	(442,570)	1,498,869
Construction in progress - Community Servcies	262,750	1,501,473	(1,226,482)	537,741
Construction in progress - Beach	1,383,864	3,209,294	(4,593,158)	-
Total proprietary capital assets, not being depreciated	24,018,415	5,616,372	(6,262,210)	23,372,577
Proprietary Capital assets, being depreciated				
Buildings and structures - Utilities	15,959,753	-	-	15,959,753
Buildings and structures - Community Servcies	33,457,451	240,821	(70,749)	33,627,523
Buildings and structures - Beach	2,641,340	4,593,158	-	7,234,498
Services infrastructure - Utilities	113,100,306	252,770	-	113,353,076
Venue improvements - Community Services	35,404,502	491,932	-	35,896,434
Venue improvements - Beach	2,038,694	-	-	2,038,694
Equipment and vehicles - Utilities	3,797,362	-	-	3,797,362
Equipment and vehicles - Community Services	12,080,845	1,059,358	(603,792)	12,536,411
Right to use leased equipment - Community Services	78,537	-	-	78,537
Equipment and vehicles - Beach	529,561	-	-	529,561
Equipment and vehicles - Internal Services	240,596	-	-	240,596
Total proprietary capital assets at historical cost	219,328,947	6,638,039	(674,541)	225,292,445

* Balance as of June 30, 2021 has been restated to implement GASB Statement No. 87

Which relates to what?

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

5. CAPITAL ASSETS (continued)

Capital Asset activity for the year ended June 30, 2022:	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Less accumulated depreciation for:				
Buildings and structures - Utilities	(8,257,034)	(440,356)	-	(8,697,390)
Buildings and structures - Community Servcies	(15,564,938)	(1,006,566)	54,620	(16,516,884)
Buildings and structures - Beach	(1,728,405)	(83,024)	-	(1,811,429)
Services infrastructure - Utilities	(66,047,209)	(2,702,767)	-	(68,749,976)
Venue improvements - Community Services	(20,467,114)	(928,137)	-	(21,395,251)
Venue improvements - Beach	(1,450,971)	(46,749)	-	(1,497,720)
Equipment and vehicles - Utilities	(2,618,896)	(142,004)	-	(2,760,900)
Equipment and vehicles - Community Services	(7,594,225)	(986,542)	602,950	(7,977,817)
Right to use leased equipment - Community Services	-	(38,051)	-	(38,051)
Equipment and vehicles - Beach	(310,013)	(59,913)	-	(369,926)
Equipment and vehicles - Internal Services	(188,811)	(10,541)	-	(199,352)
Total accumulated depreciation	(124,227,616)	(6,444,650)	657,570	(130,014,696)
Total proprietary capital assets being depreciated, net	95,179,868	193,389	(16,971)	95,356,286
Business-Type Activities Capital Assets, net	$ 119,198,283	$ 5,809,761	$ (6,279,181)	$ 118,728,863

The District has a number of Construction in Progress projects open as of June 30, 2022. The Utility Fund includes $1,114,233 for the design phase of the Effluent Export Line. That project will be ongoing through at least 2023. The Community Services Fund has $132,976 for the Locker Room Improvements. The District's primary building season is limited ~~to~~ from May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2022 were charged to functions as follows:

Governmental Activities:	
General Government	$ 128,330
Business-Type Activities:	
Utility Fund Water and Sewer	3,285,128
Recreation	2,960,294
Beach	188,687
Internal Services	10,541
Total Proprietary Depreciation	6,444,650
Total Depreciation Expense	$ 6,572,980

6. COMPENSATED ABSENCES

At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with an excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post-employment heath related costs. There are 4 eligible employees covered. The District has no other post-employment benefit obligations for health insurance or retirement benefits.

EXHIBIT F

18. COMMITMENTS AFFECTING FUTURE PERIODS

General Fund:

The District entered into an unemployment insurance contract with First Nonprofit Companies for total premiums of $220,800 for calendar year 2022 services. As of June 30, 2022, $110,400 in quarterly deposits are remaining as a part of the subsequent year's budget.

Capital Improvement Project Budget Carry-Forward:

The District budgets for capital improvement projects one year at a time for spending authority. The actual execution of construction or acquisition can span one or more fiscal years. The District identifies carryover and unspent budget authority for those projects. The amounts for governmental fund types are re-budgeted for the subsequent fiscal year. The unused Utility Fund, Community Services Fund, and Beach Fund resources become part of Unrestricted Net Position, and are budgeted under cash flow on the State of NV budget forms. Board-approved amounts carried-forward at year-end are as follows:

General Fund	$ 124,300	
Utility Fund	5,887,795	$9,827,031
Community Services Fund	3,125,713	
Beach Fund	689,223	

The District has committed to contractual obligations for selected capital improvement projects through contracts, resulting in encumbered funds at year-end. These are included in the appropriations carry-forward to the FY2022/23 budget, and are summarized as follows:

Contractor	Project	Contract Amount	Completed (6/30/22)	Remaining Amount
CORE West, Inc	Burnt Cedar Pool Imp	$3,845,865	$3,567,790	$ 278,075
Avail Enterprises, LLC	Rec Center Lobby	159,832	-	159,832
Ward-Young Architects	Rec Center Lobby	36,724	32,724	4,000
Ward-Young Architects	Rec Center Locker Room	91,972	85,904	6,068
Granite Construction	Effluent Pipeline	369,218	190,609	178,609
Axess America	RFID Gates	369,105	105,458	263,647

19. STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District's estimated share of abatements for this fiscal year is $19,732.

20. PRIOR PERIOD ADJUSTMENT(S)

The Statement of Activities includes prior period adjustments resulting from changes in accounting practices, as follows:

In fiscal year 2022 the District returned the Community Services fund and the Beach fund to proprietary fund accounting. This change in accounting method requires a prior period adjustment for long term assets and long term liabilities reported under the proprietary fund method that are not reported under the governmental fund method. The total of the prior period adjustment is $75,199,871 as stated in the Statement of Activities.

EXHIBIT G 1of2

ATTACHMENT A
CAPITAL PROJECTS - CAPITAL ASSETS

Incline Village General Improvement District | **Capital Improvement Projects Report to the Board of Trustees** | **FY2021/22 CIP Status Report for the Quarter Ending June 30, 2022**

DESCRIPTION	PROJECT #	FY2021/22 Original Budget	Estimated Carry Forward	FY2021/22 Adopted Budget	Prior Year Carry- Forward	Projects Cancelled	Adjustments	Reallocation	FY2021/22 Adjusted Budget	Fiscal Year Expenditures As of 06/30/22	Variance	Status	Carry-Forward Recommendations
General Fund:													
Network Upgrades - Switches, Controllers, WAP	1213CE2102	75,000	-	75,000	-				75,000	-	75,000	Carried Forward 5/26	75,000
Security Cameras	1213CE2105	100,000	-	100,000	-			(100,000)	-		-	In Progress / Expense	
Human Resource Management and Payroll Processing Software	1315CO1801	91,438	75,000	166,438	(12,353)				154,085	98,550	55,535	In Progress	Accrual ????
Total General Fund		**$ 266,438**	**$ 75,000**	**$ 341,438**	**$ (12,353)**	**$ -**	**$ -**	**$ (100,000)**	**$ 229,085**	**$ 98,550**	**$ 130,535**		
									-				
Utility Fund:													
Replace Roof Public Works #B	2097BD1704	60,000		60,000					60,000		60,000	Cancelled	
Public Works Billing Software Replacement	2097CO2101	10,000		10,000	10,000				20,000		20,000	Delayed	20,000
Water Reservoir Safety and Security Improvements (Moved from Water)	2097DI1701			-	67,000				67,000		67,000	In Progress	
Loader Tire Chains - 2 Sets	2097HE1725	20,000		20,000					20,000		20,000	In Progress	20,000
2002 Caterpillar 950G Loader #523	2097HE1729	265,000		265,000					265,000		265,000	In Progress	265,000
2002 Caterpillar 950G Loader #525	2097HE1730	265,000		265,000					265,000		265,000	In Progress	265,000
Snowplow #300A	2097LE1720	19,000		19,000					19,000		19,000	In Progress	19,000
Snowplow #307A	2097LE1721	19,000		19,000					19,000		19,000	In Progress	19,000
Pavement Maintenance, Reservoir 3-1 WPS 4-2/5-1	2097LI1701	130,000		130,000					130,000		130,000	In Progress	130,000
Utility Shared Projects		**788,000**	**-**	**788,000**	**77,000**	**-**	**-**	**-**	**865,000**	**-**	**865,000**		*738,000*
Water Reservoir Coatings and Site Improvements	2299DI1204	-		-	85,000			(85,000)	-		-	Ongoing	
Burnt Cedar Water Disinfection Plant Improvements	2299DI1401	25,000		25,000	17,653				42,653	23,445	19,208	Ongoing	19,208
Burnt Cedar Water Disinfection Plant Emergency Generator Fuel Tank Upgrades	2299DI1707	-		-	174,344				174,344	36,915	137,429	In Progress	137,429
Watermain Replacement - Crystal Peak Road	2299WS1705	50,000		50,000	-			20,000	70,000	1,358	68,642	In Progress	68,642
Watermain Replacement - Slott Pk Ct	2299WS1706	280,000		280,000	16,425				296,425	224,195	72,230	In Progress	72,230
Water		**355,000**	**-**	**355,000**	**293,422**	**-**	**-**	**(65,000)**	**583,422**	**285,913**	**297,509**		*297,509*
Effluent Pipeline Project	2524SS1010	2,000,000		2,000,000	339,210				2,339,210	269,703	2,069,507	Multi-Year	2,069,507
Sewer Pump Station #1 Improvements	2599DI1703	-		-	1,039,025				1,039,025	655	1,038,370	In Progress	1,038,370
Water Resource Recovery Facility Improvements	2599SS1102	140,000		140,000	-				140,000	53,393	86,607	Ongoing	86,607
Wetlands Effluent Disposal Facility Improvements	2599SS1103	183,500		183,500	-				183,500	9,977	173,523	Delayed	173,523
Effluent Pond Lining / Storage	2599SS2010	-	1,550,000	1,550,000				(384,653)	1,165,347	96,162	1,069,185	In Progress	1,069,185
Update Camera Equipment	2599SS2107	60,000	-	60,000	-				60,000	-	60,000	In Progress	60,000
Sewer		**2,383,500**	**1,550,000**	**3,933,500**	**1,378,235**	**-**	**-**	**(384,653)**	**4,927,082**	**429,891**	**4,497,191**		*4,497,191*
Total Utility Fund		**$ 3,526,500**	**$ 1,550,000**	**$ 5,076,500**	**$ 1,748,657**	**$ -**	**$ -**	**$ (449,653)**	**$ 6,375,504**	**$ 715,803**	**$ 5,659,701**		*5,532,700*
									-				
Championship Golf Course:													
Cart Path Replacement - Champ Course	3141LI1202	55,000		55,000	59,975				114,975	308	114,667	Ongoing	114,667
Championship Golf Course Electric Cart Fleet and GPS	3141LV1898	-		-	378,000		155,360		533,360	-	533,360	In Progress	533,360
2006 Carryall Club Car #589	3142LE1737							12,168	12,168	12,168	-	Completed	
2006 Carryall Club Car #590	3142LE1738							12,168	12,168	12,168	-	Completed	
2006 Carryall Club Car #591	3142LE1739							12,168	12,168	12,168	-	Completed	
2014 Toro Tri-Plex Mower 3250D #694	3142LE1744	46,000		46,000	-				46,000	-	46,000	In Progress	42,781
2017 Toro 3500D Mower #743	3142LE1745	37,000		37,000	-				37,000	-	37,000	In Progress	36,184
2012 JD 8500 Fairway Mower #670	3142LE1746	93,500		93,500	-				93,500	-	93,500	In Progress	93,486
2011 Toro Groundsmaster 4000D #650	3142LE1747	68,400		68,400	-				68,400	-	68,400	In Progress	66,211
2014 3500D Toro Rotary Mower #693	3142LE1759	37,000		37,000	-				37,000	-	37,000	In Progress	40,028
Replacement of 2010 John Deere 8500 #641	3142LE1760	-		-	92,000			(36,504)	55,496	-	55,496	Delayed / FY22/23	
Range Ball Machine Replacement	3143GC2002	20,000		20,000	-				20,000	-	20,000	In Progress	20,000
1997 1-Ton Dump Truck #419	3197HV1749	51,000		51,000	-				51,000	46,352	4,648	In Progress	
2000 Toro Spreader #462	3197LE1724	17,500		17,500	-				17,500	13,355	4,145	Completed	
Maintenance Shop Crane and Equipment Lift	3197ME1710	-		-	21,827				21,827	-	21,827	Cancelled	
Total Championship Golf Course		**$ 425,400**	**$ -**	**$ 425,400**	**$ 551,802**	**$ -**	**$ 155,360**	**$ -**	**$ 1,132,562**	**$ 96,520**	**$ 1,036,042**		*946,717*
Mountain Golf Course:													
Mountain Golf Cart Path Replacement	3241LI1903	-		-	77,449				77,449	64,567	12,882	Completed	
Mountain Golf Cart Path Replacement	3241LI2001	550,000		550,000	-				550,000	491,932	58,068	In Progress	-
2015 Toro 4000D Rough Mower #709	3242LE1728	68,400		68,400	-				68,400	-	68,400	Delayed	
Total Mountain Golf Course		**$ 618,400**	**$ -**	**$ 618,400**	**$ 77,449**	**$ -**	**$ -**	**$ -**	**$ 695,849**	**$ 556,499**	**$ 139,350**		-
Chateau:													
Aspen Grove Outdoor Seating BBQ and Landscaping	3351BD1703	41,400		41,400	-				41,400	-	41,400	In Progress	10,000
Dumpster enclosure – Village Green/Aspen Grove	3351BD2101	45,000		45,000	-				45,000	-	45,000	Delayed	
Total Facilities		**$ 86,400**	**$ -**	**$ 86,400**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 86,400**	**$ -**	**$ 86,400**		*10,000*

In progress with no carryover?

how can there be ongoing with no budget

How carryover more than remaining budget

if in process why not carried over?

If in process why no carryover

per definition delayed has no budget adjustment

per definition delayed has no budget adjustment must be carried over

As indicated there is no consistency in a carryover of a delayed project. See definition .

If delayed but not canceled amounts should be carried over.

Exhibit G 2 of 2

ATTACHMENT A
CAPITAL PROJECTS - CAPITAL ASSETS

Incline Village General Improvement District | **Capital Improvement Projects Report to the Board of Trustees** | **FY2021/22 CIP Status Report for the Quarter Ending June 30, 2022**

DESCRIPTION	PROJECT #	FY2021/22 Original Budget	Estimated Carry Forward	FY2021/22 Adopted Budget	Prior Year Carry- Forward	Projects Cancelled	Adjustments	Reallocation	FY2021/22 Adjusted Budget	Fiscal Year Expenditures As of 06/30/22	Variance	Status	Carry-Forward Recommendations
Diamond Peak Ski Resort:													
Base Lodge Walk In Cooler and Food Prep Reconfiguration	3453BD1806	-		-	40,000				40,000	8,602	31,398	In Progress	31,398
Loader Tire Chains (1-Set)	3463HE1722	9,750		9,750	-				9,750	-	9,750	In Progress	9,750
2002 Caterpillar 950G Loader #524	3463HE1723	265,000		265,000	-				265,000	-	265,000	In Progress	265,000
Replacement of 2011 Grooming Vehicle # 645	3463HE1728	400,000		400,000	-				400,000	400,000	-	Completed	
Ski Resort Snowmobile Fleet Replacement	3464LE1601	16,500		16,500	-				16,500	14,218	2,282	In Progress	14,295
Snowplow #304A	3464LE1729	19,000		19,000	-				19,000	-	19,000	In Progress	19,000
2014 Yamaha ATV #695	3464LV1730	19,000		19,000	-				19,000	17,896	1,104	Completed	
2013 Yamaha Rhino (ATV) #674	3464LV1732									20,167	(20,167)	Completed	
Snowmaking Infrastructure Replacement	3464SI1002	160,000		160,000	-				160,000	154,159	5,841	Completed	
Replace Child Ski Center Surface Lift	3467LE1703	75,000		75,000	-				75,000	55,565	19,435	In Progress	10,000
Replace Ski Rental Equipment	3468RE0002	-		-	514,840				514,840	255,707	259,133	In Progress	259,133
Replace Ski Lodge Facility Equipment	3469BD2101	115,000		115,000	-				115,000	-	115,000	In Progress	115,000
Ski Way and Diamond Peak Parking Lot Reconstruction	3469LI1805	-		-	500,000				500,000	-	500,000	Delayed	
Skier Services Administration Printer Copier	3499OE1502	10,000		10,000	-				10,000	-	10,000	In Progress	8,870
Total Diamond Peak		$ 1,089,250	$ -	$ 1,089,250	$ 1,054,840	$ -	$ -	$ -	$ 2,144,090	$ 926,313	$ 1,217,777		*732,446*

How a carryover exceeding remaining budget

This is not to be carried over Why?

DESCRIPTION	PROJECT #	FY2021/22 Original Budget	Estimated Carry Forward	FY2021/22 Adopted Budget	Prior Year Carry- Forward	Projects Cancelled	Adjustments	Reallocation	FY2021/22 Adjusted Budget	Fiscal Year Expenditures As of 06/30/22	Variance	Status	Carry-Forward Recommendations
Parks:													
2015 Ball Field Groomer #706	4378LE1742	-		-	24,000				24,000	-	24,000	Delayed	24,000
Pump Track	4378LI1604	80,000		80,000	-				80,000	1,804	78,196	In Progress	78,196
IVGID Community Dog Park	4378LI2104	75,000		75,000	-				75,000	4,128	70,872	In Progress	
2005 Pick-up Truck 4x4 (1-Ton) #554	4378LV1735	47,000		47,000	-				47,000	-	47,000	In Progress	45,166
Village Green Drainage and Park Improvement Project	4378RS2103	20,000		20,000	-				20,000	-	20,000	In Progress	20,000
Total Parks		$ 222,000	$ -	$ 222,000	$ 24,000	$ -	$ -	$ -	$ 246,000	$ 5,932	$ 240,068		*167,362*
Tennis:													
Total Tennis		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		
Recreation Center:													
Fitness Equipment	4886LE0001	53,000		53,000	-			(53,000)	-		-	Moved to Expense	
Rec Center Locker Room Improvements	4899FF1202	800,000		800,000	-		236,382		1,036,382	67,170	969,212	In Progress	969,212
2017 Chevy Compact SUV #751	4899LV1723	32,000		32,000	-				32,000	27,303	4,697	Completed	
Recreation Center Upstairs Lobby Restrooms Remodel	4884BD1902	-		-	124,933		52,556		177,489	195,753	(18,264)	Co'mpleted	
Recreation Center Expansion Project	4884BD2201	NEW					101,000		101,000	121,063	(20,063)	In Progress	
Total Recreation Center		$ 885,000	$ -	$ 885,000	$ 124,933	$ -	$ 389,938	$ (53,000)	$ 1,346,871	$ 411,289	$ 935,582		969,212

If in process why not carried over?

budget overrun

Total Community Service Fund

$1,966,553

DESCRIPTION	PROJECT #	FY2021/22 Original Budget	Estimated Carry Forward	FY2021/22 Adopted Budget	Prior Year Carry- Forward	Projects Cancelled	Adjustments	Reallocation	FY2021/22 Adjusted Budget	Fiscal Year Expenditures As of 06/30/22	Variance	Status	Carry-Forward Recommendations
Beach:													
Burnt Cedar Swimming Pool and Site Improvements	3970BD2601	3,350,000		3,350,000	256,579		-	(37,213)	3,569,366	3,216,455	352,911	Multi-Year	350,000
Beaches Flatscape and Retaining Wall Enhancement and Replacement	3972BD1501	55,000		55,000	55,000				110,000	-	110,000	Postponed	110,000
Incline Beach Kitchen	3973FF1204	7,260		7,260	-				7,260	-	7,260	In Progress	-
Burnt Cedar Beach Kitchen	3974FF1101	6,800		6,800	-				6,800	-	6,800	In Progress	-
Total Beach		$ 3,419,060	$ -	$ 3,419,060	$ 311,579	$ -	$ -	$ (37,213)	$ 3,693,426	$ 3,216,455	$ 476,971		*460,000*
District-wide Total		$ 10,538,448	$ 1,625,000	$ 12,163,448	$ 3,880,907	$ -	$ 545,298	$ (639,866)	$ 15,949,787	$ 6,027,362	$ 9,922,425		$ 8,818,437

if in process why not carried over?
If in procxess why not carried over

Does not agree to Memo which states $9,652,731 which also does not agree with Note 18 of CFAR

Several of the Red Line are related to the improper reporting of outstanding amounts carried forward into 2023.

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 *fax:* 312.977.4806

1/9/2023

Indra Winquest
General Manager
Incline Village General Improvement District, Nevada

Dear Mr. Winquest:

We are pleased to notify you that your annual comprehensive financial report for the fiscal year ended June 30, 2021 qualifies for GFOA's Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

When a Certificate of Achievement is awarded to a government, an Award of Financial Reporting Achievement (AFRA) is also presented to the individual(s) or department designated by the government as primarily responsible for its having earned the Certificate. This award has been sent to the submitter as designated on the application.

We hope that you will arrange for a formal presentation of the Certificate and Award of Financial Reporting Achievement, and give appropriate publicity to this notable achievement. A sample news release is included to assist with this effort.

We hope that your example will encourage other government officials in their efforts to achieve and maintain an appropriate standard of excellence in financial reporting.

Sincerely,

Michele Mark Levine

Michele Mark Levine
Director, Technical Services

January 14, 2023

THIS MEMORANDUM IS TO BE MADE PART OF THE NEXT AUDIT COMMITTEE MEETING AS CORRESPONDENCE FOR REVIEW.

TO: Board of Trustees and Audit Committee

From: Clifford F. Dobler

Re: Lack of FULL disclosure in Note 18 of the ACFR FOR FISCAL YEAR ENDING JUNE 30, 2022 and false approval of contracts to avoid requirements under NRS and Board Policies .

Under Note 18. Commitments Affecting Future Periods there are several errors regarding the contractual obligations resulting in encumbered funds at year end. EXHIBIT A

Approval of the contract with Asess America, Inc. - RFID Gates. It is extremely odd that this contract is included as of June 30, 2022. The $369,105 contract was brought to the Board for approval, as a consent item, on August 31, 2022, two months after the end of the fiscal year. There was no budget for fiscal 2022. A review of the data included in the consent item has an unexecuted and undated Equipment Purchase Agreement, a Request for Proposal dated July 29, 2022 but most important a detail proposal from Assess America, Inc. dated 6 months earlier on February 8, 2022. Conclusion - This contract may have been issued far in advance of the August 31, 2022 Board meeting. The contract amount and the required 30% cash down payment is included in the Note 18 of the ACFR. The down payment, however cannot be located as an expenditure in the Capital Projects report as of June 30, 2022. It would be impossible to have a contract approved in August and then list the contract as outstanding in June. This maneuver by IVGID staff was in violation of NRS regarding issuing contract in excess of available resources and board policy.

Errors and lack of disclosure regarding contractual obligations resulting in encumbered funds at year end - Note 18

The listed contract with Avail Enterprises, LLC for the Rec Center Lobby Restrooms indicates that no money was spent yet according to the June 30, 2022, Capital project report the project was completed and all expenditures exceeded the budget by $18,264 (10.3%). No budget augmentation was made.

The $975,843 Contract issued to Brycon on 4/13/2022 for the Rec Center Locker Rooms has NOT been included as a contractual obligations.

The original contract and subsequent amendments of $471,172 issued to HDR Engineering Inc., all, of which, were issued prior to June 30, 2022 **HAVE NOT** been included as a contractual obligation.

The original contract and subsequent amendments of $696,139 issued to Jacobs Engineering Group Inc., all of which, was issued prior to June 30, 2022, **HAVE NOT** been included as a contractual obligation.

The contract of $533,260 (which is net of $164,000 of trade ins) for 80 golf carts was issued to Club Car, LLC prior to June 30, 2022 and **HAS NOT** been included as a contractual obligation. As a side note. the carts were never delivered in fiscal year 2022.

The contract with Rapid Construction for $176,671 for the Slot Peak water main was approved on March 9, 2022 and **HAS NOT** been included as a contractual obligation.   The entire estimated costs of the project is $275,775 and consists of permits, staff time and a contingency.

In addition, replacement of Ski Equipment had a 2021/2022 budget of $514,840, of which, only $255,707 was spent in fiscal year ending June 30, 2022. There may be an outstanding commitment for the unspent funds but further research is required.

Additional study will be required determining the outstanding contractual obligation with Tyler Technology for the contract issued in October 2021.

It appears that Mr. Navazio and Mr. Winquest have concluded that contractual obligations can be for ***SELECTED*** capital improvement projects as they apparently see fit. I along with the new Board of Trustees would probably be interested in the selection process. Based on the over $3 million in contracts listed above which were not included in Note 18 it becomes quite apparent that Note 18 is quite deficient and again draws attention that no internal controls or oversight exists to prevent future errors.

Exhibit A - NOTE 18 to the June 30, 2022 ACFR

EXHIBIT A

18. COMMITMENTS AFFECTING FUTURE PERIODS

General Fund:

The District entered into an unemployment insurance contract with First Nonprofit Companies for total premiums of $220,800 for calendar year 2022 services. As of June 30, 2022, $110,400 in quarterly deposits are remaining as a part of the subsequent year's budget.

Capital Improvement Project Budget Carry-Forward:

The District budgets for capital improvement projects one year at a time for spending authority. The actual execution of construction or acquisition can span one or more fiscal years. The District identifies carryover and unspent budget authority for those projects. The amounts for governmental fund types are re-budgeted for the subsequent fiscal year. The unused Utility Fund, Community Services Fund, and Beach Fund resources become part of Unrestricted Net Position, and are budgeted under cash flow on the State of NV budget forms. Board-approved amounts carried-forward at year-end are as follows:

General Fund	$ 124,300
Utility Fund	5,887,795
Community Services Fund	3,125,713
Beach Fund	689,223

The District has committed to contractual obligations for selected capital improvement projects through contracts, resulting in encumbered funds at year-end. These are included in the appropriations carry-forward to the FY2022/23 budget, and are summarized as follows:

What does this mean? should it be carried forward

Contractor	Project	Contract Amount	Completed (6/30/22)	Remaining Amount
CORE West, Inc	Burnt Cedar Pool Imp	$3,845,865	$3,567,790	$ 278,075
Avail Enterprises, LLC	Rec Center Lobby	159,832	-	159,832
Ward-Young Architects	Rec Center Lobby	36,724	32,724	4,000
Ward-Young Architects	Rec Center Locker Room	91,972	85,904	6,068
Granite Construction	Effluent Pipeline	369,218	190,609	178,609
Axess America	RFID Gates	369,105	105,458	263,647

19. STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District's estimated share of abatements for this fiscal year is $19,732.

20. PRIOR PERIOD ADJUSTMENT(S)

The Statement of Activities includes prior period adjustments resulting from changes in accounting practices, as follows:

In fiscal year 2022 the District returned the Community Services fund and the Beach fund to proprietary fund accounting. This change in accounting method requires a prior period adjustment for long term assets and long term liabilities reported under the proprietary fund method that are not reported under the governmental fund method. The total of the prior period adjustment is $75,199,871 as stated in the Statement of Activities.

January 21, 2023 -

to be included as part of the Board and Audit Committee next agendas

To: IVGID Board of Trustees and Audit Committee

cc: Indra Winquest and Paul Navazio

Re: Unauthorized change in reporting from fiscal 2021 to 2022 for the Community Services venues

For several years through 2021, the Comprehensive Annual Financial Report provided supplementary information comparing actual revenues and expenses to budgeted amounts. For the Community Services, each venue within the Fund was listed. This provided a reader the ability to determine how each venue performed against the budget and the profit or loss from operating the venues. This information was required Supplementary Information in the audited reports. EXHIBIT A

In 2022, Mr. Navazio without any authority, proper stewardship and denying any discussion with the Board or the Audit Committee decided to eliminate reporting revenues and expenses by EACH venue. Instead he provide only a consolidated amount for the Community Services Fund. The information was now considered Supplementary Information EXHIBIT B not subject to any audit requirements and therefore could continue to be reported by venue. As a result, there is "not a single stitch" of information provided on how each venue performed during the fiscal year.

Why? If the name of the game is to provide transparency why would compressing information to provide less transparency be considered appropriate?

This action, along with many others, created by Mr. Navazio in preparing financials are not consistent from year to year and is inappropriate.

"The consistency principle states that ***business should maintain the same accounting methods or principles throughout the accounting periods****, so that users of the financial statements or information are able to make meaningful conclusions from the data".*

On smaller matters, the facility fees which has been a standard has now been called a "recreation fee" in two cases. This, of course, is to manipulate consistency. In another case, the net position in the Statement of Net Position for the Community Services Fund EXHIBIT C does not agree with the total net position in the statement of Revenues, Expenses and Changes in Net Position EXHIBIT B.

Please explain why the Community Services and Beach Funds were removed from ***Required*** Supplemental Information to just Supplemental Information?

So what are you going to do about these inconsistencies? Is it your intent to let Mr. Navazio run unchecked and report what his pleasure might be? What about that concept of transparency?

- Exhibit A - 2021 - Required Supplementary Information - Statement of Revenues, Expenses and changes in Fund Balance.
- Exhibit B - 2022 - Supplementary Information - Statement of Revenues, Expenses and changes in Net Position
- Exhibit C - 2022 - Statement of Net Position

EXHIBIT A - 2021 - three pages

INCLINE VILLAGE

GENERAL IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Charges for Services				
Championship Golf	$ 3,391,290	$ 3,391,291	$ 3,214,950	$ (176,341)
Mountain Golf	818,834	818,834	809,745	(9,089)
Facilities	1,440,299	1,440,299	790,683	(649,616)
Ski	10,148,735	10,148,734	10,206,918	58,184
Community Programming	1,007,900	1,007,900	1,014,837	6,937
Parks	38,700	26,600	22,350	(4,250)
Tennis	100,400	100,400	156,631	56,231
Recreation Administration	(317,830)	(317,830)	(123,602)	194,228
Facility Fee:				
Championship Golf	32,812	32,812	33,019	207
Mountain Golf	221,481	221,481	222,882	1,401
Facilities	41,015	41,015	41,275	260
Ski	(1,640,400)	(1,640,400)	(1,650,784)	(10,384)
Community Programming	1,222,098	1,222,098	1,229,835	7,737
Parks	729,978	729,978	734,600	4,622
Tennis	114,828	114,828	115,555	727
Recreation Administration	1,041,833	1,041,833	1,009,230	(32,603)
Operating Grants	17,000	17,000	17,000	-
Interfund Services	98,849	98,849	91,769	(7,080)
Intergovernmental Services	21,700	21,700	36,997	15,297
Investment Earnings	52,500	52,500	4,471	(48,029)
Miscellaneous	118,130	130,230	119,697	(10,533)
Total revenues	18,700,152	18,700,152	18,098,058	(602,094)
EXPENDITURES				
Culture and Recreation - All Functions:				
Function Summary (see next page)	18,149,871	18,149,869	15,289,187	2,860,682
Total expenditures	18,149,871	18,149,869	15,289,187	2,860,682
Excess (deficiency) of revenues over expenditures	550,281	550,283	2,808,871	2,258,588
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	52,250	52,250
Transfers In	-	-	(537,835)	(537,835)
Transfers Out - Capital Projects	(5,594,546)	-	-	-
Net change in fund balance	(5,044,265)	550,283	2,323,286	1,773,003
Fund Balance, July 1, as reported	15,280,913	15,280,913	15,280,913	-
Prior period adjustment	(1,637,400)	(1,637,400)	(1,637,400)	-
Fund balance, July 1 as adjusted	13,643,513	13,643,513	13,643,513	-
Fund balance, June 30	$ 8,599,248	$ 14,193,796	$ 15,966,799	$ 1,773,003

Note: The State Budget Form 4404LGF recognized the Total Facility Fee revenue in the Community Services and Beach fund, while utilizing transfers to the Capital Projects and Debt Service Funds for expenditure by those Funds.

See notes to required supplementary information

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES				
Community Services:				
Championship Golf				
Salaries and Wages	$ 1,258,610	$ 1,258,610	$ 1,170,676	$ 87,934
Employee Benefits	364,034	364,034	349,938	14,096
Services and Supplies	2,094,835	2,094,834	1,821,891	272,943
Subtotal Championship Golf	3,717,479	3,717,478	3,342,505	374,973
Mountain Golf				
Salaries and Wages	409,731	409,731	346,777	62,954
Employee Benefits	117,206	117,206	112,455	4,751
Services and Supplies	614,272	614,272	554,768	59,504
Subtotal Mountain Golf	1,141,209	1,141,209	1,014,000	127,209
Facilities				
Salaries and Wages	446,134	446,134	329,647	116,487
Employee Benefits	193,412	193,412	155,209	38,203
Services and Supplies	865,037	865,037	520,861	344,176
Subtotal Facilities	1,504,583	1,504,583	1,005,717	498,866
Ski				
Salaries and Wages	3,135,849	3,135,849	2,740,266	395,583
Employee Benefits	1,050,665	1,050,665	902,189	148,476
Services and Supplies	3,888,829	3,888,828	2,961,304	927,524
Subtotal Ski	8,075,343	8,075,342	6,603,759	1,471,583
Community Programming				
Salaries and Wages	1,037,021	1,037,021	966,114	70,907
Employee Benefits	327,605	327,605	274,637	52,968
Services and Supplies	847,529	847,529	697,660	149,869
Subtotal Community Programming	2,212,155	2,212,155	1,938,411	273,744
Parks				
Salaries and Wages	313,796	313,796	317,963	(4,167)
Employee Benefits	82,979	82,979	76,041	6,938
Services and Supplies	459,760	459,760	364,175	95,585
Subtotal Parks	856,535	856,535	758,179	98,356
Tennis				
Salaries and Wages	108,530	108,530	129,469	(20,939)
Employee Benefits	28,038	28,038	22,018	6,020
Services and Supplies	90,213	90,213	97,573	(7,360)
Subtotal Tennis	226,781	226,781	249,060	(22,279)
Community Services Administration				
Salaries and Wages	147,970	147,970	158,671	(10,701)
Employee Benefits	61,384	61,384	50,263	11,121
Services and Supplies	206,432	206,432	168,622	37,810
Subtotal Recreation Administration	415,786	415,786	377,556	38,230
Function Subtotal	$ 18,149,871	$ 18,149,869	$ 15,289,187	$ 2,860,682

See notes to required supplementary information

Incline Village

General Improvement District

Supplementary Information

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUALS
FOR THE YEAR ENDED JUNE 30, 2022

NO VENUES

	Budgeted Amounts			
	Original	Final	Actual	Variance
OPERATING REVENUES				
Sales and fees	$ 18,161,582	$ 18,161,582	$ 18,590,272	(428,690)
Rents income	12,100	12,100	-	12,100
Operating grants	34,800	34,800	17,000	17,800
Recreation fee	820,300	820,300	830,977	(10,677)
Interfund services	99,911	99,911	149,813	(49,902)
Total operating revenues	19,128,693	19,128,693	19,588,062	(459,369)
OPERATING EXPENSES				
Wages and benefits	9,692,809	9,692,809	9,037,152	655,657
Cost of goods sold	1,688,855	1,688,855	1,305,464	383,391
Services and supplies	5,012,480	5,660,360	4,941,072	719,288
Defensible space	100,000	100,000	77,970	22,030
Central services cost	980,404	980,404	999,759	(19,355)
Insurance	403,100	403,100	442,932	(39,832)
Utilities	1,258,234	1,258,234	1,125,484	132,750
Professional fees	44,625	44,625	26,690	17,935
Depreciation	3,415,427	3,415,427	2,960,293	455,134
Total operating expenses	22,595,934	23,243,814	20,916,816	2,326,998
Operating income	(3,467,241)	(4,115,121)	(1,328,754)	(2,786,367)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings (losses)	26,250	26,250	(62,789)	89,039
Gain on sales of assets	-	-	326,284	(326,284)
Insurance proceeds	-	-	97,894	(97,894)
Capital Grants	80,000	80,000	47,927	32,073
Lease Revenue	-	-	131,523	(131,523)
Miscellaneous revenue	118,130	118,130	2,172	115,958
Interest on bond debt	(12,840)	(12,840)	(12,501)	(339)
Total nonoperating revenues (expenses)	211,540	211,540	530,510	(318,970)
Change in net position	(3,255,701)	(3,903,581)	(798,244)	(3,105,337)
Total net position, July 1, as reported	-	-	-	-
Prior Period Adjustment	65,101,292	65,101,292	65,470,954	(369,662)
Total net position, July 1, as adjusted	65,101,292	65,101,292	65,470,954	(369,662)
Total net position, June 30	$ 61,845,591	$ 61,197,711	$ 64,672,710	$ (3,474,999)

EXHIBIT C - 2022

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 18,710,558	$ 18,715,561	$ 6,024,608	$ 100,260	$ 43,550,987
Accounts receivable	1,508,619	26,792	-	-	1,535,411
Lease receivable	-	1,749,412	-	-	1,749,412
Grants receivable	12,881	-	-	-	12,881
Due from other governments	-	24,032	118,434	-	142,466
Inventories	165,127	589,751	-	123,601	878,479
Prepaid expenses	-	-	762	-	762
Total current assets	20,397,185	21,105,548	6,143,804	223,861	47,870,398
Noncurrent assets:					
Contractual deposits	100	6,075	-	-	6,175
Restricted deposit for debt service reserve	230,729	-	-	-	230,729
Restricted for TRPA Deposits	94,189	135,951	1,000	-	231,140
Total noncurrent assets	325,018	142,026	1,000	-	468,044
Capital Assets:					
Land	6,715,544	12,315,573	2,304,850	-	21,335,967
Construction in progress	1,498,869	537,741	-	-	2,036,610
Buildings and structures	15,959,753	33,627,523	7,234,499	-	56,821,775
Improvements and Infrastructure	113,353,076	35,896,434	2,038,694	-	151,288,204
Right-to-use assets	-	78,537	-	-	78,537
Equipment and vehicles	3,797,362	12,536,411	529,560	240,596	17,103,929
Total capital assets	141,324,604	94,992,219	12,107,603	240,596	248,665,022
Less: accumulated depreciation	(80,208,266)	(45,929,003)	(3,678,075)	(199,352)	(130,014,696)
Total capital assets (net)	61,116,338	49,063,216	8,429,528	41,244	118,650,326
Total noncurrent assets	61,441,356	49,205,242	8,430,528	41,244	119,118,370
Total assets	81,838,541	70,310,790	14,574,332	265,105	166,988,768
LIABILITIES					
Current liabilities:					
Accounts payable	582,227	360,569	441,905	52,198	1,436,899
Accrued personnel costs	172,357	529,059	112,466	100,726	914,608
Accrued interest payable	38,837	4,328	71	-	43,236
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	11,939	-	11,939
Unearned revenue	183,519	1,824,668	39,243	-	2,047,430
Deposits payable	-	440,102	-	-	440,102
Current portion of compensated absences	82,417	101,232	9,757	24,774	218,180
Current maturities of long-term debt	569,407	384,429	6,291	-	960,127
Lease payable due within one year	-	30,401	-	-	30,401
Total current liabilities	1,628,764	3,674,788	621,672	369,985	6,295,209
Non-current liabilities:					
Compensated absences	218,510	209,876	17,866	46,010	492,262
Non-current long term debt	2,422,983	-	-	-	2,422,983
Lease payable due in more than one year	-	12,365	-	-	12,365
Total non-current liabilities	2,641,493	222,241	17,866	46,010	2,927,610
Deferred lease inflows	-	1,695,703	-	-	1,695,703
Total liabilities and deferred inflows	4,270,257	5,592,732	639,538	415,995	10,918,522
NET POSITION					
Net investment in capital assets	58,123,948	48,678,787	8,423,237	41,244	115,267,216
Restricted	325,018	142,026	1,000	-	468,044
Unrestricted	19,119,318	15,897,245	5,510,557	(192,134)	40,334,986
Total net position	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

January 23, 2023

This memo is to be included in the next Board and Audit Committee packet

To: Darren Howard

From: Clifford F. Dobler

CC: Indra Winquest, Paul Navazio, IVGID Board of Trustees, IVGID Audit Committee

Re: Item E.3A - Report - Facilities (Weddings and Events) - Multiple errors or lack of complete information - Board Packet 12-14-2022

It is hard to imagine that a six page report prepared and presented by you as the Director of Community Services could be so convoluted. I would guess your pay package, including, benefits may be close to $200,000 annually. Maybe you should stick to providing golf lessons and appeasing golf club bosses, but stay away from financial reporting. I have attached the report which are pages 34 to 39 of the Board Packet for 12-14-2022. I have made comments in red and also provided comments below. This report, as presented, should be archived in a waste paper basket and removed from the agenda so citizens will not be subject to bad information.

Page 34 -

- Most summary narratives have a heading.
- I am unaware of an engagement season (Holidays). Is this an IVGID invention? If so what are the dates for the "season"?
- The entire summary discusses weddings with no mention of the Community Events or the large number (134) of unknown events which are buried with weddings.
- The claim that wedding guest counts are trending lower close to 100-150 is fine but compared to what?

Page 35 -

- The heading states Summary of Events and Revenue. On page 34 it states Weddings and Events. Where is the word Wedding on page 35 heading?
- States "YTD 2022/23" but gives no date nor the time period.
- What are the asterisk for 2019/20 and 2020/21?
- States 327 events for 2021/22 with 108 Community Events and 85 Wedding. What are the remaining 134 events? Since they represent 41% of all EVENTS why is there not a separate line item with facts on these unknown events? What are these 134 undisclosed events and how do they distort Weddings. To mix venue fees and the food and beverage with Weddings does not seem appropriate. There is certainly enough space on the page.
- 2019 and 2021 actual numbers do not agree to the actuals in the 2023 Budget executive summaries.
- Why is the venue fee less than $27 per community event? Seems low.

Page 36.

- This page is worthless.
- The left pie chart uses Facility Revenue rather than Venue Fees. Only states weddings and community events but leaves off other events which represent 41% of all events.
- Right pie chart does not provide a date. The chart is wrong. Assuming it is for 2021/22, Community events only make up 33% of all events. Yet the orange color is over 50%.
-

Page 37 & 38.

- These pages could not possibly be correct.
- Why is there a comparison for three single date? Is it guests, revenues and expenses which occurred on those dates? It would seem impossible that on each of the dates the same number of guests occurred between Non Picture Pass Holder and Picture Pass holders? Is it possible that expenses would also be identical? I doubt it.
- Stating expenses before revenues is never done. Is this golf pro accounting?
- What purpose do these pages serve?

Page 39

- Why are budgets verses actual being compared for the golf season. Weddings do not only occur during the golf season but year round. This page serves no purpose.

In closing why provide this useless information to the Board and the Public? It truly severs no purpose and shows a certain degree of bad management. If you want to seek my advice on providing a meaningful report in the future, give me a call.

Exhibit A - 6 page presentation of Facilities - December 14, 2022 with comments in red.

EXHIBIT A - 6 pages with comments

Summary

Has no meaning

As we approach engagement season (Holidays), we expect to fill in the 2023 wedding and event calendar. The weddings and events industry locally has seen a shift in booking windows and popular dates. Venues are being reserved within

What are the months?

a 6-9 month timeframe and we are beginning to see a rise in interest for

the past?

September and October dates again considering the Tahoe Basin was minimally affected by smoke this past Fall. Guest counts for weddings are trending closer

as apposed to

to 100-150. Although guest counts are slightly lower, check average/revenue per

how many?

person has and will continue to increase.

2021/2022, we saw a surge in weddings booked considering there were a lot of engaged couples who were finally able to gather and have their weddings. We may see that sense of urgency taper off a touch this 2023 season.

No mention of community events or other unknown events.

Summary of Events and Revenue

-	2019/20*	2020/21*	2021/22	*YTD 2022/23*
Total Number of Events	369	272	327	*152*
Venue fees paid Community Events	$8,634	$4,616	$2,900	*$5,356*
Food & Bev for Community Events	$199,872	$81,695	$217,896	*$153,123*
Number of Community Events	158	81	108	*79*
# of Guests at Community Events w/F&B	8,032	2,645	5,294	*4,075*
Total Venue Fee paid by Weddings/Events	$294,600	$236,019	$363,353	*$206,914*
Food & Bev for Weddings/Events	$638,061	$384,450	$971,939	*$439,021*
Number of Weddings	64	67	85	*34*
Number of Wedding Guests	6,670	3,851	8,115	*3,261*

what is the days to date. Is it fiscal or done similar to golf

$68 per 79 events

only 113 events

where is the other

39 events?

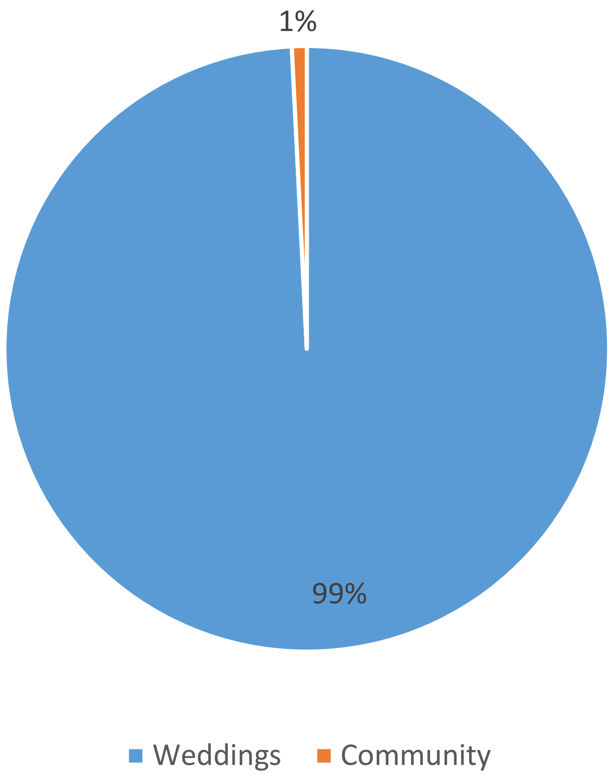
One District ~ One Team

073

Worthless page.

Venue Fees

2021/2022 ~~Facility~~ Revenue



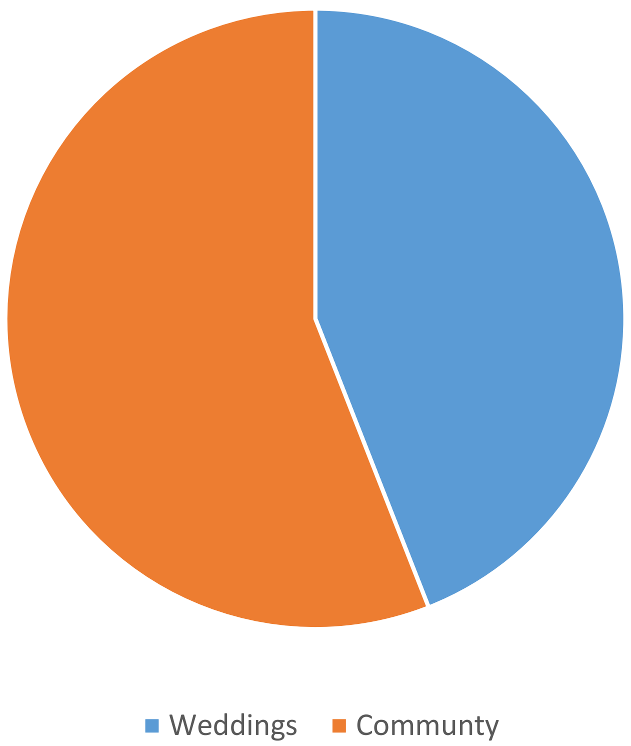
excluded events hidden in Weddings.

NO date

Number of Events

Community events would be more than 70%

This chart is wrong



Same

074

Is this page and the next only for 3 days?

This page and the next have no menaaning

Wedding Expenses & Revenues

Non-Picture Pass Holder

07/09/2022 Chateau Wedding – 139 guests	
Total Expenses	$14,810
Total Revenue	$33,642
Total Profit or (Loss)	$18,832
Profit/(Loss) % of Rev	56%

8/16/2022 Chateau Wedding – 56 guests	
Total Expenses	$7,904
Total Revenue	$15,517
Total Profit or (Loss)	$7,414
Profit/(Loss) % of Rev	48%

what is the period?

Picture Pass Holder - 25 % Discount

07/09/2022 Chateau Wedding – 139 guests	
Total Expenses	$14,810
Total Revenue	$31,395
Total Profit or (Loss)	$16,854
Profit/(Loss) % of Rev	54%

Guests are the same?

Expenses are the same?

8/16/2022 Chateau Wedding – 56 guests	
Total Expenses	$7,904
Total Revenue	$13,857
Total Profit or (Loss)	$5,952
Profit/(Loss) % of Rev	43%

Guests are the same?

Expenses are the same.?

WHAT PURPOSE DOES THIS SERVE.

Wedding Expenses & Revenues

Non-Picture Pass Holder

08/27/2022 Aspen Grove Wedding – 72 guests	
Total Expenses	$5,984
Total Revenue	$13,636
Total Profit or (Loss)	$7,502
Profit/(Loss) % of Rev	55%

Picture Pass Holder – 25% Discount

08/27/2022 Aspen Grove Wedding – 72 guests	
Total Expenses	$5,984
Total Revenue	$12,386
Total Profit or (Loss)	$6,402
Profit/(Loss) % of Rev	52%

WHAT PURPOSE DOES THIS SERVE.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
STATEMENT OF SOURCES AND USES
FACILITIES

JUNK

GOLF SEASON ACTUAL TO BUDGET COMPARISON

Really?

Weddings are year round.

November 2021 - October 2022

	Adopted Budget	YTD Actual	Remaining Budget
SOURCES			
Charges for Services	1,251,569	1,558,075	306,506
Facility Fees	73,456		(73,456)
Investment Earnings	(60)	473	533
Transfers In	175,191	173,220	(1,971)
TOTAL SOURCES	1,500,156	1,731,768	231,612
USES			
Salaries and Wages	499,317	487,069	12,248
Employee Fringe	228,027	243,400	(15,374)
Total Personnel Cost	727,344	730,469	(3,126)
Professional Services	-	859	(859)
Services and Supplies	526,799	546,599	(19,800)
Insurance	12,400	8,148	4,252
Utilities	57,786	66,322	(8,535)
Cost of Goods Sold	36% 452,500	25% 390,876	61,624
Central Services Cost	100,624	59,239	41,385
Capital Improvements	10,000	(3,150)	13,150
Debt Service	3,933	66	3,867
TOTAL USES	1,891,386	1,799,427	91,959
SOURCES(USES)	(391,229)	(67,658)	323,571

What is this? Decided not to charge Rec Fee

Weddings and Events

transfers in would be the Facility Fee

Not realistic that C of G would fall by 1/3

Hard to imagine negative capital improvements

January 30, 2023

To be included as correspondence in the February 7, 2023 Audit Committee Agenda

To: IVGID Board of Trustees and Audit Committee

CC: Indra Winquest, Paul Navazio

Re: Follow-up on my memo on January 9, 2023 - Investment Earnings 2022 fiscal year AFCR

As stated in my previous memo, the Proprietary funds Statement of Revenues, Expenses and Changes in Net Position (Exhibit B) had Investment Earnings losses of $94K which did not jive with the investment earnings gains of $198K in the Statement of Cash Flows (Exhibit C).

Since I did not expect an explanation from Mr. Navazio, I will provide it.

According to Note 2 of the 2022 AFCR "Cash Equivalents and Investment" (Exhibit D), long term investments were made in Certificate of Deposits (CD's) and US Government Agency Securities (USGAS) of $4.7million. The maturities stretch to 2027.

As interest rates rose this past year, the value of the CD's and the USGAS declined, therefore a loss in value on a poor investment choice occurred. A loss in value is NOT an investment earning, it is a loss. Coupon interest from the investments is interest earned. By combining the interest earned with the loss in value, the financial statements are unclear. There should be two line items 1) Interest earnings and loss on investments. This approach is proper reporting.

It is extremely odd that the Utility Fund with almost identical cash and cash equivalents as the Community Service Fund ($18.7 million each) would have vastly different results of "investment earnings" in the Statement of Cash Flows. This does not appear logical unless all the Utility Fund cash was invested short term. Also according to Mr. Navazio all investment income or loss would be allocated based on a percentage in each fund to the total.

Under ASSETS in the Statement of Net Position (Exhibit A) the word investments should be added to Cash and Cash equivalents. It is unclear why investments (Certificate of Deposits and US Government Agency Securities having maturities extending beyond one year would be considered as cash equivalents. According to GAAP:

"Cash equivalents are any short-term investment securities with maturity periods of 90 days or less. They include bank certificates of deposit, bankers acceptances, Treasury bills, commercial paper, and other money market instruments."

Unless there are unknown circumstances the investments over one year should be reported as long term investments and the investments over 90 days but less than one year should be reported as short term investments.

On another matter, the labeling of cash and cash equivalents should be consistent throughout the AFCR. In the Statement of Cash flows the word investments is added to the cash and cash equivalents but no indication of investments is stated in the Statement of Net Position.

Lastly, included on the Statement of Cash Flows, restricted deposits have been included as cash, cash equivalents and investments. The deposits are restricted and should not be included since the amounts are held in the event of a failure to pay debt service or failure in completing a capital project and have constraints and are certainly not investments.

- Exhibit A - Statement of Net Position
- Exhibit B - Statement of Revenues, Expenses and Change in Net Position
- Exhibit C - Statement of Cash Flow
- Exhibit D - Note 2 - Cash, Cash Equivalents and Investments

EXHIBIT A

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 18,710,558	$ 18,715,561	$ 6,024,608	$ 100,260	$ 43,550,987
Accounts receivable	1,508,619	26,792	-	-	1,535,411
Lease receivable	-	1,749,412	-	-	1,749,412
Grants receivable	12,881	-	-	-	12,881
Due from other governments	-	24,032	118,434	-	142,466
Inventories	165,127	589,751	-	123,601	878,479
Prepaid expenses	-	-	762	-	762
Total current assets	20,397,185	21,105,548	6,143,804	223,861	47,870,398
Noncurrent assets:					
Contractual deposits	100	6,075	-	-	6,175
Restricted deposit for debt service reserve	230,729	-	-	-	230,729
Restricted for TRPA Deposits	94,189	135,951	1,000	-	231,140
Total noncurrent assets	325,018	142,026	1,000	-	468,044
Capital Assets:					
Land	6,715,544	12,315,573	2,304,850	-	21,335,967
Construction in progress	1,498,869	537,741	-	-	2,036,610
Buildings and structures	15,959,753	33,627,523	7,234,499	-	56,821,775
Improvements and Infrastructure	113,353,076	35,896,434	2,038,694	-	151,288,204
Right-to-use assets	-	78,537	-	-	78,537
Equipment and vehicles	3,797,362	12,536,411	529,560	240,596	17,103,929
Total capital assets	141,324,604	94,992,219	12,107,603	240,596	248,665,022
Less: accumulated depreciation	(80,208,266)	(45,929,003)	(3,678,075)	(199,352)	(130,014,696)
Total capital assets (net)	61,116,338	49,063,216	8,429,528	41,244	118,650,326
Total noncurrent assets	61,441,356	49,205,242	8,430,528	41,244	119,118,370
Total assets	81,838,541	70,310,790	14,574,332	265,105	166,988,768
LIABILITIES					
Current liabilities:					
Accounts payable	582,227	360,569	441,905	52,198	1,436,899
Accrued personnel costs	172,357	529,059	112,466	100,726	914,608
Accrued interest payable	38,837	4,328	71	-	43,236
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	11,939	-	11,939
Unearned revenue	183,519	1,824,668	39,243	-	2,047,430
Deposits payable	-	440,102	-	-	440,102
Current portion of compensated absences	82,417	101,232	9,757	24,774	218,180
Current maturities of long-term debt	569,407	384,429	6,291	-	960,127
Lease payable due within one year	-	30,401	-	-	30,401
Total current liabilities	1,628,764	3,674,788	621,672	369,985	6,295,209
Non-current liabilities:					
Compensated absences	218,510	209,876	17,866	46,010	492,262
Non-current long term debt	2,422,983	-	-	-	2,422,983
Lease payable due in more than one year	-	12,365	-	-	12,365
Total non-current liabilities	2,641,493	222,241	17,866	46,010	2,927,610
Deferred lease inflows	-	1,695,703	-	-	1,695,703
Total liabilities and deferred inflows	4,270,257	5,592,732	639,538	415,995	10,918,522
NET POSITION					
Net investment in capital assets	58,123,948	48,678,787	8,423,237	41,244	115,267,216
Restricted	325,018	142,026	1,000	-	468,044
Unrestricted	19,119,318	15,897,245	5,510,557	(192,134)	40,334,986
Total net position	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

EXHIBIT B

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
OPERATING REVENUES					
Sales and fees	$ 12,885,588	$ 18,590,272	$ 750,123	$ -	$ 32,225,983
Recreation fee	-	830,977	5,259,704	-	6,090,681
Operating grants	22,138	17,000	-	-	39,138
Interfund services	122,384	149,813	-	2,594,923	2,867,120
Total operating revenues	13,030,110	19,588,062	6,009,827	2,594,923	41,222,922
OPERATING EXPENSES					
Wages and benefits	4,210,437	9,037,152	1,002,834	1,788,304	16,038,727
Cost of goods sold	10,212	1,305,464	1,652	-	1,317,328
Services and supplies	2,971,167	4,941,072	350,475	947,279	9,209,993
Defensible space	77,969	77,970	-	-	155,939
Central services cost	445,092	999,759	93,956	-	1,538,807
Insurance	211,382	442,932	39,371	15,829	709,514
Utilities	931,759	1,125,484	103,507	9,878	2,170,628
Professional fees	175,021	26,690	4,293	525	206,529
Depreciation	3,285,127	2,960,293	188,686	10,541	6,444,647
Total operating expenses	12,318,166	20,916,816	1,784,774	2,772,356	37,792,112
Operating income (loss)	711,944	(1,328,754)	4,225,053	(177,433)	3,430,810
NONOPERATING REVENUES (EXPENSES)					
Investment earnings (loss)	(57,286)	(17,441)	(19,005)	(671)	(94,403)
Insurance proceeds	-	97,894	-	-	97,894
Gain on sales of assets	9,096	-	-	-	9,096
Lease revenue	500	131,523	-	-	132,023
Miscellaneous revenue	-	328,456	-	-	328,456
Interest on bond debt	(81,563)	(12,501)	(169)	-	(94,233)
Total nonoperating revenues (expenses)	(129,253)	527,931	(19,174)	(671)	378,833
Income before transfers and contributions	582,691	(800,823)	4,205,879	(178,104)	3,809,643
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Grants	-	47,927	-	-	47,927
Change in net position	582,691	(752,896)	4,205,879	(178,104)	3,857,570
Total net position, July 1, as previously reported	76,985,593	-	-	27,214	77,012,807
Prior Period Adjustment	-	65,470,954	9,728,915	-	75,199,869
Total net position, July 1, as adjusted	76,985,593	65,470,954	9,728,915	27,214	152,212,676
Total net position, June 30	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

EXHIBIT C

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 12,766,774	$ 20,371,990	$ 5,974,106	$ -	$ 39,112,870
Receipts from interfund services provided	122,384	149,813	-	2,594,923	2,867,120
Payments to suppliers	(4,532,707)	(8,917,646)	(949,796)	(812,612)	(15,212,761)
Payments to employees	(4,070,858)	(8,296,220)	(870,745)	(1,678,828)	(14,916,651)
Net cash provided (used) by operating activities	4,285,593	3,307,937	4,153,565	103,483	11,850,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(715,805)	(2,430,733)	(3,209,295)	(2,552)	(6,358,385)
Proceeds from sale of assets	9,096	-	-	-	9,096
Insurance proceeds	-	97,894	-	-	97,894
Lease proceeds	500	176,871	-	-	177,371
Proceeds from capital grants	-	47,927	-	-	47,927
Payments on capital debt	(553,842)	(370,264)	(6,059)	-	(930,165)
Interest paid on long term debt	(89,292)	(13,500)	(237)	-	(103,029)
Net cash provided (used) by capital and related financing activities	(1,349,343)	(2,491,805)	(3,215,591)	(2,552)	(7,059,291)
CASH FLOWS FROM INVESTING ACTIVITIES					
Long-term investments matured	1,507,905	760,122	-	-	2,268,027
Investment earnings (losses)	(53,496)	271,192	(19,005)	(671)	198,020
Net cash provided (used) by investing activities	1,454,409	1,031,314	(19,005)	(671)	2,466,047
Net change in cash and cash equivalents	4,390,659	1,847,446	918,969	100,260	7,257,334
Cash and cash equivalents, July 1	14,644,917	17,010,141	5,106,639	-	36,761,697
Cash, cash equivalents and investments, June 30	$ 19,035,576	$ 18,857,587	$ 6,025,608	$ 100,260	$ 44,019,031

(Continued)

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At year-end, the carrying amount of the District's checking deposits was $14,947,779 while the bank balance was $15,064,370.92. Of the bank balance, $250,000 was covered by Federal Depository Insurance Coverage and the balance was covered by pledged collateral under an arrangement with the State of Nevada on behalf of all local units of government.

Cash Equivalents and Investments at June 30, 2022 consist of:

Operating Checking Accounts	$14,947,779
Petty cash and change funds	45,905
Nevada Local Government Investment Pool	
(average weighted maturity of 130 days)	
General LGIP Account	15,112,303
US Government Money Market	14,650,116
Government Agency Securities	3,346,240
Certificates of Deposit	1,392,644
Total Cash Equivalents and Investments	$49,494,987
Restricted Deposits	$ 461,870

Investments at June 30, 2022 consist of:

General LGIP Account	15,112,303
US Government Money Market	14,650,116
Government Agency Securities	3,346,240
Certificates of Deposit	1,392,644
LGIP – Restricted Deposits	461,870
Total Investments	$34,963,174

A portion of the District's investments are placed with Wells Fargo Bank as custodian in the US Government Money Market, where fair value is determined by multiplying the number of trading units held, by the quoted market value on that date.

The District is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The District's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares.

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments. The District has adopted a formal investment policy that meets those limits and maturities for its investment choices. Essentially those investments are brokered certificates of deposit and government agencies.

The District categorizes its fair value measurements for investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs.

Fair Value Measurements as of June 30, 2022

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Certificates of Deposit		$ 1,392,644		$ 1,392,644
Government Agency Securities		3,346,241		3,346,241
Investments not subject to fair value measurement hierarchy				
Interest Bearing Amounts - Investments				4,738,885
US Government Money Market				14,650,116
LGIP at Net Asset Value (Cash Equivalent)				15,112,303
LGIP Restricted Deposits at Net Asset Value				461,870
Total Fair Value Measurements				$ 34,963,174

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. To the extent possible, the District's portfolio shall remain sufficiently liquid so as to support near-term operating and capital expenditures. In so doing, the portfolio will have limited interest rate risk associated with long-term investments.

Investment Maturities by Investment Type as of June 30, 2022

	2023	2024	2025	2026	2027	Total
Certificates of Deposit	$ -	$ -	$ 469,275	$ 463,508	$ 459,861	$ 1,392,644
Government Agency Securities	980,034	963,324	952,233	450,650	-	3,346,241
US Government Money Market	14,650,116	-	-	-	-	14,650,116
LGIP as Cash Equivalent	15,112,303	-	-	-	-	15,112,303
LGIP - Restricted Deposits	461,870	-	-	-	-	461,870
All Investment Types						$ 34,963,174

		Ratings as of Year End					
	Total	AAA	AA+	AA-	A+	A-	Not Rated
Certificates of Deposit *	$ 1,392,644						$ 1,392,644
Government Agency Securities **	3,346,241	3,346,241					
US Government Money Market	14,650,116						14,650,116
LGIP as Cash Equivalent	15,112,303						15,112,303
LGIP - Restricted Deposits	461,870						461,870
	$ 34,963,174	$ 3,346,241	$ -	$ -	$ -	$ -	$ 30,224,289

* Federally-insured bank CD's

** Moody's assigns government agency debt securities "AAA" rating.

Credit Risk – The District's Investment Policy is based on the Uniform Prudent Investors Act and Nevada Revised Statutes 355.170 (NRS). The NRS authorizes the District to invest in obligations of the U.S. Government or U.S. Treasury, providing maturities are 10 years or less from the date of purchase; the local government pooled investment fund; negotiable 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. Diversification of the District's investments is guided by the Uniform Prudent Investors Act.

Custodial Credit Risk – The District Investment Policy requires FDIC coverage or collateralization on deposit-type securities. The District's cash accounts on deposit with financial institutions were covered by federal depository insurance and are collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

Concentration Credit Risk – The District Investment Policy calls for diversification without setting maximum allocations. The District invests in Federal government-sponsored enterprises (GSE) for safety and to meet statutory requirements. Individual CD's are held with a number of banks at or under the FDIC insured limited calculated by those institutions. LGIP is an unrated external investment pool administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. The District has investments with Federal Home Loan Bank that represent approximately 7% of the entire investment portfolio.

3. RESTRICTED DEPOSITS

The State of Nevada requires a deposit for sales tax collection and electronic filing of $6,075, for a retail location in non-District owned premises.

The assets of the EPA State Revolving Fund (SRF) Reserve may be used to service the Nevada SRF Sewer Bond of 2002. These restricted assets are pledged to provide a measure of security for the Nevada State Water Pollution Control Revolving Fund. The pledge is for $213,000, interest earned is in the account at the District's discretion. The EPA SRF Reserve is in the LGIP Account totaling $230,729. The assets in the TRPA (Tahoe Regional Planning Authority) Reserve may be used to satisfy performance obligations on projects authorized by the TRPA. These usually cover several years for construction and inspection phases. The total required deposits are $211,778, and interest earned is in the account at the District's discretion. The TRPA Project Reserve is in the LGIP Account totaling $231,140:

Deposit with State of Nevada for Sales Tax	$ 6,075
Building Deposit held by Parasol Tahoe Foundation	100
LGIP Restricted Deposits (SRF & TRPA)	461,870
Total Restricted Deposits	$ 468,045

4. LEASES RECEIVABLE

The District is a lessor in 4 cancellable lease for radio tower space rental. The leases require payments of $933 and $1,815 monthly and annual payments from $20,764 to 119,166. The District recognized $131,178 in lease revenue and $45,347 in interest revenue during the current fiscal year related to these agreements. As of June 30, 2022, the lease receivable is $1,749,412 and deferred inflows of resource is $1,695,703.

January ~~31~~ 30, 2023

To: IVGID Board of Trustees and Audit Committee

cc: Paul Navazio and Indra Winquest

Re: Violation of GASB #34 - Improper Reporting of Internal Services Fund as part of Proprietary Funds 1) Statement of Net Position (Exhibit B), 2) Statement of Revenues Expenses and Changes in Net Position (Exhibit C) and 3) Statement of Cash Flows (Exhibit D). Page 24 to 27 of the June 30, 2022 Annual Comprehensive Financial Report.

As odd as this may seem, the Internal Services fund assets, liabilities, and net position are to be reported as part of the governmental activities in the "government wide" Statement of Net Position (Exhibit A) and at the same time the Internal Services Fund financials referred to above should be reported in the Proprietary Funds financials (Exhibits B,C,D).

The concern when developing GASB #34 was that Internal Service funds, by their purpose, was to collect enough revenues to cover the costs and expenses and thus took on the characteristics of a Proprietary enterprise fund. On the other hand, many respondents developing GASB #34 felt strongly that an Internal Service fund was a governmental fund. To compromise, internal service funds would be reported as a proprietary fund but would be in a separate column and NOT BE INCLUDED IN THE TOTALS FOR THE PROPRIETRY FUNDS paragraphs 426-428 of GASB #34 (Exhibit E).

IVGID management failed to comply with GASB #34 and included the internal services fund's amounts within the totals for the proprietary funds financials.

Done properly the proprietary funds totals would match the amounts in the "government wide" Statement of Net position.

I have attached Exhibits F,G & H which are the Proprietary Funds financials for the year ended June 30, 2015, the fiscal year prior to the inappropriate change of IVGID's proprietary funds to governmental funds. As seen, the Internal Service Funds are listed in a separate column on each for the three financials and are not included in the total of the proprietary funds.

This is obviously another case of IVGID staff and the current auditors lacking the appropriate experience to produce proper financial statements. f anyone can find a subsequent GASB pronouncement which would negate the requirements in GASB #34 please let me know.

- Exhibit A - Statement of Net Position (government wide) - June 30, 2022
- Exhibit B - Proprietary Funds Statement of Net Position - June 30, 2022
- Exhibit C - Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position year ending June 30, 2022
- Exhibit D - Proprietary Funds Statement of Cash Flows year ending June 30, 2022
- Exhibit E - Paragraphs 426-428 of GASB #34
- Exhibit F - Proprietary Funds Statement of Net Position - June 30, 2015
- Exhibit G - Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position year ending June 30, 2015
- Exhibit H - Proprietary Funds Statement of Cash Flows for year ending June 30, 2015

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments	$ 6,044,259	$ 43,450,727	$ 49,494,986
Receivables:			
Accounts receivable, net	349	1,535,411	1,535,760
Lease receivables	-	1,749,412	1,749,412
Interest on investments	11,440	-	11,440
Grants receivable	-	12,881	12,881
Due from other governments	297,791	142,466	440,257
Inventories	123,601	754,878	878,479
Prepaid items	2,394	762	3,156
Restricted assets:			
Restricted deposits	-	468,044	468,044
Capital assets:			
Land	2,669,904	21,335,967	24,005,871
Construction in progress	335,903	2,036,610	2,372,513
Capital assets, net of accumulated depreciation	353,805	95,236,505	95,590,310
Total assets	9,839,446	166,723,663	176,563,109
LIABILITIES			
Accounts payable	322,561	1,384,701	1,707,262
Accrued personnel costs	265,323	813,882	1,079,205
Accrued interest payable	-	43,236	43,236
Due to other governments	-	11,939	11,939
Unearned revenue	39	2,047,430	2,047,469
Refundable deposits	-	440,102	440,102
Noncurrent liabilities:			
Bonds due within one year	-	960,406	960,406
Compensated absences due within one year	187,761	193,406	381,167
Lease payable due within one year	-	30,401	30,401
Claims payable within one year	763,479	-	763,479
Bonds due in more than one year	-	2,422,704	2,422,704
Compensated absences due in more than one year	28,863	446,252	475,115
Lease payable due in more than one year	-	12,365	12,365
Total liabilities	1,568,026	8,806,824	10,374,850
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow related to leases	-	1,695,703	1,695,703
NET POSITION			
Net investment in capital assets	3,359,612	115,225,972	118,585,584
Restricted	-	468,044	468,044
Unrestricted	4,911,808	40,527,120	45,438,928
Total net position	$ 8,271,420	$ 156,221,136	$ 164,492,556

The notes to the financial statements are an integral part of this statement.

EXHIBIT B

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

should not be in total but to the right

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 18,710,558	$ 18,715,561	$ 6,024,608	$ 100,260	$ 43,550,987
Accounts receivable	1,508,619	26,792	-	-	1,535,411
Lease receivable	-	1,749,412	-	-	1,749,412
Grants receivable	12,881	-	-	-	12,881
Due from other governments	-	24,032	118,434	-	142,466
Inventories	165,127	589,751	-	123,601	878,479
Prepaid expenses	-	-	762	-	762
Total current assets	20,397,185	21,105,548	6,143,804	223,861	47,870,398
Noncurrent assets:					
Contractual deposits	100	6,075	-	-	6,175
Restricted deposit for debt service reserve	230,729	-	-	-	230,729
Restricted for TRPA Deposits	94,189	135,951	1,000	-	231,140
Total noncurrent assets	325,018	142,026	1,000	-	468,044
Capital Assets:					
Land	6,715,544	12,315,573	2,304,850	-	21,335,967
Construction in progress	1,498,869	537,741	-	-	2,036,610
Buildings and structures	15,959,753	33,627,523	7,234,499	-	56,821,775
Improvements and Infrastructure	113,353,076	35,896,434	2,038,694	-	151,288,204
Right-to-use assets	-	78,537	-	-	78,537
Equipment and vehicles	3,797,362	12,536,411	529,560	240,596	17,103,929
Total capital assets	141,324,604	94,992,219	12,107,603	240,596	248,665,022
Less: accumulated depreciation	(80,208,266)	(45,929,003)	(3,678,075)	(199,352)	(130,014,696)
Total capital assets (net)	61,116,338	49,063,216	8,429,528	41,244	118,650,326
Total noncurrent assets	61,441,356	49,205,242	8,430,528	41,244	119,118,370
Total assets	81,838,541	70,310,790	14,574,332	265,105	166,988,768
LIABILITIES					
Current liabilities:					
Accounts payable	582,227	360,569	441,905	52,198	1,436,899
Accrued personnel costs	172,357	529,059	112,466	100,726	914,608
Accrued interest payable	38,837	4,328	71	-	43,236
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	11,939	-	11,939
Unearned revenue	183,519	1,824,668	39,243	-	2,047,430
Deposits payable	-	440,102	-	-	440,102
Current portion of compensated absences	82,417	101,232	9,757	24,774	218,180
Current maturities of long-term debt	569,407	384,429	6,291	-	960,127
Lease payable due within one year	-	30,401	-	-	30,401
Total current liabilities	1,628,764	3,674,788	621,672	369,985	6,295,209
Non-current liabilities:					
Compensated absences	218,510	209,876	17,866	46,010	492,262
Non-current long term debt	2,422,983	-	-	-	2,422,983
Lease payable due in more than one year	-	12,365	-	-	12,365
Total non-current liabilities	2,641,493	222,241	17,866	46,010	2,927,610
Deferred lease inflows	-	1,695,703	-	-	1,695,703
Total liabilities and deferred inflows	4,270,257	5,592,732	639,538	415,995	10,918,522
NET POSITION					
Net investment in capital assets	58,123,948	48,678,787	8,423,237	41,244	115,267,216
Restricted	325,018	142,026	1,000	-	468,044
Unrestricted	19,119,318	15,897,245	5,510,557	(192,134)	40,334,986
Total net position	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

EXHIBIT C

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Should not be reported in totals

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
OPERATING REVENUES					
Sales and fees	$ 12,885,588	$ 18,590,272	$ 750,123	$ -	$ 32,225,983
Recreation fee	-	830,977	5,259,704	-	6,090,681
Operating grants	22,138	17,000	-	-	39,138
Interfund services	122,384	149,813	-	2,594,923	2,867,120
Total operating revenues	13,030,110	19,588,062	6,009,827	2,594,923	41,222,922
OPERATING EXPENSES					
Wages and benefits	4,210,437	9,037,152	1,002,834	1,788,304	16,038,727
Cost of goods sold	10,212	1,305,464	1,652	-	1,317,328
Services and supplies	2,971,167	4,941,072	350,475	947,279	9,209,993
Defensible space	77,969	77,970	-	-	155,939
Central services cost	445,092	999,759	93,956	-	1,538,807
Insurance	211,382	442,932	39,371	15,829	709,514
Utilities	931,759	1,125,484	103,507	9,878	2,170,628
Professional fees	175,021	26,690	4,293	525	206,529
Depreciation	3,285,127	2,960,293	188,686	10,541	6,444,647
Total operating expenses	12,318,166	20,916,816	1,784,774	2,772,356	37,792,112
Operating income (loss)	711,944	(1,328,754)	4,225,053	(177,433)	3,430,810
NONOPERATING REVENUES (EXPENSES)					
Investment earnings (loss)	(57,286)	(17,441)	(19,005)	(671)	(94,403)
Insurance proceeds	-	97,894	-	-	97,894
Gain on sales of assets	9,096	-	-	-	9,096
Lease revenue	500	131,523	-	-	132,023
Miscellaneous revenue	-	328,456	-	-	328,456
Interest on bond debt	(81,563)	(12,501)	(169)	-	(94,233)
Total nonoperating revenues (expenses)	(129,253)	527,931	(19,174)	(671)	378,833
Income before transfers and contributions	582,691	(800,823)	4,205,879	(178,104)	3,809,643
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Grants	-	47,927	-	-	47,927
Change in net position	582,691	(752,896)	4,205,879	(178,104)	3,857,570
Total net position, July 1, as previously reported	76,985,593	-	-	27,214	77,012,807
Prior Period Adjustment	-	65,470,954	9,728,915	-	75,199,869
Total net position, July 1, as adjusted	76,985,593	65,470,954	9,728,915	27,214	152,212,676
Total net position, June 30	$ 77,568,284	$ 64,718,058	$ 13,934,794	$ (150,890)	$ 156,070,246

The notes to the financial statements are an integral part of this statement.

EXHIBIT D

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Should not be in total but as a separate column to the right

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 12,766,774	$ 20,371,990	$ 5,974,106	$ -	$ 39,112,870
Receipts from interfund services provided	122,384	149,813	-	2,594,923	2,867,120
Payments to suppliers	(4,532,707)	(8,917,646)	(949,796)	(812,612)	(15,212,761)
Payments to employees	(4,070,858)	(8,296,220)	(870,745)	(1,678,828)	(14,916,651)
Net cash provided (used) by operating activities	4,285,593	3,307,937	4,153,565	103,483	11,850,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(715,805)	(2,430,733)	(3,209,295)	(2,552)	(6,358,385)
Proceeds from sale of assets	9,096	-	-	-	9,096
Insurance proceeds	-	97,894	-	-	97,894
Lease proceeds	500	176,871	-	-	177,371
Proceeds from capital grants	-	47,927	-	-	47,927
Payments on capital debt	(553,842)	(370,264)	(6,059)	-	(930,165)
Interest paid on long term debt	(89,292)	(13,500)	(237)	-	(103,029)
Net cash provided (used) by capital and related financing activities	(1,349,343)	(2,491,805)	(3,215,591)	(2,552)	(7,059,291)
CASH FLOWS FROM INVESTING ACTIVITIES					
Long-term investments matured	1,507,905	760,122	-	-	2,268,027
Investment earnings (losses)	(53,496)	271,192	(19,005)	(671)	198,020
Net cash provided (used) by investing activities	1,454,409	1,031,314	(19,005)	(671)	2,466,047
Net change in cash and cash equivalents	4,390,659	1,847,446	918,969	100,260	7,257,334
Cash and cash equivalents, July 1	14,644,917	17,010,141	5,106,639	-	36,761,697
Cash, cash equivalents and investments, June 30	$ 19,035,576	$ 18,857,587	$ 6,025,608	$ 100,260	$ 44,019,031

(Continued)

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Utility Fund	Community Services Fund	Beach Fund	Internal Services Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 711,944	$ (1,328,754)	$ 4,225,053	$ (177,433)	$ 3,430,810
Non-cash adjustments -					
Depreciation	3,285,127	2,960,293	188,686	10,541	6,444,647
Increase (decrease) in cash from changes in:					
Accounts receivable	(152,550)	38,173	13,056	-	(101,321)
Grants receivable	-	373,912	-	-	373,912
Due from other governments	-	38,836	(34,709)	-	4,127
Inventories	(4,059)	(170,195)	-	(47,806)	(222,060)
Prepaid expenses	-	197,520	(762)	-	196,758
Accounts payable	293,954	(25,600)	(352,593)	16,418	(67,821)
Accrued personnel costs	(161,348)	429,824	104,466	38,692	411,634
Compensated absences	300,927	311,108	27,623	70,784	710,442
Due to other funds	-	-	-	192,287	192,287
Due to other governments	-	-	(3,187)	-	(3,187)
Misc. Liabilities	-	(8,334)	-	-	(8,334)
Deposits payable	-	(57,133)	-	-	(57,133)
Unearned revenue	11,598	548,287	(14,068)	-	545,817
Total adjustments	3,573,649	4,636,691	(71,488)	280,916	8,419,768
Net cash provided (used) by operating activities	$ 4,285,593	$ 3,307,937	$ 4,153,565	$ 103,483	$ 11,850,578

There were no noncash capital, financing, and investing activities

425. One important aspect of Statement 20 is the continuation of FASB Statement 71 for governmental utilities that are rate regulated. However, the Board agreed that, although many general governments may argue that they are similar to rate-regulated entities, the provisions of Statement 71 should be limited to activities reported in enterprise funds and that meet the three criteria of Statement 71, paragraph 5. As noted in paragraph 62 of that Statement, normal Medicare and Medicaid arrangements with healthcare entities do not establish rates that bind customers for purposes of applying paragraph 5.

Internal Service Funds

426. Few ED respondents made comments—either supporting or opposing—the internal service fund provisions. Some respondents voiced their concern with the ED's proposal that internal service funds be reported as *proprietary funds* and as *governmental activities* in the government-wide financial statements. This requirement to "reclassify" internal service funds as *governmental* activities in the statement of net assets was the main area of respondent objection, with respondents citing either internal inconsistency or potential reader confusion as reasons for objecting.

427. The Board continues to believe that internal service fund activities should generally be included with governmental activities in the government-wide financial statements. Only a few respondents suggested that internal service fund balances should be included with business-type activities, and those who did argued only for consistency and comparability between "perspectives." The Board's perception of internal service funds as *governmental* was based on the nature of the activities, not the basis of accounting used in the funds.

428. To address respondent concerns, the Board agreed to simplify the overall model by reducing the perceived complexity. In the revised approach, a separate column is required to be used for internal service funds (that could be presented under a "governmental activities" subheading) to clarify the relationships of both the enterprise funds (similarly, under a "business-type activities" subheading) and the internal service funds to the government-wide financial statements. In this manner, the total enterprise funds column provides the details to the business-type activities balances and transactions in the government-wide statements, and the nonmajor fund data (for enterprise funds) will not be obscured by internal service fund information. In addition, the separate display of the internal service fund data as "governmental activities" provides the details of the reconciling item on the governmental fund financial

statements, avoiding the need to disclose those details in a note to the financial statements. If internal service funds were combined with nonmajor enterprise funds, the details would not be apparent.

Statement of Net Assets

429. This Statement requires proprietary funds to use a classified format in which current and noncurrent assets and liabilities and restricted assets should be distinguished based on the guidance in ARB 43. Research on user needs indicates a strong user interest in information about the classified assets and liabilities of business-type activities. Respondents to the ED generally agreed with the financial statement display requirements for proprietary funds, including the requirement for using a classified format.

430. The categories of net assets required for proprietary funds are the same as those proposed in the ED. Some respondents suggested that entities should be permitted to continue to distinguish between contributed capital and capital that is generated internally (retained earnings). However, the Board continues to believe that the focus of reporting in government should not be on a historical record of equity transactions, but on reporting net assets available to finance future services. Governments that wish to continue to provide information about the extent to which a particular enterprise fund has received capital subsidies may do so in the notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Change in net assets versus capital maintenance

431. As explained in paragraphs 282 through 286, the Board agreed to depart from the "dual-perspective" approach in the ED. As part of that conversion, the Board reexamined other provisions in the ED to identify those that may have been appropriate in a dual-perspective context but would produce inconsistencies within the new model. Of primary concern was the issue of applying a consistent approach throughout the model to financial reporting using the flow of economic resources measurement focus and accrual basis of accounting. The ED contained elements of two different approaches—a "change in net assets" approach and a "capital maintenance" approach. The *change in net assets* concept was most prevalent in the ED, especially in the statement of

EXHIBIT F

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

outside of totals for Proprietary

	Business - type Activities - Enterprise Funds				Business-type Activities
	Utility Fund	Community Services Fund	Beach Fund	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 340,565	$ 133,098	$ 6,494	$ 480,157	$ 11,879
Investments	1,000,000	-	500,000	1,500,000	-
Accounts receivable	1,243,419	87,010	5,341	1,335,770	-
Interest receivable	36,757	26,851	713	64,321	9,124
Grants receivable	540,663	195,919	-	736,582	-
Due from other governments	-	203,764	22,171	225,935	-
Inventories	168,056	379,400	-	547,456	76,550
Prepaid expenses	152,923	281,009	23,520	457,452	5,006
Due from other funds	227,972	2,587,246	28,104	2,843,322	330,367
Total current assets	3,710,355	3,894,297	586,343	8,190,995	432,926
Noncurrent assets:					
Investments - long-term	9,075,250	2,833,437	650,000	12,558,687	1,085,000
Restricted for debt service reserve	214,391	-	-	214,391	-
Restricted for TRPA Deposits	11,044	80,346	-	91,390	-
Restricted State of Nevada Work Comp Deposit	-	-	-	-	101,404
Restricted for State of Nevada Sales Tax	-	6,075	-	6,075	-
	9,300,685	2,919,858	650,000	12,870,543	1,186,404
Capital Assets					
Land	6,530,358	11,107,336	2,304,850	19,942,544	-
Construction in progress	1,904,675	1,319,557	65,605	3,289,837	-
Buildings and structures	10,942,534	28,883,620	2,596,455	42,422,609	-
Improvements and Infrastructure	101,741,489	27,637,630	2,060,793	131,439,912	-
Equipment and vehicles	3,189,572	9,218,501	355,505	12,763,578	281,641
Total capital assets	124,308,628	78,166,644	7,383,208	209,858,480	281,641
Less: accumulated depreciation	(60,377,129)	(33,496,776)	(2,744,061)	(96,617,966)	(184,797)
Total capital assets (net)	63,931,499	44,669,868	4,639,147	113,240,514	96,844
Total noncurrent assets	73,232,184	47,589,726	5,289,147	126,111,057	1,283,248
Total assets	76,942,539	51,484,023	5,875,490	134,302,052	1,716,174
LIABILITIES					
Current liabilities:					
Accounts payable	611,317	396,349	99,598	1,107,264	112,842
Accrued personnel costs	293,180	188,412	14,161	495,753	170,593
Accrued interest payable	88,653	33,079	344	122,076	-
Unearned revenue	562,574	838,560	14,454	1,415,588	-
Refundable deposits	1,000	-	-	1,000	-
Current maturities of long-term debt	469,072	1,078,784	5,216	1,553,072	-
Total current liabilities	2,025,796	2,535,184	133,773	4,694,753	283,435
Non-current liabilities:					
Bond discounts, net	-	(11,789)	(192)	(11,981)	-
Bond premium, net	-	80,738	-	80,738	-
Non-current long term debt	6,096,595	4,117,379	40,621	10,254,595	-
Total non-current liabilities	6,096,595	4,186,328	40,429	10,323,352	-
Total liabilities	8,122,391	6,721,512	174,202	15,018,105	283,435
NET POSITION					
Net investment in capital assets	57,365,832	39,404,756	4,593,502	101,364,090	96,844
Restricted by Third Party Agreement	225,435	86,421	-	311,856	101,404
Unrestricted	11,228,881	5,271,334	1,107,786	17,608,001	1,234,491
Total net position	$ 68,820,148	$ 44,762,511	$ 5,701,288	119,283,947	$ 1,432,739
Adjustment to reflect the consolidation of internal service funds' activities related to Enterprise Funds.				1,432,739	
Net position of Business-Type Activities				$ 120,716,686	

The notes to the financial statements are an integral part of this statement.

EXHIBIT G

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

reported outside of totals for enterprise funds

	Business - type Activities - Enterprise Funds				Business-type Activities
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Sales and fees	$ 10,851,123	$ 10,860,998	$ 1,052,579	$ 22,764,700	$ 600
Facility fees	-	6,018,616	778,149	6,796,765	-
Parcel Owner discounts on entry fees	-	(470,402)	(62,977)	(533,379)	-
Operating grants	-	17,000	-	17,000	-
Interfund services	-	78,203	-	78,203	2,559,522
Total operating revenues	10,851,123	16,504,415	1,767,751	29,123,289	2,560,122
OPERATING EXPENSES					
Wages and benefits	3,342,258	6,347,788	777,105	10,467,151	1,458,889
Cost of goods sold	6,019	947,647	-	953,666	-
Services and supplies	1,642,031	3,415,632	394,571	5,452,234	727,818
Defensible Space	99,479	99,479	-	198,958	-
Central Services Cost	283,000	745,000	73,000	1,101,000	-
Insurance	120,659	233,228	18,944	372,831	292,552
Utilities	984,438	1,136,738	102,062	2,223,238	8,997
Legal and audit	71,918	91,989	2,746	166,653	5,064
Depreciation	2,865,958	2,342,332	149,427	5,357,717	10,638
Total operating expenses	9,415,760	15,359,833	1,517,855	26,293,448	2,503,958
Operating income	1,435,363	1,144,582	249,896	2,829,841	56,164
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	81,996	46,153	10,186	138,335	24,672
Gain (loss) on sales of assets	(34,499)	31,576	(27,666)	(30,589)	-
Extraordinary expense	(26,906)	-	-	(26,906)	-
Cell Tower lease income	-	113,684	-	113,684	-
Interest on bond debt	(180,505)	(239,634)	(3,208)	(423,347)	-
Amortization bond discounts & premiums	-	42,487	(27)	42,460	-
Fiscal agent fees	-	(1,500)	-	(1,500)	-
Total nonoperating revenues (expenses)	(159,914)	(7,234)	(20,715)	(187,863)	24,672
Income before contributions	1,275,449	1,137,348	229,181	2,641,978	80,836
Capital Grant Contributions	329,705	235,674	-	565,379	-
Changes in net position	1,605,154	1,373,022	229,181	3,207,357	80,836
Total net position, July 1	67,214,994	43,389,489	5,472,107		1,351,903
Total net position, June 30	$ 68,820,148	$ 44,762,511	$ 5,701,288		$ 1,432,739

Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds	80,836
Change in net position of Business-Type Activities	$ 3,288,193

The notes to the financial statements are an integral part of this statement.

EXHIBIT H 2 pages

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

outside of totals

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 11,009,050	$ 16,498,005	$ 1,766,670	$ 29,273,725	$ 600
Receipts from interfund services provided	-	78,203	-	78,203	2,559,522
Receipts from operating grants	-	17,000	-	17,000	-
Cell Tower lease income collected & misc.	-	113,684	-	113,684	-
Payments to suppliers	(2,352,388)	(5,810,554)	(426,847)	(8,589,789)	(1,024,525)
Payments to employees	(3,340,710)	(6,371,359)	(783,731)	(10,495,800)	(1,631,275)
Payments for interfund services used	(739,036)	(745,000)	(181,438)	(1,665,474)	(33,829)
Net cash provided (used) by operating activities	4,576,916	3,779,979	374,654	8,731,549	(129,507)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Extraordinary expense	(26,906)	-	-	(26,906)	-
Due to (from) other funds	744,780	419,187	984,848	2,148,815	43,306
Net cash provided (used) by non-capital financing activities	717,874	419,187	984,848	2,121,909	43,306
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(2,942,220)	(2,832,606)	(695,822)	(6,470,648)	(21,532)
Proceeds (costs) from sale of assets	8,170	38,521	(4,296)	42,395	-
Payment of fiscal agent fees	-	(1,500)	-	(1,500)	-
Payments on capital debt	(456,276)	(1,513,398)	(270,602)	(2,240,276)	-
Capital contributions	189,092	41,755	-	230,847	-
Interest expense	(186,858)	(248,237)	(5,403)	(440,498)	-
Net cash provided (used) by capital and related financing activities	(3,388,092)	(4,515,465)	(976,123)	(8,879,680)	(21,532)
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments released (increased)	(250)	(89)	-	(339)	58,868
Investments purchased	(3,860,000)	(250,000)	(1,550,000)	(5,660,000)	-
Long-term investments sold	1,800,000	525,000	1,075,000	3,400,000	-
Investment earnings	67,204	36,052	9,724	112,980	24,532
Net cash provided (used) by investing activities	(1,993,046)	310,963	(465,276)	(2,147,359)	83,400
Net change in cash and cash equivalents	(86,348)	(5,336)	(81,897)	(173,581)	(24,333)
Cash and cash equivalents, July 1	426,913	138,434	88,391	653,738	36,212
Cash and cash equivalents, June 30	$ 340,565	$ 133,098	$ 6,494	$ 480,157	$ 11,879
Non-cash capital activities					
Acquisition of 1 easement Note 4	$ -			$ -	

(Continued)

095

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Business - type Activities - Enterprise Funds				Business-type Activities
	Utility Fund	Community Services Fund	Beach Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 1,435,363	$ 1,144,582	$ 249,896	$ 2,829,841	$ 56,164
Non-cash adjustments -					
Depreciation and amortization	2,865,958	2,342,332	149,427	5,357,717	10,638
Increase (decrease) in cash from changes in:					
Accounts receivable	106,768	35,541	(1,166)	141,143	-
Operating Grant Receivable	-	-	-	-	-
Due from other Governments	-	1,927	4,822	6,749	-
Inventory	3,831	577	-	4,408	(22,190)
Prepaid expenses	(20,515)	(2,933)	(4,192)	(27,640)	4,265
Collection of cell tower leases	-	113,684	-	113,684	-
Accounts payable	132,804	116,515	(12,770)	236,549	(5,998)
Accrued personnel costs	1,548	(23,571)	(6,626)	(28,649)	(172,386)
Unearned revenue and customer deposits	51,159	51,325	(4,737)	97,747	
Total adjustments	3,141,553	2,635,397	124,758	5,901,708	(185,671)
Net cash provided (used) by operating activities	$ 4,576,916	$ 3,779,979	$ 374,654	$ 8,731,549	$ (129,507)

The notes to the financial statements are an integral part of this statement.

MINUTES

AUDIT COMMITTEE MEETING OF DECEMBER 5, 2022
Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chair Michaela Tonking on Wednesday, December 5, 2022 at 4:00 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

On roll call, present were Raymond Tulloch (Member-At-Large), Mick Homan (Member-At-Large), Kendra Wong (Trustee), and Michaela Tonking (Committee Chair). Vito Brandle (Member-At-Large) joined the meeting at 4:13 p.m.

B. PUBLIC COMMENTS

Cliff Dobler read from a prepared written statement which is attached hereto.

Aaron Katz stated he has a written statement to be attached to the minutes. He commented that he emailed the Audit Committee Members on December 4, 2022 about objections he had with the proposed audit. He stated that the audit needs to be changed and it is a waste of time. He continued that it might be appropriate when reporting on governmental affairs but the District is in the commercial recreation business and when it comes to that kind of reporting, it is different. He stated what was completed is wrong; there are 8 types of audits so pick the right one, or don't pick any of them. He continued that an engagement letter cannot be signed with an auditor, which takes them off the hook from ferreting out any fraud, waste, violations of law and misrepresentations. He stated that is what the auditor is requiring and blindly this is done year after year; he stated stop and do no more in the future, and if the auditor does not like it, go work for NLTPUD. He stated there are plenty of untruths in the proposed audit and stated not to let the auditor get away with them. He provided examples such as properly assigning expenses; he stated he emailed the Audit Committee Members earlier in the day to show another misdirection of assignment of funds. He suggested getting rid of the GFOA [Government Finance Officers Association] certification of excellence and stated it is propaganda, which costs tens and thousands of dollars of unnecessary fees and accomplishes nothing. He stated he had a question about the $8,000 of overspending in the General Fund because of receivables; he asked for clarification on this and mentioned it makes no sense.

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

Chair Tonking asked for changes to the agenda, none were made so the agenda was approved as submitted.

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

D.1. Receive and discuss draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, to include Auditor's Report(s) prepared by Davis Farr, LLP (Requesting Staff Member: Director of Finance Navazio; presenting with Jennifer Farr, Partner, Davis Farr, LLP)

Director of Finance Navazio provided a brief overview of the materials included in the packet. Ms. Farr then took over the discussion and presented the materials included in the packet. Member-at-Large Homan referenced the summary of past adjustments; he stated that there was a bullet point but no quantitative information provided and asked if it was trivial in nature or if he was missing a place where the amounts were provided? Ms. Farr responded that they are not required to include specific amounts in the letter and essentially, they calculate materiality as 1% of the higher of total assets or revenues within a certain opinion unit. She continued that they consider 5% of that 1% to be a trivial amount; anything that is in between that range of 1% of total revenues and 5% of the 1% that is an error or potential error that they did not record, is communicated in this manner. Member-at-Large Homan stated that part of the reason he asked that is because the management representation letter referred to a list of uncorrected misstatements but there was no list attached. Ms. Farr stated this was likely a typo and that sentence should be removed. Director of Finance Navazio stated that the prior period adjustment related to transitioning from governmental special revenue to enterprise fund accounting triggers a prior year adjustment in excess of $75 million as that is the entire net asset of the Community Services Fund going from one financial statement presentation to another. He continued that the only other prior period adjustment was for a portion of a July tax receipt for approximately $90,000. Member-at-Large Homan referenced the prior letters written by the prior Audit Committee and asked if these were considered while completing the audit? Ms. Farr stated she needs more specificity. Member-at-Large Homan referenced the many unclosed items related to capitalization and noted it as one of the risk areas identified in the audit; he asked if she is happy with the way things are recorded. Ms. Farr responded that she believes they did sufficient work to ensure that there were no material misstatements in the capital asset records; they have identified that as a significant audit risk because of the questions and discussions that have come up in Audit Committee meetings in the past. She continued that they take a serious and deep look at the capital asset transactions to ensure that there are no material misstatements. Member-at-Large Tulloch asked for confirmation that it was the 2021/2022 capital transactions that were reviewed? Ms. Farr confirmed that this is correct. Member-at-Large Tulloch stated that most of the previous Audit Committee memos were regarding prior year capital transactions; these questions remain outstanding. Ms. Farr stated that prior year capital assets were not part of the scope for this year's audit. Member-at-Large Tulloch referenced 3 significant deficiencies which appear to revolve around internal controls; he asked if these are all unique deficiencies. He stated they appear to interact with each other and asked if in the aggregate, they become much more significant. Ms. Farr stated that the 3 do not appear to have a relationship to each other. Member-at-Large Tulloch stated his concern is the 3 items appear to impact internal controls and he wonders if the 3 of them in aggregate become more serious? Ms. Farr stated that there is not a mechanism in the auditing profession to tabulate individual items and determine aggregate seriousness. Member-at-Large Tulloch stated he becomes uneasy about 3 significant deficiencies being pointed out again this year. He continued that there appears to be weaknesses in internal controls as it relates to procurement and purchasing processes; this is why his risk antenna goes up. He asked if Ms. Farr is comfortable that there is no inherent risk regarding the internal control structure? Ms. Farr stated she does not understand the question; she noted that the auditing standards require that they communicate issues a certain way which has been done. She continued that there is not some other conclusion to be reached other than one that would lead them not being able to issue a report on the financial statements and that is not the case in this situation. Member-at-Large Tulloch stated Ms. Farr does not see any risk associated with the apparent lax internal controls. Ms. Farr stated she did not say that and the issues are communicated in the manner that are set forth by the auditing standards; there is no other statement or conclusion she can make other than what is in writing. Member-at-Large Brandle stated there is a lot that needs to be explained; there are some concerned citizens that have sent in information and he has some questions as well. He asked if that should be unpacked here. Audit Committee Chair Tonking stated the items should be unpacked here so that when it goes to the Board of Trustees, the Audit Committee has unpacked some of the issues. Member-at-Large Brandle asked if the Director of Finance has answers to everything that was sent over yesterday? Director of Finance Navazio stated to the extent that he is aware of all that had been received, Staff did review the communication from Member-at-Large Tulloch and he is happy to discuss. Member-at-Large Brandle stated he understands the 3 significant deficiencies but asked to go into a bit more detail as to why the material adjustments were made. Ms. Farr stated that materiality is based on the individual fund or opinion unit so materiality can be different for one fund from another fund; she stated that these 3 were all in the General Fund which is because the materiality threshold is much lower there. She referenced issues regarding claims payable/legal settlements and compensated absences and stated it is really an issue of putting the liability in the correct column instead of the General Fund. She continued that the numbers were not wrong, but should have been in a different column. She stated that the third issue was related to the revenue recognition and the timing cutoff of when revenues were received and recorded. She mentioned that the timing issue had almost no impact on the total equity in the fund but was more to get the balance sheet corrected; moving forward, it will be correct and it will be very obvious if it is incorrect in the future. She noted that they mentioned an immaterial entry for unbilled receivables in the Utility Fund; this fund does record unbilled receivables and this has to do with service periods crossing the fiscal year and getting the proper cut off. She noted that some of the cut off was correct but there was some line items that were not included in the calculation so they thought there needed to be some additional revenue items that needed to be split. She stated that these are unusual highly technical items and not necessarily errors as a result of a normal process; these are more of year-end closing type processes that come up once a year. Member-at-Large Brandle asked if the Utility Fund is a timing difference of 4 days next year versus 5 days, as an example. Ms. Farr confirmed. Member-at-Large Brandle asked if the first 2 deficiencies, which appear to be a classification mistake, are going to be rectified in the future based on the auditor's suggestion to the team? Director of Finance Navazio stated that Staff did make the correction based on the auditor's recommendation and Staff has no problem with continuing to record them the way that they were requested to be recorded; it was noted that there has been a process change. Director of Finance Navazio referenced the physical inventory of the golf shop and stated Staff agrees with the recommendation. He noted that Staff did annually review the inventory of the Public Works store room, fleet, fuel, food and beverage but the issue was specific to the pro golf shop inventory that did not take place on June 30 and he would not want the Audit Committee to interpret that finding and recommendation to suggest that there is a complete lack of internal control as it relates to the District physical inventory. Member-at-Large Brandle asked if Director of Finance Navazio knows what the asset value is as a percentage? Director of Finance Navazio responded that he does not know the percentage off the top of his head but can get the information to the Audit Committee. He stated that when Staff did the inventory a year ago, they were pleasantly surprised that there was very little in terms of inventory adjustments or write-offs. He mentioned that after June 30, there was a break-in at the pro shop; there was an inventory completed after that incident as it related to the insurance claim. District Controller Martin Williams stated the inventory at the pro shop was at $9,363.59 at the end of June. Audit Committee Chair Tonking stated she is guessing that these adjustments/liabilities have been recorded for a long time in the past financials and she is guessing that they either hit the level of materiality or it is because it was a new auditor last year and stated she is curious as to why they were flagged this year. Ms. Farr stated she is not sure if it is true that the legal settlement item has been there for a number of years. She continued that the compensated absences issue is something that was discussed last year and it was not material; it is an issue that they pushed more this year in terms of wanting it to be more consistent with financial reporting. She stated that the practice is now more in line with what other governments do; it was not necessarily that the practice was wrong last year. She stated that there is an argument for saying that all of the sick and vacation liabilities are going to be paid out within a year but in practice, most governments report it as a long-term liability. She continued that from a consistency standpoint and the fact that new accounting standards are coming out related to compensated absences, they wanted to make sure it was in the right place. Member-at-Large Tulloch referenced the golf shop inventory and the $9,363.59 amount mentioned earlier and asked where the number came from if the inventory was not done? District Controller Martin Williams responded that Staff keeps an ongoing inventory count; a physical inventory was not completed to verify the value in the store but that is the amount that was in the general ledger as of June 30. Member-at-Large Tulloch referenced the corrected and uncorrected misstatements and asked if there was a dollar value? Ms. Farr stated the specific dollar amounts are not handy but she can look this up and get back to the Audit Committee. Member-at-Large Homan suggested a schedule that shows numerically the amount of the items, which may be helpful moving forward. Member-at-Large Tulloch mentioned that some of his comments are typographical; and then he went over the PDF document that he sent in. Staff and/or Ms. Farr replied to each of the questions.

Trustee Wong left the meeting at 4:53 p.m. and rejoined at 4:59 p.m.

Member-at-Large Homan pointed out the auditors report and stated that he thinks Note 4 should be Note 5. He stated that he did not see anything in Note 9 about restatement and suggested she go back to check those references. Ms. Farr said that the report that is online is updated but she we will double check references and page numbers prior to finalizing. Member-at-Large Homan referenced page 18 of the report and stated that there is a number that appears twice; once as a liability and once as a restricted net position in the amount of $763,479.00. He continued that they are both credits and if it is the same item, it seems like it is double counted. District Controller Martin Williams stated that is the amount that is due to Washoe County for the property tax that they did a settlement against. There was some additional discussion on this topic. Ms. Farr stated that the amount was moved from the General Fund to the Government wide presentation. She explained that if there were assets set aside, and a liability, then the net impact on equity would be zero so she agrees that the restricted equity should be zero. She continued that if the restricted balance were in the General Fund, it would stay there; it is one of those strange governmental fund accounting issues. Member-at-Large Homan pointed out page 59, item M; last paragraph where it refers to "deferred inflows of resources" and asked what the difference is between that and deferred revenue? Ms. Farr stated that the Accounting Standards Board added 2 new categories and deferred inflow of resources is one of them; she explained the detail. There was some additional discussion on this issue. Member-at-Large Tulloch stated it is difficult for him to read some of the information based on the font size. Director of Finance Navazio stated there have been a couple of things that have been discussed so far that need to be cleaned up and adjusted; Staff will make those revisions.

D.2. Receive and discuss report from Davis Farr, LLP related to supplemental engagement to review compliance with Purchasing and Contract policies and procedures (Requested by: Jennifer Farr, Partner, Davis Farr, LLP)

Ms. Farr provided an overview of the included materials. Director of Finance Navazio provided an overview of the included materials. Member-at-Large Brandle stated it seems like the previous purchase order system was manual and asked if now this will all be through Tyler Munis? Director of Finance Navazio stated yes, although, it was all through the system but the system was not set up to provide the internal controls that are required. Member-at-Large Brandle stated avoidance of the workflow is impossible at this point through Tyler Munis. Director of Finance Navazio agreed and stated it is designed to not allow that. Member-at-Large Brandle asked Ms. Farr if she was trying to aim for a value with regards to the selection criteria? Ms. Farr responded with not necessarily; she stated that they developed the procedures with the Audit Committee; they said that they would pick the top 5 and then from there, almost haphazardly, but the goal was to try to select the remaining ones including large, medium and small. She continued that when there is a list of vendors, if you see something that has an unusual name or looks strange, those would have probably been selected over anything else and it was more of a range of over and under different approval threshold. Member-at- Large Brandle suggested sampling more of the ones that are over $100,000, which are relatively material. He continued that he understands that there were just a few of them and understands the methodology. Member-at-Large Tulloch stated he finds some of these things a little scary. He pointed out page 17 and referred to the section pertaining to the below $5,000 transactions; he asked if there is a total value for that and if it included aggregated procurement card transactions with the same vendor? Ms. Farr responded that they tried, to the best of their ability, to include a lot of detail and if there is a number that does not already have an explanation, they would have to look it up. She continued that the population is every disbursement other than payments to employees. District Controller Williams confirmed that this is correct. Member-at-Large Tulloch stated that more than $5,000 annually is spent with Amazon but he does not see that appearing anywhere. District Controller Williams stated that the procurement card records were different from the payments that were made; the payments are made to the credit cards and those were provided to Ms. Farr. He continued that she did not get the individual credit card transactions and he does not believe that was requested. Member-at-Large Tulloch asked if there is a number for the total value spend below $5,000? Ms. Farr mentioned they could calculate that and provide it; she stated they would have evaluated the payments based on the vendor that the District paid. Member-at-Large Tulloch stated from his past experience, that is where issues arise. He asked if the approval levels for signing off would be the same as the approval levels for authorizing the expenditure? Director of Finance Navazio responded with yes, the invoice approval is now also through the financial system as opposed to an email coming in; there is a workflow that will ensure that the folks with the proper authority are approving. Member-at-Large Tulloch asked if Staff is doing a 3-way match; District Controller Williams responded yes. Member-at-Large Tulloch asked about confirmation especially for work that is being done in the field; Director of Finance Navazio responded yes, there is a process and by the time it gets to his team, they are verifying that it received the correct approval. Member-at-Large Tulloch stated this is something they may want to take up in the future because the Project Engineer may disagree with what is being signed off. Director of Finance Navazio noted that the work they did on the purchasing policy, implementing the policy, implementing Tyler and the work that Ms. Farr has done has put a spotlight on this area; Staff is much more aware of the importance of the policies, procedures and controls. Member-at-Large Tulloch pointed out page 118, section 3, and stated he was surprised by the number of transactions related to Jacobs Engineering Group given the total paid and nature of the work they did. He pointed out on page 119 and stated the purchase order was higher than the Board approved amount and asked if the workflow in Tyler has been set up so that a purchase order cannot be overspent before the change order is approved. Director of Finance Navazio stated they will not be able to order over the amount and certainly cannot pay any amount that is over. District Controller Williams added that they won't be able to order a product without the purchase order being approved high enough to order that product. Member-at-Large Tulloch stated that in the real world, the spend may go over before the Manager realizes it and he is wondering how it will be addressed. Director of Finance Navazio agreed and stated that from a strict contracting standpoint, if a vendor exceeds what they have been authorized to spend, it is technically not a liability of the District. Director of Finance Navazio stated he wants to highlight the one area they do need to address that is in Ms. Farr's recommendation related to these controls which is updating the procedures to require that when the vendor is sending their invoice, they include the purchase order number on the invoice. He continued that the system does not generate the invoices so it needs to be clarified through the procedure that when the invoices are received, Staff will be asking the vendors to include the purchase order number so Staff can better match them up as opposed to fishing for the dollar amounts by vendor. Member-at-Large Tulloch referred to page 119 and stated he is very concerned about the overpayment to Marcus Faust. He referred to page 20 and stated it sounds like the issue of people signing off on invoices has been addressed. He pointed out page 122 and mentioned the procurement card transactions and how aggregate spend is being addressed against; he stated it becomes a very easy way for people to circumvent spend limits. Director of Finance Navazio stated that for the vendors where the spend is routinely $5,000, they are setting up purchase orders and using those instead of the procurement cards; the procurement cards should be for the incidental emergency type of purchases and not routine. Member-at-Large Tulloch pointed out page 122 and referred to the presumption of competitive solicitation and asked who the District's authorized representative is. Director of Finance Navazio stated per the policy, it is the District General Manager for items under $100,000 and the Board of Trustees for anything over $100,000, which is consistent with the spending authority levels.

Member-at-Large Tulloch pointed out page 123, asked if Staff has the contracts module operational and live in Tyler? Director of Finance Navazio stated that it is live and functional; Staff is going through training on the contracts module next week. Member-at-Large Tulloch referred to the development of the workflow process for Tyler and asked if Staff has looked at the internal control implications rather than just automating the previous process; Director of Finance Navazio responded yes. Member-at-Large Tulloch asked Ms. Farr if she believes with the management responses, the internal controls have been tightened up in this area. Ms. Farr stated it does seem like there will be additional systems in place and the policy improvements have already been made that should minimize the risk of having purchasing non-compliance issues. She continued that it would be unusual for any entity to never have any but this is a good step in the right direction. Member-at-Large Homan mentioned there were a number of control items that needed to be tightened up; he did not see anything about any kind of financial accounting errors that were noted and he is assuming that was part of what was looked at as well. Ms. Farr stated that is correct, they did not find anything that would result in an entry into the accounting system. Member-at-Large Homan stated that the management responses indicate a lot of this is being fixed by a combination of the new policies that are in place and reporting systems that are in place; he asked if the Audit Committee could get an overview of how the Staff thought through ensuring that there is the right system of controls. He continued that when you make a change of this magnitude, the risk picks up and the Audit Committee needs to think about how they get comfortable with the process that Staff went through to design. Director of Finance Navazio concurred and added that the Staff training piece is a part of this. He continued that within a year, Staff would be coming back to the Board of Trustees with an assessment of what might need to be tightened up; the first attempt of putting the new policy together is now being tested and practiced. Audit Committee Chair Tonking stated it would be good to get some monitoring to see how Tyler changes some of these things

D.3. Receive and discuss a verbal report from Davis Farr, LLP related to status of supplemental engagement to review compliance with District's Capitalization Policy; (Requested by Jennifer Farr, Partner, Davis Farr, LLP)

Ms. Farr provided an overview of the submitted materials. Member-at-Large Tulloch stated that a lot of this is related to work being rolled into a single work order; a mix of capital and expense work. He asked if there is enough breakdown in the new financial system. Ms. Farr responded that there is so much detail and that is what is holding up their ability to complete the engagement due to the massive amount of transactions. She continued that it is definitely not in any sort of lump sum; it is down to the specific dollar paid to each vendor. Member-at-Large Tulloch asked if there is sufficient detail in the description of the work. Director of Finance Navazio stated that is the goal and Staff has been working on this and moving in that direction. There was some additional discussion on this issue. Member-at-Large Tulloch referred to the work order management system and asked if a sufficient break down has been given in the orders. District Controller Williams stated he has not seen any confusing information on the information and Staff is getting it as to what is being done. He continued that when a project is completed and Staff is capitalizing things, he gets together with the Project Manager and they discuss exactly what was done, what it is doing for the District and what is and is not capitalized. He stated there is a lot of communication that goes on before something becomes an asset.

D.4. Discuss and provide input to inform 2023 Audit Committee meeting schedule, work plan priorities and long-range calendar (Requesting Trustee: Audit Committee Chair Michaela Tonking)

Audit Committee Chair Tonking requested that there is a section on the agenda that is related to correspondence to the Committee. She asked that any correspondence that is received, be forwarded to herself and the District Clerk for review and for consideration of adding agenda items. She opened the floor for items that people would like the Committee to look at. Member-at-Large Homan stated he would like to see an update on the new system and control structure around that in effort get comfortable that the system is effective. He stated that in many companies, an Audit Committee will take the lead on the issue of cyber and some other companies, it is the Board of Trustees; he would like to discuss how this would be addressed. He mentioned other topics such as the Whistleblower Policy, auditor selection process and all of the outstanding items from the previous Audit Committee. Audit Committee Chair Tonking stated she is hopeful that the Whistleblower Policy will be discussed at the next meeting for review then brought to the Board of Trustees. She agreed that it is a priority to review the outstanding items from the previous Audit Committee. Member-at-Large Brandle raised the issue of an internal audit and how that would be implemented. Member-at-Large Tulloch stated that the Audit Committee has a responsibility to review and discuss correspondence that is received; the outstanding memos should be prioritized at the next meeting.

E. MEETING MINUTES (for possible action)

E.1. Meeting Minutes of September 28, 2022

Chair Tonking asked for any changes, none were submitted so the meeting minutes of September 28, 2022 were approved as submitted.

Director of Finance Navazio acknowledged the tremendous amount of work that District Controller Williams and his team have put into the audit and the financial system conversion. He also extended an offer to the Audit Committee Members should there be an interest to meet offline to review the system implementation.

Member-at-Large Tulloch stated that it would be good to have an update on internal controls.

F. PUBLIC COMMENTS*

Cliff Dobler commented that it was a pretty good meeting; he is glad to see that the new Members-at-Large are working to get up to speed and he hopes they can as this is complicated stuff at times, especially when there are so many mistakes and errors. He referred to the capitalization of assets and capitalization of expenses as assets in the past and stated you have to remember what Ms. Farr said; she is only looking at the one year. He continued that when they went back to look at the last 5 years to see what they thought were expenses, Management went back to the Auditor and since they did not have any problem with prior years, Management decided they did not need to expense anything. He stated that is looking for cover and it is not good; it needs to be backed up and his memos demonstrate how he backed it up. He stated there are 5 years of prior period adjustments and 1 more year would make it 6 years; he suggested getting it cleaned up once and for all. He continued by referring to this idea of making a broad statement and therefore just charging it, especially by 1 person with no other input from anyone from Management, and yet they are getting the information from Moss Adams. He stated they did a detailed report for them and the Audit Committee followed that report. He stated he welcomes anyone to talk to him about it and stated this needs to get resolved and it needs to get resolved within the next year; other than that it looks like the intent to deceive and he does not think it needs to go there.

G. <u>ADJOURNMENT</u> *(for possible action)*

The meeting was adjourned at 6:17 p.m.

Respectfully submitted,

Melissa N. Robertson
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 Aaron Katz – Written statement to be attached to and made part of the written minutes of the IVGID Audit Committee's December 5, 2022 meeting - agenda item B – public comments – rejection of Staff's proposed 2021-22 comprehensive annual financial report ("CAFR")/other associated matters.

Submitted by Cliff Dobler

WRITTEN STATEMENT TO BE ATTACHED TO AND MADE A PART OF THE WRITTEN MINUTES OF THE IVGID AUDIT COMMITTEE'S DECEMBER 5, 2022 MEETING – AGENDA ITEM B – PUBLIC COMMENTS – REJECTION OF STAFF'S PROPOSED 2021-22 COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR")/OTHER ASSOCIATED MATTERS

On December 4, 2022 I e-mailed the IVGID Board and its Audit Committee voicing my objections to the latter's perceived approval of the District's Draft CAFR disingenuously re-labeled as an Annual Comprehensive Financial Report ("ACFR") for the fiscal year ended June 30, 2022[1]. The purpose of this written statement is to share those objections with the public and future Board members in the hope they will be embraced and never again repeated.

Let's Get it Right. The Current Audits We Pay Tens of Thousands of Dollars Annually to Secure Are Worthless: According to page 10 of the 12/5/2022 Audit Committee packet[2] the type of audit the District is getting is one where "the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America." As I have previously observed, although NRS 354.624(1) mandates "each local government shall provide for an annual audit of all of its financial statements," it does not mandate what kind of audit. NRS 354.486 identifies eight (8) different types of audit:

1. Determining the propriety and mathematical accuracy of material financial transactions;

2. Ascertaining whether financial transactions have been properly recorded;

3. Ascertaining whether the financial statements prepared from the accounting records fairly present in all material respects the financial position and the results of financial operations and cash flows of the governmental unit in accordance with generally accepted accounting principles in the United States and on a basis which is consistent with that of the preceding year;

4. Evaluating internal accounting controls over financial reporting of the handling of the public money and public property;

5. Determining whether the fiscal controls established by law and administrative regulations are being properly applied;

6. Determining whether there is any evidence that fraud or dishonesty has occurred in the handling of funds or property;

---

[1] That e-mail is attached as Exhibit "A" to this written statement.

[2] Go to https://www.yourtahoeplace.com/uploads/pdf-ivgid/1205_-_Audit.pdf.

7. Determining whether the acquisition, depreciation and disposition of property and equipment are accounted for in accordance with generally accepted accounting principles in the United States; and,

8. Determining whether the removal of the uncollectible accounts receivable from the records of a governmental unit is done in accordance with the procedure established by law and administrative regulations.

It seems to me that the type of audit Davis Farr is providing is option 3 above. But it's a waste. IMO if you're going to provide a meaningful and useful audit for the District, you need to concentrate on options 2, 4, 7 and 6 above in particular.

Last year Davis Farr explicitly told us that's NOT the type of audit we have signed up for. Although that's not what this nor prior Boards have signed up for, the new Board needs to learn from past mistakes. CHANGE the type of audit for 2022-23. If Davis Farr won't go along with the program, get rid of them. If the cost is more than the worthless audit we're currently getting, then so be it. If we can throw away all the money we do on the worthless after worthless after worthless expenditures staff make, then we can certainly spend it on a meaningful audit. For once!

The Government Finance Officers' Association ("GFOA") Certificate of Excellence is Nothing More Than Propaganda to the Nth Degree : Page 020 of the 12/5/2022 Audit Committee packet, which comes at the direct expense of the utility, beach and/or recreation facility fees local parcel/ dwelling unit owners are compelled to involuntarily pay, is a GFOA "certificate of excellence." A worthless piece of paper because bottom line, 1) pay a fee and win an award; and, 2) all that is necessary to qualify, as documented below, is to satisfy "applicable legal requirements." And what are those requirements in Nevada?

According to NRS 354.486 "the examination and analysis of financial statements, accounting procedures and other evidence made in conformity with generally accepted auditing standards in the United States ("GAAS") for one or more (limited)...purposes." In other words, 1) comply with the law and qualify for an award; and, 2) look how "prestigious" it is to have purchased such an award. Whoopie do!

After all according to Indra, "the District expects to be granted this award for the prior annual report, which would be the twenty-first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements...We believe that our current Annual Financial Comprehensive Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate."

What staff have conveniently failed to share with the Board and the public is that the cost of the District's NRS compelled audit and prestigious membership in the GFOA have been allocated to each of its various accounting funds. In other words, the utility, beach and recreation funds are paying these costs. Now why exactly is this taking place when the obligation to prepare the same has NOTHING to do with furnishing facilities for the availability to access and use of water, sewer, recreation and the beaches? Could it be that at least insofar as the General Fund is concerned (this is the fund were 100% of these costs should legitimately be assigned), staff intentionally budget to overspend? And since the money has to come from somewhere to create the illusion of a balanced budget, and there is no other revenue source readily available to the District for this purpose, the ends justify the means. What a concept Mr. "Financial Transparency."

So now that you know the truth, ask yourselves: have the expenses the District has incurred associated with the audit and GFOA been "properly recorded?" Of course they haven't. Which means the District has not complied with NRS 354.486(2). Which means it has not "examin(ed) and analy(zed its)...financial statements, accounting procedures and other evidence...in conformity with" GAAP. Which means its financial reporting is not in accord with Nevada law nor the requirements for a prestigious GFOA certificate of excellence. So instead of hiding the truth, how about sharing it up front and center with the Board and the public no matter the embarrassment? In response to your perceived refusal, maybe now you're starting to learn how this how process is really just another propaganda piece for your wonderful staff?

Insofar as Our Auditor is Concerned, it's More Interested in Covering its Ass Rather Than Providing the Assurance That Most of Us Expect When it Comes With a Clean Audit: : Page 032 of the 12/5/2022 Audit Committee packet tells the Board and the public that it is "the District's management (rather than Davis Farr which) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error." Really? What then are the auditor's responsibilities? At page 033 of the 12/5/2022 Audit Committee packet our auditor tells us "to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes (its) opinions." In other words, blind acceptance of any staff fraud and/or negligence (see no evil, hear no evil, speak no evil)!

But wait a minute. Page 110 of the 12/5/2022 Audit Committee packet represents that "adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements." Okay, what disclosures? "Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared." Really? Those minutes include written statements from members of the public, including myself, which detail material misstatements due to fraud and deceit. So what adjustments Davis Farr? In fact to the contrary, listen to its misrepresentations: "We have no knowledge of any allegations of fraud or suspected fraud affecting the District’s financial statements communicated by employees, former employees, regulators, or others." "We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements." "There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets)...whose effects should be considered for disclosure in the financial statements, or...for reporting on noncompliance" (see pages 110-111 of the 12/5/2022 Audit Committee packet). Really? Where in NRS 318 do you see that GIDs are authorized to donate public property and money to third parties for whatever reasons? Where do you see they are authorized to engage in for profit (or in our case for loss) commercial business enterprises? Where do you see where GIDs are permitted to charge involuntary fees for a particular type of service, and then use those moneys for other types of service? Where do you see disregard of *Dillon's Rule*[3]? After all, these are all statutory limitations/omissions.

I'm sorry. Liar, liar pants on fire! How about some additional lies?

At page 112 of the 12/5/2022 Audit Committee packet Davis Farr represents that "the District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral." There are outstanding general obligation recreation bonds (see page 068 of the 12/5/2022 Audit Committee packet). Yet those bonds have pledged the District's full faith and credit, along with each of its recreational facilities, as collateral to insure payment of those bonds. Didn't you figure this out Davis Farr? And Davis Farr is supposed to be professional? And reputable? And not merely include its boiler plate language for other public agencies who are not involved in commercial business type activities in our audit.

"We are pleased to confirm our understanding of the additional services we are to provide for the Incline Village General Improvement District ('the District'). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement...At the conclusion of our engagement, we will request certain written representations from management about the subject matter information and related matters." And what are those representations? That "the District's management (rather than Davis Farr which) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error."

---

[3] See NRS 244.137(3)-(4) which provides that local governing boards "possess...and may exercise only the following powers and no others: (a) Those powers granted in express terms by the Nevada Constitution or statute; (b) Those powers necessarily or fairly implied in or incident to the powers expressly granted; and, (c) Those powers essential to the accomplishment of the declared objects and purposes of the county and not merely convenient but indispensable." And should there be "any fair or reasonable doubt concerning the existence of a power, that doubt is resolved against the (governing) board...and the power is denied."

Wake up people. Never, never, never agree to anything like this ever again. It's the auditor's job to root out fraud, deceit, and noncompliance with the NRS. To rely upon the wolves who misrepresent to the auditor, is a gross mistake. Yet year after year after year that's exactly what we do. And anticipating Davis Farr may not be willing to enter into an engagement letter without cover your ass language, I say GET RID OF THEM! Send them to Brad Johnson (former IVGID employee and now GM of the NTPUD). It's about time we start doing things professionally around here. Don't you think? And let's start here and now by refusing to accept Davis Farr's proposed draft for the reasons stated!

But Wait. The Auditor Has Provided Evidence of the Violation of Law: At page 020 of the 12/5/2022 Audit Committee packet Davis Farr represents "(c) An entry to increase due from other governments (governments or District departments - what other governments have financial obligations to the District?) in the General Fund in the amount of $84,340." Now what can the auditor possibly be referring to? Let me help explain what I think it is although you committee members should get to the truth.

Your wonderful staff budget to overspend. And for 2021-22 they budgeted to overspend some $1,570,208 in the General Fund (see Page 08, Schedule B-9 at) - although the Board packet for its May 26, 2021 meeting [see (although ((https://www.yourtahoeplace.com/uploads/pdf-ivgid/H.1._-_Budgets.pdf (https://www.yourtahoeplace.com/uploads/pdf-ivgid/Final_Budget_State_Form_4404LGF_06.09.21.pdf))) states the number to be $1,546,624]. This forced the District to come up with an independent revenue source to plug the financial deficiency. And it was called allocated "central services costs." Phony as hell, but we can discuss this subject at a later date. Well what I believe the auditor is telling the committee is that a financial subsidy of $1,570,208 wasn't enough. Instead our wonderful staff transferred an additional $84,340 from the District's enterprise (utility, beach and recreation) funds. And now the auditor needs to step in and get its audit to match what staff have done...improperly! Thank you for the oversight Davis Farr!

Okay. Was this additional overspending part of the approved allocated central services cost plan adopted by the Board on May 26, 2021 "under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body" (see page 22 at https://www.yourtahoeplace.com/uploads/pdf-ivgid/H.1._-_Budgets.pdf) as NRS 354.613(1)(c) mandates? Because if it wasn't, no more conformity with the NRS. No more qualification for the prestigious GFOA certificate of excellence. And more importantly, a violation of NRS 354.626(1) inasmuch as the "expend(iture of)...any money...which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function." Willful violation of which is criminal! Davis Farr's cover their ass engagement letter (see pages 126-127 of the 12/5/2022 Audit Committee packet).

Conclusion: Please incorporate the suggested changes above while you still have the opportunity. And please let the public you're doing your jobs. And to those asking why our Beach ("BFF") and/or Recreation ("RFF") Facility Fees are as high as they are, and never seem to go down, now you have another example of the reasons why.

Respectfully, Aaron Katz (Your Community Watchdog), Because Only Now Are Others Beginning to Watch!

EXHIBIT "A"

December 5, 2022 Audit Committee Meeting - Agenda Items D(1)-(3) - Possible Approval of Following the presentation of the District's Draft ACFR for the Fiscal Year Ended June 30, 2022

From: <s4s@ix.netcom.com>
To: "Tonking Michaela" <tonking_trustee@ivgid.org>
Cc: "Melissa N Robertson" <mnr@ivgid.org>, "Ray Tulloch" <raytulloch@munrotulloch.com>, "Callicrate Tim" <tim_callicrate2@ivgid.org>, "Wong Kendra Trustee" <wong_trustee@ivgid.org>, "Dent Matthew" <dent_trustee@ivgid.org>, "Schmitz Sara" <schmitz_trustee@ivgid.org>, <ISW@ivgid.org>, <noble4ivgid@gmail.com>
Subject: December 5, 2022 Audit Committee Meeting - Agenda Items D(1)-(3) - Possible Approval of Following the presentation of the District's Draft ACFR for the Fiscal Year Ended June 30, 2022
Date: Dec 4, 2022 9:54 AM

Chairperson Tonking and Other Honorable Members of the District's Audit Committee -

And members of the IVGID Board given staff propose submitting the same for its approval at its December 14, 2022 meeting.

And Melissa Robertson, can you please forward this e-mail to members of the Audit Committee other than Michaela and Ray? I don't have their e-mail addresses.

I object to the proposed draft referenced in the subject line above for the following reasons:

A. Propaganda, propaganda, propaganda - Page 020 of the 12/5/2022 Audit Committee packet - which comes at the direct expense of the utility, beach and/or recreation facility fees local parcel/dwelling unit owners are compelled to involuntarily pay. This GFOA "certificate of excellence" is a worthless piece of paper because bottom line, 1) pay a fee for the award, and realize it; and, 2) all that is necessary to qualify, as documented below, is to satisfy "applicable legal requirements." And what are those requirements in Nevada? According to NRS 354.486 "the examination and analysis of financial statements, accounting procedures and other evidence made in conformity with generally accepted auditing standards in the United States ("GAAS") for one or more (limited)...purposes." In other words, 1) comply with the law and qualify for an award; and, 2) look how "prestigious" it is to have purchased such an award. Whoopie do!

According to Indra, "the District expects to be granted this award for the prior annual report, which would be the twenty-first year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements...We believe that our current Annual Financial Comprehensive Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate."

And what staff have conveniently failed to share with the Board and the public is that the cost of the District's NRS compelled audit and prestigious membership in the GFOA have been allocated to each of its various accounting funds. In other words, the utility, beach and recreation funds are paying these costs. Now why exactly is this taking place when the obligation to prepare the same has NOTHING to do with furnishing facilities for the availability to access and use of water, sewer, recreation and the beaches? Could it be that at least insofar as the General Fund is concerned (this is the fund were 100% of these costs should legitimately be assigned), staff intentionally budget to overspend? And since the money has to come from somewhere to create the illusion of a balanced budget, and there is no other revenue source readily available to the District for this purpose, the ends justify the means. What a concept Mr. "Financial Transparency."

So now that you know the truth, ask yourselves: have the expenses the District has incurred associated with the audit and GFOA been "properly recorded?" Of course they haven't. Which means the District has not complied with NRS 354.486(2). Which means it has not "examin(ed) and analy(zed its)...financial statements, accounting procedures and other evidence...in conformity with" GAAP. Which means its financial reporting is not in accord with Nevada law nor the requirements for a prestigious GFOA certificate of excellence.

So instead of hiding the truth, how about sharing it up front and center with the Board and the public no matter the embarrassment? In response to your perceived refusal, maybe now you're starting to learn how this how process is really just another propaganda piece for your wonderful staff?

B. Our Auditor is More Interested in Cover Their Asses - Page 032 of the 12/5/2022 Audit Committee packet - Here the District's auditor tells the Board and the public that it is "the District’s management (rather than Davis Farr which) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error." Really? What then are the auditor's responsibilities? "To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions" (see page 033 of the 12/5/2022 Audit Committee packet). In other words, blind acceptance of any staff fraud and/or negligence (see no evil, hear no evil)!

But wait a minute. Page 110 of the 12/5/2022 Audit Committee packet represents that "adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements." Okay, what disclosures? "Minutes of the meetings of the Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared." Really? Those minutes include written statements from members of the public, including myself, which detail material misstatements due to fraud and deceit. So what adjustments Davis Farr? In fact to the contrary, listen to its misrepresentations: "We have no knowledge of any allegations of fraud or suspected fraud affecting the District’s financial statements communicated by employees, former employees, regulators, or others." "We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements." "There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets)...whose effects should be considered for disclosure in the financial statements, or...for reporting on noncompliance" (see pages 110-111 of the 12/5/2022 Audit Committee packet). Really? Where in NRS 318 do you see that GIDs are authorized to donate public property and money to third parties for whatever reasons? Where do you see they are authorized to engage in for profit (or in our case for loss) commercial business enterprises? Where do you see where GIDs are permitted to charge involuntary fees for a particular type of service, and then use those moneys for other types of service? Where do you see disregard of Dillon's Rule? After all, these are all statutory limitations/omissions.

I'm sorry. Liar, liar pants on fire!

How about some additional lies? At page 112 of the 12/5/2022 Audit Committee packet Davis Farr represents that "the District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral." There are outstanding general obligation recreation bonds (see page 068 of the 12/5/2022 Audit Committee packet). Those bonds have pledged the District's full faith and credit, along with each of its recreational facilities, as collateral to insure payment of those bonds. Didn't you figure this out Davis Farr? And Davis

Farr is supposed to be professional? And reputable? And not merely include its boiler plate language for other public agencies who are not involved in commercial business type activities in our audit.

C. Violation of Law - Which leads me back to page 020 of the 12/5/2022 Audit Committee packet - "(c) An entry to increase due from other governments (governments or District departments - what other governments have financial obligations to the District) in the General Fund in the amount of $84,340." Now what can the auditor possibly be referring to? Let me help explain what I think it is although you committee members should get to the truth. Your wonderful staff budget to overspend. And for 2021-22 they budgeted to overspend some $1,570,208 in the General Fund (see Page 08, Schedule B-9 at) - although the Board packet for its May 26, 2021 meeting [see (although ((https://www.yourtahoeplace.com/uploads/pdf-ivgid/H.1._-_Budgets.pdf (https://www.yourtahoeplace.com/uploads/pdf-ivgid/Final_Budget_State_Form_4404LGF_06.09.21.pdf))) states the number to be $1,546,624]. This forced the District to come up with an independent revenue source to plug the financial deficiency. And it was called allocated "central services costs." Phony as hell, but we can discuss this subject at a later date.

Well what I believe the auditor is telling the committee is that a financial subsidy of $1,570,208 wasn't enough. Instead our wonderful staff transferred an additional $84,340 from the District's enterprise (utility, beach and recreation) funds. And now the auditor needs to step in and get its audit to match what staff have done...improperly! Thank you for the oversight Davis Farr!

Okay. Was this additional overspending part of the approved allocated central services cost plan adopted by the Board on May 26, 2021 "under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body" (see page 22 at https://www.yourtahoeplace.com/uploads/pdf-ivgid/H.1._-_Budgets.pdf) as NRS 354.613(1)(c) mandates? Because if it wasn't, no more conformity with the NRS. No more qualification for the prestigious GFOA certificate of excellence. And more importantly, a violation of NRS 354.626(1) inasmuch as the "expend(iture of)...any money...which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function." Willfull violation of which is criminal!

Davis Farr's cover their ass (CTA) engagement letter (see oages 126-127 of the 12/5/2022 Audit Committee packet). "We are pleased to confirm our understanding of the additional services we are to provide for the Incline Village General Improvement District (“District”). This letter will confirm the nature and limitations of the services we will provide and the various responsibilities and other terms of the engagement...At the conclusion of our engagement, we will request certain written representations from management about the subject matter information and related matters." And what are those representations? That "the District’s management (rather than Davis Farr which) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error."

Wake up people. Never, never, never agree to anything like this ever again. It's the auditor's job to root out fraud, deceit, and noncompliance with the NRS. To rely upon the wolves who misrepresent to the auditor, is a gross mistake. Yet year after year after year that's exactly what we do. And anticipating Davis Farr may not be willing to enter into an engagement letter without CTA language, I say GET RID OF THEM! Send them to Brad Johnson (former IVGID employee and now GM of the NTPUD). It's about time we start doing things professionally around here. Don't you think? And let's start here and now by refusing to accept Davis Farr's proposed draft for the reasons stated!

D. The Kind of Audit We're Getting is a Complete Waste - According to page 10 of the 12/5/2022 Audit Committee packet the type of audit the District is getting is one where "the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America." As I have previously observed, although NRS 354.624(1) mandates that "each local government shall provide for an annual audit of all of its financial statements." But it does not mandate what kind of audit. NRS 354.486 identifies eight (8) different types of audit.

1. Determining the propriety and mathematical accuracy of material financial transactions;
2. Ascertaining whether financial transactions have been properly recorded;
3. Ascertaining whether the financial statements prepared from the accounting records fairly present in all material respects the financial position and the results of financial operations and cash flows of the governmental unit in accordance with generally accepted accounting principles in the United States and on a basis which is consistent with that of the preceding year;
4. Evaluating internal accounting controls over financial reporting of the handling of the public money and public property;
5. Determining whether the fiscal controls established by law and administrative regulations are being properly applied;
6. Determining whether there is any evidence that fraud or dishonesty has occurred in the handling of funds or property;
7. Determining whether the acquisition, depreciation and disposition of property and equipment are accounted for in accordance with generally accepted accounting principles in the United States; and
8. Determining whether the removal of the uncollectible accounts receivable from the records of a governmental unit is done in accordance with the procedure established by law and administrative regulations.

It seems to me that the type of audit Davis Farr is providing is option 3 above. But it's a waste. IMO if you're going to provide a meaningful and useful audit for the District, you need to concentrate on options 2, 4, 7 and 6 in particular. Last year Davis Farr explicitly told us that's NOT the type of audit we have signed up for. Although that's not what this nor prior Boards have signed up for, the new Board needs to learn from past mistakes. CHANGE the type of audit for 2022-23. If Davis Farr won't go along with the program, get rid of them. If the cost is more than the worthless audit we're currently getting, then so be it. If we can throw away all the money we do on the worthless after worthless after worthless expenditures staff make, then we can certainly spend it on a meaningful audit. For once! Wouldn't you agree?

E. Wokeman - One final point Mr. Navazio aka "wokeman." Be done forever with the term "Annual Comprehensive Financial Repor" ("ACFR"). It's called a "Comprehensive Annual Financial Report" or "CAFR." Call it what it is, and what it has been for decades and decades. Just because the worthless GFOA bows to political pressure (no more Squaw Valley), doesn't mean we need to. And if you don't like it Mr. Navazio, follow Davis Farr and go work for Brad Johnson.

Please incorporate the suggested changes above while you still have the opportunity. And please let the public you're doing your jobs.

Respectfully, Aaron Katz

Public Comment by Cliff Dobler- 12-5-2022 - IVGID Audit Committee

This written statement is to be made part of the meeting minutes

The Annual Comprehensive Financial Report for fiscal year ended 6-30-2022 is simply not ready for prime time. A few reasons

The District is reporting assets which are extremely overstated based on several memo's sent to the AC but not addressed and simply shoved aside.

Management continues to ignore the board requirement to have money collected for the effluent pipeline set aside and reported as restricted net position.

The financial condition of the Utility Fund is in poor shape. The "unrestricted net position" is erroneously reported as $18.9 million. After deducting the required restriction of $15.5 million for the pipeline, the $5.9 million for commitments on uncompleted construction projects and $6.2 million for required reserves, the unrestricted net position is actually a negative $8.7 million. Talk about operating on a shoe string and misleading the public.

The Facility Fees for the Community Services and Beach Funds have not been properly reported based on recommendations from Moss Adams. The fees should be reported as program revenues in the Statement of Activities and as non operating revenues in the statement of revenues, expenses and changes in net position. What is the point of paying for recommendations from outside experts and then allowing a nobody to make accounting decisions and provide no disclosure.

I provided 10 memorandums to the AC primarily addressing IVGID capitalization of costs which should have been expensed. Six were discussed with management to follow up but never was done. Three were removed from the AC agenda in violation of Board Policy 15.1, and one was submitted but was never included on an agenda. Total expenses which should have been charge off could be as high as $3.3 million.

Several other memos were presented wherein management only addressed charge offs for the current year 2021 but did not address charge offs for prior years costs. Two examples are Golf Course expenses of $509K and $1.169 million on NDOT requirements to lift manholes and other facilities after paving projects were completed.

I provided Ray Tulloch markups on the Management Discussion and Analysis and the Notes to the Financial Statements. Very poorly written and certainly should be farmed out to a writer.

Lastly management and the auditor are very crafty. Davis Farr provided their opinion on December 5, 2022. However, a mysterious unlabeled and unexecuted report on pages 109 to 113 could be the Management Representation Letter to the Auditor. These representations are heavily relied upon by Davis Farr allowing them to be off the hook and be able to blame IVGID staff if errors exist. So I ask the question. How could an auditor issue an opinion without a Management Representation Letter? There are so many false statements within the letter, I assume IVGID staff could not find anyone to sign it.