

## MEMORANDUM

**TO:** Audit Committee

**FROM:** Paul Navazio  
Director of Finance

**SUBJECT:** Review and Discuss Timeline for Next Steps as they relate to moving the District back to Enterprise Fund Accounting

**DATE:** November 12, 2020

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### **I. RECOMMENDATION**

Staff recommends that the Audit Committee review and discuss next steps in the process for transitioning from Governmental Fund Accounting to Proprietary Enterprise Fund Accounting for the District's Community Services and Beach activities, consistent with the Resolution of Intent (Resolution NO. 1881) approved by the Board of Trustees on May 27, 2020.

### **II. BACKGROUND**

- Up until FY2014/15, the District accounted for Community Services and Beach activities using proprietary enterprise fund accounting.
- Beginning with the FY2015/16 fiscal year, the District switched to Governmental Special Revenue fund accounting for these activities. The District's request for this transition was reviewed and approved by the Nevada Department of Taxation.
- Since the District's transition to Governmental Fund accounting, there have been questions raised as to the appropriateness of the District's use of governmental fund accounting (GASB concerns). While Staff does not believe use of Governmental Fund accounting is a formal requirement under GASB, there is a policy question as which financial reporting approach best serves the needs of the District. (This issue is among those that Audit Committee as sought outside expertise to evaluate).
- Without regards to the merits of Enterprise vs. Special Revenue fund accounting, during last year's budget process, and in conjunction with the

Board of Trustees actions required to adopt the FY2020/21 annual budget, staff recommended, and Board approved, adoption of a Resolution of Intent to transition the District back to Enterprise Fund accounting beginning with the FY2021/22 fiscal year.

- This is the first step in the process to formally request the Nevada Department of Taxation to approve the District's plan to transition back to Enterprise Fund accounting. Timing for filing request and scheduling hearing before Local Government Commission is important such that the District can initiate the budget process under either Enterprise Fund accounting (if approved by the State) or continue to use Special Revenue Fund accounting if the State does not approve of transitioning back to Enterprise Fund accounting.
- Staff believes that support from the Audit Committee may be helpful in presenting to the Nevada Department of Taxation the District's rationale for returning to Enterprise Fund accounting starting with Fiscal Year 2021/22.

Attachments:

- 1) Board memo from May 27, 2020
- 2) Resolution 1880, adopted May 27, 2020
- 3) Budget Calendar (presented to Board of Trustees October 27, 2020)

D.4. – Board memo from May  
27, 2020

## MEMORANDUM

**TO:** Board of Trustees

**FROM:** Indra S. Winquest  
Interim General Manager

Paul Navazio  
Director of Finance

**SUBJECT:** Resolution Number 1880: A resolution of intent to initiate the process to transition the Incline Village General Improvement District from use of Governmental Fund type - Special Revenue funds to use of Proprietary Type - Enterprise funds for the District's Community Services and Beach funds beginning with the FY2021-22 budget.

**DATE:** May 21, 2020

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### **I. RECOMMENDATION**

The Board of Trustees makes a motion to adopt Resolution Number 1880 which establishes the District's intent to initiate the process to transition the Incline Village General Improvement District from use of Governmental Fund type - Special Revenue funds to use of Proprietary Type - Enterprise funds for the District's Community Services and Beach funds beginning with the FY2021-22 budget.

### **II. BACKGROUND**

The Board of Trustees has directed Staff to explore the possibility of transitioning the District's Community Services Fund(s) and Beach Fund from Governmental Fund Type - Special Revenue funds back to Proprietary Type- Enterprise funds, as was in place prior to the 2015-16 fiscal year.

A preliminary Staff report on this topic was presented to the Board's at their meeting of April 1, 2020 (Item H.4). Among the highlights of the April 1, 2020 Board of Trustees meeting item was a discussion of the process required by the State of Nevada, Department of Taxation for approval to switch fund-types. Approval for the transition is required, in advance, in order for the District's formal budget submittal to be accepted by the State. As a result, the State Department of Taxation advises that the earliest that District can formally submit its budget to the State under a new fund-type structure would be for the 2021-22 fiscal year.

Resolution Number 1880: -2-  
A Resolution of Intent to initiate the process  
to transition to use of Proprietary Type –  
Enterprise funds for the District’s  
Community Services and Beach funds  
beginning in FY2021-22

May 21, 2020

Given the Board of Trustees continued interest in pursuing a transition back to Enterprise fund-types for the District’s Community Services Fund(s) and Beach Fund, Staff is seeking Board approval to initiate the required process by adoption of a Resolution of Intent (Resolution Number 1880), to serve as the formal notice to the State Department of Taxation.

Additional work will be needed early in fiscal year 2020-21 to prepare documentation required by the Department of Taxation, however, it would be Staff’s expectation that a formal request for a hearing before the Local Government Finance Committee could be held in late summer or early fall, and provide sufficient time to inform development of the District’s FY2021-22 annual budget.

**III. FINANCIAL IMPACT AND BUDGET**

There is no direct financial impact of the Staff recommendation; the proposed resolution would merely initiate a process for a change in the fund-types used for District operations, capital and debt beginning in FY2021-22.

**IV. ALTERNATIVES**

The Board could provide direction to Staff to delay consideration of this resolution until a future date.

D.4. – Resolution 1880 adopted  
May 27, 2020



**RESOLUTION NO. 1880**

**A RESOLUTION OF INTENT TO INITIATE PROCESS TO TRANSITION THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT FROM USE OF GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUNDS TO USE OF PROPRIETARY TYPE - ENTERPRISE FUNDS FOR FOR THE DISTRICT'S COMMUNITY SERVICES AND BEACH FUNDS BEGINNING WITH THE FISCAL YEAR 2021/2022 BUDGET**

**RESOLVED**, by the Board of Trustees of the Incline Village General Improvement District, Washoe County, Nevada, that

**WHEREAS**, on December 10, 2014, the Board of Trustees directed Staff to apply for approval of the District's Fiscal Year 2015/2016 budget by the Nevada Department of Taxation utilizing Special Revenue, Capital Projects and Debt Service Fund accounting for Community Services and the Beach Funds; and

**WHEREAS**, the District, upon a determination by the Nevada Department of Taxation that the Fiscal Year 2015/2016 budget was found to be in compliance with NRS 354.598 by the Nevada Department of Taxation; and

**WHEREAS**, the District has continued to utilize Governmental Fund Type Special Revenue funds for its Community Services Funds and Beach Fund, since Fiscal Year 2015/2016 through and including preparation of the District's Fiscal Year 2020/2021 budget; and:

**WHEREAS**, the District has determined that a transition back to use of Proprietary Fund Type Enterprise Funds for its Community Services Funds and Beach Fund is consistent with the desired intent of the business-like operations of the District; and

**WHEREAS**, the Nevada Department of Taxation has provided guidance as to the process required for formally request consideration by the Department of Taxation of the District's request; and

**WHEREAS**, the initial step in the process is for the Board of Trustees to adopt a Resolution of Intent to be submitted to the Nevada Department of Taxation;

**NOW, THEREFORE, IT IS ORDERED**, as follows:

1. Incline Village General Improvement District expresses its intent to transition to the use of Proprietary Fund Type -Enterprise Funds for



**RESOLUTION NO. 1880**

**A RESOLUTION OF INTENT TO INITIATE PROCESS TO TRANSITION THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT FROM USE OF GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUNDS TO USE OF PROPRIETARY TYPE - ENTERPRISE FUNDS FOR FOR THE DISTRICT'S COMMUNITY SERVICES AND BEACH FUNDS BEGINNING WITH THE FISCAL YEAR 2021/2022 BUDGET**

its Community Services Funds and Beach Fund beginning in Fiscal Year 2021/2022.

2. Incline Village General Improvement District has determined that use of Proprietary Fund Type Enterprise Funds for its Community Services Funds and Beach Fund is consistent with the desired intent of the business-like operations of the Incline Village General Improvement District.
3. Incline Village General Improvement District Board of Trustees, through adoption of this Resolution, directs Staff to initiate the process for consideration of approval of the requested change by the Nevada Department of Taxation.
4. Incline Village General Improvement District Board of Trustees further directs Staff to prepare and develop the necessary documents, reports and concurrence letters, as may be required by the Nevada Department of Taxation in support of this request.

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I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted at a regularly held meeting of the Board of Trustees of the Incline Village General Improvement District on the 27th day of May, 2020, by the following vote:

AYES, and in favor thereof, Trustee Kendra Wong, Tim Callicrate, Natthew Dent, Sara Schmitz, and Peter Morris  
NOES, None  
ABSENT, None

*/s/ Kendra Wong*  
Kendra Wong  
Secretary, IVGID Board of Trustees



**D.4. – Budget calendar  
(presented to Board of Trustees  
October 27, 2020)**

2021/21 BUDGET CALENDAR					
Date	Current (FY20/21) Budget	FY2021-21 Budget Process	Board of Trustees Calendar	Rate-Setting Process: Pricing / Utilities / Rec Roll	State of Nevada - DOT
SEP					
OCT		Staff Budget Kick-off Program Baseline Budgets CIP Update Guidelines			
NOV	FY2020/21 1st Quarter Budget Report	Program Baseline Review Revenues Personnel / Expenditures	FY2020/21 1st Quarter Budget Report	RFP for Utility Rate Study	File Resolution of Intent Enterprise Fund Accounting Request Hearing Date(s)
DEC		Program Funding Proposals <b>BOARD BUDGET WORKSHOP</b>	<b>BOARD BUDGET WORKSHOP</b> Baseline Budgets Fund Forecasts Capital Program (CIP)		
JAN	Mid-Year Projections Revenues Expenditures Mid-Year Budget Adjust.	Program Revenue Workshop District Pricing Policy Baseline Facility Fee	<b>BOARD BUDGET WORKSHOP</b> Pricing Policy Preliminary Rate Schedule	Update Utility Rate Model  Pricing Policy Preliminary Rate Schedule	<i>Tentative</i> Dept. of Taxation Local Government Committee IVGID Hearing
FEB	<b>FY20/21 Mid-Year Report Board of Trustees</b>	Preliminary CIP Plan Updates Preliminary Tentative Budget	<b>FY20/21 Mid-Year Report</b> Set May Public Hearing Dates  <b>BOARD BUDGET WORKSHOP</b> <b>Capital Improvement Plan</b>	Preliminary Utility Rate Recommendations  FY2020-21 Key Rates & Cost-Recovery Pyramid	
MAR		<b>BOT Approval: FY2020/21 Tentative Budget</b> Submit: State of Nevada	<b>BOT Approval: FY2020/21 Tentative Budget</b>	Preliminary Rec Roll	
APR	Review / Update FY2016 Year- End projections		<b>PUBLIC HEARING</b> Utility Rate Ordinance	Board Approval Utility Rate Ordinance	<b>Tentative Budget Filed</b> April 15, 2021
MAY		<b>BOT Approval: FINAL FY2021/22 Budget</b> Submit: State of Nevada	<b>Public Hearings:</b> FY2020-21 Rec Roll & FY2020-21 Annual Budget  <b>BOT Approval: FINAL FY2021/22 Budget</b> Submit: State of Nevada		
JUNE		Finalize Five-Year CIP Update			<b>Final Approved Budget Form 4404LGF</b> Filed June 1, 2021
Q1			Annual Statement of Indebtedness Report / 5- Year Capital Improvement Plan		Forms 4410LGF & Forms 4411LGF Filed August 1, 2021
Q2	FY2021/22 Q1 Budget Report (November)		FY2021/22 Q1 Budget Report (November)		
Q3	FY2021/22 Mid-Year Budget Report (February)		FY2021/22 Mid-Year Budget Report (February)		
Q4					