

MEMORANDUM

TO: Audit Committee Chair Dent
CC: Board Clerk Herron
FROM: Audit Committee Member Clifford F. Dobler
DATED: August 4, 2020
RE: Central Services Cost Allocations Plan

Please include in the next Audit Committee Board Packet and distribute to each Audit Committee member, Director of Finance Navazio and GM Winquest the attached memo written on September 23, 2019 regarding the above reference matter.

This memo was never responded to by the former Audit Committee and since the new Audit Committee has just been formed the memo supplements one of the 14 points.

Sincerely,

Clifford F. Dobler

Memorandum

TO: IVGID Audit Committee Chair Trustee Phil Horan

CC: IVGID Board Chair and Member of the Audit Committee Kendra Wong
IVGID Board Treasurer and Member of the Audit Committee Peter Morris
IVGID Board Secretary Tim Callicrate
IVGID Trustee Matthew Dent
IVGID Interim General Manager Indra Winquist
Eide Bailly Audit Engagement Partner Dan Carter
Deputy Director Jeffrey Mitchell, Nevada Department of Taxation

FROM: Clifford F. Dobler and Linda Newman

DATED: September 23, 2019

SUBJECT: Unlawful Central Services Cost Allocation Transfers from two Special Revenue Funds to the General Fund resulting in improper accounting and reporting in the Fiscal Year 2016, 2017 and 2018 Comprehensive Annual Financial Reports as well as the FY 2019 and FY 2020 Budgets

Since July 1, 2015, funds from the Community Services Special Revenue Fund and the Beach Special Revenue Fund have been unlawfully transferred annually to the General Fund as Central Services Cost Allocations ("CSCA") under NRS 354.613 Subsection C and IVGID Board Policy 18.1.0. Both the Statute and the Policy relate solely to Enterprise Funds. (Exhibit A and Exhibit B) Unfortunately, neither the Community Services Special Revenue Fund nor the Beach Special Revenue Fund are Enterprise Funds.

Director of Finance Eick has stated and validated with his signature that these CSCA transfers have been prepared and calculated in accordance with NRS 354.013 Subsection C and IVGID Board Policy 18.1.0 and a majority of the Board of Trustees has approved these transfers in the annual budgets submitted to the State.

As a consequence, the District-wide as well as the individual fund financial statements for all three governmental funds has been materially misstated in the 2016, 2017 and 2018 Comprehensive Annual Financial Reports ("CAFRs"). Additionally, Budget Forms 4404LGF submitted to the State for fiscal years 2019 and 2020 have been improperly prepared and are factually incorrect.

We have provided a spreadsheet detailing the five year history of these improper transfers. (Exhibit C) For the period covering FY 2016 through the approved Budget for FY 2020, the Community Services Fund and the Beach Special Revenue Fund will have improperly transferred a staggering \$3,874,900 and \$463,500 respectively. These transfers have not only understated the actual fund balance for these two Special Revenue Funds, they have also materially overstated the available resources for the General

Fund and its actual annual opening and ending fund balances. A grand total of \$4,338,400 must be transferred out of the General Fund and restored to the Community Services and Beach Special Revenue Funds.

According to the current fiscal year 2020 budget, the General Fund will only have an estimated fund balance at June 30, 2020 of \$2,304,242. This is more than \$2,000,000 less than what is required to be returned to the Community Services and Beach Special Revenue Funds. This deficit may require the District to reduce the General Fund's fiscal year 2020 expenditures and submit a new budget to the Board and the State.

These impermissible transfers provide another example of the District's lack of internal controls and the consequences of placing severe limitations on the scope of an independent audit on our Auditors by the Audit Committee. The Auditor in each of the audit engagement letters for the CAFRs clearly state that there would be no opinion on internal controls and no responsibility for compliance with Laws and Regulations. The responsibility for both, according to the Auditor, rests with Management. Judging by the District's improper accounting and reporting in the District's CAFRs and Budgets, Management has failed. Along with the absence of a competent lawyer able to understand and comply with Nevada Revised Statutes and Generally Accepted Accounting Principles, it is obvious that no professional legal reviews or Audit Committee oversight was conducted.

It is remarkable that the IVGID Director of Finance would issue an annual representation letter to the Auditors attesting that all laws and regulations are being adhered to. It is even more remarkable that the members of the Audit Committee who also hold the title of Board Chair, Board Vice Chair and Treasurer have failed to take corrective action despite multiple memorandums and public comments by our citizens reporting serious violations of Nevada Law, Board Policies and Practices and non-compliance with Generally Accepted Accounting Principles.

It is incumbent upon you as Audit Committee Chair to follow the proper procedures to restate the 2016, 2017 and 2018 CAFRs and correct the FY 2019 and 2020 Budgets.

We once again request acknowledgement of receipt of this Memorandum and the actions you will take to provide all users of our financial statements with complete and accurate financial information and disclosures.

Sincerely,

Clifford F. Dobler
cfdobler@aol.com
775-722-4487

Linda Newman
linda@marknewman.net
775-225-1836

Exhibits:

Exhibit A – NRS 354.613 Subsection C

Exhibit B – IVGID Board Policy 18.1.0

Exhibit C – Summary of Historical CSCA Transfers from the Community Services Special Revenue Fund and the Beach Special Revenue Fund to the General Fund for fiscal years 2016 through 2020

NRS 354.613 Enterprise funds: Loan or transfer of money in or associated with fund; increase in amount of fee imposed for purpose of fund; compliance reports; remedy for violation; regulations; applicability; plan to eliminate certain transfers from fund. [Effective through June 30, 2021.]

1. Except as otherwise provided in this section and [NRS 354.6135](#), the governing body of a local government may, on or after July 1, 2011, loan or transfer money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund only if the loan or transfer is made:

(a) In accordance with a medium-term obligation issued by the recipient in compliance with the provisions of [chapter 350](#) of NRS, the loan or transfer is proposed to be made and the governing body approves the loan or transfer under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body, and:

(1) The money is repaid in full to the enterprise fund within 5 years; or
 (2) If the recipient will be unable to repay the money in full to the enterprise fund within 5 years, the recipient notifies the Committee on Local Government Finance of:

- (I) The total amount of the loan or transfer;
- (II) The purpose of the loan or transfer;
- (III) The date of the loan or transfer; and
- (IV) The estimated date that the money will be repaid in full to the enterprise fund;

(b) To pay the expenses related to the purpose for which the enterprise fund was created;

(c) For a cost allocation for employees, equipment or other resources related to the purpose of the enterprise fund which is approved by the governing body under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body; or

(d) Upon the dissolution of the enterprise fund.

2. Except as otherwise provided in this section, the governing body of a local government may increase the amount of any fee imposed for the purpose for which an enterprise fund was created only if the governing body approves the increase under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body, and the governing body determines that:

(a) The increase is not prohibited by law;
 (b) The increase is necessary for the continuation or expansion of the purpose for which the enterprise fund was created; and

(c) All fees that are deposited in the enterprise fund are used solely for the purposes for which the fees are collected.

3. Upon the adoption of an increase in any fee pursuant to subsection 2, the governing body shall, except as otherwise provided in this subsection, provide to the Department of Taxation an executed copy of the action increasing the fee. This requirement does not apply to the governing body of a federally regulated airport.

4. The provisions of subsection 2 do not limit the authority of the governing body of a local government to increase the amount of any fee imposed upon a public utility in compliance with the provisions of [NRS 354.59881](#) to [354.59889](#), inclusive, for a right-of-way over any public area if the public utility is billed separately for that fee. As used in this subsection, "public utility" has the meaning ascribed to it in [NRS 354.598817](#).

5. This section must not be construed to:

(a) Prohibit a local government from increasing a fee or using money in an enterprise fund to repay a loan lawfully made to the enterprise fund from another fund of the local government; or

(b) Prohibit or impose any substantive or procedural limitations on any increase of a fee that is necessary to meet the requirements of an instrument that authorizes any bonds or other debt obligations which are secured by or payable from, in whole or in part, money in the enterprise fund or the revenues of the enterprise for which the enterprise fund was created.

6. The Department of Taxation shall provide to the Committee on Local Government Finance a copy of each report submitted to the Department on or after July 1, 2011, by a county or city pursuant to [NRS 354.6015](#). The Committee shall:

(a) Review each report to determine whether the governing body of the local government is in compliance with the provisions of this section; and

(b) On or before January 15 of each odd-numbered year, submit a report of its findings to the Director of the Legislative Counsel Bureau for transmittal to the Legislature.

7. A fee increase imposed in violation of this section must not be invalidated on the basis of that violation. The sole remedy for a violation of this section is the penalty provided in [NRS 354.626](#). Any person who pays a fee for

the enterprise for which the enterprise fund is created may file a complaint with the district attorney or Attorney General alleging a violation of this section for prosecution pursuant to NRS 354.626.

8. For the purposes of paragraph (c) of subsection 1, the Committee on Local Government Finance shall adopt regulations setting forth the extent to which general, overhead, administrative and similar expenses of a local government of a type described in paragraph (c) of subsection 1 may be allocated to an enterprise fund. The regulations must require that:

(a) Each cost allocation makes an equitable distribution of all general, overhead, administrative and similar expenses of the local government among all activities of the local government, including the activities funded by the enterprise fund; and

(b) Only the enterprise fund's equitable share of those expenses may be treated as expenses of the enterprise fund and allocated to it pursuant to paragraph (c) of subsection 1.

9. Except as otherwise provided in subsections 10 and 11, if a local government has subsidized its general fund with money from an enterprise fund for the 5 fiscal years immediately preceding the fiscal year beginning on July 1, 2011, the provisions of subsection 1 do not apply until July 1, 2021, to transfers from the enterprise fund to the general fund of the local government for the purpose of subsidizing the general fund if the local government:

(a) Does not increase the amount of the transfers to subsidize the general fund in any fiscal year beginning on or after July 1, 2011, above the amount transferred in the fiscal year ending on June 30, 2011, except for loans and transfers that comply with the provisions of subsection 1; and

(b) Does not, on or after July 1, 2011, increase any fees for any enterprise fund used to subsidize the general fund except for increases described in paragraph (b) of subsection 5.

10. On or before July 1, 2012, a local government to which the provisions of subsection 9 apply shall adopt a plan to eliminate, on or before the fiscal year beginning on July 1, 2021, all transfers from any enterprise funds to subsidize the general fund that are not made in compliance with subsection 1. A copy of the plan must be filed with the Department of Taxation on or before July 15, 2012.

11. On and after July 1, 2012, the provisions of subsection 9 do not apply to a local government that fails to comply with the provisions of subsection 10.

(Added to NRS by 2011, 1686; A 2013, 2712)

NRS 354.613 Enterprise funds: Loan or transfer of money in or associated with fund; increase in amount of fee imposed for purpose of fund; compliance reports; remedy for violation; regulations. [Effective July 1, 2021.]

1. Except as otherwise provided in this section, the governing body of a local government may, on or after July 1, 2011, loan or transfer money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund only if the loan or transfer is made:

(a) In accordance with a medium-term obligation issued by the recipient in compliance with the provisions of chapter 350 of NRS, the loan or transfer is proposed to be made and the governing body approves the loan or transfer under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body, and:

(1) The money is repaid in full to the enterprise fund within 5 years; or

(2) If the recipient will be unable to repay the money in full to the enterprise fund within 5 years, the recipient notifies the Committee on Local Government Finance of:

(I) The total amount of the loan or transfer;

(II) The purpose of the loan or transfer;

(III) The date of the loan or transfer; and

(IV) The estimated date that the money will be repaid in full to the enterprise fund;

(b) To pay the expenses related to the purpose for which the enterprise fund was created;

(c) For a cost allocation for employees, equipment or other resources related to the purpose of the enterprise fund which is approved by the governing body under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body; or

(d) Upon the dissolution of the enterprise fund.

2. Except as otherwise provided in this section, the governing body of a local government may increase the amount of any fee imposed for the purpose for which an enterprise fund was created only if the governing body approves the increase under a nonconsent item that is separately listed on the agenda for a regular meeting of the governing body, and the governing body determines that:

(a) The increase is not prohibited by law;

(b) The increase is necessary for the continuation or expansion of the purpose for which the enterprise fund was created; and

(c) All fees that are deposited in the enterprise fund are used solely for the purposes for which the fees are collected.

3. Upon the adoption of an increase in any fee pursuant to subsection 2, the governing body shall, except as otherwise provided in this subsection, provide to the Department of Taxation an executed copy of the action increasing the fee. This requirement does not apply to the governing body of a federally regulated airport.

4. The provisions of subsection 2 do not limit the authority of the governing body of a local government to increase the amount of any fee imposed upon a public utility in compliance with the provisions of NRS 354.59881 to 354.59889, inclusive, for a right-of-way over any public area if the public utility is billed separately for that fee. As used in this subsection, "public utility" has the meaning ascribed to it in NRS 354.598817.

5. This section must not be construed to:

(a) Prohibit a local government from increasing a fee or using money in an enterprise fund to repay a loan lawfully made to the enterprise fund from another fund of the local government; or

(b) Prohibit or impose any substantive or procedural limitations on any increase of a fee that is necessary to meet the requirements of an instrument that authorizes any bonds or other debt obligations which are secured by or payable from, in whole or in part, money in the enterprise fund or the revenues of the enterprise for which the enterprise fund was created.

6. The Department of Taxation shall provide to the Committee on Local Government Finance a copy of each report submitted to the Department on or after July 1, 2011, by a county or city pursuant to NRS 354.6015. The Committee shall:

(a) Review each report to determine whether the governing body of the local government is in compliance with the provisions of this section; and

(b) On or before January 15 of each odd-numbered year, submit a report of its findings to the Director of the Legislative Counsel Bureau for transmittal to the Legislature.

7. A fee increase imposed in violation of this section must not be invalidated on the basis of that violation. The sole remedy for a violation of this section is the penalty provided in NRS 354.626. Any person who pays a fee for the enterprise for which the enterprise fund is created may file a complaint with the district attorney or Attorney General alleging a violation of this section for prosecution pursuant to NRS 354.626.

8. For the purposes of paragraph (c) of subsection 1, the Committee on Local Government Finance shall adopt regulations setting forth the extent to which general, overhead, administrative and similar expenses of a local government of a type described in paragraph (c) of subsection 1 may be allocated to an enterprise fund. The regulations must require that:

(a) Each cost allocation makes an equitable distribution of all general, overhead, administrative and similar expenses of the local government among all activities of the local government, including the activities funded by the enterprise fund; and

(b) Only the enterprise fund's equitable share of those expenses may be treated as expenses of the enterprise fund and allocated to it pursuant to paragraph (c) of subsection 1.

(Added to NRS by 2011, 1686; A 2011, 1692; 2013, 2712, effective July 1, 2021)

NRS 354.6135 Governing body authorized to loan or transfer money from enterprise fund; authorized use of money received; reporting requirements; regulations; applicability. [Effective through June 30, 2017.]

1. Except as otherwise provided in this section and notwithstanding any provision of NRS 354.613 to the contrary, if the ending fund balance of the general fund of a local government at the end of a fiscal year is less than 9 percent of the total expenditures of the local government from the general fund during that fiscal year, as reflected in the report of the annual audit prepared for the local government pursuant to NRS 354.624, the governing body of the local government may, during the following fiscal year, by resolution and with the prior approval of the Committee on Local Government Finance, loan or transfer money from an enterprise fund, money collected from fees imposed for the purpose for which an enterprise fund was created or any income or interest earned on money in an enterprise fund.

2. Any money loaned or transferred by the governing body of a local government pursuant to subsection 1 may be used only for the purposes listed in this subsection, in the following order of priority:

(a) To restore police and fire services;

(b) To restore the operation of libraries, parks and other recreational services; and

(c) To settle any legal claim outstanding on the date on which the loan or transfer authorized by subsection 1 is made.

3. The governing body of a local government that loans or transfers any money pursuant to subsection 1 shall submit a quarterly report to the Committee on Local Government Finance which includes all of the information required pursuant to subsections 4 and 5.

4. Each report submitted by the governing body of a local government pursuant to subsection 3 must include, without limitation:

- (a) Information about any increase in a fee described in subsection 1 imposed by the local government;
- (b) Any change to salaries or benefits paid to employees of the local government;
- (c) Any change to a collective bargaining agreement negotiated pursuant to chapter 288 of NRS to which the local government is a party; and
- (d) Any information prescribed by regulation of the Committee on Local Government Finance pursuant to subsection 6.

5. In addition to the requirements set forth in subsection 4, if, for any fiscal year, the difference between budgeted and actual general fund revenues or expenditures for the local government is more than 5 percent for any category of revenues or expenditures, as provided in the report of the annual audit prepared for the local government pursuant to NRS 354.624, in addition to the requirements set forth in subsection 4, the first quarterly report submitted to the Committee on Local Government Finance after the audit report is submitted to the local government must include an explanation of the difference.

6. The Committee on Local Government Finance:

- (a) Shall adopt regulations specifying the procedure for obtaining the approval of the Committee required by subsection 1; and
- (b) May prescribe by regulation any additional information which must be included in the reports submitted by the governing body of a local government pursuant to subsection 3.

7. The provisions of this section:

(a) Apply only to a local government which has, during each of the 5 fiscal years immediately preceding June 10, 2013, loaned or transferred:

- (1) Money from an enterprise fund;
- (2) Money collected from fees imposed for the purpose for which an enterprise fund was created; or
- (3) Any income or interest earned on money in an enterprise fund.

(b) Do not apply to an enterprise fund created for an airport owned and operated by a local government.

(Added to NRS by 2013, 2710)



**Budgeting and Fiscal Management
Adoption of Central Service Cost Allocation Plan
Policy 18.1.0**

POLICY. The District will maintain practices in conformity with the Nevada Revised Statute Section 354.107 (Regulations) and 354.613(c) (Enterprise Funds Cost Allocation), including:

- 0.1 Central Service Cost Allocation Plan for accumulating, allocating and developing billing rates on allowable costs of services provided by the District's General Fund to departments, divisions and Enterprise Funds.
- 0.2 This Policy and related Practice can only be modified by a non-consent agenda item during a regular meeting of the Board of Trustees.

The District's adopted other Financial Policies (6.1.0) that should be used to frame major practice initiatives and be summarized in the budget document. This Policy is specific to the equitable distribution of general, overhead, administrative and similar costs incurred by the District's General Fund in the process of supporting the operation of the District's Enterprise Funds.

The underlying practice, along with any others that may be adopted for other financial purposes, will be reviewed during the budget process. The Finance and Accounting staff should review the practices to ensure continued relevance and to identify any gaps that should be addressed with new practices. The results of the review should be shared with the Board of Trustees during the review of the proposed budget. Each budget year, the current Central Service Cost Allocation Plan will be filed with the Nevada Department of Taxation as required.

Practice categories that should be considered for development, adoption and regular review are as follows:

- 0.1.1 Costs Allowed
- 0.1.2 Allocation Method
- 0.1.3 Billing rates for services provided

Effective for the year ended June 30, 2012 upon
acceptance by the Board of Trustees
Adopted February 29, 2012

Incline Village General Improvement District

Summary of Transfers to General Fund

Based on NRS 354.613 .1(c) for Enterprise Funds only

EXHIBIT "C"

Fiscal Year	Community Services Special Revenue Fund								Beach Special Revenue Fund	Grand Total	
	Championship Golf	Mountain Golf	Facilities	Ski	Recreation Center	Parks	Tennis	Comm Services Admin	Total Community Services		
2016	\$ 168,000	\$ 54,000	\$ 27,600	\$ 289,500	\$ 116,600	\$ 48,000	\$ 12,400	\$ 12,000	\$ 728,100	\$ 90,500	\$ 818,600
2017	\$ 174,400	\$ 55,300	\$ 29,200	\$ 309,500	\$ 113,600	\$ 49,400	\$ 12,300	\$ 12,300	\$ 743,700	\$ 92,800	\$ 836,500
2018	\$ 177,600	\$ 47,300	\$ 21,300	\$ 304,300	\$ 101,000	\$ 38,600	\$ 10,500	\$ 18,800	\$ 719,400	\$ 77,100	\$ 796,500
2019	\$ 188,900	\$ 47,800	\$ 23,000	\$ 335,500	\$ 105,700	\$ 39,500	\$ 10,800	\$ 17,000	\$ 768,200	\$ 92,600	\$ 860,800
2020	\$ 236,800	\$ 54,000	\$ 25,500	\$ 388,100	\$ 124,000	\$ 42,300	\$ 12,700	\$ 19,800	\$ 903,200	\$ 110,500	\$ 1,013,700
	<u>\$ 945,700</u>	<u>\$ 258,400</u>	<u>\$ 126,600</u>	<u>\$ 1,626,900</u>	<u>\$ 560,900</u>	<u>\$ 217,800</u>	<u>\$ 58,700</u>	<u>\$ 79,900</u>	<u>\$ 3,874,900</u>	<u>\$ 463,500</u>	<u>\$ 4,338,400</u>