

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra S. Winquest
District General Manager

FROM: Paul Navazio
Director of Finance

SUBJECT: Status Report on Implementation of Recommendations from the three Reports issued by Moss Adams, LLC related to a) Construction Advisory Services, b) Evaluation of Certain Accounting and Reporting Matters, and c) Board Policies and Practices. (Requesting Staff Member: Director of Finance Paul Navazio)

STRATEGIC

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

DATE: June 29, 2022

I. RECOMMENDATION

Staff recommends that the Board of Trustees:

- 1) Receive a report on management's implementation of recommendations offered by Moss Adams through the course of various consulting engagements, and
- 2) Review, discuss and provide feedback on a draft update to Board Policy 12.1.0, consolidating existing Board Policies 12.1 and 13.1 and Board Practice 13.2, and incorporating recommendations contained in Moss Adams' most recent report related to review of Board Policies and Practices, as presented to the Board of Trustees at their meeting of January 12, 2022.

II. BACKGROUND

Over the past 24 months, the District has engaged the consulting firm of Moss Adams, LLC to review and provide recommendations on a number of topics and specific issues related to District policies, procedures, internal controls and interpretation of accounting standards related to financial reporting.

Specifically, three separate Moss Adams engagements were undertaken, as follows:

| Engagement | Final Report to BOT |
|--|---|
| #1) Construction Advisory Services | January 13, 2021 <i>Management Reponses: March 3, 2021</i> |
| #2) Evaluation of Certain Accounting and Reporting Matters | January 28, 2021 <i>Progress Report on Recommendations: October 26, 2021 (Audit Committee)</i> |
| #3) Board Policies and Practices Assessment | January 12, 2022 Draft Policy Update to BOT: June 29, 2022 |

III. DISCUSSION

This report has been prepared to summarize the key recommendations from each of the Moss Adams reports and provide the Board of Trustees with an update on the status of management’s implementing of recommendations.

For the first two Moss Adams engagements, this report will highlight any additional steps taken related to specific recommendations since the last update(s) received by the Board of Trustees. (See Exhibits 1 and 2, with supporting documents provided in Attachments A through F).

With respect to the third report, (Board Policies and Practices) this agenda item includes, for Board review, discussion and feedback, a draft update to Board Policy 12.1.0, related to Multi-Year Capital Planning and Budgeting, consistent with the recommendations and “next steps” shared with the Board upon presentation of the final report in January. (See Exhibit 3).

IV. CONCLUSION

The series of Moss Adams engagements have been useful in assisting the District in the review of a broad range of topics impacting policies, practices and procedures related to long-term capital planning, roles and responsibilities for effective delivery of capital projects, financial reporting, and improved internal controls and transparency.

While work in these areas is ongoing, the District has diligently implemented most, if not all, of the key recommendations provided by Moss Adams in their various reports, with the remaining items subject of separate agenda items on the Board’s agenda for the meeting of June 29, 2022. These include review and update of Board Policy 12.1, 13.1 and Board Practice 13.2, as well as incorporating relevant recommendations in the draft Purchasing Policy documents.

Exhibits:

- 1) Moss Adams #1 – Construction Advisory Services
- 2) Moss Adams #2 – Evaluation of Certain Accounting and Financial Report Matters
- 3) Moss Adams #3 – Board Policies and Practices
 - 3A) DRAFT Board Policy 12.1.0 – Multi-Year Capital Planning, Capital Project Budgeting, Project Delivery and Reporting (*Supersedes existing Board Policy 12.1, 13.1 and Board Practice 13.2*)
 - 3B) Roles and Responsibilities Matrix

Attachments:

- A) Summary Recommendations – Moss Adams: “Construction Advisory” Report
- B) Construction Contract Checklist(s)
- C) Professional Services Contract Checklist
- D) Summary Recommendations – Moss Adams: “Evaluation of Certain Accounting and Reporting Matters” Report
- E) Topics for Potential Expanded Scope of Work – re “Moss Adams: Evaluation of Certain Accounting and Reporting Matters” Report (unpublished)
- F) Summary of Recommendations – Moss Adams: “Board Policies and Practices Report.”

EXHIBIT 1

Moss Adams #1 – Construction Advisory Services

Subject: Review of policies, procedures and internal controls related to management of professional services contracts and construction contracts

| | |
|------------------------------|-------------------------|
| BOT Contract Authorized: | June 1, 2020 |
| | Not-to-Exceed: \$38,000 |
| Contract Award: | June 19, 2020 |
| Final Report Completed: | December 21, 2020 |
| Presented to BOT: | January 13, 2021 |
| Management Responses to BOT: | March 3, 2021 |

Scope: Review of Selected Professional Services and Construction Contracts:
PICA – 4/13/14 (Effluent Pipeline)
HDR – 4/30/14 (Effluent Pipeline)
Jacobs Engineering – 12/12/19 (Wastewater Resource Recovery Facility)
Huston-Smith – 8/14/19 (Mountain Golf Clubhouse Renovation)

Summary of Recommendations – See Attachment 1

Status of Implementation Steps since the Last Board Update:

- *#3 – Procurement of new technology to formalize, streamline and improve contract administration controls and reporting capabilities*

District's new Tyler Munis Financial System, being implemented July 1, 2022 includes a contract management module that will support this recommendation.

- *#4 – As a best practice, the District should implement policies and procedures for the competitive solicitation of professional services*

While NRS 332.115 exempts professional service from competitive solicitation, the draft Purchasing Policy being presented to BOT on 6/29/22 includes sections specifically focused on this recommendation.

- *#6 – As a best practice, the District should establish more robust change order reporting within key capital program reporting*

Staff is developing a new "Major Capital Project Status Report" template as well as a formal "Capital Project Close-out Report" with the start of the new fiscal year 7/1/22. These reports will supplement the existing Quarterly CIP Popular Status report.

- *#11 – The District should implement and formalize project close-out procedures for professional services contracts.*

Completed. (See Attachment 2, Sample Professional Services Close-out Template).

Most recently, the Board of Trustees authorized the Audit Committee to execute a supplemental engagement with Davis Farr, the District's independent auditor, to review District practices related to purchasing and contract management for conformity with Board policies.

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.

EXHIBIT 3

Moss Adams #3 – Board Policies and Practices

Summary of Recommendations

Subject: Review of Board Policies and Practices related to

- a) Multi-Year Capital Planning (Policy 12.1.0), Capital Project Budgeting (Policy 13.1.0) and Capital Expenditures (Practice 13.1.0)
- b) Capitalization Thresholds (Policy 8.1.0), Useful Life of Capital Assets (Policy 9.1.0 and Practice 2.9.0)

| | |
|-------------------------------|--|
| Contract Executed: | August 13, 2021 (General Manager) Not-to-Exceed: \$40,000 |
| Final Report Completed: | January 6, 2022 |
| Presented to BOT: | January 12, 2022 |
| Management Report Next Steps: | January 12, 2022 |

Summary of Recommendations – See Attachment 4

- Capitalization Policy:

Management worked to develop a new Capitalization Policy with input from Moss Adams. The new policy 8.1.0 was approved by the Board of Trustees in January 2022 and supersedes former policies 8.1.0 and 9.1.0 as well as former practice 2.9.0)

- *Multi-Year Capital Planning (Policy 12.1.0), Capital Budgeting (Policy 13.1.0) and Capital Expenditures (Practice 13.2.0):*

Consistent with the recommendations contained in this report, staff has developed a draft update to Policy 12.1.0 that, if approved, would superseded existing Board Policies and Practices. The draft policy, presented here for Board review and comment also incorporates the recommended best practices as cited in the Moss Adams report recommendations.

One of the recommendations included in this Moss Adams report is for the District to consider establishing an advisory committee to act as a liaison between the Board of Trustees and District management as well as to serve as to encourage community engagement in the capital planning process.

Management supports this recommendation and anticipates engaging the Board in a discussion regarding structure and role for this new committee in the coming months, with the goal of potentially establishing a Capital Planning Advisory Committee by the end of the year, to coincide with the next cycle for review and update of the District's Master Plans and Five-Year Capital Improvement Plan.



Capital Planning
Multi-Year Capital Planning,
Capital Project Budgeting, Project Delivery and Reporting
Policy 12.1.0

POLICY.

Multi-Year Capital Planning. The District will prepare, adopt and periodically review/update master plans and comprehensive multi-year capital plans to ensure effective management of capital assets.

- A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.
- The capital plan should cover a period of at least five years, preferably ten or more.

Annual Capital Budget. The District will prepare and adopt a formal capital budget as part of their annual budget process.

- The capital budget will be directly linked to, and flow from, the Multi-Year Capital Improvement Plan.
- It may be necessary to modify projects approved in the capital plan before adopting them in a capital budget. Modifications may be necessary based on changes in project scope, funding requirements, or other issues. If these modifications are material, the District will consider the impacts these may have on its multi-year capital and financial plans.
- The capital budget should be adopted by formal action of the Board of Trustees, either as a component of the operating budget or as a separate capital budget. It will comply with all state and local legal requirements.

Capital Project Delivery. Decision-making responsibilities and duties to execute on capital projects shall be derived from specific authority provided by the Board of Trustees to the allocated by the General Manager.

- This Board policy will specify roles and responsibilities applicable to each phase of a capital project's life-cycle.
- Authority granted by the Board of Trustees to the General Manager may be delegated to specific members of the IVGID staff as provided herein.



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- The staff member so assigned may delegate “duties” to another, but shall remain “responsible” for their actions pertaining to the project.

Capital Project Reporting. The District recognizes the importance of timely and accurate reporting on projects adopted in the capital budget.

- Management, Trustees, and citizens should all have the ability to review the status and expected completion of approved capital projects.
- Periodic reports will be issued routinely on all ongoing capital projects. The reports will compare actual expenditures to the original budget, identify level of completion of the project, and enumerate any changes in the scope of the project, and alert management to any concerns with completion of the project on time or on schedule.

Multi-Year Capital Planning.

1.0 Identify needs. The first step in the District’s capital planning is identifying needs. The District has a commitment to the maintenance of its existing infrastructure. The District’s Multi-Year Capital Plan will use information including development projections, strategic plans, comprehensive plans, facility master plans, regional plans, and citizen input processes to identify present and future service needs that require capital infrastructure or equipment. In this process, attention will be given to:

- 1.1 Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years.
- 1.2 Infrastructure improvements needed to support new development or redevelopment.
- 1.3 Projects with revenue-generating potential.
- 1.4 Improvements that support economic development.
- 1.5 Changes in policy or community needs.



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2.0 Determine costs. The full extent of project costs should be determined when developing the multi-year capital plan. Cost issues to consider include the following:

- 2.1 The scope and timing of a planned project should be well defined in the early stages of the planning process.
- 2.2 The District should identify and use the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues.
- 2.3 For projects programmed beyond the first year of the plan, the District should consider cost projections based on anticipated inflation.
- 2.4 The ongoing operating costs associated with each project should be quantified, and the sources of funding for those costs should be identified.
- 2.5 A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, pre-design, design, and construction or acquisition, contingency and post-construction costs.
- 2.6 Recognize the non-financial impacts of the project (e.g., environmental) on the community.

3.0 Prioritize capital requests. The District continually faces extensive capital needs and limited financial resources. Therefore, prioritizing capital project requests is a critical step in the capital plan preparation process. When evaluating projects the District will:

3.1 Categorize each submittal under Project Types:

3.1.1 Major Projects

- A non-recurring project with scope and management complexity with a project budget greater than \$1,000,000 and a 25-year minimum asset life.

3.1.1.1 New Initiatives



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- A project that creates a new amenity or significantly expands an existing facility with new programming, operations or capacities.

3.1.1.2 Existing Facilities

- A project that maintains, renews, and re-invests in existing facilities without significantly adding new programming, operations or capacities.

3.1.2 Capital Improvement

- A non-recurring project with some scope and management complexity with a project budget generally less than \$1,000,000.

3.1.2.1 New Initiatives

3.1.2.2 Existing Facilities

3.1.3 Capital Maintenance

- A generally recurring project at an existing facility with limited scope and management complexity and a project budget less than \$1,000,000.

3.1.4 Rolling Stock

- On-going projects for the replacement of vehicles, heavy and light duty wheeled and tracked machinery, tractors, mowers, trailers, etc.

3.1.5 Equipment & Software

- On-going replacement of non-rolling stock and non-building system equipment (kitchen, ski rental, uniforms, furniture, service-ware, etc.), information technology hardware and software.



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- 3.2 Prioritize Projects under these criteria:
 - 3.2.1 Priority 1 are projects that address Existing Facilities or replace existing assets via Capital Maintenance, Rolling Stock, or Equipment & Software projects that have reached or are near the end of useful life and are necessary to meet existing programming, operations, or capacities that the community wants, needs and uses.
 - 3.2.2 Priority 2 are New Initiative projects that address existing facilities and assets that have reached or are near the end of useful life in order to expand existing programming, operations, or capacities to meet the community's wants, needs and uses.
 - 3.2.3 Priority 3 are New Initiative projects that create new amenities that are wanted by the community and will be funded by new sources.
 - 3.2.4 Priority 4 are New Initiative projects that create new amenities that are wanted by the community and will be funded by existing sources.
- 3.3 Ongoing consideration of Project Types and Prioritization by District Staff will consider:
 - 3.3.1 Reflect the relationship of project submittals to financial and governing policies, plans, and studies.
 - 3.3.2 Allow venues to provide a prioritization recommendation.
 - 3.3.3 Incorporate input and participation from major stakeholders and the general public.
 - 3.3.4 The condition assessment of existing assets as it relates to asset life-cycle, industry best practices,



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manufacturer's guidelines, safety, and the aesthetic character of the facility.

- 3.3.5 Adhere to legal and regulatory requirements and/or mandates.
- 3.3.6 Anticipate the operations and operating budget impacts resulting from capital projects.
- 3.3.7 Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., return on service, payback period, cost-benefit analysis, cash flow modeling).
- 3.3.8 Re-evaluate capital projects approved in previous multi-year capital plans.
- 3.3.9 The availability of outside funding (e.g. grants, direct community contribution, in-kind contribution, public private partnership) to support completion of a capital project.

4.0 Develop financing strategies. The District recognizes the importance of establishing a viable financing approach for supporting the multi-year capital plan. Financing strategies should align with expected project requirements while sustaining the financial health of the District. The capital financing plan should:

- 4.1 Anticipate expected revenue and expenditure trends, including their relationship to multi-year financial plans.
- 4.2 Prepare a flow of resources projection of the amount and timing of the capital financing and expenditure
- 4.3 Continue compliance with all established financial policies.
- 4.4 Recognize appropriate legal constraints.
- 4.5 Consider and estimate funding amounts from all appropriate funding alternatives.



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- 4.6 Ensure reliability and stability of identified funding sources.
- 4.7 Evaluate the affordability of the financing strategy, including the impact on debt ratios, taxpayers, ratepayers, and others.

Annual Capital Budget.

- 5.0 Preparing and Adopting the Capital Budget. The capital budget will include the following information:
 - 5.1 A definition of capital expenditure for the District.
 - 5.2 Summary information of capital projects by fund, function, venue/service or activity.
 - 5.3 A schedule for completion of the project, including specific phases of a project, estimated funding requirements for the upcoming year(s), and planned timing for acquisition, pre-design, design, and construction or acquisition activities and transition to complete operation.
 - 5.4 Descriptions of the general scope of the project, including expected service and financial benefits to the District.
 - 5.5 A description of any impact the project will have on the current or future operating budget.
 - 5.6 Estimated costs of the project, based on recent and accurate sources of information.
 - 5.7 Identified funding sources for all aspects of the project, specifically referencing any financing requirements for the upcoming fiscal year.
 - 5.8 Funding authority based either on total estimated project cost, or estimated project costs for the upcoming fiscal year. Consideration should be given to carry-forward funding for projects previously authorized.
 - 5.9 Any analytical information deemed helpful for setting capital priorities.

The District needs a greater level of detail and information for non-routine capital projects than for routine projects. For non-routine projects, the capital



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budget should thoroughly describe the impact on the operating budget, number of additional positions required, tax or fee implications, and other financial or service impacts.

6.0 Reporting on the Capital Budget. The District recognizes the importance of timely and accurate reporting on projects adopted in the capital budget. Management, Trustees, and citizens should all have the ability to review the status and expected completion of approved capital projects. Periodic reports will be issued routinely on all ongoing capital projects.

6.1 CIP Popular Status Report. In conjunction with publishing the District's Quarterly Budget Update(s), a CIP Popular Status Report shall be prepared that provides a comparison of actual capital project expenditures to the original and amended project budget for each capital project included in the current year capital budget.

6.2 Major Project Status Report. On a quarterly basis, a Major Project Status report will be presented to the Board. This report will include all "major" projects as well as any Board priority projects identified for inclusion. The report will identify the level of completion of the project, completed and pending project milestones, and enumerate any changes in the scope of the project, or issues that may impact the completion of the project on time, or on schedule.

6.3. Capital Project Close-out Report. For "major" projects, or any project identified as a priority project by the Board, a Capital Project Close-out Report will be presented to the Board at the completion of the project. This report will include information related to actual project expenditures in relation to original and amended project budget; explain any significant variance in project completion schedule; list all change orders and/or contract amendments executed during the delivery of the project; and, where appropriate; include a summary of



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unforeseen circumstances or “lessons learned” that will assist the District in developing scope, budget and schedules for future capital projects.

Capital Project Delivery.

7.0 AUTHORITY

Decision-making responsibilities and duties on capital projects shall be allocated by the General Manager to specific members of the IVGID staff as provided herein. A Project Manager will usually be a representative of the IVGID department which will acquire or construct the project. The staff member so assigned may delegate “duties” to another, but shall remain “responsible” for their actions pertaining to the project.

8.0 CAPTIAL PROJECT FINANCING RESOURCES

Financial management of capital projects is controlled through the Board-Approved Multi-Year Capital Improvement Plan and each fiscal year’s Capital Improvement Project Budget. The ability to pay for the costs of a project will be based on appropriated, identifiable and predictable financing resources at the time of acquisition.

8.1 Establishment. A capital project’s financing resources are established by action of the Board of Trustees through the adoption of a annual Capital Project Improvement Budget. Financing resources may be established for each fund; for each program; or for each project or group of projects.

8.2 Interest. For any project where part of the financing resources came from bond proceeds, the investment earnings must be attached to the project in order to determine and comply with IRS arbitrage regulations.



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8.3 Expenditures. Funds identified as financing resources may only be expended consistent with appropriation authority provided by the Board of Trustees the District’s approved, or amended, Capital Improvement Project Budget. Projects carrying over from one fiscal year to another are expected to be identified during the annual budget process to extend spending authority and facilitate completion of the construction or acquisition of the capital assets.

The General Manager has the authority to redirect the design or specifications affecting up to an aggregate of \$50,000 if it does not exceed the total approved cost of the project.

8.4 Exclusivity. All financing resources identified for a project, are considered exclusively for expenditures related to that project. No expenditures or obligations shall be made related to that project which cumulatively exceeds the available appropriations authorized by the Board of Trustees, based upon identifiable and predictable financing resources.

8.5 Changes. The amount of funds in identifiable and predictable financing resources may be increased or decreased by action of the Board of Trustees, provided that no decrease shall occur which causes the unexpended financing resources for any project to fall below the cumulative total of obligations outstanding pertaining to the project.

8.6 Close-out. Upon completion or termination of a project, the unexpended financing resources for that project may be closed out by the General Manager, except for an action of the Board of Trustees, designating where the unexpended, if any, shall be transferred.

9.0 PROJECT LIFE CYCLE



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Projects shall be managed in relation to the following typical project life cycle:

- 9.1 Definition.** The process of developing a document which describes a specific project, in terms of location, function, cost, and other parameters.
- 9.2 Feasibility.** The process of analyzing the practicality of a project, in terms of capital financing and cost, operating revenue and cost, environmental and permit conditions, and other factors.
- 9.3 Planning / Scheduling.** The process of developing documents which identify the location and function of projects, in relation to other projects and existing facilities, as well as identifying the cost, timing and financing of the capital project.

All capital project expenditures shall be evaluated through a Multi-Year Capital Improvement Plan, to include a supporting Financing Plan and authorized for expenditure through a specific fiscal year's Capital Budget. Inclusion of a project within an approved Multi-Year Capital Improvement Plan means the project has been "*planned and scheduled*".

- 9.4 Funding.** The process by which funds are identified to support capital project costs. Inclusion of a project with funding included in the Multi-year Capital Plan means that project funding has been *identified*; when resources are appropriated through the annual Capital Improvement Project budget, a project is considered "*funded*."
- 9.5 Design/Specification.** The process of determining the size, specifications, acquisition/construction methods, and other factors prerequisite to construction or acquisition, including the selection of the designers. A project is deemed "designed" upon approval of final design.



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9.6 Construction/Acquisition. The process entails constructing or acquiring a project's assets, including the selection of contractors or vendors. A project is deemed "*completed*" upon approval of final payment and acceptance of the project by the District.

10.0 PROJECT DELIVERY/EXECUTION

All projects may not be subject to all phases, or be phased in the same order. However, all capital projects shall be defined, planned/scheduled and funding sources identified to proceeding to design/specification. All construction projects shall be planned. Progress in completing all capital projects will be documented a "Capital Project Status Report" presented to the Board of Trustees no less than quarterly.

10.1 Roles and Responsibilities.

To facilitate effective delivery of capital projects, it is important to clearly define roles and responsibilities throughout the project life cycle.

Roles and responsibilities for defining, analyzing, planning/scheduling, funding, design, construction/acquisition and project close-out are defined in Exhibit to this policy.

CAPITAL PROJECT DELIVERY
Authority / Roles / Responsibilities
 Board Policy 12.1.0

| Project Phase: | CIP Capital Program Review Committee | | | | |
|------------------------------|---|---|---|--|-------|
| | Board of Trustees | General Manager | Department Head | Project Manager | Staff |
| Definition | <i>Process of developing a document which describes a specific project, in terms of location, function, cost, and other parameters.</i> | | | | |
| | Receive project definitions as part of capital Improvement Project Budget submittal | Approve Capital project definitions | | Prepare initial Capital Project Data Sheet. | |
| Feasibility | <i>Process of analyzing the practicality of a project, in terms of capital financing and cost, operating revenue and cost, environmental and permit conditions, and other factors.</i> | | | | |
| | Ensure feasibility of capital improvement projects prior to design and construction. 1) Determine when a feasibility study is needed 2) Award and execute consulting contracts exceeding GM procurement authority. 3) Review and accept final "CIP Budget" | 1) Review and approve study scope 2) Authorize consultant contracts within GM procurement authority | 1) Approve RFP on consulting contracts 2) Approve study methods and team | 1) Define specific objectives, criteria and scope 2) Prepare RFP and solicitation process 3) Recommend approval of study contracts | |
| Planning / Scheduling | <i>Developing documents that identify location and function of projects, in relation to other projects and existing facilities, as well as identifying the cost, timing and financing of the capital project.</i> | | | | |
| | 1) Define general goals, constraints and direction. 2) Award and execute planning contracts exceeding GM procurement authority 3) Review and approve Multi-Year Capital Improvement Plan 4) Approve project amendments and substitutions, according to District purchasing policies. | Ensure plans are coordinated with Multi-year Capital Improvement Plan 1) Approve planning scope 2) Authorize planning contracts within GM procurement authority 3) Validate scheduling in terms of sound financial planning. 4) Review, and revise recommended capital improvement projects to the Board. | 1) Approve RFP's 2) Approve planning methods and team 3) Recommend capital improvement projects to the GM 4) Recommend approval of planning contracts 5) Review and approve progress reports 6) Recommend preferred alternatives and final plans to GM and Board | 1) Define specific objectives, criteria and scope 2) Prepare RFP and solicitation process 3) Coordinate project with public, staff and GM 4) Prepare progress reports 5) Make substantive and procedural decisions during the planning process 6) Recommend preferred alternatives and final plans to Department Head 7) Analyze alternative financing methodologies and prepare capital financing program coordinated with CIP budget and Multi-Year Capital Plan | |
| Funding | <i>The process by which funds are identified to support capital project costs.</i> | | | | |
| | Establish availability of appropriate, identifiable predictable financing resources. 1) Approve annual Capital Improvement Project Budget | Approve recommendations for project to proceed and increases in project financing resources beyond levels identified in Capital Project Report. | 1) Review recommended actions to establish, increase, decrease or close-out financing resources. 2) Review impact of capital project on CIP budget and Multi-Year Plan. | Administration of project finances. 1) Produce periodic report on capital project financing resources, obligations and expenditures. 2) Recommend periodic action to establish, increase, decrease or close-out financing resources. 3) Consider impact of capital project on CIP budget and Multi-Year Plan. | |

CAPITAL PROJECT DELIVERY

*Authority / Roles / Responsibilities
Board Policy 12.1.0*

| Project Phase: | CIP Capital Program Review Committee | | | | |
|----------------------------------|---|---|---|---|-------|
| | Board of Trustees | General Manager | Department Head | Project Manager | Staff |
| Design / Specifications | <i>The process of determining the size, specifications, acquisition/construction methods, and other factors prerequisite to construction or acquisition, including the selection of the designers.</i> | | | | |
| | General oversight of design. 1) Award and execute design contracts exceeding GM procurement authority. 2) Accept regulatory permit conditions on projects over \$50,000. | 1) Award and execute desing contracts within GM procurement authority. 2) Review and accept regulatory permit conditions under \$50,000. | 1) Approve design methods and team 2) Provide guidance to proeject manager during design. 3) Review and approve final design/specs on projects. 4) Provide direction to on major design alternatives and issues. | 1) Prepare scope of services and requests for proposals for design services, and administer selection process for design team. 2) Prepare design contracts; recommend for award and execute design contracts. 3) Assemble cost estimates; prepare project budget and budget revisions; prepare project schedule and schedule revisions. 4) Coordinate activities of designers with the balance of the technical team, and operating staff. 5) Present major desing alternatives and issues. 6) Assemble and submit regulatory permit applications and coordinate regulatory process. 7) Approve all requests for payment. | |
| Construction/ Acquisition | <i>The process entails constructing or acquiring a project's assets, including the selection of contractors or vendors. A project is deemed "completed" upon approval of final payment and acceptance of the project by the District.</i> | | | | |
| | General oversight of contract awards, major payments and acceptance of capital assets constructed or acquired 1) Award and execute construction/acquisition contracts in excess of GM authority 2) Approve change orders authority designated to staff. 3) Approve amendments (increase and decrease) to Capital Improvement Project budgets, including re-allocation of available resources among projects. | Ensure contracts and request for majorpayments submitted to the Board for approval meet requirements of CIP budget. | 1) Approve change orders within authority limitations. 2) Upon substantial completion, approve release of retention for construction projects. | 1) Recommend award and execute construction/acquisition contracts. 2) Recommend approval of change orders 3) Recommend release of retention to GM. 4) Recommend approval of final payment. 5) Coordinate final contract preparation 6) Establish and administer inspection and testing. 7) Supervise Construction or Construction Representative. 8) Serve as District's representative to contractor. 9) Approve all shop drawings; 10) Approvel all requests for equals; 11) Approve all certificates of payment. | |
| Close-Out | | | | | |
| | 1) Formal acceptance of capital projects exceeding GM procurement authority. | 1) Formal acceptance of capital projects within GM procurement authority. 2) Recommend formal project acceptance to BOT for projects exceeding GM procurement authority. | 1) Review recommendation for project acceptance. 2) Authorize final payment, including retention amounts 3) Review and approve project close-out report. | 1) Ensure all project deliverables have been met and documented. 2) Recommend "acceptance" of project 3) Finalize file with all project documents and required approvals 4) Complete capital project close-out checklist and prepare project close-out report. | |

Attachments:

- A) Summary Recommendations – Moss Adams: “Construction Advisory” Report
- B) Construction Contract Checklist(s)
- C) Professional Services Contract Checklist
- D) Summary Recommendations – Moss Adams: “Evaluation of Certain Accounting and Reporting Matters” Report
- E) Topics for Potential Expanded Scope of Work – re “Moss Adams: Evaluation of Certain Accounting and Reporting Matters” Report (unpublished)
- F) Summary of Recommendations – Moss Adams: “Board Policies and Practices Report.”

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES

| Rec. # | Key Improvement Opportunities | Category | Management Response | Planned Resolution Date |
|--------|---|--|---|---|
| 1 | As a best practice, IVGID should finalize policies and procedures defining processes for master planning, reporting, and communication efforts, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval. | Contract Administration Management and Controls | Capital project planning, management and reporting will be facilitated by implementation of annual capital program planning workshop(s), detailed budgets for specific projects and/or phases, regular quarterly capital program status reports and individual project close-out reports for priority CIP Projects | Regular Quarterly CIP Updates – FY2020/21 Q1 presented 10/27/20 CIP Planning Workshop (Feb 2021) Capital Budget Details – FY2021/22 Budget Process (Winter/Spring 2021) Project Close-out Reports – on-going |
| 2 | As a best practice, the District should consolidate all Public Works and Contract Administration policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures and obtain Board approval. | Contract Administration Management and Controls | Existing internal control policies and procedures, including those related to construction contracts and professional services contracts administration are being reviewed, evaluated and updated. These include Board policies and practices, Accounting and Finance policies and procedures, as well as application of applicable NRS requirements. Policies and procedures will be evaluated on a regular schedule as well as upon changes in District staffing and periodic updates to the NRS. | Update to District staff delegated spending authority (1/1/21) Review of contract procurement procedures and thresholds (Jan 2021) Invoice Processing and Payment procedures (Jan 2021) Update to Board Policies to provide explicit thresholds and authorities (per NRS) – (Feb 2021) |
| 3 | The District should consider procuring and implementing new technology and tools to formalize, streamline, and improve contract administration controls and reporting capabilities. | Contract Administration Management and Controls | Management concurs that existing and best-of-breed technology can greatly improve and streamline contract administration, internal controls and reporting. | Contract administration process review (Dec 2020 -Mar 2021) Updated procedures (July 2021) Tyler Finance and Accounting ERP / Capital Budgeting (July 2022) |
| 4 | As best practice, the District should implement policy and procedures for the competitive solicitation of professional services, including format and threshold considerations. | Bid and Procurement Management and Controls | The District is follows requirements established by NRS 332, the Local Government Procurement Act, as the highest authority for procedures related to local government purchases, including professional services contracts. NRS 332.115.1(b) specifically provides that professional services are “not adapted to award by competitive solicitation. | Agendize for Board discussion and direction (TBD) Draft Purchasing Policy to BOT 6/29/22 |
| 5 | As best practice, the District should ensure appropriate documentation and execution of any modification to contractual agreements, including change in scope, responsibilities, conditions, or deliverables. | Change Order and Scope Management and Controls Application | Change orders for professional services contracts are generally handled through Additional Services Addendum or separate Task Order, as well as corresponding increase to the Purchase Order established with each contract. Supporting documentation is provided to Accounting. These changes are reviewed for consistency with Board authorization prior to payment of invoices. | Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (See #'s 2,5, and 6). |
| 6 | As a best practice, IVGID should establish more robust change order reporting within key capital program reporting to ensure end users understand change order impact and assigned responsibility. | Change Order and Scope Management and Controls Application | Management supports enhancing capital project reporting to include documentation of approved change orders. | Quarterly CIP Popular Status Reports – (Feb 2021) Major Project Status Reports – FY22/23 CIP Project Close-out Reports – FY22/23 |
| 7 | As best practice, the District should implement formal contract amendment and change order approval and document control and retention processes within procedural documents. | Change Order and Scope Management and Controls Application | Staff believes all change order documentation has been provided. | <i>Approval process and documentation for change orders to construction contracts will be included as part of overall policy and process documentation effort (See #'s 2,5, and 6). - COMPLETED</i> |
| 8 | The District should ensure all payment processing procedures are completed and reviewed/signed off on prior to payment approval | Expenditure Management and Controls | Management concurs with the recommendation that all payment processing procedures are completed and reviewed prior to payment approval, consistent with current policy and procedures (<i>Accounting and Financial Procedures – Purchasing and Accounts Payable Cycles</i>). | N/A - Current Policies and Procedures in place. |
| 9 | The District should evaluate the appropriateness of current invoice processing policy or ensure the establishment of invoice control procedures by requiring vendors to send all final invoices and statements directly to the District Accounting Department. | Expenditure Management and Controls | Management concurs with the need to review current invoice processing procedures to ensure efficient processing while maintaining effective internal controls related to vendor and contractor payments. | Invoice Processing and Payment procedures (Jan 2021) (See Recommendation #2) |
| 10 | The District should produce ongoing project-level budget-to-actual expenditure reporting, including key details such as budget, expenditures, committed/encumbrances, and forecasted expenditures. | Design and Construction Budget Management and Controls | See Recommendation #1, above). | See Recommendation #1, above). |

SUMMARY OF RECOMMENDATIONS AND MANAGEMENT RESPONSES

| Rec. # | Key Improvement Opportunities | Category | Management Response | Planned Resolution Date |
|--------|---|----------------------------|---|--|
| 11 | The District should implement and formalize project close-out procedures for professional services. | Project Close-Out Controls | Management concurs with this recommendation and will formalize project close-out checklists and procedures for professional services contracts. | Formal Project Close-Out Checklist/Procedures – COMPLETED |
| 12 | The District should formally implement the already developed and informally utilized close-out checklists into required project close-out procedures. | Project Close-Out Controls | See Recommendation #11, above. | See Recommendation #11, above. |

PROJECT TOTALING UNDER \$25,000

| | | | |
|---|---|---------------------------|-----------------|
| <p>What is a Public Works Project? "Public work" means any project for the new construction, repair or reconstruction a project financed in whole or in part from public money for all publicly owned works and property. **All IVGID projects are Public Works Projects**</p> <p>A project is anything that is not usual and customary for your business. The project cost includes the purchase of any equipment and materials for the project even it is purchased separately.</p> | | | |
| PROJECT# | NAME OF CONTRACTOR | CONTRACT PRICE: \$ | |
| <i>Project Name</i> | | | |
| | DESCRIPTION OF TASKS | COMPLETED? | COMMENTS |
| | <ul style="list-style-type: none"> Submit for required permits (Washoe County and TRPA). | | |
| | SET UP BID FILE | | |
| | <ul style="list-style-type: none"> A bid must be solicited from at least one properly licensed contractor. Send letters/invitations to bidders from list of contractors that PM chooses. Receive and Evaluate bids. Award Contract to Lowest Responsible Bidder, under \$25K DPW approves. Determine that low bidder is properly licensed with Nevada State Contractors Board. Determine if contractor is on the Nevada Labor Commissioners Disqualified Contractors list. | | |
| | SET UP FINANCIAL FILE | | |
| | <ul style="list-style-type: none"> After Award of Contract create contract document and email to contractor for signature. Once contract is back signed by Contractor, email to DPW or Engineering Mgr. for signature. Email fully-signed contract back to Contractor for their file. Verify vendor is set-up in Accounting; if not, send out vendor set-up forms. Need evidence of District required liability & auto insurance with \$1,000,000 of coverage each. Need evidence of workman's comp insurance (SIIS) with \$250,000 of coverage each. | | |
| | AFTER SIGN-OFF OF THE CONTRACT DOCUMENTS: | | |
| | <ul style="list-style-type: none"> Generate a PO. Track Invoices or Pay Applications and Change Orders in financial file. | | |
| | UPON COMPLETION | | |
| | <ul style="list-style-type: none"> Check with PM to see if all as-builts & warranty items are turned in and accounted for. Check with PM and/or Utility Front Desk to see if hydrant meter has been returned, if applicable. Final Payment to the Contractor. | | |

PROJECT OVER \$25,000 BUT UNDER \$100,000

What is a Public Works Project?

“Public work” means any project for the new construction, repair or reconstruction a project financed in whole or in part from public money for all publicly owned works and property. ****All IVGID projects are Public Works Projects****

A project is anything that is not usual and customary for your business. The project cost includes the purchase of any equipment and materials for the project even if these are purchased separately.

NOTE: As of 9/2020, the IVGID Board requires all projects \$50K or above be approved by the Board.

PROJECT# 4884FF1502 **Bruce Purves Construction** **CONTRACT PRICE: \$111,673**
Repairs to the Rec Center Deck, Stairs & Railings

| DESCRIPTION OF TASKS | COMPLETED? | COMMENTS |
|--|------------|----------|
| Set up project directory if not already done. “YYYY CIP# Project Name” | | |
| Put together Contract “front ends” and edit for project name and CIP number – footers, etc. | | |
| Project Manager will solicit bids from at least three properly licensed contractors. NRS 338.1386 | | |
| Record all contractors solicited, and all resulting bids, in the “Informal Bid Data” spreadsheet. | | |
| BID OPENING: | | |
| Scan complete copies of all bids to project’s bidding file. | | |
| <i>Determine that low bidder is properly licensed with Nevada State Contractors Board.</i> | | |
| Award Contract to lowest responsible bidder. | | |
| Update the “Contracts Under 25K” quarterly report. | | |
| FOR PROJECT FILE: | | |
| Create short form contract documents for vendor and email to vendor for signature. | | |
| When returned from vendor, email contract to DPW or Engineering Mgr for signature. | | |
| Email fully-signed contract back to vendor for their file. | | |
| Verify vendor is set-up in Accounting, if not send out vendor set-up forms. | | |
| Need evidence of District required insurance as spelled out in SFA. | | |
| Generate a PO, and attach a copy of the fully signed SFA to the PO. <i>Holding retention? Click the “Retention” button in Innoprise!</i> | | |
| Send Notice to Proceed on all jobs over \$25,000. | | |
| Scan Invoices or Pay Applications and Change Orders to Contractor file. | | |
| UPON COMPLETION | | |
| Check with PM to see if all as-builts & warranty items are turned in and accounted for. | | |
| Check with PM and/or Utility Front Desk to see if hydrant meter has been returned, if applicable. | | |
| Final Payment to the Contractor. | | |
| Move Contractor file into Project file. Move Project file to Completed Projects or STREETS file. | | |

**PROJECTS TOTALING \$100,000 AND OVER
(Requiring Prevailing Wages)**

| PROJECT #CIP/PWP #s | CONTRACTOR NAME | CONTRACT PRICE: \$XX +10% | |
|---|---------------------|---------------------------|--------------|
| PROJECT: Name | BOARD AWARDED: Date | | |
| DESCRIPTION OF TASKS | | COMPLETED | COMMENTS |
| SET UP BID FILE | | | |
| Obtain public works project (PWP) number from Labor Commissioner (done online). Add # to Bid Documents. | | | |
| NOTE: As of 9/2020, the IVGID Board requires all projects \$50K or above be approved by the Board. | | | |
| Assist Project Manager by creating new "front ends" in the bid documents directory. Edit all footers and CIP info. | | | |
| Publish Invitation to Bid as a legal ad no less than 7 (21 recommended) days before bid opening date. | | | |
| Place PDF copy of published Invitation/affidavit from paper in project's Bidding file. | | | |
| Set up bid in PlanetBids, keep as Draft until Bid Publication date. | | | |
| Have IT add Invitation to Bid to "Bidding Opportunities" website page. | | | NRS 338.1385 |
| Add pre-bid conference & bid opening dates to Engineering & Front Office staff calendars. | | | |
| On Federally-funded projects: 10 days prior to bid opening check for updates to Davis Bacon rates. | | | |
| BID OPENING: | | | |
| Scan complete copies of all bids, including bid bonds, to project's Bid file. | | | |
| If project is Unit Price bid, prepare Bid Tabulation spreadsheet and send to project manager(s) | | | |
| Determine if low bidder is properly licensed with Nevada State Contractors Board. | | | |
| Determine if contractor is on the Nevada Labor Commissioner's Disqualified Contractors list. | | | NRS 338.017 |
| Return Bid Security to those bidders without a reasonable chance of award within 7 days of bid opening. | | | |
| Determine that the low bidder is qualified to bond for the cost of the project. | | | |
| Have IT remove Invitation to Bid from "Bidding Opportunities" website page. | | | |
| UPON BOARD AWARD: | | | |
| Send Notice of Award to the Contractor (our form) and to the Labor Commissioner (their form). | | | |
| Create conformed contract documents from winning bid and email to contractor for review and electronic signature. | | | |
| Return Bid Security to all other bidders (including awarded bidder) within 7 days of award of project. | | | |
| When Contractor returns signed pdf of contracts, send to DPW for signature. | | | |
| Send PDF of completed contract to Legal Counsel for review – via email, "High Importance." | | | |
| When DPW has signed contracts, print out the book and send to Susan Herron for Board and Legal signatures. | | | |
| Verify vendor is set-up in Accounting. If not, send out vendor set-up forms. | | | |
| Obtain all insurance information required per Supplementary Conditions. | | | |
| Review P&P bonds for correct \$ amounts, signatures, etc.; scan to Contractor file and insert into contract docs. | | | |
| Obtain a construction schedule (always requested). | | | |
| If a lump sum contract obtain a Schedule of Values. | | | |
| AFTER CONTRACT DOCS ARE SIGNED: | | | |
| Generate a PO. Attach copy of CIP data sheet to PO. <i>Remember to click on the "Retention" button in Innoprise.</i> | | PO #: | |
| Scan copy of signed contract to Contractor's file, and FedEx one to the Contractor. Susan will keep one copy for her files. | | | |
| Keep our signed copy in desk rack throughout duration of project, for reference purposes. | | | |
| Set up the Project and Contractor in LCPTracker, assign prevailing wages and Contractor to project. | | | |
| Track Pay Applications and Change Orders. | | | |
| Copy ALL change orders to Accounting and to Legal Counsel. | | | |
| Obtain certified payroll records via LCPTracker software program. File monthly report in Construction file. | | | |
| Contractor should be notifying Labor Commissioner and IVGID within 10 days of new subcontractor. | | | NRS 338.013 |
| Track lien notices in Contractor file. | | | |
| UPON COMPLETION: | | | |
| Prepare Substantial Completion and send to Contractor. | | | |
| Check with PM to see if all as-builts & warranty items are turned in and accounted for. | | | |
| Check with Billing Office to see if water meter has been returned, if applicable. | | | |
| Record Notice of Completion; send recorded copy to contractor and all lien holders via certified mail. | | | |
| IMPORTANT: Contractor and all lien holders must receive a NOC within 10 days after the recording date – no later. | | | NRS 108.228 |
| Request contractor provide <u>Unconditional</u> Releases of Lien from all lien holders of record. | | | |
| Complete review of Apprentices Hours and send determination of compliance to Labor Commissioner. | | | |
| Complete and email the Labor Commissioner their Notice of Completion form. | | | |
| Process Final Payment: Within 30 days from date of occupancy, or recording date of NofC, unless Labor Commissioner has contacted us with labor related issues on the project. | | | NRS 338.520 |
| On Projects over \$250k, where NV Preference was used to award contract, submit written report by July 31st | | | NRS 338.0117 |
| Scan everything to project file and recycle hard copy of contract; no paper! | | | |

PROFESSIONAL SERVICES
Deliverables Report

| Task # | Description of Deliverable | Criteria for Acceptance | Task Total | Remaining Balance | Phase Tracking Dates | | | |
|--------|--|---|--------------|-------------------|----------------------|---|------------|----------|
| | | | | | In Progress | Delivered | Reviewed | Accepted |
| 1 | Summary memo outlining the study objectives, issues and concerns. | | \$ 2,770.00 | \$ 2,495.00 | X | | | |
| | Face-to-face meeting | Completed via Online Meeting | | | | X | 10/14/2021 | N/A |
| 2 | An initial written data request to IVGID and identification of data constraints. | | \$ 1,580.00 | \$ 590.00 | X | X | X | |
| | Documentation of data received and outstanding data needs. | | | | X | X | X | |
| 3 | A review of IVGID's existing written financial/rate setting policies. | | \$ 1,250.00 | \$ (1,509.00) | X | X | X | |
| | Review of other relevant financing and planning documents. | | | | X | X | X | |
| | A summary memo confirming current policies and noting additional policies for IVGID to consider. | | | | | | | |
| 4 | A water and sewer revenue requirement analysis | For a projected 10-year period, with the focus on the first 5 years, that considers the necessary operating and capital needs of each utility. | \$ 17,500.00 | \$ 662.50 | X | X | X | |
| | A capital financing plan within the revenue requirement analysis | Utilizes IVGID's capital improvement plans which attempt to maximize capital expenditures while minimizing the rate impacts to customers over time. | | | X | X | X | |
| | If needed, a rate transition plan to "phase in" needed rate adjustments. | | | | X | X | X | |
| | Recommendations regarding key financial indicators. | Debt service coverage, capital funding & replacement through rates, reserve levels, etc. | | | X | X | X | |
| | One 3-4 hour meeting to review draft results of the revenue requirements. | Completed via Online Meeting | | | X | 10/27/2021 10/28/2021 11/1/2021 | N/A | N/A |
| 5 | An equitable allocation of IVGID's test period water and sewer revenue requirements | | \$ 12,900.00 | \$ (9,760.00) | X | X | X | |
| | Average unit costs (\$/customer/month, \$/1,000 gallons, \$/lb TSS and BOD. | | | | X | X | X | |
| | Meeting/video conference to review the draft final cost of service summary and recommendations. | Hold meeting | | | X | X | X | |
| 6 | Review of IVGID's current water and sewer rates, along with billing policies and practices. | | \$ 9,850.00 | \$ (3,486.25) | X | X | X | |
| | Development of proposed water and sewer rates for a 5-year period (annual adjustments) | | | | X | X | X | |
| | Collaborate with District staff on compatibility of rate design alternatives with the District's current billing system. | | | | X | X | X | |
| | Bill comparisons and graphs for the developed rate design alternatives. | | | | X | X | X | |
| | Bill comparisons to neighboring utilities. | | | | X | X | X | |
| | Review Ordinance language regarding utility rates and provide suggested markup language for the proposed rates. | | | | X | X | X | |
| 7 | Provide recommendations on the appropriateness and approach to establishing the current misc. fees. | | \$ 5,990.00 | \$ 5,165.00 | X | X | X | |
| | Discuss the current industry policies and trends related to the misc. fees. | | | | X | X | X | |
| 8 | A draft final and final written water and sewer report, in both Word and pdf. | | \$ 5,660.00 | \$ 1,390.00 | X | X | X | |
| 9 | Up to two public presentations to present the finding, conclusions and recommendations of the study. | First completed via Online Meeting Second completed via Online Meeting Third completed via Online Meeting Fourth Meeting pending in April | \$ 7,240.00 | \$ 960.71 | X | 11/10/2021 & 2/9/2022 & 3/9/2022 & 4/27/2022 | N/A | N/A |
| 10 | A copy of the computer spreadsheet model(s) used to develop the study. | | \$ 1,580.00 | \$ 1,580.00 | | | | |
| 11 | Monthly progress reports. | | \$ 5,300.00 | \$ 3,698.75 | X | | | |
| | QA/QC review process for the study and technical analyses. | | | | X | | | |

Labor \$ 71,620.00 \$ 1,786.71
 Expenses \$ 3,315.00 \$ 3,315.00
Total Labor and Expense Cost Estimate \$ 74,935.00 \$ 5,101.71

Original Contract \$ 74,935.00
 Invoice 1 - 10/24/21-11/20/21 \$ 27,443.75
Remaining \$ 47,491.25
 Invoice 2 - 11/21/21-12/25/21 \$ 6,875.54
Remaining \$ 40,615.71
 Invoice 3 - 12/26/21-1/29/22 \$ 20,909.00
Remaining \$ 19,706.71
 Invoice 4 - 1/30/22-2/26/22 \$ 8,911.25
Remaining \$ 10,795.46
 Invoice 5 - 2/27/22-3/26/22 \$ 5,693.75
Remaining \$ 5,101.71

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 Facility 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 Incline Village General Improvement District | 9 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 benefiting 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 allocation 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 review 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 |
|---|----------------------------|---|---|-----------------------------------|--|--|
| Potential for error in the period of recognition of a grant obtained for the | | | | | | |
| 9 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 review by District's external auditor. (See document request list) |
| Improper capitalization of \$150,751 of repairs to Mountain Golf Course Clubhouse | | | | | | |
| 10 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 review by District's external auditor. |
| Indadequate disclosure of lease commitments with US Dept of Agriculture | | | | | | |
| 11 and Parasol Foundation | | X | | | Current accounting standards issued require footnote disclosure of significant 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 significance 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 review 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 |
|----------------------------|--|---|-----------------------------------|---|--|
| 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 internally 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 review 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 |
|---|----------------------------|---|---|-----------------------------------|--|--|
| FYE 6/30/19 CAFR under-reporting of Facility Fees and Beach Fees the Board intended for capital projects and debt service | 16 | 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 'committed' 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. |
| Improper reporting of fund balance classifications in Community Services and Beach funds between committed, assigned, and unassigned | 17 | X | | | This appears to be the same issue noted in #12 and #16 above which we suggest can be addressed in future CAFRs. | Under review by District's external auditor. (See document request list) |
| Inadequate capital asset policy disclosure in the notes to the financial statements | 18 | 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 |
| Lack of disclosure of minimum fund balance policies | 19 | 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 |
| \$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. | 20 | | X | | The amount involved is immaterial to the financial statements. | No action needed. |
| 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. | 21 | X | | | This appears to be the same issue noted in #16 above. | |
| Innappropriate classification of effluent pipe special assessments in the Statement of Revenues and Expenses as operating revenues | 22 | 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 assesment! 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 consistent with the other rate revenues collected by the utility. |

Incline Village General Improvement District
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|---|----------------------------|---|---|-----------------------------------|---|--|
| 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 |
| \$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. |

GFOA Best Practices

- 1 Update and expand Board Policy 12.1.0 and 13.1.0, and Board Practice 13.2.0, to address how the District will implement GFOA best practices including defining key specific roles and responsibilities.

Roles and Reporting

- 2 We recommend that the District update the policy and practice documents to clearly detail the role of the Board of Trustees and District management as well as consider consolidating the policy and practice documents so that all information related to capital planning and budgeting can be found in one location and easily implemented.

Master Planning and Advisory Committee

- 3 The District should update the existing policy and practice documents to include specific processes and procedures related to phased and detailed master planning and consider implementing an advisory committee (see Recommendation No. 3) to act as a liaison between the Board of Trustees and District management as well as encourage community involvement.

Review of Draft Policy 8.1.0, Capitalization of Fixed Assets

- 4 Based on our review of the updated Board Policy 8.1.0, the District has consolidated Board Policy 8.1.0, Board Policy 9.1.0, and Board Practice 2.9.0 into one more in-depth policy document. This approach is consistent with the recommendation provided in Observation No. 2 above. Additionally, the updated policy appears to have incorporated the applicable GFOA best practices and GASB Codification.

The current draft of the policy discusses the classification of capital assets, capitalization thresholds, cost basis and useful lives, and the criteria for capitalization; however, it does not discuss the accumulated depreciation of capital asset additions and disposals. Additionally, while the updated Board Policy 8.1.0 is significantly improved, it lacks specific details around defining the process for capitalization, including who is responsible for each activity, including not specifically outlining who is responsible for completing capitalization of fixed assets, who reviews additions and disposal of fixed assets, and whether any reporting is prepared and presented to District management and/or the Board of Trustees. The District should review the current draft policy and compare it to other capitalization policies (examples to be provided) when making final updates to the draft.