



NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at [4:00 p.m.](#) on [June 16, 2022](#) via Livestream/Zoom only.

Public comment is allowed and the public is welcome to make their public comment either via e-mail (please send your comments to info@ivgid.org by 3:00 p.m. on June 16, 2022) or via telephone (the telephone number will be posted to our website on the day of the meeting). The meeting will be available for viewing at <https://livestream.com/accounts/3411104>. (Remote only meeting permitted by AB 253 as Audit Committee contains non-elected members.)

- A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*
Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member)
- B. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- C. APPROVAL OF AGENDA *(for possible action)*

The Audit Committee may make a motion for a flexible agenda which is defined as taking items on the agenda out of order; combining agenda items with other agenda items; removing items from the agenda; moving agenda items to an agenda of another meeting, or voting on items in a block.

-OR-

The Audit Committee may make a motion to accept and follow the agenda as submitted/posted.

- D. GENERAL BUSINESS ITEMS *(for possible action)*
 1. Receive, review and discuss follow-up explanatory on Management Responses to Audit Committee report on Fiscal Year 2020-21 Annual Comprehensive Financial Report (ACFR) (Director of Finance Paul Navazio) – **pages 3 - 119**
 2. Receive, review and discuss Wastewater Treatment Plant Improvements (Audit Committee At-Large Member Cliff Dobler) – **pages 120 - 133**
 3. Receive, review and discuss Burnt Cedar Disinfection Water Treatment Plant (Audit Committee At-Large Member Cliff Dobler) – **pages 134 - 141**
 4. Review, discuss and agree to Schedule/Work plan for Fiscal Year 2021-22 Financial Audit (Director of Finance Paul Navazio) – **pages 142 - 158**
 5. Receive, review and discuss presentation regarding how revenue is treated for play passes and punch cards (Director of Finance Paul Navazio) – **pages 159 - 161**
 6. Review, discuss and approve Annual Audit Committee report to the Board of Trustees as per Policy 15.1.0 (Audit Committee Chairman Ray Tulloch) – **pages 162 - 169**

Incline Village General Improvement District

Incline Village General Improvement District is a fiscally responsible community partner which provides superior utility services and community oriented recreation programs and facilities with passion for the quality of life and our environment while investing in the Tahoe basin.

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7. Review, discuss and possibly update the Audit Committee Long Range calendar – *page 170*
 8. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee
 9. Audit Committee Chairman’s closing remarks for retiring Audit Committee members
- E. MEETING MINUTES (for possible action)
1. Meeting Minutes of June 1, 2022 – *pages 171 - 176*
- F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- G. ADJOURNMENT (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Monday, June 13, 2022 at 9:00 a.m., a copy of this agenda (Audit Committee Session of June 16, 2022) was delivered to the post office addressed to the people who have requested to receive copies of IVGID’s agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

1. IVGID Anne Vorderbruggen Building (893 Southwood Boulevard, Incline Village, Nevada; Administrative Offices)
2. IVGID’s website (www.yourtahoeplace.com/Board of Trustees/Meetings and Agendas)
3. State of Nevada public noticing website (<https://notice.nv.gov/>)

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

District Clerk (e-mail: sah@ivgid.org/phone # 775-832-1207)

Audit Committee Members: Vacant (*At-Large Member*), Cliff Dobler (*At-Large Member*), Sara Schmitz (*Trustee*), Raymond Tulloch (*At-Large Member*), Matthew Dent (*Trustee*)

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

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

Martin Williams
Controller

SUBJECT: Additional Information Related to Management's Response to the Audit Committee's Report on the 2020-21 ACFR, dated March 9, 2022

DATE: June 16, 2022

BACKGROUND

Pursuant to section 2.3.7 of Board Policy 15.1.0, the Audit Committee issued its report on the 2020-21 Annual Comprehensive Financial Report (ACFR) to the Board of Trustees on March 9, 2022.

Board action on the recommendations contained in the Audit Committee report were deferred until the meeting of April 13th. At the Board's request, management prepared a companion memorandum in response to the Audit Committee's final report and recommendations, which was included in the Board agenda packet for the meeting of April 13th (see Exhibit 9).

As noted in the April 13th memorandum from management, staff concurred with several of the Audit Committee's recommendations; specifically, recommendations 1 (related to expanding the scope of the 2021-22 audit and recommendation 6 (presentation of capital improvement projects and capital maintenance and repairs - expense items).

However, management did not concur with the Audit Committee's recommendation(s) related to the need for additional prior period adjustments, as referenced in recommendations 2a, 2b, 3, 4 and 5.

The Audit Committee has requested that staff provide the Committee with additional information in support of management position on these areas of disagreement.

In addition, this memo includes a discussion of the accounting treatment for the Facility Fees as Program or General Revenue (within the Statement of Activities) as well as the classification as Operating or Non-Operating Revenue (Statement of Revenue, Expenditures and Change in Net Position).

ATTACHMENTS:

Attachment 1 - Audit Committee Recommendation #2a and #2b (March 9, 2022) - Capitalization of items considered to be maintenance and repairs.

Attachment 2 - Audit Committee Recommendation #3 and #4 (March 9, 2022) - Items capitalized in past ACFR's identified by Auditors as candidates for expensing, and retained as capital in final ACFR.

Attachment 3 - Audit Committee recommendation #5 (March 9, 2022) - Allocation of investment earnings.

Attachment 4 - Additional Topics of Concern to Audit Committee -Reporting of Facility Fees in District's financial statements

EXHIBITS:

- 1) Moss Adams report EXCERPT – Capital Asset Accounting
- 2) Listing of Capital Items retained as Capital Assets 2020/21 ACFR
- 3) Listing of Capital Items EXPENSED in 2020/21 ACFR
- 4) Board Policy 9.1.0 – Establishing Capitalization Thresholds (July 2016)
- 5) Governmental Accounting Standards Series – Implementation Guide 2021-1
- 6) History of Reporting of Facility Fee in District's Financial Statements
- 7) Moss Adams report EXCERPT – Punch Card Accounting (Facility Fees)
- 8) Governmental Accounting, Auditing and Financial Reporting – Using the GASB 34 Model, GFOA
- 9) Governmental GAAP Guide, 2020 Edition
- 10) Audit Committee Report on 2020/21 ACFR (March 9, 2022)

Audit Committee Recommendation #2a and #2b (March 9, 2022) - Capitalization of items considered to be maintenance and repairs.

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

Management Response (memo dated April 13, 2022) -

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

Additional information in support of Management's Response:

- As part of the preparation of the District's FY2020/21 financial statements, management reviewed items reported as Construction-In-Process to ascertain if properly reflected consistent with generally-accepted accounting practices as well as conformity with applicable Board policy. This review was done in consultation with the District's independent auditor.
- Management's evaluation of specific project costs entailed a review of not simply formal project "name" of project "description", but included a review of individual contracts, purchase orders and specific work performed.
- The Audit Committee report cites the Moss Adams report as guidance with respect to capitalization of items considered to be repairs and maintenance as well as costs associated with feasibility studies, master plans, and preliminary engineering activities (see Exhibit 1, Moss Adams, *Evaluation of Certain Financial Reporting Matters*, 1/14/2021, pages 25-28).
- Management would highlight the following criteria as applicable in determining if a particular project-related cost – whether consultant study, evaluation, preliminary engineering or repair project – is appropriate to capitalize or expense:
 - Was work performed associated with a particular project that was, or may be, ultimately constructed. Costs deemed appropriate to be capitalized are recorded as Construction-In-Process until the project is completed and the resulting fixed asset is put in service.
 - Repair and maintenance projects MAY be appropriate to capitalize if the work performed had the effect of expanding service capacity and/or extending the useful life of the asset. *This is distinguished from routine maintenance and repair work that merely maintains – or returns – the asset*

to its normal operating condition such that the original expected useful life can be reached.

- The criteria are supported by generally-accepted accounting practices, applicable Board Policy related to capitalization and the Moss Adams report:

Moss Adams (pp. 26-28):

There is relatively little material in the accounting standards to provide specific guidance on when it is appropriate to treat an expenditure as a capital. Rather, most of the guidance is based on GASB Concepts Statement No. 4 which provides general concepts only; anecdotal guidance from other standards like the accounting for intangible assets, asset impairments, elimination of the capitalization of interest costs, among others; and what has evolved in practice.

Current established practice includes the capitalization of certain costs incurred in a preliminary stage such as engineering, architectural, and design for projects that are actually constructed to the extent those costs would have been necessary for the project in any event

Further, we found the District's Board policies and practices lacked a framework for recognition and nature of costs incurred in the various stages of a project along with the accounting treatment to be applied with each stage.

Policies should provide guidance for the capitalization of certain engineering, architectural, and design costs incurred in the preliminary stage for projects actually constructed in addition to the costs incurred in the construction stage.

Also, Moss Adams, pg. 26 -

“Board practice 2.9.0.1.2.4 provides guidance for when repair project expenditures would be eligible for capitalization including the concept of increases to ‘productivity’ that are necessary in addition to the concept of increasing the useful life.”

Board Practice 2.9 –

1.2.4 In case of repair or refurbishment, the outlay will substantially prolong the life on an existing fixed asset or increase its productivity significantly, rather than merely returning the asset to a functioning unit or making repairs of a routine nature.

Conclusion:

- There are accepted instances where costs incurred in preliminary feasibility studies, alternatives analysis, master plans and preliminary engineering design work are appropriate to be capitalized – provided that they contribute to the construction of an asset that is ultimately placed in service.
- Repair and maintenance costs that are determined as resulting in an expansion of service capacity and/or extension of the useful life of an asset are, in fact, appropriate to capitalize.

Audit Committee Recommendation #3 and #4 (March 9, 2022) - Items capitalized in past ACFR's identified by Auditors as candidates for expensing, and retained as capital in final ACFR.

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

Management Response (memo dated April 13, 2022)

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

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

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

Additional information in support of Management's Response:

- Management again would highlight the fact that the items in question were reviewed with the external auditor and only retained as capital assets upon concurrence by the audit team.
- Management re-affirms its position that its review of items to be either retained as capital assets or expensed was performed consistent with Board Policy and Practice related to capitalization.
- The Audit Committee points to a section 3.0 of Board Policy 9.1 and section 1.2.5 of Board Practice 2.9 as evidence of management violating Board policy in retaining certain items as capital assets rather than expensing them as falling under the capitalization threshold:

Board Policy 9.1 -

3.0 In no case will the District establish a capitalization threshold of less than \$5,000 for any individual item

Board Practice 2.0 - .

1.2.5 The capitalization threshold is applied to individual items rather than to groups of similar items (e.g. desks and tables).

- In management’s view, the entirety of Board Policy 9.1 and Board Practice 2.9 should be considered, which includes the following provisions:

2.0 Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets.

5.0 Capitalization of buildings and infrastructure should consider the use of componentization as a way to reflect the varying life cycle considerations of mechanical, structural elements, and wear items that may require different cycles of maintenance and replacement from the main asset being capitalized. The significance of such componentization takes precedent over the \$5,000 threshold, and thus smaller amounts may be listed to facilitate proper asset management.

- In its review of items that were capitalized by prior management – including staff that drafted and recommended applicable Board Policy 9.1 and Practice 2.9 – current staff looked for areas where, in our opinion, there was a clear and obvious case for writing-off items previously capitalized. Acknowledging that several of these assets were capitalized many years ago (in fact, many having been fully-depreciated), when staff found no clear evidence to make the determination that an asset should not have been capitalized, the asset was retained as previously recorded.
- Finally, management believes that many of the issues and concerns identified in the area of capitalization, including specific recommendations made by Moss Adams, have been incorporated into the District’s update Capitalization Policy approved by the Board of Trustees earlier this year.

Audit Committee recommendation #5 (March 9, 2022) - Allocation of investment earnings.

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

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

Management Response (memo dated April 13, 2022):

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

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

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

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

Additional information in support of Management's Response:

- The practice currently adopted is consistent with industry best practices
- This issue may warrant consideration by Board of Trustees regarding alternative approaches to allocation of investment earnings.

Additional Topics of Concern to Audit Committee

Reporting of Facility Fees in District's financial statements

- The Audit Committee has made a recommendation that the Facility Fees assessed on parcel owners to support operations, capital and debt expenditures within the District's Community Services and Beach funds be reported as Program Revenues within the Statement of Activities and as Non-operating revenues within the Statement of Revenue, Expense and Change in Net Position
- This recommendation is supported by observations and recommendations contained in the Moss Adams report (Financial Reporting Matters), based on their review of the nature of the District's Facility Fee and applicable guidance in the accounting standards.

Management Comments:

- It is worth noting the history of the reporting of Facility Fees within the District's financial statements. Prior to the transition from proprietary to special revenue fund accounting for the Community Services and Beach funds (for fiscal year 2015/16), Facility Fee revenues were consistently reported as Program Revenues in the Statement of Activities and as Operating Revenues in the Statement of Revenue, Expense and Change in Net Position:

HISTORY OF REPORTING OF FACILITY FEES IN DISTRICT FINANCIAL STATEMENTS

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

- As noted by Moss Adams and as referenced in various accounting standards documentation, there is diversity of practice on the classification of exchange-like transactions. These are defined as transactions “*where the value exchanged, though related, may not be quite equal or in which the benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics are strong enough to justify treating the transactions as exchange for accounting purposes.*” (GASB Cod Sec N50.503 - Moss Adams, page 22).
- The Moss Adams report also has language to the effect of: “*Prior to 2016, when the District was reporting its recreational activities with enterprise funds, the Facility Fees were classified as “operating revenues” consistent with exchange or exchange-like accounting guidance. After 2016, the District classified the fees as “general revenues” which is consistent with non-exchange transactions accounting guidance, and only appropriate when the fees are unrelated to funding specific programs and activities.*”
- Management notes that the primary recommendation put forth by Moss Adams on the reporting of the Facility Fee, states: “*Whether the District continues to report its recreational activities within governmental funds or switches to enterprise funds, its policy on the classification of the Facility Fee revenue should be disclosed in the notes to the financial statements.*” (Moss Adams, page 21).
- In direct response to this recommendation, the District’s 2019/20 ACFR included Note, as follows:

T. Accounting for Facility Fees

Each year, the District establishes an annual Recreation Facility Fee and Beach Facility Fee to be collected from property owners within the District through a levy placed on the property tax bill and collected on behalf of the District by the Washoe County Treasurer’s Office. These fees are established based on the revenues required to support debt, capital expenditure and operations for the District’s various recreation and beach facilities. These revenues, combined with service charges collected by the District for facility use and program activities serve to support the operations of the District. These revenues are recorded as general revenues within the government-wide statement of activities as opposed to charges for services. The Facility Fees are recorded as revenues to the Community Services Special Revenue Fund and the Beach Special Revenues fund, with subsequent transfers to Capital and Debt fund, as required, to support actual expenditures.

While this Note was (erroneously) omitted from the District’s 2020/21 ACFR, future ACFR’s will include an explanation of the accounting treatment of the District’s Facility Fee.

A) Program Revenue vs General Revenues (*Statement of Activities*)

- In light of the District converting back to proprietary (enterprise) funds for its Community Services and Beach Funds, commencing with the 2021/22 fiscal year, management will review this issue with the District’s external auditor for guidance on proper reporting in the Statement of Activities.
- GASB 34 paragraph 49 discusses Program Revenues and states, “*These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include ... operating special assessments, such as for street cleaning or special street lighting; and any other amounts charges to service recipients.*”

B) Operating vs Non-Operating Revenues (*Statement of Revenue, Expense and Change in Net Position*).

- Management believes that the reporting of the Facility Fees as Operating Revenues in the Statement of Revenue, Expense and Change in Net Position is correct, and consistent with GAAP as well as long-standing District practice.
- *See also:*
 - *Governmental and Accounting, Auditing and Financial Reporting – GFOA practice guide:*

“GAAP requires that the statement of activities for proprietary funds distinguish operating from non-operating revenues and expenses. GAAP do not provide an authoritative definition of operating and non-operating revenues and expenses for the purpose, although GAAP indicate that financial statement preparers may wish to consider the authoritative guidance on identifying cash flows from operating activities in arriving at their own definition.
 - *Governmental GAAP Guide for State and Local Government*

Includes subsidies as examples of non-operating expenses; however, subsidies are (proposed to be) defined as funding sources from “another party or fund,” and thus implying not established for the specific purpose of providing for the operation, capital and debt requirements of the activity.



Capital Asset Accounting

Based on input gathered from interviews, documents reviewed, and our evaluation of existing practices compared to applicable accounting standards and best practices, we have the following observations and recommendations.

1	Observation	The District's current accounting practice includes posting certain costs incurred to its construction-in-progress account based on the nature of an expenditure, or services provided to the District by certain employees, without requiring a clear connection of the cost incurred to the increased service capacity of a specific capital asset. The costs posted to construction-in-progress are later transferred and included in the capitalized cost of existing and new capital assets. Further, we found that costs are capitalized without an evaluation of what stage a particular project is in whether a preliminary or feasibility stage, actual construction stage, or post-construction stage. As a result, expenditures incurred in preliminary stages have been capitalized by the District that don't meet current accounting guidance for capitalization.
	Recommendation	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	Observation	The District's past history of capitalizing costs incurred for feasibility studies and master plans is not consistent with with current recognized governmental accounting practice.
	Recommendation	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	Observation	The District has historically capitalized repair projects without a complete evaluation of whether the repair truly increased the capacity of the asset to provide service. Board policies currently do not provide sufficient guidance on what constitutes an increase in service capacity for its various types of capital assets.
	Recommendation	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.

Observation of current capitalization practices.

From our interviews of various stakeholders, we learned that the District has routinely treated a number of different types of expenditures initially as capital outlays and included in the capital asset account titled 'construction-in-progress'. These costs are allocated to and included with the costs incurred to actually construct a project and reclassified to other capital asset classifications once projects are completed.

Costs initially included in construction in progress include master plans, feasibility studies, and payroll costs for certain District employees like engineers involved in the District's capital asset planning processes. Decisions on whether to include a cost in construction in progress appear to be more from established practice based on the nature of a type of expenditure like engineering staff payroll costs, instead of based on an evaluation of whether the costs were incurred to actually construct a specific asset and without consideration of what stage a project is in.

Board policy 8.1.0 and 9.1.0 establish some of the elements of a framework with which to establish whether an expenditure should be capitalized including the useful life for a particular capital asset. 9.1.0.1.0 provides that an asset must provide utility for two years or more to be eligible for capitalization. 9.1.0.3.0 provides that only expenditures in excess of \$5,000 will be eligible for capitalization.

Board practice 2.9.0.1.2.1 provides that an asset must have a useful life of at least three years to be eligible for capitalization which is inconsistent with the guidance in policy 9.1.0.

Board practice 2.9.0.1.2.4 provides guidance for when repair project expenditures would be eligible for capitalization including the concept of increases to 'productivity' that are necessary in addition to the concept of increasing the useful life.

Applicable capital expenditure and best practice accounting guidance.

There is relatively little material in the accounting standards to provide specific guidance on when it is appropriate to treat an expenditure as a capital. Rather, most of the guidance is based on GASB Concepts Statement No. 4 which provides general concepts only; anecdotal guidance from other standards like the accounting for intangible assets, asset impairments, elimination of the capitalization of interest costs, among others; and what has evolved in practice. Existing guidance defines capital assets as land, improvement to land, easements, buildings, building improvements, vehicles,



machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets including roads, bridges, tunnels, drainage water and sewer systems. (GASB Cod Sec 1400.103)

Accepted practice includes recognition of the different stages of a project including preliminary, construction, and post-construction. Preliminary stage activities include conceptual formulation and evaluation of alternatives, determination of future needs, feasibility studies, and development of financing alternatives. Construction stage includes the engineering and design work on the chosen alternative, actual construction costs, direct payroll of employees working on the project along with certain overhead, and ancillary charges necessary to get the asset in working condition. Post construction stage includes, among other costs, training of employees on use of a particular asset. (GASB Cod Sec 1400.143-149)

Costs incurred in the preliminary and post-construction stages are typically expensed as they are not directly connected with creating service capacity of a particular asset. A project is not considered to enter the construction stage until an actual project alternative has been selected, it is determined the selected alternative will meet the intended needs and objectives, financing for the project has been identified, and the entity establishes in some meaningful way it is committed to proceed with the project such as, for example, including the financing sources and necessary expenditures in the budget. (GAAFR 23-7 to 9)

Governments often expend resources on existing capital assets. Most often, these expenditures simply preserve the asset's utility and are expensed as routine repairs and maintenance. Any outlay that does no more than return a capital asset to its original condition, regardless of the amount expended, should be classified as maintenance and repairs. Since maintenance and repairs provide no additional value, their cost should be recognized as expense when incurred. (GAAFR 23-10)

Best practices to consider for inclusion in policies and practices include:

- The different stages of a project and the types of costs incurred in the different stages.
- The accounting treatment of costs incurred in the different stages.
- What elements or criteria need to be met for expenditures associated with a repair project to be eligible for capitalization based on the concept of service capacity in addition to the extension of useful life of an asset.
- Provide for a different dollar threshold for the different classifications of capital assets. (GFOA best practices)

Evaluation of the District's current capitalization practices.

We find that the District's practice of capitalizing expenditures incurred in what would meet the definition of the preliminary stage of a project as noted above is inconsistent with the accepted practice. Examples include payments to external consultants and internal staff payroll costs to develop master plans, feasibility studies, and related engineering and overall system planning.

Current established practice includes the capitalization of certain costs incurred in a preliminary stage such as engineering, architectural, and design for projects that are actually constructed to the extent those costs would have been necessary for the project in any event.



In addition, we find that the District has capitalized expenditures incurred for repair projects without a careful consideration of portions of the costs incurred that bring the asset back to its previous service capacity and therefore should be expensed, versus the portion of costs that actually increased the service capacity and or significantly increased the asset's useful life. When a particular project has elements of both repairs and improvements, an appropriate portion of the cost should be allocated to repairs and therefore expensed, and a portion to the improvement and capitalized. (GAAFR 27-10)

Further, we found the District's Board policies and practices lacked a framework for recognition and nature of costs incurred in the various stages of a project along with the accounting treatment to be applied with each stage.

Recommendations.

The District's policies and practices should be expanded to provide additional guidance. One area to consider is revisions to recognize, provide descriptions of the types and nature of expenditures incurred in, and provide guidance on how to account for, the various stages of a capital project. The stages should include, at a minimum, preliminary, development or construction, and post-development or construction. Policies should provide guidance for the capitalization of certain engineering, architectural, and design costs incurred in the preliminary stage for projects actually constructed in addition to the costs incurred in the construction stage. Another area to consider is a revision of the dollar thresholds to apply to the different classes of capital assets.

Generally, costs incurred for master plans, feasibility studies, exploration of various project financing alternatives; and all internal payroll costs for engineering, planning, and administrative efforts incurred in what would fall into the preliminary project stage should be expensed when incurred. Only costs incurred in the preliminary stage for projects actually constructed that are necessary project costs and related to adding to service capacity should be eligible for capitalization.

Each project related to an existing capital asset should be carefully evaluated with respect to the objective of the project. For example, determine if the project is part of the ongoing and necessary maintenance to keep the asset in good working order without increasing service capacity and therefore not eligible for capitalization, a repair that was not anticipated but necessary to keep the asset in good working order without increasing the service capacity and therefore not eligible for capitalization, or was the project previously identified as part of an overall plan to increase the service capacity or the overall remaining useful life of the asset and therefore is eligible for capitalization. The policy could provide the criteria to be applied unique to the different classes of capital assets necessary to make the determination on whether a significant increase in service capacity or useful life will result. As an example, policies for road resurfacing might include that laying more than a certain number of inches of new asphalt on an existing road is required to support the service capacity has been increased and the resurfacing project costs are eligible for capitalization. Application of sealants or laying new asphalt of less than a certain depth is considered repairs and maintenance and expensed when incurred.

EXHIBIT 2

Description	Fixed Asset#	FA Type	FA Category	Accumulated Depreciation		Book Value	Cost	Est. Useful life (years)	Remaining Useful life (years)	In Use Date	Reason to retain capitalization
MAINTENANCE FACILITY GARAGE	6788	Water Buildings and Structures	Building & Renovations	25,285.04	17,065.56	42,350.60	40.00	16.10	12/31/1997	Building construction	
MAINTENANCE FACILITY GARAGE	6789	Sewer Buildings and Structures	Building & Renovations	25,285.04	17,065.58	42,350.62	40.00	16.10	12/31/1997	Building construction	
Levee Repairs	11400	Sewer Service Distribution Infrastructure	Infrastructure	7,006.98	21,987.31	28,994.29	10.00	7.53	05/31/2019	Levee replacement	
WETLANDS - LEVEE REPAIR	10076	Sewer Service Distribution Infrastructure	Infrastructure	18,766.08	8,263.41	27,029.49	20.00	6.10	12/31/2007	Levee replaced	
WETLANDS - LEVEE REPAIR 08/	10349	Sewer Service Distribution Infrastructure	Infrastructure	26,885.10	16,239.72	43,124.82	20.00	7.44	05/01/2009	Levee replaced	
Ski Beach Boat Ramp Repairs	10890	Field and Parks Improvements	Venue Improvements	5,868.72	12,664.76	18,533.48	20.00	13.52	05/31/2015	Extended useful life	
Wetlands fence repairs and 2 gates	10977	Sewer Buildings and Structures	Building & Renovations	4,516.96	10,133.04	14,650.00	20.00	13.73	08/14/2015	Fencing and gate replacement	
LifeFitness Integrity SC Upright Bikes with Televisions	11577	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020	Gym Equipment	
LifeFitness Integrity SC Upright Bikes with Televisions	11578	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020	Gym Equipment	
LifeFitness Integrity SC Upright Bikes with Televisions	11579	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020	Gym Equipment	
#808 2019 buyers saltdog sander	11531-A	Water Service Equipment	Machinery & Equipment	1,370.04	2,544.62	3,914.66	5.00	3.20	01/31/2020	Shared asset, total value over threshold	
#808 2019 buyers saltdog sander	11531-B	Sewer Service Equipment	Machinery & Equipment	1,370.04	2,544.61	3,914.65	5.00	3.20	01/31/2020	Shared asset, total value over threshold	
2017 Boss SNOWPLOW #763 (Water)	11210-A	Water Service Equipment	Machinery & Equipment	2,673.60	668.54	3,342.14	5.00	0.91	10/18/2017	Shared asset, total value over threshold	
2017 Boss SNOWPLOW #763 (Sewer)	11210-B	Sewer Service Equipment	Machinery & Equipment	2,673.60	668.53	3,342.13	5.00	0.91	10/18/2017	Shared asset, total value over threshold	
Matrix Strength Leg Extension Machine	11152	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016	Gym Equipment	
Matrix Strength Chest Press Machine	11153	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016	Gym Equipment	
Matrix Strength Rear Delt/Fly Machine	11154	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016	Gym Equipment	
Matrix Strength Biceps/Triceps Machine	11155	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11125	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11126	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11127	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11128	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11121	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11122	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11123	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017	Gym Equipment	
LifeFitness Group Exercise LifeCycle Bike	11124	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017	Gym Equipment	
Manhole and sewer line repairs 1120 Lakeshore	11198	Sewer Service Distribution Infrastructure	Infrastructure	4,890.00	18,582.84	23,472.84	20.00	15.78	08/31/2017	Extend useful life	
Mountain Course Golf Cart Path Repairs	11248	Golf Course Improvements	Venue Improvements	31,867.20	47,800.65	79,667.85	10.00	5.95	10/31/2017	Path replacement	
Championship Course Golf Cart Path Repairs	11247	Golf Course Improvements	Venue Improvements	43,908.34	68,197.66	112,106.00	10.00	6.03	11/30/2017	Path replacement	
Ski Beach Pavement Maintenance	11251	Field and Parks Improvements	Venue Improvements	15,525.00	24,975.00	40,500.00	10.00	6.11	12/31/2017	Payment replacement	
Roadway repairs at wetlands	11335	Sewer Service Distribution Infrastructure	Infrastructure	9,422.80	32,980.25	42,403.05	15.00	11.61	06/30/2018	Roadway replacement	
Repairs at wetlands for Spring 2018 flood damage (Levees and roa	11355	Sewer Service Distribution Infrastructure	Infrastructure	6,269.20	31,345.26	37,614.46	20.00	16.61	07/01/2018	Levee replacement	
Snowflake Roof Maintenance	11363	Recreation Buildings and Structures	Building & Renovations	2,600.36	14,266.64	16,867.00	20.00	16.86	09/30/2018	Extended useful life, Snowflake lodge 100% depreciated before 2018	
Vermont Maintenance Trac Work Order Software	11446	Information Technology Communications Equipment	Machinery & Equipment	22,962.45	655.97	23,618.42	3.00	0.03	12/01/2018	Software purchase	
Roadway Repairs at Wetlands	11442	Sewer Service Distribution Infrastructure	Infrastructure	9,833.88	53,383.78	63,217.66	15.00	12.57	06/15/2019	Roadway replacement	
Slurry seal and paving repairs -Rec Center Entry Road and Parking	11521	Recreation Buildings and Structures	Building & Renovations	7,753.19	19,610.85	27,364.04	5.00	3.53	5/31/2020	Roadway replacement	
Mt. Course Cart Paths Paving Maintenance & Draining Repairs	11500	Golf Course Improvements	Venue Improvements	10,362.35	26,210.65	36,573.00	5.00	3.53	05/31/2020	Path replacement	
Champ Golf Cart Path Repairs	11491	Golf Course Improvements	Venue Improvements	8,085.54	48,988.46	57,074.00	10.00	8.53	06/01/2020	Path replacement	
Precor Recumbent Bike with TV	11576	Recreation Service Equipment	Machinery & Equipment	259.25	4,096.40	4,355.65	7.00	6.50	05/20/2021	Gym Equipment	
Matrix Glute Machine	11305	Recreation Service Equipment	Machinery & Equipment	775.31	1,493.94	2,269.25	10.00	6.45	05/04/2018	Gym Equipment	
Matrix Shoulder Press	11306	Recreation Service Equipment	Machinery & Equipment	825.74	1,591.51	2,417.25	10.00	6.45	05/04/2018	Gym Equipment	
Matrix Seated Row	11307	Recreation Service Equipment	Machinery & Equipment	781.46	1,505.79	2,287.25	10.00	6.45	05/04/2018	Gym Equipment	
Matrix Leg Press	11308	Recreation Service Equipment	Machinery & Equipment	958.99	1,848.26	2,807.25	10.00	6.45	05/04/2018	Gym Equipment	
Matrix Lat Pulldown	11309	Recreation Service Equipment	Machinery & Equipment	825.74	1,591.51	2,417.25	10.00	6.45	05/04/2018	Gym Equipment	
Matrix Versa AB/AD	11405	Recreation Service Equipment	Machinery & Equipment	895.81	1,699.19	2,595.00	7.00	4.45	05/05/2019	Gym Equipment	
Matrix Versa Seated Leg Curl Plus	11406	Recreation Service Equipment	Machinery & Equipment	798.95	1,515.30	2,314.25	7.00	4.45	05/05/2019	Gym Equipment	
F&B Shared POS - Mountain Course	10984	Recreation Office Equipment	Machinery & Equipment	2,804.90	2,003.70	4,808.60	10.00	4.03	12/01/2015	Software purchased	
F&B Shared POS - Snowflake Lodge	10986	Recreation Office Equipment	Machinery & Equipment	2,844.97	1,963.63	4,808.60	10.00	4.03	12/01/2015	Software purchased	
3" Compound Badger Meter	10839	Water Service Distribution Infrastructure	Infrastructure	463.20	1,272.46	1,735.66	25.00	17.89	10/13/2014		
3" Compound Badger Meter - 964 Incline Way - Rec. Center Meter	10840	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/09/2014		
3" Compound Badger Meter - 899 Southwood Blvd. - Lodgepole P;	10841	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/09/2014		
3" Compound Badger - Meter 931 Southwood Blvd. - Incline Middl	10842	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/08/2014		

Description	Fixed Asset#	FA Type	FA Category	Accumulated		Est. Useful	Remaining Useful life (years)	In Use Date	Reason to retain capitalization	
				Depreciation	Book Value					
4" Compound Badger Meter - 111 Country Club - Hyatt Irrigation	10843	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/07/2014	
3" Compound Badger Meter - 861 Southwood Blvd. - High Sierra H	10844	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.87	10/06/2014	
6" Compound Badger Meter - 991 Driver Way - Champ Golf	10845	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.98	11/14/2014	
4" Compound Badger Meter - 725 Golfer's Pass - Mountain Golf	10846	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.93	10/27/2014	
4" Compound Badger Meter - 699 Birdy Court - Mountain Golf	10847	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.93	10/27/2014	
6" Compound Badger Meter - 955 Fairway Blvd. - Champ Golf Off	10849	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.94	10/29/2014	
6" Compound Badger Meter - 950 Fairway Blvd. - Chateau	10850	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.94	10/29/2014	
4" Compound Badger Meter - 665 Lakeshore Blvd. - Burnt Cedar B	10851	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.60	3,718.60	25.00	17.95	11/03/2014	
6" Compound Badger Meter - 630 14th Green Dr. - Champ Golf	10848	Water Service Distribution Infrastructure	Infrastructure	967.20	2,751.41	3,718.61	25.00	18.40	04/15/2015	
3" Turbo Badger Meter	10905	Water Service Distribution Infrastructure	Infrastructure	258.40	761.75	1,020.15	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10907	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
4" Compound Badger Meter	10908	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
6" Compound Badger Meter	10909	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
6" Compound Badger Meter	10910	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10911	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
6" Compound Badger Meter	10912	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
6" Compound Badger Meter	10913	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
4" Compound Badger Meter	10914	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10915	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10916	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
4" Compound Badger Meter	10917	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10918	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
3" Compound Badger Meter	10919	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	
4" Compound Badger Meter	10920	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.42	4,423.42	25.00	18.52	05/31/2015	
Playground - Burnt Cedar	8966	Recreation Service Equipment	Machinery & Equipment	2,080.20	0.00	2,080.20	10.00		10/31/2002	Fully Depreciated, write off would be zero
Playground - Burnt Cedar	8967	Recreation Service Equipment	Machinery & Equipment	3,669.74	0.00	3,669.74	10.00		10/31/2002	Fully Depreciated, write off would be zero
Playground - Burnt Cedar	8968	Recreation Service Equipment	Machinery & Equipment	3,608.80	0.00	3,608.80	10.00		10/31/2002	Fully Depreciated, write off would be zero
Drinking Fountain	9405	Field and Parks Improvements	Venue Improvements	1,839.59	0.00	1,839.59	10.00		10/01/2002	Fully Depreciated, write off would be zero
Drinking Fountain	9406	Field and Parks Improvements	Venue Improvements	1,839.59	0.00	1,839.59	10.00		10/02/2002	Fully Depreciated, write off would be zero
Drinking Fountain	9404	Field and Parks Improvements	Venue Improvements	1,839.60	0.00	1,839.60	10.00		10/03/2002	Fully Depreciated, write off would be zero
SNOWMAKING MASTER PLAN	8989	Slope and Mountain Improvements	Venue Improvements	176,716.12	8,845.07	185,561.19	20.00	0.91	10/21/2002	Design of snowmaking system currently installed at Diamond Peak
SNOW MAKING GUN	8618	Slope and Mountain Improvements	Venue Improvements	2,002.96	0.00	2,002.96	10.00		12/05/2001	Fully Depreciated, write off would be zero
SNOW MAKING GUN	8619	Slope and Mountain Improvements	Venue Improvements	2,002.96	0.00	2,002.96	10.00		12/05/2001	Fully Depreciated, write off would be zero
SNOW MAKING GUN	8620	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001	Fully Depreciated, write off would be zero
SNOW MAKING GUN	8621	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001	Fully Depreciated, write off would be zero
SNOW MAKING GUN	8622	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001	Fully Depreciated, write off would be zero
ASPEN GROVE IMPROVEMENTS	8605	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001	Fully Depreciated, write off would be zero
ASPEN GROVE IMPROVEMENTS	8606	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001	Fully Depreciated, write off would be zero
ASPEN GROVE IMPROVEMENTS	8607	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001	Fully Depreciated, write off would be zero
ASPEN GROVE IMPROVEMENTS	8608	Recreation Buildings and Structures	Building & Renovations	1,851.89	0.00	1,851.89	10.00		10/31/2001	Fully Depreciated, write off would be zero
ASPEN GROVE IMPROVEMENTS	8609	Recreation Buildings and Structures	Building & Renovations	1,851.89	0.00	1,851.89	10.00		10/31/2001	Fully Depreciated, write off would be zero
EXEC MAINTENANCE BLDG	2872	Recreation Buildings and Structures	Building & Renovations	71,614.35	0.00	71,614.35	25.00		05/01/1980	Fully Depreciated, write off would be zero
CHAMP MAINTENANCE BLDG	2813	Recreation Buildings and Structures	Building & Renovations	770,147.50	0.00	770,147.50	25.00		05/15/1993	Fully Depreciated, write off would be zero
Table and Charis for Deck	11268	Recreation Service Equipment	Machinery & Equipment	1,346.85	2,594.70	3,941.55	10.00	6.48		
Snow Gun Mounting Pedestals Welding	11239	Slope and Mountain Improvements	Venue Improvements	1,200.00	1,800.00	3,000.00	10.00	5.95	10/31/2017	Part of Snowmaking System
REPLACE/REPAIR SEWERLINES	5596	Sewer Service Distribution Infrastructure	Infrastructure	96,542.18	0.00	96,542.18	20.00		11/30/1993	Fully Depreciated, write off would be zero
AUTOMATIC TRANSFER SWITCH	9832	Sewer Service Distribution Infrastructure	Infrastructure	982.58	315.92	1,298.50	20.00	4.84	09/27/2006	
AUTOMATIC TRANSFER SWITCH	9833	Sewer Service Distribution Infrastructure	Infrastructure	1,738.14	571.72	2,309.86	20.00	4.86	10/04/2006	
AUTOMATIC TRANSFER SWITCH	9829	Sewer Service Distribution Infrastructure	Infrastructure	1,372.52	481.46	1,853.98	20.00	5.16	01/20/2007	
WASTE WATER TREATMENT PLANT	9601	Sewer Buildings and Structures	Building & Renovations	4,125.20	0.00	4,125.20	10.00		10/01/2005	Fully Depreciated, write off would be zero
WASTE WATER TREATMENT PLANT	9602	Sewer Buildings and Structures	Building & Renovations	4,125.20	0.00	4,125.20	10.00		10/01/2005	Fully Depreciated, write off would be zero
WASTE WATER TREATMENT PLANT	9603	Sewer Buildings and Structures	Building & Renovations	4,125.19	0.00	4,125.19	10.00		10/01/2005	Fully Depreciated, write off would be zero
WASTE WATER TREATMENT PLANT	9604	Sewer Buildings and Structures	Building & Renovations	4,125.19	0.00	4,125.19	10.00		10/01/2005	Fully Depreciated, write off would be zero
WATER SYSTEM REPAIR	2812	Water Service Distribution Infrastructure	Infrastructure	164,985.33	754.17	165,739.50	40.00	0.09	01/01/1982	Large portion of water system replaced
Pump Control Claval	5852	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Pump Control Claval	5853	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Pump Control Claval	5854	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Pump Control Claval	5855	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Pump Control Claval	5856	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Pump Control Claval	5857	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	Fully Depreciated, write off would be zero
Holloshaft Motor	5834	Water Service Distribution Infrastructure	Infrastructure	2,282.47	0.00	2,282.47	10.00		11/30/1994	Fully Depreciated, write off would be zero

Description	Fixed		FA Type	FA Category	Accumulated			Est. Useful life (years)	Remaining Useful life (years)	In Use Date	Reason to retain capitalization
	Asset#				Depreciation	Book Value	Cost				
Holloshaft Motor	5835	Water Service Distribution Infrastructure	Infrastructure		2,282.48	0.00	2,282.48	10.00	11/30/1994	Fully Depreciated, write off would be zero	
Holloshaft Motor	5836	Water Service Distribution Infrastructure	Infrastructure		2,282.48	0.00	2,282.48	10.00	11/30/1994	Fully Depreciated, write off would be zero	
Holloshaft Motor	5837	Water Service Distribution Infrastructure	Infrastructure		2,282.48	0.00	2,282.48	10.00	11/30/1994	Fully Depreciated, write off would be zero	
Holloshaft Motor	5838	Water Service Distribution Infrastructure	Infrastructure		2,282.48	0.00	2,282.48	10.00	11/30/1994	Fully Depreciated, write off would be zero	
Holloshaft Motor	5839	Water Service Distribution Infrastructure	Infrastructure		2,282.48	0.00	2,282.48	10.00	11/30/1994	Fully Depreciated, write off would be zero	
92/93 INSTALLATIONS	5164	Land	Land			141.40	141.40	0.00	10/31/1992	No threshold for Land	
LAND & LAND RIGHTS	5538	Land	Land			134.00	134.00	0.00	07/31/1993	No threshold for Land	
TREES - NO. 6 GREEN	7044	Land	Land			1,112.36	1,112.36	0.00	10/31/1997	No threshold for Land	
NEW SLOPE ADDITION	3364	Land	Land			2,361.40	2,361.40	0.00	10/28/1986	No threshold for Land	
CONTINGENCY	3885	Land	Land			338.58	338.58	0.00	08/31/1987	No threshold for Land	
ENVIROMENTAL DESIGN WORK	3883	Land	Land			3,716.24	3,716.24	0.00	08/31/1987	No threshold for Land	
EROSION CONTROL	3370	Land	Land			4,452.66	4,452.66	0.00	09/30/1987	No threshold for Land	
UTILITY CORRIDOR	3373	Land	Land			549.60	549.60	0.00	10/31/1987	No threshold for Land	
LAND APPRAISAL PLANNING	3886	Land	Land			3,500.00	3,500.00	0.00	05/10/1988	No threshold for Land	
88/89 WATER QUALITY	3889	Land	Land			2,221.00	2,221.00	0.00	03/06/1989	No threshold for Land	
EROSION CONTROL PKING LOT	3382	Land	Land			1,942.50	1,942.50	0.00	06/30/1989	No threshold for Land	
EROSION CONTROL - 3RD CREEK	4189	Land	Land			595.00	595.00	0.00	06/15/1988	No threshold for Land	
.32 A/C NORTHWOOD EST	2005	Land	Land			285.00	285.00	0.00	08/28/1968	No threshold for Land	
PARCEL B I.V. UNIT 1-B	2013	Land	Land			715.00	715.00	0.00	10/07/1969	No threshold for Land	
PARCEL C C I.V. UNIT 2	2016	Land	Land			3,800.00	3,800.00	0.00	02/17/1969	No threshold for Land	
PARCEL A A I.V. UNIT 2	2017	Land	Land			715.00	715.00	0.00	02/17/1969	No threshold for Land	
PARCEL G G I.V. UNIT 2	2018	Land	Land			715.00	715.00	0.00	02/17/1969	No threshold for Land	
PARCEL C I.V. UNIT 1-A	2020	Land	Land			285.00	285.00	0.00	08/14/1969	No threshold for Land	
GENERAL USE PROPERTY	2002	Land	Land			285.00	285.00	0.00	05/14/1970	No threshold for Land	
OFFICE BUILDING SITE	2001	Land	Land			2,000.00	2,000.00	0.00	05/14/1970	No threshold for Land	
007- BASE AREA IMPROVEMENT	3384	Land	Land			2,268.16	2,268.16	0.00	01/31/1990	No threshold for Land	
Site Improvements/BMPs '93	5909	Land	Land			2,425.13	2,425.13	0.00	09/30/1993	No threshold for Land	
Site Improvements/BMPs '96	6482	Land	Land			4,914.27	4,914.27	0.00	10/31/1996	No threshold for Land	
Site Improvements/BMPs '96	7183	Land	Land			1,936.00	1,936.00	0.00	09/30/1998	No threshold for Land	
Site Improvements/BMPs 1999	8489	Land	Land			4,957.50	4,957.50	0.00	10/15/1999	No threshold for Land	
Site Improvements/BMPs 2001	8785	Land	Land			2,900.00	2,900.00	0.00	05/06/2002	No threshold for Land	
Site Improvements/BMPs 2002	9010	Land	Land			2,461.50	2,461.50	0.00	09/15/2002	No threshold for Land	
					<u>1,719,243.90</u>	<u>677,430.52</u>	<u>2,396,674.42</u>				

Description	Fixed Asset#	FA Type	FA Category	Accum Depr	Book Value	Cost	Est Use Life	In Use Date	Capital Acct	Clearing Acct	Accum Depr Acct	Life End
BEACH LIFEGUARD CHAIRS	8394	Recreation Service Equipment	Machinery & Equipment	1,550.00	0.00	1,550.00	5.00	06/28/2000	390-00-000-1240	390-39-990-8130	390-00-000-1990	06/28/2005
KAYAK STORAGE RACKS	9360	Recreation Service Equipment	Machinery & Equipment	2,805.43	0.00	2,805.43	5.00	04/15/2004	390-00-000-1240	390-39-990-8130	390-00-000-1990	04/15/2009
Chaise lounge chairs for beaches	11277	Recreation Service Equipment	Machinery & Equipment	1,612.96	1,233.29	2,846.25	5.00	05/01/2018	390-00-000-1240	390-39-990-8130	390-00-000-1990	05/01/2023
Planters for Beaches	11278	Recreation Service Equipment	Machinery & Equipment	1,100.92	2,784.08	3,885.00	10.00	05/01/2018	390-00-000-1240	390-39-990-8130	390-00-000-1990	04/30/2028
Ski Beach Bathroom Remodel - ADA Compliant	10928	Recreation Buildings and Structures	Building & Renovations	536.52	1,831.56	2,368.08	25.00	06/30/2015	390-00-000-1230	390-39-990-8130	390-00-000-1990	06/29/2040
				10,705.83	5,848.93	16,554.76						
PLASMA CUTTER WITH ACCESSOR	9952	Administration Service Equipment	Machinery & Equipment	2,275.00	0.00	2,275.00	6.00	03/13/2007	410-00-000-1940	410-51-990-8130	410-00-000-1990	03/12/2013
#95-060 FIELD&ORCHARD SPRAY	8364	Administration Service Equipment	Machinery & Equipment	3,011.25	0.00	3,011.25	4.00	03/08/2001	410-00-000-1940	410-51-990-8130	410-00-000-1990	03/08/2005
LUBE REEL DELIVERY SYSTEM	9292	Administration Service Equipment	Machinery & Equipment	4,191.67	0.00	4,191.67	3.00	04/20/2004	410-00-000-1940	410-51-990-8130	410-00-000-1990	04/20/2007
				9,477.92	0.00	9,477.92						
EQUIPMENT TRAILER #539	9237	Administration Vehicles	Machinery & Equipment	3,794.87	0.00	3,794.87	10.00	01/06/2004	430-00-000-1950	430-53-940-8130	430-00-000-1990	01/05/2014
				3,794.87	0.00	3,794.87						
Dell Power Edge Server 2950	10369	Information Technology Communications Equipment	Machinery & Equipment	4,975.51	0.00	4,975.51	5.00	07/01/2009	990-00-000-1938	990-00-000-8130	990-00-000-1990	07/01/2014
Time Clock Memory Upgrade	11168	Information Technology Communications Equipment	Machinery & Equipment	4,950.00	0.00	4,950.00	3.00	06/30/2017	990-00-000-1938	990-00-000-8130	990-00-000-1990	06/29/2020
Computer Data Center	11323	Information Technology Communications Equipment	Machinery & Equipment	4,847.50	0.00	4,847.50	3.00	07/01/2017	990-00-000-1938	990-00-000-8130	990-00-000-1990	06/30/2020
Dell Laptop 3530, Dell Docking Station	11513	Information Technology Communications Equipment	Machinery & Equipment	611.49	1,546.61	2,158.10	5.00	08/09/2019	990-00-000-1938	990-00-000-8130	990-00-000-1990	08/08/2024
Xerox Multifunction Printer/Copier B405	11512	Information Technology Communications Equipment	Machinery & Equipment	155.30	776.70	932.00	5.00	03/11/2020	990-00-000-1938	990-00-000-8130	990-00-000-1990	03/11/2025
				15,539.80	2,323.31	17,863.11						
OFFICE CUBICLE	2141	Administration Office Equipment	Machinery & Equipment	1,930.08	0.00	1,930.08	5.00	05/14/1992	990-00-000-1945	990-00-000-8130	990-00-000-1990	05/14/1997
MODULAR OFFICE FURNITURE	6428	Administration Office Equipment	Machinery & Equipment	4,421.85	0.00	4,421.85	5.00	08/30/1996	990-00-000-1945	990-00-000-8130	990-00-000-1990	08/30/2001
MODULAR OFFICE FURNITURE	6690	Administration Office Equipment	Machinery & Equipment	2,675.42	0.00	2,675.42	5.00	07/23/1997	990-00-000-1945	990-00-000-8130	990-00-000-1990	07/23/2002
MODULAR OFFICE FURNITURE	9244	Administration Office Equipment	Machinery & Equipment	3,865.87	0.00	3,865.87	5.00	10/31/2003	990-00-000-1945	990-00-000-8130	990-00-000-1990	10/30/2008
				12,893.22	0.00	12,893.22						
				28,433.02	2,323.31	30,756.33						
				<u>1,107,928.16</u>	<u>3,267,861.27</u>	<u>4,375,789.43</u>						
				<u>Effluent Pipeline</u>	<u>79,490.04</u>	<u>3,100,109.96</u>	<u>3,179,600.00</u>					
				<u>Write off Less Pipeline</u>	<u>1,028,438.12</u>	<u>167,751.31</u>	<u>1,196,189.43</u>					



Accounting, Auditing and Financial Reporting
Establishing Appropriate Capitalization Threshold for Capital Assets
Policy 9.1.0

POLICY. The District will consider the following guidelines in establishing capitalization thresholds:

- 1.0** Potentially capitalizable items should only be capitalized if they have an estimated useful life of greater than two years following the date of acquisition or placed into service.
- 2.0** Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets.
- 3.0** In no case will the District establish a capitalization threshold of less than \$5,000 for any individual item.
- 4.0** In establishing capitalization thresholds, when the District is a recipient of federal awards, then federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts for purposes of federal reimbursement will prevail.
- 5.0** Capitalization of buildings and infrastructure should consider the use of componentization as a way to reflect the varying life cycle considerations of mechanical, structural elements, and wear items that may require different cycles of maintenance and replacement from the main asset being capitalized. The significance of such componentization takes precedent over the \$5,000 threshold, and thus smaller amounts may be listed to facilitate proper asset management.

MAY 2021

Governmental Accounting Standards Series

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*



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May 2021



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Basic Financial Statements and Management's Discussion and Analysis

Question 7.9.8 in Implementation Guide 2015-1

- 5.1. Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.

Question 7.33.5 in Implementation Guide 2015-1

- 5.2. Q—In some communities, fines may be one of the largest sources of revenue reported in governmental activities. Because these communities rely on fines to provide resources to support many activities, would it be appropriate to report fines as *general* revenues, similar to other revenues that fund multiple programs?

A—No. As indicated in the answer to Question 7.33.4 in Implementation Guide 2015-1, the *use* of revenues from fees, fines, and charges does not affect the classification as a program revenue. The only consideration for nontax revenues is: "From which function does the revenue derive?"

Question 7.55.3 in Implementation Guide 2015-1

- 5.3. Q—Is it allowable to report a particular fund (a capital projects fund, for example) as a major fund for only one or two years?

A—Yes. Although many funds will continue to pass the major fund test year after year, other funds may not. For example, capital projects funds often experience uneven expenditure levels and may exceed the major fund percentages for only a brief period (or sporadically over a longer period). Governments can, however, in the interest of consistency, choose to report a fund as a major fund even if it does not meet the percentage criteria.

Other Implementation Guidance

Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues

Question 4.9 in Implementation Guide 2019-1

- 5.4. Q—A government owns a building that it reports as a capital asset. The building has a carrying value of \$3 million and an appraised value of \$10 million. If the government



Punch Card Accounting

Based on input gathered from interviews, documents reviewed, and our evaluation of existing practices compared to applicable accounting standards and best practices, we have the following observations and recommendations.

1	Observation	The District's current punch card accounting methodology attempts to recognize the value associated with the benefits of the Facility Fees within the activities by fund where the picture passes and punch cards are presented for use. Further, we found that the District estimates the usage of picture passes and punch cards and the budgeted revenues by fund are consistent with that estimate.
	Recommendation	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	Observation	The Board has the authority to, or not to, assess Facility Fees in support of Beach and Community Service venues, as well as to determine the allocation of the Facility Fees to fund operations, capital asset acquisitions, and/or debt service of both Community Services and Beach. The allocation in any particular year can address the immediate needs of the District as determined by the Board.
	Recommendation	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	Observation	Management has been classifying Facility Fees as a non-program related general revenue and therefore resulting from a non-exchange transactions since 2015 but has not specifically disclosed its policy on its revenue classification in the notes to the financial statements.
	Recommendation	Whether the District continues to report its recreational activities within governmental funds or switches to enterprise funds, its policy on the



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 non-operating section in the statement of revenues and expenses and the non-capital related financing activities section in the statement of cash flows.

Observation of current punch card accounting.

Board Policy 2.1.0.2.4 provides for the reporting of the annual recreation and beach Facility Fees and the allocation of these fees to the District's various recreational activities, capital projects, and debt service. The policy provides that the Board will authorize the assessment and allocation through the budget process.

Policy 16.1.1 provides the authority for charging the Facility Fees and the basis for which it will be assessed, the method and manner of the assessment and collection of the fees, and the benefits the fees provide residents through certain uses and rates at the District's various recreational facilities. The Board approved Ordinance 7 provides for the establishment of the uses and rates, rules and regulations for recreation passes and punch cards which are presented by residents at the recreational facilities to obtain the benefits and privileges provided to them in exchange for payment of the fees.

By Resolution and through the budget adoption process, the Board determines the assessment of the Facility Fees among the different recreational activities reported in Community Services and Beach funds, as well as amounts allocated for capital asset acquisitions and debt service benefitting the activities within these two funds.

To take advantage of the privileges provided by Ordinance 7, members have the option of receiving a picture pass or punch cards to present when utilizing the various recreational activities and facilities that, among other benefits, allow for reduced pricing compared to rates charged the general public.

We found that the District has been utilizing a contra-revenue accounting methodology that tracks the location where picture passes and punch cards are presented for use at the various recreational venues, as well as to recognize the value of the punch cards between the Community Services and Beach venues. From inquiries of management, we learned that the budgeted revenues by fund as adopted contains an estimate of the relative values of the benefits members obtain from usage of the punch cards at venues within Community Services and Beach.

In our interviews with various stakeholders, we heard that the initial purpose of the contra-revenue accounting methodology was developed in an effort to better align the values associated with the punch cards with the venues where presented for use. However, we heard from many stakeholders the current revenue recognition practice is complicated, confusing, requires significant staff time, and seems inconsistent with the authority of the Board to assess the Facility Fees to fund the various recreational activities and related capital acquisitions and debt service pursuant to their discretion.

We understand that some District stakeholders have raised the question as to whether the contra-revenue accounting methodology ends up with a reallocation of the Recreation Facility Fee revenues



paid by certain residents that don't have beach privileges away from the Community Services Fund and records them as revenues within the Beach Fund. From inquiries of management and the observations of documents provided to us, we did not find that resources from the Fees paid by members without beach privileges were reallocated and transferred out of the Community Services Fund. Nor did we find actual revenues reported for a year to be inconsistent with the intent of the adopted budget.

From review of past comprehensive annual financial reports, we find that management has been inconsistent in the classification of the Facility Fees revenue within the financial statements, and not currently following GAAP. Prior to 2016 when the District was reporting its recreational activities within enterprise funds, the Facility Fees were classified as 'operating revenue' consistent with exchange or exchange-like accounting guidance. After 2016 the District classified the fees as 'general revenues' which is consistent with the non-exchange transaction accounting guidance, and only appropriate when the fees are unrelated to funding specific programs or activities of the District.

Applicable revenue recognition guidance applicable to the Facility Fees.

A governmental accounting system must make it possible to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with GAAP, and to determine and demonstrate compliance with finance related legal and contractual provisions. Governing bodies, by definition, exercise the "power of the purse" by their responsibility to authorize the entity to raise and spend public money. This authorization in Nevada comes through the adoption of the annual budget. (GASB Cod Sec 1100.101, GAAFR 4-2, NRS 354.596-598)

The use of funds is the established mechanism to meet the objective noted above. A fund reports financial resources which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations. The particular use of a fund can be dictated by laws, regulations, or often as determined at the discretion of the governing board. (GAAFR 4-1&2)

GAAP provides for revenue recognition based on the classification of the underlying transactions which generally falls into two classifications of exchange or exchange-like, and non-exchange. Exchange transactions generally result from fees charged to users for goods or services where the fee is commensurate with the value received by the user. Greens fees at a golf course or the day-use fee at a gym are examples. Non-exchange transactions result when the provider of the resources does not necessarily receive something of equal value in return. Examples include the payment of taxes to fund general government services like community planning and public safety. The classification of the underlying revenue has significant implications on the timing of recognition of a resource (an asset or reduction of a liability) and revenue. It also has implications on the fund-type to be used for the underlying activity. (GAAFR 8-1&2)

There are instances the parties to the services may be willing to receive or pay amounts that are similar, but may not be same, as the value of the underlying goods and services. These transactions are classified as exchange-like transactions. The difference between exchange and exchange-like transactions is a matter of degree. In contrast to a "pure" exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics are strong enough to justify treating the transaction as exchange for accounting purposes. (GASB Cod Sec N50.503)



Exchange and exchange-like transactions are to be recognized as, or over the period when, the underlying service is provided. Non-exchange transaction accounting guidance is provided by GASB Statement No. 33 which generally provides for asset recognition when a resources are received or at the time a legal right to resources exist, and revenues recognized when all eligibility criteria are met securing the entity's right to the resources.

There is diversity in practice in the application of existing guidance with transactions that are not pure exchange or non-exchange. As a result, GAAP requires management to set a policy to be consistently applied as to the nature of transactions considered program revenues for its governmental activities, and operating revenues for its business-type activities and to disclose the policy in the footnotes to the financial statements. From review of past CAFR's, we did not find a disclosure specific to the revenue classification of the District's Facility Fees. (GASB Cod Sec 2300.106)

In the government-wide statement of activities, revenues are to be classified as either program or general. Program revenues are defined as those directly associated with the function or program and would disappear if the function or program were eliminated. Examples include fees and charges paid by those who purchase, use, or otherwise directly benefit from the service, program-specific grants and contributions restricted to financing the underlying function or activity, and interest earnings on investments restricted to use by a specific function or activity. General revenues are defined as those not directly related to financing a specific function or activity. Examples are taxes, grants and contributions that are not restricted to a specific function or activity, and interest on invested resources not restricted to specific functions or activities. (GASB Cod Sec 2200.136-140)

Evaluation of the District's current Punch Card accounting methodology

We find that the District's Board has the authority to assess the Facility Fees in support of activities and venues reported within the Beach and Community Services as provided in the Board Policies and Ordinances as well as NRS 318.197. Further, the Board has the authority to determine the allocation of the fees in support of operations, capital expenditures and debt service which is memorialized in Board Resolutions and the District's adopted budget. As noted above, the budgeted revenues by fund have included revisions for the District's estimated usage of punch cards among the various recreational activities prior to adoption by the District's Board.

In addition, we find that the District's current contra-revenue accounting methodology results in revenues recognized by the various activities and funds in accordance with the intent of the approved budget, as well as the accounting literature for reporting revenue within the various funds of an entity at the discretion of the governing board.

Further, based on existing guidance available today and on the diversity in practice in the application of revenue classification criteria for certain transactions, we can understand why management has not been able to come to a definitive conclusion on the classification of the District's Facility Fees presumably resulting in the switch in classification after 2015. While the fee is not 'pure' in the same sense as the payment of greens fees for a round of golf, the fee does provide specific rights and privileges to residents to the District's recreational activities along with the District's policy of using the fee, in addition to user charges, to directly finance recreational activity operations, capital needs, and debt service.



One factor that would seem to support management's current classification as 'non-exchange' is the fact that the assessment and payment of the fee lacks the mutual assent of the parties. Residents do not have a choice on the payment of the fee unlike the decision to play golf and incur greens fees. GASB's new revenue and expense recognition project currently under deliberation provides for four criteria to be met for a transaction to be considered exchange or exchange-like including the concept of 'mutual assent' of the parties. This concept is not included in current accounting standards and is being discussed, in part, to provide clearer guidance on what constitutes an exchange transaction. (GASB Revenue and Expense Recognition Preliminary Views Ch 3, par 3)

We find that the classification of the Facility Fees in the government-wide statement of activities since 2015 as a general revenue is inconsistent with GAAP in that the fees are assessed specifically to finance the District's recreational activities. As such, it meets the criteria to be reported as a program revenue in the statement of activities. Further, the fees meet the criteria to be included in the charges for services column in the statement. (GASB Cod Sec 2200.137)

Recommendations.

We recommend ceasing the use of contra-revenue accounting currently applied to the value received for the payment of Facility Fees attributed to the use of picture passes and punch cards. We question the benefits derived compared to cost incurred by the District to administer this approach especially given the Board's authority to allocate the resources they deem appropriate to best meet the needs for the ensuing year through the adopted budget. In addition, eliminating the use of contra revenue accounting will eliminate the variability that results when picture passes and punch cards are utilized differently from preliminary estimates included in the budget thereby providing management more certainty as to actual resources available to finance each activity during the year, and should significantly reduce staff time and effort required to perform the daily and monthly accounting.

We recommend the charges for services revenues be reported within the activities and funds at the net rates collected at each venue, and Facility Fees reported within each fund be consistent with the assessment and allocation initially set by the Board during the budget adoption process.

We recommend the District include its policy on the classification of Facility Fees as either program or general revenue, or, either operating or non-operating, in the footnotes to the financial statements. If the District continues to report its recreational activities within governmental funds, we recommend the fees be classified as program revenues and reported in the charges for services column and on the appropriate lines for the portions related to Community Services and Beach activities. If the District reports the recreational activities in enterprise funds, we recommend the fee be reported as non-operating revenue.

HISTORY OF REPORTING OF FACILITY FEES IN DISTRICT FINANCIAL STATEMENTS

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,887,892	\$ 148	\$ 1,440	\$ -	\$ (2,886,304)	\$ -	\$ (2,886,304)
Community services	18,996,222	16,221,278	17,000	88,505	(2,669,439)	-	(2,669,439)
Beach	2,186,645	839,405	-	-	(1,347,240)	-	(1,347,240)
Total governmental-type activities	<u>24,070,759</u>	<u>17,060,831</u>	<u>18,440</u>	<u>88,505</u>	<u>(6,902,983)</u>	<u>-</u>	<u>(6,902,983)</u>
Business-type activities:							
Utilities	11,449,802	12,831,060	39,857	-	-	1,421,115	1,421,115
Total primary government	<u>\$ 35,520,561</u>	<u>\$ 29,891,891</u>	<u>\$ 58,297</u>	<u>\$ 88,505</u>	<u>(6,902,983)</u>	<u>1,421,115</u>	<u>(5,481,868)</u>
General revenues:							
Property taxes					1,812,958	-	1,812,958
Combined taxes					1,888,448	-	1,888,448
Facility Fees (Assessed)					6,537,641	-	6,537,641
Unrestricted investment earnings					73,594	33,681	107,275
Miscellaneous revenues					127,897	-	127,897
Total general revenues					<u>10,440,538</u>	<u>33,681</u>	<u>10,474,219</u>
Changes in net position					<u>3,537,555</u>	<u>1,454,796</u>	<u>4,992,351</u>
Net position - beginning, as previously reported					79,265,885	78,697,763	157,963,648
Prior Period Adjustment					142,617	(3,166,966)	(3,024,349)
Net positions, beginning					<u>79,408,502</u>	<u>75,530,797</u>	<u>154,939,299</u>
Net position - ending					<u>\$ 82,946,057</u>	<u>\$ 76,985,593</u>	<u>\$ 159,931,650</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	Nonmajor BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,760,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,760,049
Personal Property Tax	52,909	-	-	-	-	-	-	52,909
Intergovernmental								
Consolidated taxes	1,629,192	-	-	-	-	-	-	1,629,192
Local Government Tax Act	259,256	-	-	-	-	-	-	259,256
Services	1,440	36,997	-	-	-	-	-	38,437
Charges for Services	-	16,092,512	839,405	-	-	-	-	16,931,917
Facility Fees	-	1,735,612	648,974	536,571	3,196,016	412,748	7,720	6,537,641
Interfund Services	-	91,769	-	-	-	-	-	91,769
Operating Grants	-	17,000	-	-	-	-	-	17,000
Capital Grants	-	-	-	88,505	-	-	-	88,505
Investment income	68,489	4,471	635	-	-	-	-	73,595
Miscellaneous	8,363	119,697	-	-	-	-	-	128,060
Total revenues	<u>3,779,698</u>	<u>18,098,058</u>	<u>1,489,014</u>	<u>625,076</u>	<u>3,196,016</u>	<u>412,748</u>	<u>7,720</u>	<u>27,608,330</u>
EXPENDITURES								
GENERAL GOVERNMENT								
Manager	397,556	-	-	-	-	-	-	397,556
Trustees	143,722	-	-	-	-	-	-	143,722
Accounting	324,601	-	-	-	-	-	-	324,601
Information Services	940,924	-	-	-	-	-	-	940,924
Human Resources	2,999	-	-	-	-	-	-	2,999
Health & Wellness	16,218	-	-	-	-	-	-	16,218
Community & Employee Relations	165,651	-	-	-	-	-	-	165,651
Administration	563,250	-	-	-	-	-	-	563,250
Capital Outlay	365,878	-	-	-	-	-	-	365,878
RECREATION								
Championship Golf	-	3,342,505	-	112,217	-	-	-	3,454,722
Mountain Golf	-	1,014,000	-	11,330	-	-	-	1,025,330
Facilities	-	1,005,717	-	60,107	-	-	-	1,065,824
Ski	-	6,603,759	-	287,796	-	-	-	6,891,555
Community Programming and Recreation Center	-	1,938,411	-	87,206	-	-	-	2,025,617
Parks	-	758,179	-	66,349	-	-	-	824,528
Tennis	-	249,060	-	73,392	-	-	-	322,452
Recreation Administration	-	377,556	-	7,800	-	-	-	384,556
Beach	-	-	1,700,422	-	234,767	-	-	1,935,189
Capital Outlay								
Championship Golf	-	-	-	785,415	-	-	-	785,415
Mountain Golf	-	-	-	79,296	-	-	-	79,296
Ski	-	-	-	115,169	-	-	-	115,169
Community Programming and Recreation Center	-	-	-	252,906	-	-	-	252,906
Parks	-	-	-	170,123	-	-	-	170,123
Tennis	-	-	-	798,648	-	-	-	798,648
Beach	-	-	-	-	1,010,438	-	-	1,010,438
Debt Service								
Principal	-	-	-	-	-	362,075	5,925	368,000
Interest	-	-	-	-	-	21,097	345	21,442
Total expenditures	<u>2,922,799</u>	<u>15,289,187</u>	<u>1,700,422</u>	<u>2,907,254</u>	<u>1,245,205</u>	<u>383,172</u>	<u>6,270</u>	<u>24,454,309</u>
Excess revenues (expenditures)	856,899	2,808,871	(211,408)	(2,282,178)	1,950,811	29,576	1,450	3,154,021
OTHER FINANCING SOURCES:								
Proceeds from Sale of Capital and Intangible Assets	-	52,250	-	1,500	-	-	-	53,750
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(537,835)	-	537,835	-	-	-	-
Net change in fund balance	<u>856,899</u>	<u>2,323,286</u>	<u>(211,408)</u>	<u>(1,742,843)</u>	<u>1,950,811</u>	<u>29,576</u>	<u>1,450</u>	<u>3,207,771</u>
Fund Balance, July 1, as reported	4,630,149	15,280,913	2,591,632	-	-	-	-	22,502,694
Prior period adjustment	243,512	(1,637,400)	-	1,637,400	-	-	-	243,512
Fund balance, July 1 as adjusted	<u>4,873,661</u>	<u>13,643,513</u>	<u>2,591,632</u>	<u>1,637,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,746,206</u>
Fund balance, June 30	<u>\$ 5,730,560</u>	<u>\$ 15,966,799</u>	<u>\$ 2,380,224</u>	<u>\$ (105,443)</u>	<u>\$ 1,950,811</u>	<u>\$ 29,576</u>	<u>\$ 1,450</u>	<u>\$ 25,953,977</u>

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,098,969	\$ -	\$ -	\$ -	\$ (4,098,969)	\$ -	\$ (4,098,969)
Community Services	19,596,517	15,597,229	17,000	1,637,399	(2,344,889)	-	(2,344,889)
Beach	2,010,652	1,619,582	-	-	(391,070)	-	(391,070)
Total governmental-type activities	<u>25,706,138</u>	<u>17,216,811</u>	<u>17,000</u>	<u>1,637,399</u>	<u>(6,834,928)</u>	<u>-</u>	<u>(6,834,928)</u>
Business-type activities:							
Utilities	11,495,874	12,564,466	-	-	-	1,068,592	1,068,592
Total primary government	<u>\$ 37,202,012</u>	<u>\$ 29,781,277</u>	<u>\$ 17,000</u>	<u>\$ 1,637,399</u>	<u>(6,834,928)</u>	<u>1,068,592</u>	<u>(5,766,336)</u>
General revenues:							
Property taxes					1,722,895	-	1,722,895
Combined taxes					1,719,933	-	1,719,933
Facility Fees (Assessed)					6,740,884	-	6,740,884
Unrestricted investment earnings					587,208	298,225	885,433
Gain (loss) on sale of capital assets					23,888	(22,332)	1,556
Insurance Proceeds					243,548	-	243,548
Miscellaneous revenues					116,993	-	116,993
Transfers In (Out)					(45,000)	45,000	-
Total general revenues and transfers					<u>11,110,349</u>	<u>320,893</u>	<u>11,431,242</u>
Changes in net position					<u>4,275,421</u>	<u>1,389,485</u>	<u>5,664,906</u>
Net position - beginning, as previously reported					75,655,473	77,308,278	152,963,751
Prior Period Adjustment					(665,009)	-	(665,009)
Net positions, beginning, as adjusted					<u>74,990,464</u>	<u>77,308,278</u>	<u>152,298,742</u>
Net position - ending					<u>\$ 79,265,885</u>	<u>\$ 78,697,763</u>	<u>\$ 157,963,648</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,706,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,706,170
Personal Property Tax	16,724	-	-	-	-	-	-	16,724
Intergovernmental								
Consolidated taxes	1,483,310	-	-	-	-	-	-	1,483,310
Local Government Tax Act Services	236,623	-	-	-	-	-	-	236,623
Charges for Services	-	35,245	-	-	-	-	-	35,245
Facility Fees	-	15,485,428	1,619,582	-	-	-	-	17,105,010
Interfund Services	-	5,774,067	966,817	-	-	-	-	6,740,884
Operating Grants	-	76,558	-	-	-	-	-	76,558
Capital Grants	-	17,000	-	1,637,399	-	-	-	1,637,399
Investment income	432,643	126,143	28,422	-	-	-	-	587,208
Miscellaneous	952	116,042	-	-	-	-	-	116,994
Total revenues	<u>3,876,422</u>	<u>21,630,483</u>	<u>2,614,821</u>	<u>1,637,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,759,125</u>
EXPENDITURES								
GENERAL GOVERNMENT								
Manager	407,666	-	-	-	-	-	-	407,666
Trustees	168,531	-	-	-	-	-	-	168,531
Accounting	395,959	-	-	-	-	-	-	395,959
Information Services	735,979	-	-	-	-	-	-	735,979
Human Resources	34,143	-	-	-	-	-	-	34,143
Health & Wellness	33,532	-	-	-	-	-	-	33,532
Community & Employee Relations	118,664	-	-	-	-	-	-	118,664
Administration	537,961	-	-	-	-	-	-	537,961
Capital Outlay	279,424	-	-	-	-	-	-	279,424
RECREATION								
Championship Golf	-	4,255,618	-	-	-	-	-	4,255,618
Mountain Golf	-	960,547	-	-	-	-	-	960,547
Facilities	-	469,752	-	-	-	-	-	469,752
Ski	-	7,011,524	-	-	-	-	-	7,011,524
Community Programming and Recreation Center	-	2,189,572	-	-	-	-	-	2,189,572
Parks	-	843,619	-	-	-	-	-	843,619
Tennis	-	242,873	-	-	-	-	-	242,873
Recreation Administration	-	572,599	-	-	-	-	-	572,599
Beach	-	-	1,758,394	-	-	-	-	1,758,394
Capital Outlay	-	-	-	-	-	-	-	-
Championship Golf	-	-	-	439,872	-	-	-	439,872
Mountain Golf	-	-	-	1,592,962	-	-	-	1,592,962
Facilities	-	-	-	71,584	-	-	-	71,584
Ski	-	-	-	792,711	-	-	-	792,711
Community Programming and Recreation Center	-	-	-	244,815	-	-	-	244,815
Parks	-	-	-	1,944,812	-	-	-	1,944,812
Tennis	-	-	-	333,778	-	-	-	333,778
Recreation Administration	-	-	-	(261,503)	-	-	-	(261,503)
Beach	-	-	-	-	82,009	-	-	82,009
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	355,188	5,812	361,000
Interest	-	-	-	-	-	29,166	477	29,643
Total expenditures	<u>2,711,859</u>	<u>16,546,104</u>	<u>1,758,394</u>	<u>5,059,031</u>	<u>82,009</u>	<u>384,354</u>	<u>6,289</u>	<u>26,548,040</u>
Excess revenues (expenditures)	1,164,563	5,084,379	856,427	(3,421,632)	(82,009)	(384,354)	(6,289)	3,211,085
OTHER FINANCING SOURCES:								
Proceeds from Sale of Capital and Intangible Assets	-	44,639	-	-	-	-	-	44,639
Insurance Proceeds	-	243,548	-	-	-	-	-	243,548
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(3,421,632)	(82,009)	3,421,632	82,009	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(384,354)	(6,289)	-	-	384,354	6,289	-
Transfers In (Out) - From (to) Other Sources	(300,000)	241,875	13,125	-	-	-	-	(45,000)
Net change in fund balance	<u>864,563</u>	<u>1,808,455</u>	<u>781,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,454,272</u>
Fund Balance, July 1, as reported	3,765,586	13,333,953	1,810,378	-	-	-	-	18,909,917
Prior period adjustment	-	138,505	-	-	-	-	-	138,505
Fund balance, July 1 as adjusted	<u>3,765,586</u>	<u>13,472,458</u>	<u>1,810,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,048,422</u>
Fund balance, June 30	<u>\$ 4,630,149</u>	<u>\$ 15,280,913</u>	<u>\$ 2,591,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,502,694</u>

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,194,237	\$ 1,169,400	\$ -	\$ -	\$ (3,024,837)	\$ -	\$ (3,024,837)
Community Services	20,345,198	17,748,644	17,000	267	(2,579,287)	-	(2,579,287)
Beach	2,142,259	1,492,687	-	-	(649,572)	-	(649,572)
Fleet, Engineering, Bldgs. & Work Comp	3,306,507	3,304,862	-	-	(1,645)	-	(1,645)
Total governmental-type activities	<u>29,988,201</u>	<u>23,715,593</u>	<u>17,000</u>	<u>267</u>	<u>(6,255,341)</u>	<u>-</u>	<u>(6,255,341)</u>
Business-type activities:							
Utilities	10,554,488	12,785,742	1,440	-	-	2,232,694	2,232,694
Total primary government	<u>\$ 40,542,689</u>	<u>\$ 36,501,335</u>	<u>\$ 18,440</u>	<u>\$ 267</u>	<u>(6,255,341)</u>	<u>2,232,694</u>	<u>(4,022,647)</u>
General revenues:							
Property taxes					1,622,486	-	1,622,486
Combined taxes					1,690,222	-	1,690,222
Facility Fees					6,756,410	-	6,756,410
Unrestricted investment earnings					563,685	282,484	846,169
Gain on sale of capital assets					39,168	15,066	54,234
Insurance Proceeds					50,300	-	50,300
Miscellaneous revenues					114,777	-	114,777
Transfers In (Out)					(120,000)	120,000	-
Total general revenues and transfers					<u>10,717,048</u>	<u>417,550</u>	<u>11,134,598</u>
Changes in net position					<u>4,461,707</u>	<u>2,650,244</u>	<u>7,111,951</u>
Net position - beginning, as previously reported					71,073,766	74,778,034	145,851,800
Prior period adjustment					120,000	(120,000)	-
Net position - beginning, as adjusted					<u>71,193,766</u>	<u>74,658,034</u>	<u>145,851,800</u>
Net position - ending					<u>\$ 75,655,473</u>	<u>\$ 77,308,278</u>	<u>\$ 152,963,751</u>

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,615,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,615,540
Personal Property Tax	17,871	-	-	-	-	-	-	17,871
Intergovernmental								
Consolidated taxes	1,440,607	-	-	-	-	-	-	1,440,607
Local Government Tax Act	249,615	-	-	-	-	-	-	249,615
Services	-	14,570	-	-	-	-	-	14,570
Charges for Services	-	17,648,014	1,492,687	-	-	-	-	19,140,701
Interfund Services	-	86,060	-	-	-	-	-	86,060
Facility Fees - Operations	-	2,984,399	774,928	-	-	-	-	3,759,327
Facility Fees - Capital Expenditure	-	2,508,528	198,558	-	-	-	-	2,707,086
Facility Fees - Debt Service	-	329,848	1,635	-	-	-	-	331,483
Operating Grants	-	17,000	-	-	-	-	-	17,000
Capital Grants	-	-	-	31,958	-	-	-	31,958
Investment income	327,815	199,322	36,188	-	-	-	-	563,325
Miscellaneous	2,002	112,777	-	-	-	-	-	114,779
Total revenues	3,653,450	23,900,518	2,503,996	31,958	-	-	-	30,089,922
EXPENDITURES								
GENERAL GOVERNMENT								
Manager	418,829	-	-	-	-	-	-	418,829
Trustees	175,882	-	-	-	-	-	-	175,882
Accounting	884,240	-	-	-	-	-	-	884,240
Information Services	828,368	-	-	-	-	-	-	828,368
Risk Management	137,019	-	-	-	-	-	-	137,019
Human Resources	682,394	-	-	-	-	-	-	682,394
Health & Wellness	28,816	-	-	-	-	-	-	28,816
Community & Employee Relations	194,398	-	-	-	-	-	-	194,398
Administration	583,203	-	-	-	-	-	-	583,203
Central Services Cost Allocation Income	(1,169,400)	-	-	-	-	-	-	(1,169,400)
Capital Outlay	121,257	-	-	-	-	-	-	121,257
RECREATION								
Championship Golf	-	4,285,423	-	-	-	-	-	4,285,423
Mountain Golf	-	960,442	-	-	-	-	-	960,442
Facilities	-	482,527	-	-	-	-	-	482,527
Ski	-	7,830,948	-	-	-	-	-	7,830,948
Community Programming and Recreation Center	-	2,296,972	-	-	-	-	-	2,296,972
Parks	-	815,439	-	-	-	-	-	815,439
Tennis	-	253,544	-	-	-	-	-	253,544
Recreation Administration	-	363,285	-	-	-	-	-	363,285
Beach	-	-	1,906,516	-	-	-	-	1,906,516
Capital Outlay	-	-	-	6,043,500	284,298	-	-	6,327,798
Debt Service	-	-	-	-	-	344,365	5,635	350,000
Principal	-	-	-	-	-	37,036	606	37,642
Interest	-	-	-	-	-	-	-	-
Total expenditures	2,885,006	17,288,580	1,906,516	6,043,500	284,298	381,401	6,241	28,795,542
Excess revenues (expenditures)	768,444	6,611,938	597,480	(6,011,542)	(284,298)	(381,401)	(6,241)	1,294,380
OTHER FINANCING SOURCES:								
Sale of Capital and Intangible Assets	-	34,567	-	5,592	-	-	-	40,159
Insurance Proceeds	-	50,300	-	-	-	-	-	50,300
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(2,508,528)	(198,558)	2,508,528	198,558	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(329,848)	(1,635)	-	-	329,848	1,635	-
Transfers In (Out) - From (for) Other Sources	(325,644)	(524,945)	35,000	1,169,945	-	-	-	354,356
Net change in fund balance	442,800	3,333,484	432,287	(2,327,477)	(85,740)	(51,553)	(4,606)	1,739,195
Fund balance, July 1, as previously reported	2,522,786	10,645,469	1,413,091	2,327,477	85,740	51,553	4,606	17,050,722
Prior period adjustment	800,000	(645,000)	(35,000)	-	-	-	-	120,000
Fund balance, July 1, as adjusted	3,322,786	10,000,469	1,378,091	2,327,477	85,740	51,553	4,606	17,170,722
Fund balance, June 30	\$ 3,765,586	\$ 13,333,953	\$ 1,810,378	\$ -	\$ -	\$ -	\$ -	\$ 18,909,917

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,828,917	\$ 1,094,000	\$ -	\$ -	\$ (2,734,917)	\$ -	\$ (2,734,917)
Community Services	19,043,639	14,726,788	17,000	558,128	(3,741,723)	-	(3,741,723)
Beach	1,849,659	1,266,613	-	-	(583,046)	-	(583,046)
Internal Services	3,056,400	3,190,849	-	-	134,449	-	134,449
Total governmental-type activities	<u>27,778,615</u>	<u>20,278,250</u>	<u>17,000</u>	<u>558,128</u>	<u>(6,925,237)</u>	<u>-</u>	<u>(6,925,237)</u>
Business-type activities:							
Utilities	<u>10,253,834</u>	<u>11,925,557</u>	<u>-</u>	<u>199,934</u>	<u>-</u>	<u>1,871,657</u>	<u>1,871,657</u>
Total primary government	<u>\$ 38,032,449</u>	<u>\$ 32,203,807</u>	<u>\$ 17,000</u>	<u>\$ 758,062</u>	<u>(6,925,237)</u>	<u>1,871,657</u>	<u>(5,053,580)</u>
General revenues:							
Property taxes					1,546,575	-	1,546,575
Combined taxes					1,637,250	-	1,637,250
Facility Fees					6,771,522	-	6,771,522
Unrestricted investment earnings					175,122	77,280	252,402
Gain (loss) on sale of capital assets					79,083	50,020	129,103
Miscellaneous revenues					111,495	-	111,495
Transfers In (Out)					(120,000)	120,000	-
Total general revenues and transfers					<u>10,201,047</u>	<u>247,300</u>	<u>10,448,347</u>
Changes in net position					<u>3,275,810</u>	<u>2,118,957</u>	<u>5,394,767</u>
Net position - beginning					<u>67,797,956</u>	<u>72,659,077</u>	<u>140,457,033</u>
Net position - ending					<u>\$ 71,073,766</u>	<u>\$ 74,778,034</u>	<u>\$ 145,851,800</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,524,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,524,623
Personal Property Tax	12,671	-	-	-	-	-	-	12,671
Intergovernmental:								
Consolidated taxes	1,388,529	-	-	-	-	-	-	1,388,529
Local Government Tax Act	248,721	-	-	-	-	-	-	248,721
Services	-	20,220	-	-	-	-	-	20,220
Charges for Services	-	14,632,554	1,266,613	-	-	-	-	15,899,167
Interfund Services	-	74,014	-	-	-	-	-	74,014
Facility Fees - Operations	-	1,759,641	637,842	-	-	-	-	2,417,483
Facility Fees - Capital Expenditure	-	2,700,842	301,833	-	-	-	-	3,002,675
Facility Fees - Debt Service	-	1,309,499	7,739	-	-	-	-	1,317,238
Operating Grants	-	17,000	-	-	-	-	-	17,000
Capital Grants	-	-	-	156,775	-	-	-	156,775
Investment income	89,960	69,303	2,288	-	-	-	-	161,551
Miscellaneous	2,033	109,462	-	-	-	-	-	111,495
Total revenues	3,266,537	20,692,535	2,236,315	156,775	-	-	-	26,352,162
EXPENDITURES								
GENERAL GOVERNMENT								
Manager	355,012	-	-	-	-	-	-	355,012
Trustees	176,450	-	-	-	-	-	-	176,450
Accounting	833,348	-	-	-	-	-	-	833,348
Information Services	820,658	-	-	-	-	-	-	820,658
Risk Management	127,032	-	-	-	-	-	-	127,032
Human Resources	597,875	-	-	-	-	-	-	597,875
Health & Wellness	24,594	-	-	-	-	-	-	24,594
Community & Employee Relations	188,682	-	-	-	-	-	-	188,682
Administration	462,552	-	-	-	-	-	-	462,552
Central Services Cost Allocation Income	(1,094,000)	-	-	-	-	-	-	(1,094,000)
Capital Outlay	113,813	-	-	-	-	-	-	113,813
RECREATION								
Championship Golf	-	4,055,702	-	-	-	-	-	4,055,702
Mountain Golf	-	972,171	-	-	-	-	-	972,171
Facilities	-	448,797	-	-	-	-	-	448,797
Ski	-	7,024,327	-	-	-	-	-	7,024,327
Community Programming and Recreation Center	-	2,232,105	-	-	-	-	-	2,232,105
Parks	-	818,298	-	-	-	-	-	818,298
Tennis	-	228,530	-	-	-	-	-	228,530
Recreation Administration	-	357,498	-	-	-	-	-	357,498
Beach	-	-	1,619,746	-	-	-	-	1,619,746
Capital Outlay	-	-	-	3,905,926	221,248	-	-	4,127,174
Debt Service:								
Principal	-	-	-	-	-	1,181,494	5,506	1,187,000
Interest	-	-	-	-	-	103,846	731	104,577
Total expenditures	2,606,016	16,137,428	1,619,746	3,905,926	221,248	1,285,340	6,237	25,781,941
Excess revenues (expenditures)	660,521	4,555,107	616,569	(3,749,151)	(221,248)	(1,285,340)	(6,237)	570,221
OTHER FINANCING SOURCES:								
Sale of Capital Assets	16	85,562	857	1,980	-	-	-	88,415
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(2,700,842)	(301,833)	2,700,842	301,833	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(1,309,499)	(7,739)	-	-	1,309,499	7,739	-
Transfers In (Out) - From (to) Other Sources	-	(305,000)	35,000	950,000	-	-	-	680,000
Net change in fund balance	660,537	325,328	342,854	(96,329)	80,585	24,139	1,502	1,338,636
Fund balance, July 1	1,862,249	10,320,141	1,070,237	2,423,806	5,155	27,394	3,104	15,712,086
Fund balance, June 30	\$ 2,522,786	\$ 10,645,469	\$ 1,413,091	\$ 2,327,477	\$ 85,740	\$ 51,533	\$ 4,606	\$ 17,050,722

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,814,458	\$ 1,177,200	\$ 1,440	\$ -	\$ (2,635,818)	\$ -	\$ (2,635,818)
Community Services	18,599,633	16,820,165	17,000	113,615	(1,648,853)	-	(1,648,853)
Beach	1,802,103	1,065,015			(737,088)	-	(737,088)
Internal Services	3,107,668	3,114,747			7,079	-	7,079
Total governmental-type activities	<u>27,323,862</u>	<u>22,177,127</u>	<u>18,440</u>	<u>113,615</u>	<u>(5,014,680)</u>	<u>-</u>	<u>(5,014,680)</u>
Business-type activities:							
Utilities	9,883,961	11,813,169	-	425,509	-	2,354,717	2,354,717
Total primary government	<u>\$ 37,207,823</u>	<u>\$ 33,990,296</u>	<u>\$ 18,440</u>	<u>\$ 539,124</u>	<u>(5,014,680)</u>	<u>2,354,717</u>	<u>(2,659,963)</u>
General revenues:							
Property taxes					1,476,148	-	1,476,148
Combined taxes					1,484,830	-	1,484,830
Facility Fees					6,749,251	-	6,749,251
Unrestricted investment earnings					83,842	60,132	143,974
Gain (loss) on sale of capital assets					111,696	17,730	129,426
Miscellaneous revenues					198,729	-	198,729
Total general revenues					<u>10,104,496</u>	<u>77,862</u>	<u>10,182,358</u>
Changes in net position					5,089,816	2,432,579	7,522,395
Net position - beginning					<u>62,708,136</u>	<u>70,226,498</u>	<u>132,934,634</u>
Net position - ending					<u>\$ 67,797,952</u>	<u>\$ 72,659,077</u>	<u>\$ 140,457,029</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,462,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,462,280
Personal Property Tax	13,737	-	-	-	-	-	-	13,737
Intergovernmental:								
Consolidated taxes	1,252,044	-	-	-	-	-	-	1,252,044
Local Government Tax Act	232,786	-	-	-	-	-	-	232,786
Services	1,440	22,233	-	-	-	-	-	23,673
Charges for Services	-	16,797,932	1,065,015	-	-	-	-	17,862,947
Facility Fees - Operations	-	2,050,534	581,653	-	-	-	-	2,632,187
Facility Fees - Capital Expenditure	-	2,619,078	185,937	-	-	-	-	2,805,015
Facility Fees - Debt Service	-	1,309,540	7,747	-	-	-	-	1,317,287
Operating Grants	-	17,000	-	-	-	-	-	17,000
Capital Grants	-	-	-	113,615	-	-	-	113,615
Investment income	51,680	23,608	6,078	-	-	-	-	81,366
Sale of Capital Assets	-	78,264	-	62,952	-	-	-	141,216
Miscellaneous	3,198	195,531	-	-	-	-	-	198,729
Total revenues	<u>3,017,165</u>	<u>23,113,720</u>	<u>1,846,430</u>	<u>176,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,153,882</u>
EXPENDITURES								
GENERAL GOVERNMENT								
Manager	348,022	-	-	-	-	-	-	348,022
Trustees	168,718	-	-	-	-	-	-	168,718
Accounting	933,328	-	-	-	-	-	-	933,328
Information Services	689,500	-	-	-	-	-	-	689,500
Risk Management	128,644	-	-	-	-	-	-	128,644
Human Resources	527,667	-	-	-	-	-	-	527,667
Health & Wellness	22,966	-	-	-	-	-	-	22,966
Community & Employee Relations	233,073	-	-	-	-	-	-	233,073
Administration	551,749	-	-	-	-	-	-	551,749
Central Services Cost Allocation Income	(1,177,200)	-	-	-	-	-	-	(1,177,200)
Capital Outlay	148,435	-	-	-	-	-	-	148,435
RECREATION								
Championship Golf	-	3,944,772	-	-	-	-	-	3,944,772
Mountain Golf	-	1,002,359	-	-	-	-	-	1,002,359
Facilities	-	498,578	-	-	-	-	-	498,578
Ski	-	6,810,598	-	-	-	-	-	6,810,598
Community Programming and Recreation Center	-	2,225,893	-	-	-	-	-	2,225,893
Parks	-	821,033	-	-	-	-	-	821,033
Tennis	-	262,369	-	-	-	-	-	262,369
Recreation Administration	-	354,357	-	-	-	-	-	354,357
Beach	-	-	1,587,259	-	-	-	-	1,587,259
Capital Outlay	-	-	-	3,633,210	256,161	-	-	3,889,371
Debt Service	-	-	-	-	-	1,117,639	5,361	1,123,000
Principal	-	-	-	-	-	166,648	854	167,472
Interest	-	-	-	-	-	-	-	-
Total expenditures	<u>2,574,902</u>	<u>15,919,959</u>	<u>1,587,259</u>	<u>3,633,210</u>	<u>256,161</u>	<u>1,284,257</u>	<u>6,215</u>	<u>25,261,963</u>
Excess revenues (expenditures)	442,263	7,193,761	259,171	(3,456,643)	(256,161)	(1,284,257)	(6,215)	2,891,919
OTHER FINANCING SOURCES:								
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(2,619,078)	(185,937)	2,619,078	185,937	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(1,309,540)	(7,747)	-	-	1,309,540	7,747	-
Transfers In (Out) - From (to) Other Sources	(400,000)	(799,830)	(55,000)	1,199,830	55,000	-	-	-
Net change in fund balance	42,263	2,465,313	10,487	362,265	(15,224)	25,283	1,532	2,891,919
Fund balance, July 1	1,819,986	7,854,828	1,059,750	2,061,541	20,379	2,111	1,572	12,820,167
Fund balance, June 30	<u>\$ 1,862,249</u>	<u>\$ 10,320,141</u>	<u>\$ 1,070,237</u>	<u>\$ 2,423,806</u>	<u>\$ 5,155</u>	<u>\$ 27,394</u>	<u>\$ 3,104</u>	<u>\$ 15,712,086</u>

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,672,661	\$ 1,123,000	\$ 1,440	\$ -	\$ (2,548,221)	\$ -	\$ (2,548,221)
Community Services	17,442,179	15,596,222	18,440	586,361	(1,241,156)	-	(1,241,156)
Beach	1,690,445	1,002,518	-	-	(687,927)	-	(687,927)
Internal Services	2,972,060	2,935,521	-	-	(36,539)	-	(36,539)
Total governmental-type activities	25,777,345	20,657,261	19,880	586,361	(4,513,843)	-	(4,513,843)
Business-type activities:							
Utilities	9,901,095	11,158,119	-	-	-	1,257,024	1,257,024
Total primary government	\$ 35,678,440	\$ 31,815,380	\$ 19,880	\$ 586,361	(4,513,843)	1,257,024	(3,256,819)
General revenues:							
Property taxes					1,498,519	-	1,498,519
Combined taxes					1,487,986	-	1,487,986
Facility Fees					6,772,822	-	6,772,822
Unrestricted investment earnings					150,795	154,162	304,957
Gain (loss) on sale of capital assets					75,719	42,764	118,483
Miscellaneous revenues					203,756	-	203,756
Total general revenues					10,189,597	196,926	10,386,523
Extraordinary items:							
Extraordinary expense					-	(47,600)	(47,600)
Changes in net position					5,675,754	1,406,350	7,082,104
Net position - beginning					57,032,382	68,820,148	125,852,530
Net position - ending					\$ 62,708,136	\$ 70,226,498	\$ 132,934,634

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,497,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,497,006
Intergovernmental:								
Consolidated and other taxes	1,187,986	-	-	-	-	-	-	1,187,986
Services	-	15,787	-	-	-	-	-	15,787
Charges for Services	-	15,580,435	1,002,518	-	-	-	-	16,582,953
Facility Fees - Operations	-	2,180,324	582,058	-	-	-	-	2,762,382
Facility Fees - Capital Expenditures	-	2,524,818	186,259	-	-	-	-	2,711,077
Facility Fees - Debt Service	-	1,278,804	7,761	-	-	-	-	1,286,565
Operating Grants	1,440	18,440	-	-	-	-	-	19,880
Capital Grants	-	-	-	586,361	-	-	-	586,361
Investment income	45,989	58,438	11,263	-	-	-	-	115,690
Sale of Capital Assets	-	34,409	-	38,703	2,607	-	-	75,719
Miscellaneous	2,863	474,853	344	-	-	-	-	478,060
Total revenues	3,035,284	22,166,508	1,790,203	625,064	2,607	-	-	27,619,666
EXPENDITURES								
GENERAL GOVERNMENT								
Current:								
Manager	322,337	-	-	-	-	-	-	322,337
Trustees	173,671	-	-	-	-	-	-	173,671
Accounting	915,338	-	-	-	-	-	-	915,338
Information Services	700,124	-	-	-	-	-	-	700,124
Risk Management	127,565	-	-	-	-	-	-	127,565
Human Resources	513,369	-	-	-	-	-	-	513,369
Health & Wellness	23,125	-	-	-	-	-	-	23,125
Community & Employee Relations	159,260	-	-	-	-	-	-	159,260
Administration	573,458	-	-	-	-	-	-	573,458
Central Services Cost Allocation Income	(1,123,000)	-	-	-	-	-	-	(1,123,000)
Capital Outlay	79,331	-	-	-	-	-	-	79,331
RECREATION								
Championship Golf	-	3,526,103	-	-	-	-	-	3,526,103
Mountain Golf	-	937,694	-	-	-	-	-	937,694
Facilities	-	432,187	-	-	-	-	-	432,187
Ski	-	6,441,024	-	-	-	-	-	6,441,024
Community Programming and Recreation Center	-	2,228,727	-	-	-	-	-	2,228,727
Parks	-	715,538	-	-	-	-	-	715,538
Tennis	-	256,359	-	-	-	-	-	256,359
Recreation Administration	-	315,943	-	-	-	-	-	315,943
Beach	-	-	1,493,554	-	-	-	-	1,493,554
Capital Outlay	-	-	-	2,344,198	319,152	-	-	2,663,350
Debt Service:								
Principal	-	-	-	-	-	1,078,784	5,216	1,084,000
Interest	-	-	-	-	-	204,290	973	205,263
Total expenditures	2,466,578	14,853,575	1,493,554	2,344,198	319,152	1,283,074	6,189	22,766,320
Excess of revenues over expenditures	568,706	7,312,933	296,649	(1,719,134)	(316,545)	(1,283,074)	(6,189)	4,853,346
OTHER FINANCING SOURCES:								
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(2,524,818)	(186,259)	2,524,818	186,259	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(1,278,804)	(7,761)	-	-	1,278,804	7,761	-
Transfer In (Out) - From Other Sources	(250,000)	(1,012,236)	(150,665)	1,255,857	150,665	6,381	-	-
Net change in fund balance	318,706	2,497,073	(48,036)	2,061,541	20,379	2,111	1,572	4,853,346
Fund balance, July 1	1,501,287	5,357,755	1,107,786	-	-	-	-	7,966,828
Fund balance, June 30	\$ 1,819,993	\$ 7,854,828	\$ 1,059,750	\$ 2,061,541	\$ 20,379	\$ 2,111	\$ 1,572	\$ 12,820,174

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,119,478	\$ -	\$ -	\$ -	\$ (2,119,478)	\$ -	\$ (2,119,478)
Total governmental activities	<u>2,119,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,119,478)</u>	<u>-</u>	<u>(2,119,478)</u>
Business-type activities:							
Utilities	9,596,265	10,851,723	-	329,705	-	1,585,163	1,585,163
Community Services	15,502,916	16,487,415	17,000	235,674	-	1,237,173	1,237,173
Beach	1,521,090	1,767,751	-	-	-	246,661	246,661
Total business-type activities	<u>26,620,271</u>	<u>29,106,889</u>	<u>17,000</u>	<u>565,379</u>	<u>-</u>	<u>3,068,997</u>	<u>3,068,997</u>
Total primary government	<u>\$ 28,739,749</u>	<u>\$ 29,106,889</u>	<u>\$ 17,000</u>	<u>\$ 565,379</u>	<u>(2,119,478)</u>	<u>3,068,997</u>	<u>949,519</u>
General revenues:							
Property taxes					1,377,337	-	1,377,337
Combined taxes					1,369,950	-	1,369,950
Unrestricted investment earnings					43,295	163,007	206,302
Gain (loss) on sale of capital assets					-	(30,589)	(30,589)
Miscellaneous revenues					2,540	113,684	116,224
Total general revenues					<u>2,793,122</u>	<u>246,102</u>	<u>3,039,224</u>
Extraordinary items:							
Extraordinary expense					-	(26,906)	(26,906)
Changes in net position					673,644	3,288,193	3,961,837
Net position - beginning					4,462,200	117,428,493	121,890,693
Net position - ending					<u>\$ 5,135,844</u>	<u>\$ 120,716,686</u>	<u>\$ 125,852,530</u>

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

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

	Business - type Activities - Enterprise Funds			Total Enterprise Funds	Business-type Activities
	Utility Fund	Community Services Fund	Beach Enterprise Fund		Internal Service Funds
OPERATING REVENUES					
Sales and fees	\$ 10,851,123	\$ 10,860,998	\$ 1,052,579	\$ 22,764,700	\$ 600
Facility fees	-	6,018,616	778,149	6,796,765	-
Parcel Owner discounts on entry fees	-	(470,402)	(62,977)	(533,379)	-
Operating grants	-	17,000	-	17,000	-
Interfund services	-	78,203	-	78,203	2,559,522
Total operating revenues	<u>10,851,123</u>	<u>16,504,415</u>	<u>1,767,751</u>	<u>29,123,289</u>	<u>2,560,122</u>
OPERATING EXPENSES					
Wages and benefits	3,342,258	6,347,788	777,105	10,467,151	1,458,889
Cost of goods sold	6,019	947,647	-	953,666	-
Services and supplies	1,642,031	3,415,632	394,571	5,452,234	727,818
Defensible Space	99,479	99,479	-	198,958	-
Central Services Cost	283,000	745,000	73,000	1,101,000	-
Insurance	120,659	233,228	18,944	372,831	292,552
Utilities	984,438	1,136,738	102,062	2,223,238	8,997
Legal and audit	71,918	91,989	2,746	166,653	5,064
Depreciation	2,865,958	2,342,332	149,427	5,357,717	10,638
Total operating expenses	<u>9,415,760</u>	<u>15,359,833</u>	<u>1,517,855</u>	<u>26,293,448</u>	<u>2,503,958</u>
Operating income	<u>1,435,363</u>	<u>1,144,582</u>	<u>249,896</u>	<u>2,829,841</u>	<u>56,164</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	81,996	46,153	10,186	138,335	24,672
Gain (loss) on sales of assets	(34,499)	31,576	(27,666)	(30,589)	-
Extraordinary expense	(26,906)	-	-	(26,906)	-
Cell Tower lease income	-	113,684	-	113,684	-
Interest on bond debt	(180,505)	(239,634)	(3,208)	(423,347)	-
Amortization bond discounts & premiums	-	42,487	(27)	42,460	-
Fiscal agent fees	-	(1,500)	-	(1,500)	-
Total nonoperating revenues (expenses)	<u>(159,914)</u>	<u>(7,234)</u>	<u>(20,715)</u>	<u>(187,863)</u>	<u>24,672</u>
Income before contributions	<u>1,275,449</u>	<u>1,137,348</u>	<u>229,181</u>	<u>2,641,978</u>	<u>80,836</u>
Capital Grant Contributions	<u>329,705</u>	<u>235,674</u>	<u>-</u>	<u>565,379</u>	<u>-</u>
Changes in net position	<u>1,605,154</u>	<u>1,373,022</u>	<u>229,181</u>	<u>3,207,357</u>	<u>80,836</u>
Total net position, July 1	<u>67,214,994</u>	<u>43,389,489</u>	<u>5,472,107</u>		<u>1,351,903</u>
Total net position, June 30	<u>\$ 68,820,148</u>	<u>\$ 44,762,511</u>	<u>\$ 5,701,288</u>		<u>\$ 1,432,739</u>
Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds				<u>80,836</u>	
Change in net position of Business-Type Activities				<u>\$ 3,288,193</u>	

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

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

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

(Continued)

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

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

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,128,147	\$ -	\$ -	\$ -	\$ (2,128,147)	\$ -	\$ (2,128,147)
Total governmental activities	<u>2,128,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,128,147)</u>	<u>-</u>	<u>(2,128,147)</u>
Business-type activities:							
Utilities	9,222,798	10,432,200	2,893	461,994	-	1,674,289	1,674,289
Community Services	15,264,284	16,552,498	106,238	(407)	-	1,394,045	1,394,045
Beach	1,375,724	1,813,337	-	-	-	437,613	437,613
Total business-type activities	<u>25,862,806</u>	<u>28,798,035</u>	<u>109,131</u>	<u>461,587</u>	<u>-</u>	<u>3,505,947</u>	<u>3,505,947</u>
Total primary government	<u>\$ 27,990,953</u>	<u>\$ 28,798,035</u>	<u>\$ 109,131</u>	<u>\$ 461,587</u>	<u>(2,128,147)</u>	<u>3,505,947</u>	<u>1,377,800</u>
General revenues:							
Property taxes					1,293,676	-	1,293,676
Combined taxes					1,277,567	-	1,277,567
Unrestricted investment earnings					43,959	120,154	164,113
Gain on sale of capital assets					13,536	79,552	93,088
Miscellaneous revenues					2,990	108,325	111,315
Total general revenues					<u>2,631,728</u>	<u>308,031</u>	<u>2,939,759</u>
Extraordinary Items:							
Extraordinary expense					-	(30,587)	(30,587)
Changes in net position					<u>503,581</u>	<u>3,783,391</u>	<u>4,286,972</u>
Net position - as previously reported					3,958,619	113,873,188	117,831,807
Restatement adjustment					-	(228,086)	(228,086)
Net position, beginning restated					<u>3,958,619</u>	<u>113,645,102</u>	<u>117,603,721</u>
Net position - ending					<u>\$ 4,462,200</u>	<u>\$ 117,428,493</u>	<u>\$ 121,890,693</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	
OPERATING REVENUES					
Sales and fees	\$ 10,431,225	\$ 10,991,126	\$ 1,104,246	\$ 22,526,597	\$ 975
Facility fees	-	6,024,564	780,716	6,805,280	-
Parcel Owner discounts on entry fees	-	(529,896)	(71,625)	(601,521)	-
Operating grants	2,893	106,238	-	109,131	-
Interfund services	-	66,704	-	66,704	2,279,321
Total operating revenues	<u>10,434,118</u>	<u>16,658,736</u>	<u>1,813,337</u>	<u>28,906,191</u>	<u>2,280,296</u>
OPERATING EXPENSES					
Wages and benefits	3,145,732	6,121,222	690,594	9,957,548	1,351,205
Cost of goods sold	5,628	945,313	-	950,941	-
Services and supplies	1,469,435	3,444,405	357,460	5,271,300	514,817
Defensible Space	100,000	100,000	-	200,000	-
Central Services Cost	291,000	705,996	72,000	1,068,996	-
Insurance	108,149	274,792	17,222	400,163	379,174
Utilities	1,042,146	1,109,464	85,763	2,237,373	7,298
Legal and audit	95,829	41,138	3,246	140,213	4,667
Depreciation	2,771,756	2,293,786	137,493	5,203,035	9,950
Total operating expenses	<u>9,029,675</u>	<u>15,036,116</u>	<u>1,363,778</u>	<u>25,429,569</u>	<u>2,267,111</u>
Operating income	<u>1,404,443</u>	<u>1,622,620</u>	<u>449,559</u>	<u>3,476,622</u>	<u>13,185</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	61,007	31,908	2,988	95,903	24,251
Gain (loss) on sales of assets	25,875	52,573	1,104	79,552	-
Extraordinary expense	(30,587)	-	-	(30,587)	-
Cell Tower Lease Income	-	108,325	-	108,325	-
Interest on bond debt	(193,123)	(289,773)	(11,811)	(494,707)	-
Amortization bond discounts & premiums	-	49,395	(135)	49,260	-
Total nonoperating revenues (expenses)	<u>(136,828)</u>	<u>(47,572)</u>	<u>(7,854)</u>	<u>(192,254)</u>	<u>24,251</u>
Income before contributions	<u>1,267,615</u>	<u>1,575,048</u>	<u>441,705</u>	<u>3,284,368</u>	<u>37,436</u>
Capital Grant Contributions	461,994	(407)	-	461,587	-
Changes in net position	<u>1,729,609</u>	<u>1,574,641</u>	<u>441,705</u>	<u>3,745,955</u>	<u>37,436</u>
Total net position, July 1, as previously reported	65,566,886	41,953,367	5,038,468		1,314,467
Application of GASB 65	(81,501)	(138,519)	(8,066)		-
Total net position, July 1, as restated	<u>65,485,385</u>	<u>41,814,848</u>	<u>5,030,402</u>		<u>1,314,467</u>
Total net position, June 30	<u>\$ 67,214,994</u>	<u>\$ 43,389,489</u>	<u>\$ 5,472,107</u>		<u>\$ 1,351,903</u>
			Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds	<u>37,436</u>	
			Change in net position of Business-Type Activities	<u>\$ 3,783,391</u>	

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 10,347,990	\$ 16,567,371	\$ 1,813,856	\$ 28,729,217	\$ 975
Receipts from interfund services provided	-	66,704	-	66,704	2,279,321
Receipts from operating grants	2,893	147,767	-	150,660	-
Cell Tower Lease Income Collected & Misc	-	108,325	-	108,325	-
Payments to suppliers	(2,484,332)	(5,266,187)	(273,891)	(8,024,410)	(773,034)
Payments to employees	(3,066,981)	(6,087,762)	(681,106)	(9,835,849)	(1,388,699)
Payments for interfund services used	(739,036)	(1,291,021)	(181,438)	(2,211,495)	(33,829)
Net cash provided (used) by operating activities	4,060,534	4,245,197	677,421	8,983,152	84,734
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Extraordinary expense	(30,587)	-	-	(30,587)	-
Due to (from) other funds	(594,001)	(262,873)	(483,958)	(1,340,832)	(107,733)
Net cash provided (used) by non-capital financing activities	(624,588)	(262,873)	(483,958)	(1,371,419)	(107,733)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(3,059,460)	(2,266,640)	(167,375)	(5,493,475)	-
Proceeds from sale of assets	25,875	56,004	1,104	82,983	-
Proceeds of capital debt	-	-	-	-	-
Payments on capital debt	(443,833)	(1,460,782)	(263,218)	(2,167,833)	-
Capital contributions	395,647	(407)	-	395,240	-
Interest expense	(199,301)	(298,149)	(13,974)	(511,424)	-
Net cash provided (used) by capital and related financing activities	(3,281,072)	(3,969,974)	(443,463)	(7,694,509)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments released (increased)	(234)	929	-	695	22,825
Other deposits	-	-	-	-	-
Investments purchased	(8,015,250)	(3,108,437)	(675,000)	(11,798,687)	-
Long-term investments sold	7,815,250	3,122,292	925,000	11,862,542	-
Investment earnings	54,249	25,736	3,395	83,380	24,251
Net cash provided (used) by investing activities	(145,985)	40,520	253,395	147,930	47,076
Net change in cash and cash equivalents	8,889	52,870	3,395	65,154	24,077
Cash and cash equivalents, July 1	418,025	85,563	84,996	588,584	12,135
Cash and cash equivalents, June 30	\$ 426,914	\$ 138,433	\$ 88,391	\$ 653,738	\$ 36,212
Non-cash capital activities					
Acquisition of 4 unbuildable parcels Note 4		\$ -		\$ -	

(Continued)

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,404,443	\$ 1,622,620	\$ 449,559	\$ 3,476,622	\$ 13,185
Non-cash adjustments -					
Depreciation and amortization	2,771,756	2,293,786	137,493	5,203,035	9,950
Increase (decrease) in cash from changes in:					
Accounts receivable	(133,175)	(37,880)	(1,668)	(172,723)	-
Grant Receivable	-	41,529	-	41,529	-
Due from other Governments	-	(2,427)	(1,746)	(4,173)	-
Inventory	(4,013)	20,917	-	16,904	3,143
Prepaid expenses	(12,106)	26,161	(2,106)	11,949	2,027
Collection of cell tower leases	-	108,325	-	108,325	-
Accounts payable	(95,062)	16,822	82,468	4,228	93,923
Accrued personnel costs	78,751	33,460	9,488	121,699	(37,494)
Unearned revenue and customer deposits	49,940	121,884	3,933	175,757	-
Total adjustments	2,656,091	2,622,577	227,862	5,506,530	71,549
Net cash provided (used) by operating activities	\$ 4,060,534	\$ 4,245,197	\$ 677,421	\$ 8,983,152	\$ 84,734

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,985,100	\$ -	\$ -	\$ -	\$ (1,985,100)	\$ -	\$ (1,985,100)
Total governmental activities	1,985,100	-	-	-	(1,985,100)	-	(1,985,100)
Business-type activities:							
Utilities	8,580,345	9,770,425	-	2,013,853	-	3,203,933	3,203,933
Community Services	14,899,527	16,765,559	97,123	1,137,270	-	3,100,425	3,100,425
Beach	1,158,071	1,755,342	-	-	-	597,271	597,271
Total business-type activities	24,637,943	28,291,326	97,123	3,151,123	-	6,901,629	6,901,629
Total primary government	\$ 26,623,043	\$ 28,291,326	\$ 97,123	\$ 3,151,123	(1,985,100)	6,901,629	4,916,529
General revenues:							
Property taxes					1,307,715	-	1,307,715
Combined taxes					1,205,091	-	1,205,091
Unrestricted investment earnings					30,618	113,164	143,782
Sale of capital assets					3,769	5,472	9,241
Miscellaneous revenues					3,713	68,594	72,307
Washoe County Tax Refund					55,372	-	55,372
Total general revenues					2,606,278	187,230	2,793,508
Changes in net position					621,178	7,088,859	7,710,037
Net position - beginning					3,337,444	106,784,330	110,121,774
Net position - ending					\$ 3,958,622	\$ 113,873,189	\$ 117,831,811

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	
OPERATING REVENUES					
Sales and fees	\$ 9,767,475	\$ 11,309,353	\$ 1,058,128	\$ 22,134,956	\$ 2,950
Facility fees	-	5,962,384	775,102	6,737,486	-
Parcel Owner discounts on entry fees	-	(564,550)	(77,888)	(642,438)	-
Operating grants	-	97,123	-	97,123	-
Interfund services	-	58,372	-	58,372	2,042,462
Total operating revenues	<u>9,767,475</u>	<u>16,862,682</u>	<u>1,755,342</u>	<u>28,385,499</u>	<u>2,045,412</u>
OPERATING EXPENSES					
Wages and benefits	2,994,499	6,262,104	554,750	9,811,353	1,160,280
Cost of goods sold	-	912,704	-	912,704	-
Services and supplies	1,341,008	3,283,290	308,019	4,932,317	540,474
Defensible Space	99,956	99,957	-	199,913	-
Central Services Cost	257,100	673,500	63,600	994,200	-
Insurance	102,089	237,836	17,715	357,640	49,192
Utilities	1,001,334	962,524	77,989	2,041,847	5,798
Legal and audit	71,128	26,441	4,683	102,252	28,590
Depreciation	2,613,840	2,246,216	117,317	4,977,373	7,926
Total operating expenses	<u>8,480,954</u>	<u>14,704,572</u>	<u>1,144,073</u>	<u>24,329,599</u>	<u>1,792,260</u>
Operating income	<u>1,286,521</u>	<u>2,158,110</u>	<u>611,269</u>	<u>4,055,900</u>	<u>253,152</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	55,666	28,421	6,160	90,247	22,917
Gain (loss) on sales of assets	17,856	(12,384)	-	5,472	-
Cell Tower Lease Income	-	68,594	-	68,594	-
Interest on bond debt	(177,404)	(372,219)	(19,234)	(568,857)	-
Amortization issuance costs, discounts & premiums	(9,204)	26,044	(6,529)	10,311	-
Total nonoperating revenues (expenses)	<u>(113,086)</u>	<u>(261,544)</u>	<u>(19,603)</u>	<u>(394,233)</u>	<u>22,917</u>
Income before contributions	<u>1,173,435</u>	<u>1,896,566</u>	<u>591,666</u>	<u>3,661,667</u>	<u>276,069</u>
Capital Grant Contributions	<u>2,013,853</u>	<u>1,137,270</u>	<u>-</u>	<u>3,151,123</u>	<u>-</u>
Changes in net position	<u>3,187,288</u>	<u>3,033,836</u>	<u>591,666</u>	<u>6,812,790</u>	<u>276,069</u>
Total net position, July 1	<u>62,379,597</u>	<u>38,919,533</u>	<u>4,446,802</u>		<u>1,038,398</u>
Total net position, June 30	<u>\$ 65,566,885</u>	<u>\$ 41,953,369</u>	<u>\$ 5,038,468</u>		<u>\$ 1,314,467</u>
				Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds	<u>276,069</u>
				Change in net position of Business-Type Activities	<u>\$ 7,088,859</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 9,614,530	\$ 16,853,141	\$ 1,768,620	\$ 28,236,291	\$ 2,950
Receipts from interfund services provided	-	58,372	-	58,372	2,042,462
Receipts from operating grants	-	97,123	-	97,123	-
Cell Tower Lease Income collected	-	68,594	-	68,594	-
Payments to suppliers	(2,808,911)	(5,202,930)	(329,976)	(8,341,817)	(470,685)
Payments to employees	(2,986,356)	(6,235,734)	(555,166)	(9,777,256)	(1,349,551)
Payments for interfund services used	(528,033)	(1,263,505)	(130,700)	(1,922,238)	(112,429)
Net cash provided (used) by operating activities	3,291,230	4,375,061	752,778	8,419,069	112,747
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Due to (from) other funds	(479,391)	(594,985)	181,515	(892,861)	52,314
Net cash provided (used) by non-capital financing activities	(479,391)	(594,985)	181,515	(892,861)	52,314
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(3,693,371)	(2,094,299)	(550,397)	(6,338,067)	(38,061)
Proceeds from sale of assets	17,856	15,929	-	33,785	-
Proceeds of capital debt	2,308,839	3,419,052	55,948	5,783,839	-
Payments on capital debt	(773,722)	(5,246,352)	(168,648)	(6,188,722)	-
Bond issue costs incurred	-	(56,123)	(918)	(57,041)	-
Capital contributions	2,181,953	1,340,923	-	3,522,876	-
Interest expense	(155,535)	(411,898)	(20,477)	(587,910)	-
Net cash provided (used) by capital and related financing activities	(113,980)	(3,032,768)	(684,492)	(3,831,240)	(38,061)
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments released (increased)	1,826	14,356	-	16,182	-
Other deposits	(3)	(7)	(2)	(12)	(52,305)
Investments purchased	(6,965,250)	(2,722,292)	(425,000)	(10,112,542)	(1,085,000)
Long-term investments sold	4,050,000	1,601,000	250,000	5,901,000	1,000,000
Investment earnings	49,947	22,810	6,475	79,232	22,440
Net cash provided (used) by investing activities	(2,863,480)	(1,084,133)	(168,527)	(4,116,140)	(114,865)
Net change in cash and cash equivalents	(165,621)	(336,825)	81,274	(421,172)	12,135
Cash and cash equivalents, July 1	583,646	422,388	3,722	1,009,756	-
Cash and cash equivalents, June 30	\$ 418,025	\$ 85,563	\$ 84,996	\$ 588,584	\$ 12,135
Non-cash capital activities					
Acquisition of 78 unbuildable parcels Note 4		\$ -		\$ -	

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,286,521	\$ 2,158,110	\$ 611,269	\$ 4,055,900	\$ 253,152
Non-cash adjustments - Depreciation	2,613,840	2,246,216	117,317	4,977,373	7,926
Increase (decrease) in cash from changes in:					
Accounts receivable	(169,268)	50,691	(1,229)	(119,806)	-
Due from other Governments	-	47,513	12,953	60,466	-
Inventory	1,105	(16,590)	-	(15,485)	6,388
Prepaid expenses	(16,293)	(2,743)	1,043	(17,993)	37,425
Collection of cell tower leases	-	68,594	-	68,594	-
Accounts payable	(449,141)	(250,850)	10,287	(689,704)	(2,873)
Accrued personnel costs	8,143	26,370	(416)	34,097	(189,271)
Unearned revenue and customer deposits	16,323	47,750	1,554	65,627	-
Total adjustments	2,004,709	2,216,951	141,509	4,363,169	(140,405)
Net cash provided (used) by operating activities	\$ 3,291,230	\$ 4,375,061	\$ 752,778	\$ 8,419,069	\$ 112,747

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,265,923	\$ 1,074,000	\$ -	\$ -	\$ (2,191,923)	\$ -	\$ (2,191,923)
Total governmental activities	3,265,923	1,074,000	-	-	(2,191,923)	-	(2,191,923)
Business-type activities:							
Utilities	8,604,093	9,130,805	-	912,933	-	1,439,645	1,439,645
Community Services	15,421,206	16,277,239	77,700	1,369,936	-	2,303,669	2,303,669
Beach	1,177,800	1,467,842	-	-	-	290,042	290,042
Total business-type activities	25,203,100	26,875,886	77,700	2,282,869	-	4,033,355	4,033,355
Total primary government	\$ 28,469,023	\$ 27,949,886	\$ 77,700	\$ 2,282,869	(2,191,923)	4,033,355	1,841,432
General revenues:							
Property taxes					1,325,436	-	1,325,436
Combined taxes					1,106,183	-	1,106,183
Unrestricted investment earnings					25,555	254,017	279,572
Gain on disposal of capital assets					-	11,021	11,021
Miscellaneous revenues					1,771	115,020	116,791
Total general revenues					2,458,945	380,058	2,839,003
Change in net assets					267,022	4,413,413	4,680,435
Net assets - beginning					3,070,422	102,370,917	105,441,339
Net assets - ending					\$ 3,337,444	\$ 106,784,330	\$ 110,121,774

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	
OPERATING REVENUES					
Sales and fees	\$ 9,127,955	\$ 10,414,480	\$ 1,016,280	\$ 20,558,715	\$ 2,850
Facility fees	-	5,919,707	899,565	6,819,272	-
Parcel Owner discounts	-	(108,379)	(448,003)	(556,382)	-
Operating grants	-	77,700	-	77,700	-
Interfund services	-	51,431	-	51,431	1,888,350
Total operating revenues	<u>9,127,955</u>	<u>16,354,939</u>	<u>1,467,842</u>	<u>26,950,736</u>	<u>1,891,200</u>
OPERATING EXPENSES					
Wages and benefits	2,947,376	6,334,351	528,625	9,810,352	1,369,973
Cost of goods sold	-	895,324	-	895,324	-
Services and supplies	1,273,502	3,143,522	326,490	4,743,514	478,312
Defensible Space	97,094	97,094	-	194,188	-
Central Services Cost	277,200	727,200	69,600	1,074,000	-
Insurance	92,857	242,393	17,731	352,981	50,972
Utilities	1,077,337	1,094,234	78,318	2,249,889	6,441
Legal and audit	73,743	43,661	7,369	124,773	35,044
Depreciation	2,565,241	2,359,117	116,944	5,041,302	9,119
Total operating expenses	<u>8,404,350</u>	<u>14,936,896</u>	<u>1,145,077</u>	<u>24,486,323</u>	<u>1,949,861</u>
Operating income (loss)	<u>723,605</u>	<u>1,418,043</u>	<u>322,765</u>	<u>2,464,413</u>	<u>(58,661)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	86,010	24,062	4,495	114,567	139,450
Gain (loss) on sales of assets	381	20,654	(10,446)	10,589	432
Coverage Sales	-	41,323	-	41,323	-
Cell Tower Lease Income	-	73,697	-	73,697	-
Interest on bond debt	(169,042)	(487,223)	(23,318)	(679,583)	-
Amortization issuance costs	(9,589)	40,435	(6,529)	24,317	-
Total nonoperating revenues (expenses)	<u>(92,240)</u>	<u>(287,052)</u>	<u>(35,798)</u>	<u>(415,090)</u>	<u>139,882</u>
Income (loss) before contributions	<u>631,365</u>	<u>1,130,991</u>	<u>286,967</u>	<u>2,049,323</u>	<u>81,221</u>
Capital Grant Contributions	<u>912,933</u>	<u>1,369,936</u>	<u>-</u>	<u>2,282,869</u>	<u>-</u>
Change in net assets	<u>1,544,298</u>	<u>2,500,927</u>	<u>286,967</u>	<u>4,332,192</u>	<u>81,221</u>
Total net assets, July 1	<u>60,835,299</u>	<u>36,418,606</u>	<u>4,159,835</u>		<u>957,177</u>
Total net assets, June 30	<u>\$ 62,379,597</u>	<u>\$ 38,919,533</u>	<u>\$ 4,446,802</u>		<u>\$ 1,038,398</u>
				Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds	<u>81,221</u>
				Change in net assets of business-type activities	<u>\$ 4,413,413</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 9,039,928	\$ 16,156,878	\$ 1,468,267	\$ 26,665,073	\$ 2,850
Receipts from interfund services provided	-	51,431	-	51,431	1,888,350
Receipts from operating grants	-	77,700	-	77,700	-
Cell Tower Lease Income collected	-	73,697	-	73,697	-
Payments to suppliers	(2,453,951)	(5,461,414)	(454,457)	(8,369,822)	(580,616)
Payments to employees	(2,828,591)	(6,233,226)	(519,289)	(9,581,106)	(1,346,932)
Payments for interfund services used	(277,200)	(727,200)	(69,600)	(1,074,000)	-
Net cash provided (used) by operating activities	3,480,186	3,937,866	424,921	7,842,973	(36,348)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Due to (from) other funds	668,429	(1,626,064)	468,404	(489,231)	(166,059)
Net cash provided (used) by non-capital financing activities	668,429	(1,626,064)	468,404	(489,231)	(166,059)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(6,030,838)	(2,785,667)	(7,196)	(8,823,701)	-
Interfund reimbursement - capital assets	-	10,446	(10,446)	-	-
Proceeds from sale of assets	381	51,531	-	51,912	434
Proceeds of capital debt	691,161	-	-	691,161	-
Payments on capital debt	(841,887)	(1,766,072)	(108,928)	(2,716,887)	-
Bond issue costs incurred	(32,935)	-	-	(32,935)	-
Capital contributions	660,750	1,348,332	-	2,009,082	-
Interest expense	(175,409)	(505,021)	(24,965)	(705,395)	-
Net cash provided (used) by capital and related financing activities	(5,728,777)	(3,646,451)	(151,535)	(9,526,763)	434
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments released (increased)	4,737	28,850	-	33,587	-
Other deposits	-	-	-	-	(188)
Investments purchased	-	-	(750,000)	(750,000)	-
Long-term investments sold	1,650,792	1,673,383	-	3,324,175	25,411
Investment earnings	95,277	26,586	3,522	125,385	176,750
Net cash provided (used) by investing activities	1,750,806	1,728,819	(746,478)	2,733,147	201,973
Net increase (decrease) in cash and cash equivalents	170,644	394,170	(4,688)	560,126	-
Cash and cash equivalents, July 1	413,002	28,218	8,410	449,630	-
Cash and cash equivalents, June 30	\$ 583,646	\$ 422,388	\$ 3,722	\$ 1,009,756	\$ -

(Continued)

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 723,605	\$ 1,418,043	\$ 322,765	\$ 2,464,413	\$ (58,661)
Non-cash adjustments -					
Depreciation	2,565,241	2,359,117	116,944	5,041,302	9,119
Increase (decrease) in cash from changes in:					
Accounts receivable	(196,053)	(99,809)	300	(295,562)	-
Due from other Governments	-	(56,623)	(13,579)	(70,202)	-
Inventory	2,392	(29,245)	-	(26,853)	(5,774)
Prepaid expenses	(100,112)	(182,484)	(18,265)	(300,861)	(12,945)
Collection of cell tower leases	-	73,697	-	73,697	-
Accounts payable	258,302	266,543	(6,284)	518,561	8,872
Accrued personnel costs	118,785	101,125	9,336	229,246	23,041
Deferred revenue and customer deposits	108,026	87,502	13,704	209,232	-
Total adjustments	2,756,581	2,519,823	102,156	5,378,560	22,313
Net cash provided (used) by operating activities	\$ 3,480,186	\$ 3,937,866	\$ 424,921	\$ 7,842,973	\$ (36,348)

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,882,904	\$ -	\$ -	\$ -	\$ (3,882,904)	\$ -	\$ (3,882,904)
Total governmental activities	<u>3,882,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,882,904)</u>	<u>-</u>	<u>(3,882,904)</u>
Business-type activities:							
Utilities	8,317,461	8,485,161	-	1,220,938	-	1,388,638	1,388,638
Community Services	15,599,730	17,612,042	84,000	2,126,748	-	4,223,060	4,223,060
Beach	1,263,121	1,228,336	-	-	-	(34,785)	(34,785)
Total business-type activities	<u>25,180,312</u>	<u>27,325,539</u>	<u>84,000</u>	<u>3,347,686</u>	<u>-</u>	<u>5,576,913</u>	<u>5,576,913</u>
Total primary government	<u>\$ 29,063,216</u>	<u>\$ 27,325,539</u>	<u>\$ 84,000</u>	<u>\$ 3,347,686</u>	<u>(3,882,904)</u>	<u>5,576,913</u>	<u>1,694,009</u>
General revenues:							
Property taxes					1,094,166	-	1,094,166
Combined taxes					1,101,055	-	1,101,055
Unrestricted investment earnings					24,175	229,855	254,030
Gain on disposal of capital assets					9,120	275,170	284,290
Miscellaneous revenues					2,071	27,747	29,818
Transfers to(from) funds					924,154	(924,154)	-
Total general revenues and transfers					<u>3,154,741</u>	<u>(391,382)</u>	<u>2,763,359</u>
Change in net assets					<u>(728,163)</u>	<u>5,185,531</u>	<u>4,457,368</u>
Net assets - beginning, as previously reported					4,732,559	94,129,802	98,862,361
Prior period adjustment					(933,974)	3,055,584	2,121,610
Net assets - beginning, as adjusted					<u>3,798,585</u>	<u>97,185,386</u>	<u>100,983,971</u>
Net assets - ending					<u>\$ 3,070,422</u>	<u>\$ 102,370,917</u>	<u>\$ 105,441,339</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	
OPERATING REVENUES					
Sales and fees	\$ 8,485,161	\$ 11,488,132	\$ 765,196	\$ 20,738,489	\$ 5,400
Facility fees	-	6,067,022	783,028	6,850,050	-
Parcel Owner discounts on entry fees	-	-	(319,888)	(319,888)	-
Operating grants	-	84,000	-	84,000	-
Interfund services	-	56,888	-	56,888	1,958,922
Total operating revenues	<u>8,485,161</u>	<u>17,696,042</u>	<u>1,228,336</u>	<u>27,409,539</u>	<u>1,964,322</u>
OPERATING EXPENSES					
Wages and benefits	2,904,311	6,798,938	627,406	10,330,655	1,396,756
Cost of goods sold	(292)	981,113	13,030	993,851	-
Services and supplies	1,197,091	3,772,634	368,704	5,338,429	491,399
Insurance	110,401	249,728	16,427	376,556	41,586
Utilities	1,081,748	915,400	76,596	2,073,744	5,797
Legal and audit	89,772	46,624	4,798	141,194	34,539
Depreciation	2,722,907	2,423,499	120,104	5,266,510	9,119
Total operating expenses	<u>8,105,938</u>	<u>15,187,936</u>	<u>1,227,065</u>	<u>24,520,939</u>	<u>1,979,196</u>
Operating income (loss)	<u>379,223</u>	<u>2,508,106</u>	<u>1,271</u>	<u>2,888,600</u>	<u>(14,874)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	151,646	42,697	-	194,343	35,512
Gain on sales of assets	7,756	264,849	-	272,605	2,565
Cell Tower Lease Income	-	27,747	-	27,747	-
Interest on bond debt	(197,550)	(449,097)	(27,759)	(674,406)	-
Amortization issuance costs	(9,589)	46,025	(6,529)	29,907	-
Total nonoperating revenues (expenses)	<u>(47,737)</u>	<u>(67,779)</u>	<u>(34,288)</u>	<u>(149,804)</u>	<u>38,077</u>
Income (loss) before contributions and transfers	<u>331,486</u>	<u>2,440,327</u>	<u>(33,017)</u>	<u>2,738,796</u>	<u>23,203</u>
Capital Grant Contributions	<u>1,220,938</u>	<u>2,126,748</u>	<u>-</u>	<u>3,347,686</u>	<u>-</u>
Transfer to General Fund	<u>(462,077)</u>	<u>(421,229)</u>	<u>(40,848)</u>	<u>(924,154)</u>	<u>-</u>
Change in net assets	<u>1,090,347</u>	<u>4,145,846</u>	<u>(73,865)</u>	<u>5,162,328</u>	<u>23,203</u>
Total net assets, July 1, as previously reported	59,410,735	30,485,367	4,233,700		933,974
Prior period adjustment	334,217	1,787,393	-		-
Total net assets, July 1, as adjusted	<u>59,744,952</u>	<u>32,272,760</u>	<u>4,233,700</u>		<u>933,974</u>
Total net assets, June 30	<u>\$ 60,835,299</u>	<u>\$ 36,418,606</u>	<u>\$ 4,159,835</u>		<u>\$ 957,177</u>
				Adjustment to reflect consolidation of internal service fund activities related to Enterprise Funds	<u>23,203</u>
				Change in net assets of business-type activities	<u>\$ 5,185,531</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,499,030	\$ 17,664,678	\$ 1,233,475	\$ 27,397,183	\$ 5,400
Receipts from interfund services provided	-	56,888	-	56,888	1,958,922
Receipts from operating grants	-	84,000	-	84,000	-
Cell Tower Lease Income collected	-	27,747	-	27,747	-
Payments to suppliers	(1,104,833)	(4,677,704)	(224,715)	(6,007,252)	(595,110)
Payments to employees	(2,960,039)	(6,852,579)	(643,464)	(10,456,082)	(1,418,202)
Payments for interfund services used	(555,417)	(1,105,035)	(223,968)	(1,884,420)	(18,863)
Net cash provided (used) by operating activities	3,878,741	5,197,995	141,328	9,218,064	(67,853)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to general fund	(462,077)	(421,229)	(40,848)	(924,154)	-
Due to (from) other funds	(567,788)	(528,961)	(1,172,756)	(2,269,505)	(161,316)
Net cash (used) by non-capital financing activities	(1,029,865)	(950,190)	(1,213,604)	(3,193,659)	(161,316)
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(5,855,416)	(7,058,131)	(138,173)	(13,051,720)	-
Proceeds from sale of assets	7,756	264,849	-	272,605	2,565
Payments on capital debt	(816,372)	(1,892,960)	(217,040)	(2,926,372)	-
Capital contributions	1,679,123	1,842,710	-	3,521,833	-
Interest expense	(208,344)	(459,519)	(28,197)	(696,060)	-
Net cash provided (used) by capital and related financing activities	(5,193,253)	(7,303,051)	(383,410)	(12,879,714)	2,565
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments released (increased)	327,049	101,967	-	429,016	(21,255)
Long-term investments sold	1,774,694	1,918,533	-	3,693,227	49,903
Investment earnings	171,699	53,846	-	225,545	352
Net cash provided (used) by investing activities	2,273,442	2,074,346	-	4,347,788	29,000
Net (decrease) in cash and cash equivalents	(70,935)	(980,900)	(1,455,686)	(2,507,521)	(197,604)
Cash and cash equivalents, July 1	483,937	1,009,118	1,464,096	2,957,151	197,604
Cash and cash equivalents, June 30	\$ 413,002	\$ 28,218	\$ 8,410	\$ 449,630	\$ -

(Continued)

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business - type Activities - Enterprise Funds				Business-type Activities Internal Service Funds
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 379,223	\$ 2,508,106	\$ 1,271	\$ 2,888,600	\$ (14,874)
Non-cash adjustments -					
Depreciation	2,722,907	2,423,499	120,104	5,266,510	9,119
Increase (decrease) in cash from changes in:					
Accounts receivable	(13,301)	8,692	1,118	(3,491)	-
Due from other Governments	-	26,550	10,142	36,692	-
Inventory	456	1,912	-	2,368	-
Prepaid expenses	83,028	(36,922)	5,068	51,174	(35,378)
Collection of cell tower leases	-	27,747	-	27,747	(14,752)
Accounts payable	734,986	217,770	25,804	978,560	19,243
Accrued personnel costs	(55,728)	(53,641)	(16,058)	(125,427)	(31,211)
Deferred revenue and customer deposits	27,170	74,282	(6,121)	95,331	-
Total adjustments	3,499,518	2,689,889	140,057	6,329,464	(52,979)
Net cash provided (used) by operating activities	\$ 3,878,741	\$ 5,197,995	\$ 141,328	\$ 9,218,064	\$ (67,853)

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 3,002,695	\$ -	\$ -	\$ (3,002,695)	\$ -	\$ (3,002,695)
Internal Services	1,766,735	1,814,349	-	47,614	-	47,614
Total governmental activities	4,769,430	1,814,349	-	(2,955,081)	-	(2,955,081)
Business-type activities:						
Utilities	8,415,952	8,051,694	1,476,174	-	1,111,916	1,111,916
Community Services	15,220,838	16,191,656	87,000	-	1,057,818	1,057,818
Beach	1,228,268	1,465,820	-	-	237,552	237,552
Total business-type activities	24,865,058	25,709,170	1,563,174	-	2,407,286	2,407,286
Total primary government	\$ 29,634,488	\$ 27,523,519	\$ 1,563,174	(2,955,081)	2,407,286	(547,795)
General revenues:						
Property taxes				796,482	-	796,482
Combined taxes				1,136,483	-	1,136,483
Unrestricted investment earnings				54,041	347,841	401,882
Gain (loss) on disposal of capital assets				7,030	180,548	187,578
Miscellaneous revenues				2,930	251,591	254,521
Transfers to(from) funds				1,267,842	(1,267,842)	-
Total general revenues and transfers				3,264,808	(487,862)	2,776,946
Change in net assets				309,727	1,919,424	2,229,151
Net assets - beginning				4,422,832	92,210,378	96,633,210
Net assets - ending				\$ 4,732,559	\$ 94,129,802	\$ 98,862,361

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Total Business-Type Activities	Total Governmental - Type Activities
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Sales and fees	\$ 8,051,694	\$ 11,064,940	\$ 600,280	\$ 19,716,914	\$ -
Facility Fees	-	5,126,716	865,540	5,992,256	-
Operating Grants	-	87,000	-	87,000	-
Interfund services	-	-	-	-	1,814,349
Total operating revenues	8,051,694	16,278,656	1,465,820	25,796,170	1,814,349
OPERATING EXPENSES					
Wages and benefits	2,837,986	6,480,609	592,445	9,911,040	1,303,235
Cost of goods sold	-	974,715	30,038	1,004,753	-
Services and supplies	1,247,429	3,583,322	322,697	5,153,448	394,058
Insurance	95,843	326,736	17,159	439,738	47,260
Utilities	1,171,061	949,400	81,839	2,202,300	5,516
Legal and audit	94,251	41,825	7,634	143,710	7,953
Depreciation	2,734,966	2,310,850	137,549	5,183,365	8,713
Total operating expenses	8,181,536	14,667,457	1,189,361	24,038,354	1,766,735
Operating income (loss)	(129,842)	1,611,199	276,459	1,757,816	47,614
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	189,786	144,571	13,484	347,841	28,796
Gain (loss) on disposal of assets	1,215	179,119	214	180,548	7,030
Miscellaneous	(225,000)	366,055	110,536	251,591	-
Interest on bond debt	(224,477)	(605,076)	(32,663)	(862,216)	-
Amortization issuance costs	(9,939)	51,695	(6,244)	35,512	-
Total nonoperating revenue (expense)	(268,415)	136,364	85,327	(46,724)	35,826
Income (loss) before transfers and contributions	(398,257)	1,747,563	361,786	1,711,092	83,440
Capital contributions	1,476,174	-	-	1,476,174	-
Transfer to General Fund	(633,921)	(570,529)	(63,392)	(1,267,842)	-
Change in net assets	443,996	1,177,034	298,394	1,919,424	83,440
Total net assets, July 1	58,966,740	29,308,332	3,935,306	92,210,378	850,533
Total net assets, June 30	\$ 59,410,736	\$ 30,485,366	\$ 4,233,700	\$ 94,129,802	\$ 933,973

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Enterprise Funds			Total Business-Type Activities	Total Governmental Activities
	Utility Fund	Community Services Fund	Beach Fund	Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,088,132	\$ 16,054,502	\$ 1,433,126	\$ 25,575,760	\$ -
Receipts from interfund services provided	-	-	-	-	1,814,349
Receipts from Operating Grants	-	-	-	-	-
Payments to suppliers	(2,693,740)	(5,878,628)	(470,499)	(9,042,867)	(456,616)
Payments to employees	(2,809,018)	(6,397,364)	(574,008)	(9,780,390)	(1,290,686)
Payments for interfund services used	-	-	-	-	-
Net cash provided (used) by operating activities	2,585,374	3,778,510	388,619	6,752,503	67,047
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to general fund	(633,921)	(570,529)	(63,392)	(1,267,842)	-
Transfers to (from) other funds	-	-	-	-	-
Net cash (used) by non-capital financing activities	(633,921)	(570,529)	(63,392)	(1,267,842)	-
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(3,613,087)	(3,144,892)	(122,173)	(6,880,152)	(12,955)
Proceeds from sale of assets	1,215	179,119	214	180,548	7,030
Payments on capital debt	(791,569)	(1,804,638)	(240,362)	(2,836,569)	-
Non-operating income (expense)	(225,000)	366,055	110,536	251,591	-
Capital contributions	1,436,803	1,556,851	-	2,993,654	-
Interest expense	(234,878)	(618,131)	(34,636)	(887,645)	-
Net cash provided (used) by capital and related financing activities	(3,426,516)	(3,465,636)	(286,421)	(7,178,573)	(5,925)
CASH FLOWS FROM INVESTING ACTIVITIES					
Other deposits	(61,542)	106,762	(116)	45,104	-
Long-term investments purchased	1,803,423	-	-	1,803,423	-
Long-term investments sold	-	986,961	1,396,103	2,383,064	117,180
Investment earnings	216,319	144,700	14,703	375,722	19,302
Net cash (used) by investing activities	1,958,200	1,238,423	1,410,690	4,607,313	136,482
Net increase in cash and cash equivalents	483,137	980,768	1,449,496	2,913,401	197,604
Cash and cash equivalents, July 1	800	28,350	14,600	43,750	-
Cash and cash equivalents, June 30	\$ 483,937	\$ 1,009,118	\$ 1,464,096	\$ 2,957,151	\$ 197,604

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010**

	Utility Fund	Community Services Fund	Beach Fund	Total Business-Type Activities Enterprise Funds	Total Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (129,842)	\$ 1,611,199	\$ 276,459	\$ 1,757,816	\$ 47,614
Non-cash adjustments -					
Depreciation	2,734,966	2,310,850	137,549	5,183,365	8,713
Increase (decrease) in cash from changes in:					
Accounts receivable	26,215	83,547	(2,696)	107,066	-
Grants Receivable		(16,927)		(16,927)	-
Due from other Governments	-	(220,701)	(34,763)	(255,464)	-
Inventory	(30,307)	44,577	-	14,270	(832)
Prepaid expenses	(82,045)	(71,206)	(5,068)	(158,319)	(673)
Due from (to) other funds	-	6,450	(6,157)	293	-
Accounts payable	27,196	17,549	93	44,838	(324)
Accrued personnel costs	28,968	83,245	18,437	130,650	12,549
Deferred revenue and customer deposits	10,223	(70,073)	4,765	(55,085)	-
Total adjustments	2,715,216	2,167,311	112,160	4,994,687	19,433
Net cash provided (used) by operating activities	<u>\$ 2,585,374</u>	<u>\$ 3,778,510</u>	<u>\$ 388,619</u>	<u>\$ 6,752,503</u>	<u>\$ 67,047</u>

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 3,150,889	\$ -	\$ -	\$ (3,150,889)	\$ -	\$ (3,150,889)
Internal Services	2,001,647	2,095,747	-	94,100	-	94,100
Total governmental activities	5,152,536	2,095,747	-	(3,056,789)	-	(3,056,789)
Business-type activities:						
Utilities	8,610,312	8,182,416	663,597	-	235,701	235,701
Community Services	16,318,982	16,104,555	1,224,817	-	1,010,390	1,010,390
Beach	1,295,830	1,960,552	-	-	664,722	664,722
Total business-type activities	26,225,124	26,247,523	1,888,414	-	1,910,813	1,910,813
Total primary government	\$ 31,377,660	\$ 28,343,270	\$ 1,888,414	(3,056,789)	1,910,813	(1,145,976)
General revenues:						
Property taxes				985,295	-	985,295
Combined taxes				1,218,893	-	1,218,893
Unrestricted investment earnings				62,449	488,062	550,511
Gain (loss) on disposal of capital assets				9,072	(70,804)	(61,732)
Miscellaneous revenues				4,771	671,759	676,530
Transfers to(from) funds				63,532	(63,532)	-
Total general revenues and transfers				2,344,012	1,025,485	3,369,497
Change in net assets				(712,777)	2,936,298	2,223,521
Net assets - beginning				5,135,609	89,274,080	94,409,689
Net assets - ending				\$ 4,422,832	\$ 92,210,378	\$ 96,633,210

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Enterprise Funds			Total Business-Type Activities	Total Governmental - Type Activities
	Utility Fund	Community Services Fund	Beach Enterprise Fund	Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Sales and fees	\$ 8,182,416	\$ 11,182,721	\$ 750,076	\$ 20,115,213	\$ -
Recreation charge assessments	-	4,921,834	1,210,476	6,132,310	-
Operating Grants	-	193,488	-	193,488	-
Interfund services	-	-	-	-	2,095,747
Total operating revenues	8,182,416	16,298,043	1,960,552	26,441,011	2,095,747
OPERATING EXPENSES					
Wages and benefits	2,875,354	6,924,231	640,061	10,439,646	1,471,716
Cost of goods sold	-	1,161,718	34,628	1,196,346	-
Services and supplies	1,403,461	3,982,928	329,719	5,716,108	483,091
Insurance	101,308	279,972	10,343	391,623	37,778
Utilities	1,219,626	1,030,761	81,503	2,331,890	-
Legal and audit	34,183	29,750	15,918	79,851	-
Depreciation	2,715,776	2,273,776	132,650	5,122,202	9,062
Total operating expenses	8,349,708	15,683,136	1,244,822	25,277,666	2,001,647
Operating income (loss)	(167,292)	614,907	715,730	1,163,345	94,100
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	236,935	234,331	16,796	488,062	44,236
Gain (loss) on disposal of assets	(2,030)	(68,444)	(330)	(70,804)	9,072
Miscellaneous	21,473	650,286	-	671,759	-
Interest on bond debt	(260,604)	(635,846)	(44,744)	(941,194)	-
Amortization issuance costs	-	-	(6,264)	(6,264)	-
Total nonoperating revenue (expense)	(4,226)	180,327	(34,542)	141,559	53,308
Income (loss) before transfers and contributions	(171,518)	795,234	681,188	1,304,904	147,408
Capital contributions	663,597	1,031,329	-	1,694,926	-
Transfer to General Fund	(431,766)	(410,178)	(21,588)	(863,532)	-
Transfer to/from Other Funds	800,000	(3,275,706)	3,275,706	800,000	(800,000)
Change in net assets	860,313	(1,859,321)	3,935,306	2,936,298	(652,592)
Total net assets, July 1	58,106,427	31,167,653	-	89,274,080	1,503,126
Total net assets, June 30	\$ 58,966,740	\$ 29,308,332	\$ 3,935,306	\$ 92,210,378	\$ 850,534

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Enterprise Funds</u>			<u>Total Business-Type Activities</u>	<u>Total Governmental Activities</u>
	<u>Utility Fund</u>	<u>Community Services Fund</u>	<u>Beach Fund</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,249,629	\$ 16,140,520	\$ 1,961,908	\$ 26,352,057	\$ -
Receipts from interfund services provided	-	-	-	-	2,095,747
Receipts from Operating Grants	-	193,488	-	193,488	-
Payments to suppliers	(2,158,514)	(5,469,714)	(396,502)	(8,024,730)	(527,888)
Payments to employees	(2,837,239)	(6,924,231)	(640,061)	(10,401,531)	(1,498,569)
Payments for interfund services used	(612,124)	(1,030,655)	(75,609)	(1,718,388)	-
Net cash provided (used) by operating activities	<u>2,641,752</u>	<u>2,909,408</u>	<u>849,736</u>	<u>6,400,896</u>	<u>69,290</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to general fund	(431,766)	(410,178)	(21,588)	(863,532)	-
Paid to Fleet, Engineering and Buildings	-	(16,333)	-	(16,333)	16,333
Transfers to (from) other funds	800,000	(11,100)	11,100	800,000	(800,000)
Net cash (used) by non-capital financing activities	<u>368,234</u>	<u>(437,611)</u>	<u>(10,488)</u>	<u>(79,865)</u>	<u>(783,667)</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(2,634,955)	(7,403,087)	(80,587)	(10,118,629)	(812)
Proceeds from sale of assets	-	-	(178)	(178)	9,072
Payments on capital debt	(762,448)	(1,766,856)	(233,144)	(2,762,448)	-
Capital contributions	1,540,423	1,290,159	-	2,830,582	-
Interest expense	(261,127)	(661,055)	(42,874)	(965,056)	-
Net cash provided (used) by capital and related financing activities	<u>(2,118,107)</u>	<u>(8,540,839)</u>	<u>(356,783)</u>	<u>(11,015,729)</u>	<u>8,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Other deposits	22,873	11,400	-	34,273	-
Long-term investments purchased	(1,105,688)	-	(483,622)	(1,589,310)	(130,796)
Long-term investments sold	-	5,817,931	-	5,817,931	793,754
Investment earnings	190,936	228,611	15,757	435,304	43,159
Net cash (used) by investing activities	<u>(891,879)</u>	<u>6,057,942</u>	<u>(467,865)</u>	<u>4,698,198</u>	<u>706,117</u>
Net (decrease) in cash and cash equivalents	-	(11,100)	14,600	3,500	-
Cash and cash equivalents, July 1	800	39,450	-	40,250	-
Cash and cash equivalents, June 30	<u>\$ 800</u>	<u>\$ 28,350</u>	<u>\$ 14,600</u>	<u>\$ 43,750</u>	<u>\$ -</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Utility Fund	Community Services Fund	Beach Fund	Total Business-Type Activities Enterprise Funds	Total Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (167,292)	\$ 614,907	\$ 715,730	\$ 1,163,345	\$ 94,100
Non-cash adjustments -					
Depreciation	2,715,776	2,273,776	132,650	5,122,202	9,062
Increase (decrease) in cash from changes in:					
Accounts receivable	56,407	(10,993)	-	45,414	-
Prepaid expenses	(4,780)	120	-	(4,660)	-
Inventory	(9,512)	2,369	-	(7,143)	15,078
Accounts payable	2,232	(21,127)	-	(18,895)	(22,097)
Accrued personnel costs	38,115	3,398	-	41,513	(26,853)
Deferred revenue and customer deposits	10,806	46,958	1,356	59,120	-
Total adjustments	2,809,044	2,294,501	134,006	5,237,551	(24,810)
Net cash provided (used) by operating activities	\$ 2,641,752	\$ 2,909,408	\$ 849,736	\$ 6,400,896	\$ 69,290

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 2,935,020	\$ -	\$ -	\$ (2,935,020)	\$ -	\$ (2,935,020)
Internal Services	138,076	286,495	-	148,419	-	148,419
Total governmental activities	3,073,096	286,495	-	(2,786,601)	-	(2,786,601)
Business-type activities:						
Utilities	8,310,657	8,264,972	-	-	(45,685)	(45,685)
Community Services	17,255,049	13,825,315	6,160,307	-	2,730,573	2,730,573
Internal Services	1,797,669	1,646,141	-	-	(151,528)	(151,528)
Total business-type activities	27,363,375	23,736,428	6,160,307	-	2,533,360	2,533,360
Total primary government	\$ 30,436,471	\$ 24,022,923	\$ 6,160,307	(2,786,601)	2,533,360	(253,241)
General revenues:						
Property taxes				1,029,668	-	1,029,668
Combined taxes				1,404,915	-	1,404,915
Unrestricted investment earnings				81,700	703,067	784,767
Gain on disposal of capital assets				-	7,107	7,107
Miscellaneous revenues				18,189	373,380	391,569
Capital contributions, grants and connections				-	813,896	813,896
Redclassify Workers Compensation Fund as governmental						-
Residual Fund Equity transfers				462,952	(462,952)	-
Total general revenues and transfers				2,997,424	1,434,498	4,431,922
Change in net assets				210,823	3,967,858	4,178,681
Net assets - beginning				3,959,865	86,271,143	90,231,008
Net assets - ending				\$ 4,170,688	\$ 90,239,001	\$ 94,409,689

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Funds		Internal Service Fund	Total	Total Internal Service Fund
	Utility Fund	Community Services Fund	Fleet Maintenance		Workers Compensation
OPERATING REVENUES					
Sales and fees	\$ 8,264,972	\$ 13,825,315	\$ -	\$ 22,090,287	\$ -
Recreation charge assessments		5,763,959	-	5,763,959	-
Operating Grants	199,500	196,848	-	396,348	-
Interfund services	-	-	1,646,141	1,646,141	286,495
Total operating revenues	8,464,472	19,786,122	1,646,141	29,896,735	286,495
OPERATING EXPENSES					
Wages and benefits	2,657,108	7,278,984	1,207,541	11,143,633	71,326
Cost of goods sold	-	1,195,782	-	1,195,782	-
Services and supplies	883,015	3,336,360	534,014	4,753,389	16,413
Interfund services	377,444	1,038,146	8,740	1,424,330	-
Insurance	83,404	284,642	26,210	394,256	50,337
Utilities	1,225,741	1,083,903	5,423	2,315,067	-
Legal and audit	244,239	90,965	-	335,204	-
Depreciation	2,549,806	2,478,750	15,741	5,044,297	-
Total operating expenses	8,020,757	16,787,532	1,797,669	26,605,958	138,076
Operating income (loss)	443,715	2,998,590	(151,528)	3,290,777	148,419
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	373,613	297,307	32,147	703,067	41,298
Gain on disposal of assets	-	7,107	-	7,107	-
Miscellaneous	15,407	357,973	-	373,380	-
Interest on bond debt	(272,448)	(441,945)	-	(714,393)	-
Amortization issuance costs	(9,589)	(20,543)	-	(30,132)	-
Investment advisor fees	(7,863)	(5,029)	-	(12,892)	(706)
Total nonoperating revenue (expense)	99,120	194,870	32,147	326,137	40,592
Income (loss) before transfers and contributi	542,835	3,193,460	(119,381)	3,616,914	189,011
Capital contributions	813,896	-	-	813,896	-
Transfer to General Fund	(231,476)	(231,476)	-	(462,952)	-
Change in net assets	1,125,255	2,961,984	(119,381)	3,967,858	189,011
Total net assets, July 1	56,981,172	28,205,669	1,084,302	86,271,143	349,194
Total net assets, June 30	\$ 58,106,427	\$ 31,167,653	\$ 964,921	\$ 90,239,001	\$ 538,205

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008**

	Enterprise Funds		Internal Service	Total	Internal
	Utility	Recreation	Fleet	Business-Type	Service
	Fund	Fund	Maintenance	Activities	Workers
					Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 9,360,016	\$ 19,516,355	\$ -	\$ 28,876,371	\$ -
Receipts from interfund services provided	-	-	1,629,808	1,629,808	286,495
Receipts from Operating Grants	199,500	196,848	-	396,348	-
Payments to suppliers	(2,425,685)	(5,782,659)	(540,754)	(8,749,098)	(66,750)
Payments to employees	(2,592,876)	(7,260,958)	(1,171,929)	(11,025,763)	(71,320)
Payments for interfund services used	(377,444)	(1,038,146)	(8,740)	(1,424,330)	-
Net cash provided (used) by operating activities	4,163,511	5,631,440	(91,615)	9,703,336	148,419
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to general fund	(231,476)	(231,476)	-	(462,952)	-
Net cash (used) by non-capital financing activities	(231,476)	(231,476)	-	(462,952)	-
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(4,519,680)	(2,367,598)	-	(6,887,278)	-
Proceeds from sale of assets	-	365,080	116,742	481,822	-
Payment of debt issuance costs	-	(48,662)	-	-	-
Proceeds from capital debt	-	7,512,025	-	7,512,025	-
Payments on capital debt	(676,946)	(1,355,000)	-	(2,031,946)	-
Capital contributions	2,806,535	-	-	2,806,535	-
Interest expense	(264,577)	(440,456)	-	(705,033)	-
Net cash provided (used) by capital and related financing activities	(2,654,668)	3,665,389	116,742	1,176,125	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Other deposits	29,993	103,202	-	133,195	-
Long-term investments purchased	(1,705,162)	(9,466,274)	(59,833)	(11,231,269)	(191,963)
Long-term investments sold	-	-	-	-	-
Investment earnings	405,665	300,748	34,706	741,119	44,250
Investment advisor fees	(7,863)	(5,029)	-	(12,892)	(706)
Net cash (used) by investing activities	(1,277,367)	(9,067,353)	(25,127)	(10,369,847)	(148,419)
Net (decrease) in cash and cash equivalents	-	(2,000)	-	46,662	-
Cash and cash equivalents, July 1	800	41,450	-	42,250	-
Cash and cash equivalents, June 30	\$ 800	\$ 39,450	\$ -	\$ 88,912	\$ -

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Utility Fund</u>	<u>Recreation Fund</u>	<u>Internal Service Fleet Maintenance</u>	<u>Total Business-Type Activities</u>	<u>Internal Service Workman's Compensation</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 443,715	\$ 2,998,590	\$ (151,528)	\$ 3,290,777	\$ 148,419
Non-cash adjustments -					
Depreciation	2,549,806	2,478,750	15,741	5,044,297	-
Increase (decrease) in cash from changes in:					
Accounts receivable	1,114,790	(67,739)	-	1,047,051	-
Prepaid expenses	-	189,041	(16,333)	172,708	-
Inventory	24,956	3,424	2,796	31,176	-
Accounts payable	(14,242)	16,528	22,097	24,383	-
Accrued personnel costs	64,232	18,026	35,612	117,870	-
Deferred revenue and customer deposits	(19,746)	(5,180)	-	(24,926)	-
Total adjustments	<u>3,719,796</u>	<u>2,632,850</u>	<u>59,913</u>	<u>6,412,559</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 4,163,511</u>	<u>\$ 5,631,440</u>	<u>\$ (91,615)</u>	<u>\$ 9,703,336</u>	<u>\$ 148,419</u>

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

Governmental Accounting, Auditing, and Financial Reporting

USING THE
GASB 34 MODEL

Stephen J. Gauthier

Government Finance Officers Association

- *Budget document approach.* Many practitioners directly concerned with the budgetary comparison are more familiar with the budget document than they are with the GAAP financial statements. Accordingly, the budgetary comparison may be presented using the same format, terminology, and classifications used in the budget document.
- *Financial statement approach.* Often the presentation method used for the budget document differs substantially from that used for the basic financial statements. Since the budgetary comparison is presented in connection with the basic financial statements, financial statement preparers are permitted to emphasize the link between the two by using the same format, terminology, and classifications used for the governmental fund statement of revenues, expenditures, and changes in fund balances.

With either approach, when the budgetary basis of accounting differs from GAAP, a reconciliation must be provided between the two bases of accounting.⁷⁶

PROPRIETARY FUND FINANCIAL STATEMENTS

GAAP prescribe three basic financial statements for proprietary funds: statement of net assets (balance sheet); statement of revenues, expenses, and changes in fund net assets/equity; and statement of cash flows.

Proprietary fund statement of net assets

Format

The statement of net assets (balance sheet) is the basic statement of position for the proprietary funds.

A government may present its government-wide statement of position using either a net assets format or a balance sheet format. The same two options also apply to presenting the statement of position for proprietary funds. In the case of the government-wide financial statements, the statement title (statement of net assets) and the terminology used to describe the difference between assets and liabilities (net assets) should be the same, regardless of the formatting option selected. In the case of proprietary funds, however, the basic statement of position may be described as a *balance sheet* if the balance-sheet format is used. Likewise, the difference between proprietary fund assets and liabilities may be described as *equity* rather than as *net assets*.⁷⁷ In either case, the terminology and categories used for *net assets/equity* are the same as those described for the government-wide statement of net assets.

Presentation of assets and liabilities

GAAP require that the proprietary fund statement of position classify assets and liabilities as *current* and *long-term*, while use of the relative order of liquidity approach is encouraged for the government-wide statement of net assets.⁷⁸

⁷⁶ When the budgetary comparison is presented as a basic financial statement, this reconciliation is included as part of the notes to the financial statements. When the budgetary comparison is presented as RSI, the reconciliation is presented either as a separate schedule or as part of the separate notes to RSI. Alternatively, the reconciliation may be presented on the face of the budgetary comparison itself. Chapter 11 includes a detailed discussion of this reconciliation.

⁷⁷ GASB Statement No. 34, paragraph 98.

⁷⁸ GASB Statement No. 34, paragraph 97.

Major fund reporting

GAAP mandate the same major fund reporting for proprietary funds described earlier for governmental funds. However, GAAP also indicate that internal service funds are *never* to be reported as major funds. Accordingly, the 10 percent criterion and the 5 percent criterion should be applied to the total for all enterprise funds and to the total for all governmental plus enterprise funds, respectively.⁷⁹ Each individual major enterprise fund must be reported in a separate column on the face of the proprietary fund statement of position. Nonmajor enterprise funds, if any, should be reported in a separate, aggregated *other enterprise funds* column.

Separate reporting for internal service funds

Data from enterprise funds normally are incorporated as business-type activities in the government-wide statement of net assets, just as data from governmental funds normally are incorporated as governmental activities in that same statement. Internal service funds, however, are in a unique situation. Although internal service funds are proprietary funds (like enterprise funds), they normally are consolidated as part of governmental activities because their primary customers typically are the governmental funds. Therefore, internal service funds should be reported in a separate aggregated column on the proprietary fund statement of position, immediately following the total column for all enterprise funds, so that the amounts reported in this latter column may be traced more easily to the business-type activities column of the government-wide statement of net assets.⁸⁰

Consolidation

There is no GAAP requirement for eliminating interfund balances from the total column for enterprise funds reported on the proprietary fund statement of position, although governments are free to eliminate such internal balances if they wish. Governments choosing to eliminate interfund balances may wish to consider presenting a separate *eliminations* column immediately preceding the enterprise fund total column.

Reconciliation to the government-wide statement of net assets

Because proprietary funds use the same measurement focus and basis of accounting as the government-wide financial statements, there typically will be few (if any) differences between the amounts reported in the total column for enterprise funds and the amounts reported for business-type activities in the government-wide statement of net assets. However, differences may arise, especially in connection with consolidating the activities of internal service funds.⁸¹ In such cases, a reconciliation would be required between the total column for the enterprise funds and the business-type activities column of the government-wide statement of net assets, either on the face of the statement or as an accompanying schedule. Detailed information on the elements of this reconciliation should be provided, if needed, in the notes to the financial statements.⁸²

⁷⁹ GASB Statement No. 34, paragraph 96.

⁸⁰ GASB Statement No. 34, paragraph 96.

⁸¹ Internal service fund consolidation is discussed in chapter 8. A reconciliation also will be necessary if indirect costs of governmental functions are allocated to business-type functions in the government-wide statement of activities. Likewise a reconciliation will be needed if an enterprise fund is classified as a governmental activity for government-wide reporting.

⁸² Detailed information is necessary if aggregated information in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item.

Proprietary fund statement of revenues, expenses, and changes in fund net assets	The proprietary fund statement of revenues, expenses, and changes in fund net assets (equity) is the basic statement of activities for the proprietary funds. Unlike the governmental fund statement of activities, the focus here is on <i>expenses</i> rather than <i>expenditures</i> .
<i>Operating versus nonoperating revenues and expenses</i>	GAAP require that the statement of activities for proprietary funds distinguish operating from nonoperating revenues and expenses. GAAP do not provide an authoritative definition of <i>operating</i> and <i>nonoperating</i> revenues and expenses for this purpose, although GAAP indicate that financial statement preparers may wish to <i>consider</i> the authoritative guidance on identifying <i>cash flows from operating activities</i> in arriving at their own definition. ⁸³
<i>Presentation of revenues</i>	Revenues should be reported by major source. GAAP also require that revenues used as security for revenue bonds be identified separately. ⁸⁴ The presentation of revenues should reflect the effect of discounts and allowances, to be accomplished in one of two ways. One approach is to report revenues on a net basis, with discounts and allowances disclosed separately, either parenthetically or in the notes to the financial statements. The other approach is to report gross revenues followed immediately by deductions for discounts and allowances to arrive at net revenues. ⁸⁵
<i>Order of presentation</i>	The following order should be followed in presenting the statement of revenues, expenses, and changes in fund net assets (equity): <ul style="list-style-type: none"> • operating revenues • operating expenses • operating income (loss) • nonoperating revenues and expenses • income before . . . (as appropriate)⁸⁶ • capital contributions (for instance, from grantors and developers)⁸⁷ • additions to endowments • special items • extraordinary items • transfers • increase (decrease) in net assets (equity) • net assets (equity) – beginning of period • net assets (equity) – end of period
<i>Major fund reporting</i>	Governments should apply major fund reporting to the proprietary fund statement of revenues, expenses, and changes in fund net assets (equity) in the same way described for the proprietary fund statement of net assets (balance sheet).

⁸³ GASB Statement No. 34, paragraph 102. When a proprietary fund's major activity is investing, certain revenues and expenses that normally would be considered *investing* often are treated instead as *operating* items.

⁸⁴ No special indication of pledged revenues is required if essentially all revenues of a given proprietary fund are pledged. Also, if different revenues are pledged to support different debt issues, there is no requirement that the different revenues be reported separately (which is the function of segment disclosure).

⁸⁵ GASB Statement No. 34, footnote 41.

⁸⁶ This line should be labeled based on a government's specific situation. For example, a government with only capital contributions following this line would report *income before capital contributions*, while a government with both capital contributions and extraordinary items would report *income before capital contributions and extraordinary items*.

⁸⁷ GAAP do not define a *capital contribution*. Technically speaking, a capital contribution is a subcategory of nonoperating revenues.

which the article or service was purchased or obtained (e.g., *personal services, contractual services, materials and supplies*).

Obligated in some manner. Term used in connection with special assessment debt and the determination of the financial reporting entity. A government is obligated in some manner for debt if (a) it is legally obligated to assume all or part of the debt in the event of default or (b) the government may take certain actions to assume secondary liability for all or part of the debt—and the government takes, or has given indications that it will take, those actions. Stated differently, the phrase *obligated in some manner* is intended to include all situations *other than* those in which (a) the government is *prohibited* (by constitution, charter, statute, ordinance, or contract) from assuming the debt in the event of default or (b) the government is not legally liable for assuming the debt and makes no statement, or gives no indication, that it will, or may, honor the debt in the event of default. [SGAS 6]

Office of Management and Budget (OMB). An agency of the federal government with regulatory oversight of Single Audits. In fulfillment of this responsibility the OMB has issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

On-behalf payments of fringe benefits and salaries. Direct payments made by one entity (the paying entity or paying government) to a third-party recipient for the employees of another, legally separate entity (the employer entity or employer government). They include payments made by governmental entities on behalf of nongovernmental entities and payments made by nongovernmental entities on behalf of governmental entities, and may be made for volunteers as well as for paid employees of the employer entity. [SGAS 24]

Open amortization period. Term used in connection with defined benefit pension plans. An open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, 30 years), the period may increase, decrease, or remain stable. [SGAS 25]

Open-end mutual funds. An open-end mutual fund is one that continuously offers its shares for sale to the public, compared with a closed-end company, which may issue only a limited number of shares. Mutual funds generally do not issue share certificates; instead, they send out periodic statements showing deposits, withdrawals, and dividends credited to the investor's account. [SGAS 3]

Operating activities. Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

Operating revenues and expenses. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are

advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition. [SGAS 34]

Operational accountability. Governments' responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for that purpose, and whether they can continue to meet their objectives for the foreseeable future. [SGAS 34]

Option-adjusted spread models. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Such models measure the spread provided from a security that is an option or includes an option. Using a benchmarked yield curve, separate cash flows are discounted according to their maturity. The result is a spread when compared to yields for risk-free investments. [SGAS 31, Q&A]

Option contract. A contract giving the buyer (owner) the right, but not the obligation, to purchase from (call option) or sell to (put option) the seller (writer) of the contract a fixed number of items (such as shares of equity securities) at a fixed or determinable "strike" price on a given date or at any time on or before a given date. [SGAS 31]

Option-pricing models. A method of estimating the fair value of an option when it is thinly traded or when quoted market prices are not available. Under one such model (i.e., the Black-Scholes model) consideration is given to a security's return, the risk-free interest rate, the time remaining until the option expires, and the relationship of the underlying security's price to the strike price of the option. [SGAS 31, Q&A]

Original budget. The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances. [SGAS 34]

Other financing source. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

Other financing use. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

Other postemployment benefits (OPEB). Postemployment benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. OPEB also include postemployment health care benefits provided through a public employee retirement system or pension plan. In addition to postemployment health care benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life

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the historical cost of a capital asset. For construction-in-progress, interest cost incurred after the beginning of the first reporting period for which GASB-89 will now apply should not be capitalized. For regulated operations that require capitalization of interest, no change would occur upon implementation of GASB-89.

PRACTICE ALERT: The Tax Cuts and Jobs Act of 2017 includes provisions to eliminate tax credit bonds (as well as advance refunding bonds). Tax credit bonds were prohibited from being issued after December 31, 2017. Owners of the bonds are no longer receiving tax credits with respect to those bonds. It is unclear if GASB will rescind the related provisions in GAAP at the time of publication.

OBSERVATION: Many governments sell debt in a consolidated fashion - meaning that more than one authorization is funded from a bond issuance. If consolidated sales are made, care must be taken in allocating proceeds between governmental and business-type activities for the purposes of allocating interest costs for capitalization. Amounts that are allocated to business-type activities may not be in a range of maturities and may be scattered based on bond authorization language. If possible, it is practical to have a second series of bonds for business-type activities as they may be secured by fees and charges, rather than general tax revenues. By having a second series, interest capitalization is much easier to calculate.

Infrastructure assets. GASB Cod. Sec. 1400.703-5 discusses how the modified approach may be applied to eligible infrastructure assets accounted for as either governmental activities or business-type activities. For example, an enterprise fund that owns a toll road (which is an infrastructure asset) could use the modified approach. If the enterprise fund uses the modified approach, it should be used in the preparation of both the government-wide and proprietary fund financial statements. See Chapter 10, "Capital Assets," for further discussion of infrastructure assets and the modified approach.

Customer deposits for utility services. Governmental entities that provide utility services, such as electric, water, sewer, and gas, may require deposits from customers, or a governmental entity may charge developers and/or customers system development fees (tap fees). A customer deposit is generally required to be paid before a service is turned on, and when the service is terminated, the deposit is returned to the customer. Utility services are generally accounted for as enterprise funds, and the AICPA's Audit and Accounting Guide *State and Local Governments* points out that receipts of customer deposits should be recorded as a liability and continue to be reported as such until they are "applied against unpaid billings or refunded to customers." Generally, these customer deposits are reported as restricted assets and offset with a corresponding liability payable from restricted assets [GASB Cod. Sec. P80.806].

should be recorded as a liability and recognized as revenue using the general guidance related to either an exchange transaction or a nonexchange transaction. In an exchange transaction the governmental entity and the other party to the transaction exchange cash, goods, or services that are essentially of the same value.

A nonexchange transaction arises when the transfer of goods or services between two parties is not of equal value. See Chapter 17, "Revenues: Nonexchange and Exchange Transactions," for a discussion of nonexchange revenues.

Liabilities

Unlike governmental funds, a proprietary fund reports both current and noncurrent liabilities expected to be paid from the fund. A proprietary fund may receive the proceeds from the issuance of either general obligation bonds or revenue bonds, but in either circumstance the receipt of the proceeds coupled with the requirement to repay such debt results in a proprietary fund liability.

Accounting and Reporting Issues

Debt. A governmental entity may issue debt whereby the proceeds are used to construct capital assets reported in a proprietary fund. If the debt is directly related to and expected to be paid from the proprietary fund, both the capital asset and the debt are reported in the proprietary fund financial statements and the business-type activities column of the government-wide statement of net position.

Debt may be in the form of *revenue bonds*. With revenue bonds, principal and interest is paid exclusively from the earnings of a proprietary fund. If the debt is also secured by specific fixed assets of the proprietary fund, they are referred to as mortgage revenue bonds. Revenue bonds, both current and long-term portions, are recorded as a liability of the Enterprise Fund.

A proprietary fund's long-term liabilities may include obligations other than those that arise from the issuance of a security debt instrument. These other obligations may be created from leases, claims and judgments, landfill closure and postclosure care, pollution remediation, employee termination benefits, pensions, and postemployment benefits other than pensions (OPEB).

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

The operating statement of a proprietary fund is the statement of revenues, expenses, and changes in fund net position. In preparing this statement:

- Revenues should be reported by major source; and
- Revenues that are restricted for the payment of revenue bonds should be identified.

The following categories (as applicable to the fund's operations) are presented in the statement:

- Operating revenues (detailed);

- Total operating expenses;
- Operating income (loss);
- Nonoperating revenues and expenses (detailed);
- Subtotal (optional);
- Income before other revenues, expenses, gains, losses, and transfers;
- Capital contributions (grant, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers;
- Increase (decrease) in net position;
- Net position—beginning of period; and
- Net position—end of period.

Revenues are required to be reported net of discounts and allowances, with the discount disclosed in a parenthesis on the face of the statement of revenues, expenses, and changes in net position or in a note to the basic financial statements. Many governments report gross revenues with the related discount and/or allowances reported directly beneath the gross revenue amount [GASB Cod. Secs. P80.113–.114, fn. 6].

Operating Revenues and Expenses

Operating revenues and expenses differ from government to government. Many governments attempt to align the definition of operating revenues and expenses in a similar fashion to peer non-governmental organizations. GASB Cod. Sec. P80.115 requires a policy defining operating revenues and expenses that is “appropriate to the nature of the activity being reported.” This policy needs to be consistently applied.

PRACTICE ALERT: The GASB’s *Financial Reporting Model Improvements Preliminary Views* presents a proposed revision to a government’s flexibility in determining operating revenues and expenses. The Board’s preliminary view is that operating revenues and expenses should be defined as revenues and expenses *other than nonoperating revenues and expenses*. Nonoperating revenues and expenses are proposed to include:

- Subsidies received and provided;
- Revenues and expenses related to financing;
- Resources from the disposal of capital assets and inventory; and
- Investment income and expenses.

In an updated statement of revenues, expenses and changes in fund net position, a subtotal for operating income (loss) and noncapital subsidies should be presented before reporting other nonoperating revenues and expenses. The Board has proposed a definition of “subsidies” as resources provided by another party or fund to keep rates lower than otherwise would be necessary to support the level of goods or services provided. At the time of publication, it is unclear if

Chapter 20, “Financial Reporting,” illustrates a statement of revenues, expenses, and changes in net position for proprietary funds.

A proprietary fund should recognize revenue on an accrual basis, meaning that revenue is considered realized when (1) the earning process is complete or virtually complete and (2) an exchange has taken place.

Proprietary funds, such as water and sewer enterprise funds, have unbilled revenue at the end of an accounting period. Whether revenue is billed or unbilled is not the critical issue in the recognition of revenue in a proprietary fund. When a service has been provided (e.g., the consumption of a service by a customer), the related revenue should be recognized.

Accounting and Reporting Issues

Uncollectible accounts related to revenue. GASB Cod. Sec. P80.fn6 requires that revenues be reported net of related discounts or allowances. The amount of the discounts or allowances must be presented on the operating statement (either parenthetically or as a subtraction from gross revenues) or in a note to the financial statements. GAAP does not require that estimates of bad debt expenses be reported as an offset to revenues, but GASB Cod. Sec. 2200.751-2 states that estimates of uncollectible accounts should be presented in a manner like discounts and allowances. That is, revenues should be reported net of the increase or decrease of the estimate of uncollectible accounts.

Capital contributions from governmental funds. A proprietary fund must take into consideration the nature of a capital contribution received from another fund. For example, GASB Cod. Sec. 2200.739-1 discusses the reassignment of a capital asset between an enterprise fund and governmental activities. If the assets reassigned from governmental activities to an enterprise fund are capital assets, the transaction is not “interfund” because it involves only one fund; consequently, the enterprise fund would report the receipt of the capital assets as a capital contribution from governmental activities (in the last section of the statement of revenues, expenses, and changes in fund net position).

In the reverse situation, in which a capital asset is reassigned from an enterprise fund to governmental activities, the disposal of the capital asset would be reported by the enterprise fund as a nonoperating expense. In either case, governmental funds would not report the event because there has been no flow of current financial resources. In the statement of activities, the reassignment of the capital asset between governmental activities and business-type activities would be reported as a transfer, requiring a reconciling item in the governmental funds’ reconciliation because a difference is created between the change in fund balances and the change in total net position.

In both cases, since the transfer consists of nonfinancial resources (a capital asset), *the governmental fund will not record the transfer* (because only financial resources are accounted for in a governmental fund); *however, the proprietary fund will record the transaction not as a transfer but as capital contribution revenue in the lower portion of its operating statement.* Even though the transfer is not presented in

MEMORANDUM

TO: Board of Trustees

FROM: Ray Tulloch
Audit Committee Chair

SUBJECT: Review, discuss, and possibly take action on the written annual Audit Committee Report to the District's Board of Trustees (Exhibit One) in conjunction with the presentation of the annual audit in accordance with Policy 15.1.0 (subparagraph 2.4.6).

DATE: March 9, 2022

I. Background

Under Board Policy 15.1.0, section 2.4, the Audit Committee is required to:

- 2.4 Facilitate the external audit process.
 - 2.4.1 Review and approve formal reports or letters to be submitted to the external auditor.
 - 2.4.2 Provide an independent forum for (external and/or internal resources) auditors to report findings or difficulties encountered during the audit.
 - 2.4.3 Review the auditors' report of findings and recommendations with management and the auditor.
 - 2.4.4 Review the CAFR in its entirety, including unaudited sections and letters.
 - 2.4.5 Follow -up on any corrective action identified.
 - 2.4.6 Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit.
 - 2.4.7 Assess the performance of the independent auditors.

At the Audit Committee meetings of November 17 and December 8 respectively the Audit Committee completed actions 2.4.3 and 2.4.4

At the Audit Committee meeting of December 16 the Committee reviewed and agreed changes to the draft report prepared by Audit Committee chair Tulloch.

The Audit Committee has previously provided the General Manager and Finance Director with a draft copy of this report to provide them with an opportunity to respond to the issues identified and described herein by the Audit Committee. The response was discussed at the February 22 Audit Committee meeting and any agreed changes made.

II Action

This report and summary of recommendations is presented by the Audit Committee for the Board to review, discuss, and possibly take action on the written annual Audit Committee Report to the District's Board of Trustees (Exhibit One) in conjunction with the presentation of the annual audit in accordance with Policy 15.1.0 (subparagraph 2.4.6).

The Audit Committee has previously provided the General Manager and Finance Director with a draft copy of this report to provide them with an opportunity to respond to the issues identified and described herein by the Audit Committee. The response was discussed at the February 22 Audit Committee meeting and any agreed changes made.

The Committee also notes that, since the preparation of this Report, the Board has implemented changes in the Capitalization policy. The Committee expresses deep concern that, as a result of these changes, there are likely to be material issues and lack of consistency in future reporting of Capital assets which will make it difficult to have confidence in, or ability to compare, Capital Assets in subsequent ACFRs.

III Recommendations

Summary of Audit Committee Decision Points and Recommendations for the Board of Trustees

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

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

2. Management corrected prior years of capitalization for items considered to be maintenance and repairs. However, the FY 2019-2020 and 2020-21 ACFRs are inconsistent.
 - a. For the Utility Fund, this is estimated to be \$181,882 (see Comments and Concerns #2 and Section 3.1)
 - b. For Community Services the amount is estimated to be \$1,171,606 (see Concern 11, Section 3.3, and Appendix D). These were for preliminary stage activities which include conceptual formulation and evaluation of alternatives, determination of future needs, feasibility studies and development of financing alternatives, temporary repairs for the Burnt Cedar pool and temporary repairs at the Mountain Clubhouse.

- c. Similar costs were expensed for 2019-2020 (as a prior period adjustment - Note 22 of CAFR) for the Parks Master Plan (\$212,044) and the Incline Village Ballfield (\$77,216). In 2021 similar costs of \$3,100,110 for the Effluent Pipeline were charged off as a prior period adjustment. This highlights the inconsistency of the financial statements.

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

3. Contained in the initial draft of the ACFR, the Auditor had identified an additional \$866,503.70 of charge off to expenses items for items capitalized in past CAFRs. After review by Management, some items were removed including levee and roadway repairs at the wetlands, spot paving at various recreational venues, sewer line repairs and roof repairs which, as noted in #2 above, had been determined to be expense items rather than capital. **These items in aggregate amounted to a depreciated book value of \$500,016.63 and an original cost of \$2,067,116.34**
4. Additionally, equipment items were grouped together to meet the capitalization threshold while Board Practice 2.9 states “**In no case will the District establish a capitalization threshold of less than \$5,000 for any individual item.**”. The Audit Committee Chair reviewed this with the Auditor, after the financial report was complete, and she concurred that the Board Practice is clear and not open to interpretation. In addition, an Audit Committee member reviewed with Melissa Crosthwaite, District Legal Counsel, who also concurred the statement is clear. (see Concern 8 and Section 3.2). **In total the original cost and depreciated book value of these less than \$5000 assets is \$329,558.08 and \$177,413.89.**

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

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

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

The Audit Committee recommends a prior period adjustment removing investment income credited to the General Fund and included in the fund

balances for the fund(s) which had cash invested at LGIP, as it had historically been done, prior to 2019.

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

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

The Audit Committee recommends the additional prior period adjustments should be made to the 2020-2021 ACFR.

Thank you for considering actioning these recommendations from the Audit Committee.

Exhibit One

January 26, 2022, Annual Audit Committee Report to the IVGID Board of Trustees

1 Background

The IVGID Audit Committee ("AC") is required under Board Policy 15.1.0, subparagraph 2.4.6 to "Submit a written annual Audit Committee Report to the District's Board of Trustees in conjunction with the presentation of the annual audit. This report is provided to comply with the Policy and provide the Board with our questions, concerns, comments and recommendations.

At the public meeting held on December 8th 2021, the Audit Committee received and reviewed the final IVGID Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2020 and other related materials. The Management Representation Letter was not included in the package presented to the Audit Committee but was subsequently emailed to AC members when it was requested. As a result the AC was not able to review the management representation letter during the public meeting. The Audit Committee had previously reviewed an initial draft of the ACFR at the November 17 Audit Committee meeting.

The ACFR and accompanying documents were presented by Director of Finance Paul Navazio and Controller Martin Williams. Davis Farr Audit Engagement Partner Jennifer Farr was in attendance to answer questions and provide an overview with specific comments on the contents of the documents and the opinion issued by Davis Farr as required under their audit engagement letter with IVGID.

In light of the AC receiving the final 2020 ACFR and related documents for the first time on December 8, 2021, it was not possible for the Audit Committee to both remain compliant with Open Meeting Laws and to prepare, review and finalize the required report to the Board of Trustees (BoT) prior to the scheduled meeting of the BoT on December 14, 2021 where the ACFR was scheduled to be reviewed and possibly accepted by the BoT. The Audit Committee subsequently held a meeting on December 16 to review and agree changes to the draft report prepared by Audit Committee chair Tulloch. This is presented here in final form.

2 Comments by and Concerns identified by the Audit Committee

- 1) The AC notes that IVGID management issued and signed the Management Representation letter to Davis Farr prior to review by the AC, contrary to Board Policy 15.1, 2.4.1. The Management Representation Letter was also not included in the documents provided to the Audit Committee for the December 8 meeting. As such the Audit Committee has still to perform a final review of the Management Representation Letter.

- 2) The Audit Committee notes that the previously ongoing disagreements and concerns over the \$3.179m for assessments, studies and preliminary designs for the Effluent Pipeline that the AC considered to be incorrectly capitalized in FY 19-20 have now been addressed through a Prior Year Adjustment and the \$3.179m, less accumulated depreciation, has now been expensed in the utility fund. (Further discussed below). It should be noted that expenditures of \$181,822 have been charged to the Effluent Pipeline capital project accounts for fiscal year 2020 and 2021 which are substantially the same type of costs charged off in 2021 and which the Audit Committee considers should also have been expensed.
- 3) The AC notes that the final version of the Transmittal letter to the Nevada Department of Taxation now includes disclosure of, and reference to the two Material Weaknesses and one significant Deficiency identified by the Audit. This is in concurrence with our request made at the November 17 meeting.
- 4) The Committee received clarification and confirmation from Davis Farr that the audit engagement was not structured as a comprehensive forensic audit. The Audit opinion provided ¹
“In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Incline Village General Improvement District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows and the statement of revenues for the year then ended in accordance with accounting principles generally accepted in the United States of America.”
was based upon the information and statements provided by management and audit tests and review. This complies with statutory requirements.
- 5) The Audit identified two material weaknesses (MW) and one Significant Deficiency along with other deficiencies which required to be addressed. The Audit Committee notes that this is the second consecutive year where Material Weaknesses have been identified and has concerns at this trend. Management have proposed actions to address these Material Weaknesses which the Audit Committee will review and monitor progress for correction.
- 6) Several of the concerns and deficiencies identified by the Auditor appear to be a direct result of lack of, and failure to comply with, internal controls. The Committee is deeply concerned about the lack of an opinion from the Auditor regarding internal controls. The Audit Committee also notes that it has previously been urging staff to complete the updates of Internal Controls.
- 7) The Audit Committee notes that there have now been Prior Year Adjustments in 4 out of the 5 previous years which could indicate an ongoing issue with timely and

¹ Independent Auditors Report @P2

accurate financial reporting. This makes it difficult to be able to have confidence in reported financial performance in the funds and business activities. With that in mind the Statistical Section of the ACFR which is not audited and has not been discussed or reviewed by the Audit Committee may have distortions as a result of these prior period adjustments .

- 8) The Audit Committee has serious concerns that several of the revisions to the proposed Capital Asset write-offs reviewed and identified by the Auditor were subsequently rejected and reversed by management in apparent violation of Board Policy 9.1.0 and Board Practice 2.9.0 (Discussed further below in 3.2 and details also in Appendix D) Management provided no documented explanation for how the policy was unclear and open to interpretation. The AC views the actions taken related to depreciation as a violation of Board Policy and Practice.
- 9) The Auditor highlighted concerns (concerns previously expressed by the Audit Committee) that expense items included in Capital Projects were only subject to review and possible transfer to be expensed when a project was closed rather than being expensed at the time of expenditure. There appears to be no clear procedure for ensuring that this review actually takes place and as a result there may be overstatement of capital assets and understatement of expenses. Members of the Committee have also raised concerns that the inclusion of expense items in capital projects funds is not in compliance with NRS, (NRS 354.4995) and GAAP/GASB (GASB #54 paragraph #33. The Audit Committee has requested capital items for expense not be included in the Capital Improvement Budget, but instead in operational expenses.
- 10) The recording and allocation of investment income to the separate funds does not appear to accurately reflect the relative balances within the funds and appears to be excessively skewed towards the General Fund which has the lowest fund balance. This was previously brought up and discussed with the Finance Director but no action appears to have been taken or supporting justification provided to validate the current allocation. Therefore, the AC views the financial report to incorrectly reflect interest income and therefore fund balance within each of the major funds.
- 11) It appears that in FY 20-21 several design studies and assessments have again been incorrectly capitalized rather than expensed as previously advised by Moss Adams. This is inconsistent with the actions taken in FY 19-20 where capitalized assessment studies were reversed to expense. (see further detail in Appendix D) Therefore, the AC views the financial reports to be inaccurate related to operational expenses and depreciation.
- 12) Facility fees (RFF/BFF) are again reported as general revenue rather than program revenues in the Statement of Activities . It is the view of the Audit Committee that this is NOT in compliance with GAAP and should be corrected. The final Moss

Adams report provides clarification on why the Facility Fees should be reported as program revenues.

3 Additional Discussion on Principal Concerns of the Audit Committee.

3.1 Expensing Previously Capitalized costs of the Effluent Pipeline (Comment 2)

Concerns about expensing Effluent Pipeline Phase II costs which were previously reported as Capital Assets and /or Construction in Progress in the 18-19 and 19-20 ACFRs have continued to be a subject of discussion by the Audit Committee during FY 20-21. The recent Moss Adams reports provided applicable capital expenditure and best practice guidance based on Governmental Accounting Standards Board (GASB) Concepts Statement No 4. The accepted practice includes recognition of the different stages of a project which include preliminary studies,, construction and post-construction. The preliminary stage activities that include conceptual formulation and evaluation of alternatives, determination of future needs, feasibility studies and development of financing alternatives should be expensed as they are not directly connected with creating service capacity.

This highlighted that approximately \$3,179,000 in expenses of \$5,146,100 in costs incurred through June 30, 2019 for the Effluent Pipeline Phase II Project had been recorded in the Utility Fund as a capital asset and/or construction in progress. AC Member Clifford F. Dobler has previously provided a comprehensive and extensive overview of the entire costs incurred through fiscal year 2019 on the Effluent Pipeline Phase II Project. It is apparent that a major portion of these costs were necessary to satisfy conditions of an Administrative Order on Consent with the Nevada Department of Environmental Protection issued in April, 2014 and not resolved until May, 2019. This was discussed at length during the FY 19-20 ACFR review. The then Auditor and Management disagreed with the Committee view and left the at issue amount of \$3,179,000 as a Capital asset in the FY 19-20 financial statements.

For the FY20-21 ACFR, the initial proposal from Davis Farr and Management was that they still considered this to be a correct capitalization . Following extensive discussion of the initial draft ACFR during the November 17 2021 Audit Committee meeting, plus recognition that initial planning for replacement of (and financing options for) the effluent pipeline are now underway, it was agreed by Management that it would now be appropriate to close this outstanding issue by charging off the identified \$3.179m in Capital Assets to expense. Due to the magnitude of this write-off it was necessary to account for this as a Prior Period Adjustment and revise the financial statements to reflect this.

The Audit Committee recognizes the extensive effort expended by Mr. Dobler over previous years in accurately identifying the amounts to be expensed. The Audit Committee also recognizes the final agreement and initiative by General Manager Winquest and Finance Director Navazio to implement this change. Accordingly the Audit Committee thanks AC

member Dobler, GM Winqest and DoF Navazio for their efforts to bring this long running issue to closure.

3.2 Review of Capitalized Assets

During initial discussions on audit procedures between Davis Farr and the Audit Committee, the Audit Committee had highlighted their concerns around prior capitalization of items that appeared, under relevant GAAP, GASB and GFOA standards, as well as Board Capital Asset Policy 9.1.0 and Board Capitalization Practice 2.9.0, to be expense items rather than Capital Assets.

Accordingly, as part of their audit, Davis Farr performed a high level review of capital assets over the prior 15 year period to identify any apparent incorrect capitalization. Based on this the initial draft report provided to the Audit Committee by management on November 17, 2021, identified \$3,592,863.85 (original cost) of items that appeared to have been incorrectly capitalized. Net of accumulated depreciation of \$2,726,360.15 this was reflected as a write down of Capital Assets of \$866,503.70 in the draft report. A summary of these proposed Fixed Asset Audit Adjustments is attached as Appendix A. The Audit Committee, at that time, agreed in principle with this as a reasonable starting point in correcting previous suspect categorization of assets and accepted the proposed adjustments.

However, as part of the agreement to revise the financial statements to include the Prior Period Adjustment discussed under item 3.1 above, IVGID Management also performed an additional review of the Fixed Asset Adjustments identified by Davis Farr. The intent of this review was to more accurately assess on an individual item basis whether the adjustment was supported by the underlying data. This was done by reviewing additional detail about the asset rather than just looking at the header level detail as had been done by Davis Farr in their assessment. In principle the Audit Committee concurs with the validity of this approach.

When the final version of the ACFR was provided to the Audit Committee on December 8, 2021, it reflected a revised net write-off of capital assets (excluding the Effluent Export Pipeline) of only \$167,751, resulting from a total of \$1.2 million at original cost, net of \$1.03 million in accumulated depreciation. This was a significant delta from the November 17 proposals which were for a \$866,503.70 net write-off. On review of the detail of the changes made in this adjustment the Audit Committee identified a number of apparent variances from Policy. This included for example items such as:

- (a) paving repairs and maintenance, which appeared on the surface to be expense items
and
- (b) A number of discrete assets with an original cost below the \$5,000 individual item minimum threshold specified in Board Policy 9.1.0, paras 2.0 and 3.0 (attached as Appendix B), and Board Practice 2.9.0, paras 1.1 and 1.2, (attached as Appendix

C). In aggregate these items amounted to an original cost of \$329,558 and a current book value of \$177,414.

With regard to items in (a) above, the Audit Committee does not have the level of detail necessary to validate or refute Management’s categorization and accepts, subject to reservations, Management’s categorization of these assets. A further review by an Audit Committee Member provides more detail on the expensed components which were reversed by Management (Appendix F).

However with regard to items in category (b) above, the considered and unanimous view of the Audit committee is that this categorization appears to be a clear deviation from, and violation of, Board Policy 9.1.0 and Board Practice 2.9.0. Specifically as follows:

Board Policy 9.1.0

- 2.0 Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets.
- 3.0 ***In no case*** will the District establish a capitalization threshold of less than \$5,000 for any individual item. (emphasis added)

and

Board Practice 2.9.0

1.1 The capitalization threshold ***per item shall be:***

ASSET CLASS	MINIMUM COST
Equipment	\$ 5,000.00
Structures and Land Improvements	\$10,000.00

1.2 In addition to cost, all of the following criteria ***shall*** also be used:

- 1.2.1 The normal useful life of the item is three or more years.
- 1.2.2 The item has an acquisition cost (including freight and installation) of at least the amounts listed above in each asset class.

In discussions, Management advised the Audit Committee that, in terms of complying with the relevant Board Policies and Practices, it is their view that they have the ability to apply their judgement and to be flexible in how they these Policies are to be applied, and also that they are free to aggregate similar individual assets to meet the minimum threshold. They also considered that in terms of materiality this concern is irrelevant as the net delta in write-offs if these items were to be expensed is limited to \$152,144. However no supporting documentation, justification or references have been provided to the Committee to support this claim.

Upon perusal of the relevant board Policies and Practices, as well as consultation with legal counsel and Davis Farr, the Audit Committee has been unable to identify any provisions in the Policy that provide for flexibility, judgement or materiality to justify this approach. To the contrary the Policy and Practice appears to be unequivocal, for example:

*The capitalization threshold per item shall be:
In no case will the District establish a capitalization threshold of less than \$5,000 for any individual item.*

It is the considered and unanimous view of the Committee that compliance with these relevant Board Policies and Practices must be viewed as a binary choice i.e. either compliant or non-compliant. We can find no applicable middle ground or materiality threshold apparent in the text. Therefore the Audit Committee must advise the Board of Trustees that there appears to be a clear violation of Board Policies and Practices in this instance. While in terms of overall materiality of the financial statements the Committee agrees that the total impact is limited, the inference in this instance is that Management regard compliance with Board Policy and Practice as optional.

The Committee cannot in good faith concur with or support this approach.

For example, the language in the contract for the General Manager, (the only employee directly engaged by the Board) the language is very specific on this²:

1.1 IVGID hereby employs General Manager full-time to uphold and abide the laws of the State of Nevada, District Ordinances, written Policies, Practices, and Resolutions enacted by IVGID Board of Trustees ("Board of Trustees"),.....

So it can reasonably be expected that this requirement to comply with Board Policies, Practices and Resolutions also extends to all other employees of the District.

The Committee raises this apparent violation of Board Policy and Practice for consideration of action and reinforcement by the Board of Trustees as it is the Committee's view that there is a clear and overriding fiduciary requirement for Management to lead by example in compliance with agreed Board Policy. Absent such compliance it brings into question whether Board Policies in general should simply be considered as optional rather than mandatory.

3.3 Inconsistency

Management does not appear to have been consistent in the application of charging off capital expenditures which were expenses according to best practices. In fiscal year ending June 30, 2020, a total of \$803,514 of prior year capital expenditures for paving, painting, pre development expenses and abandoned projects were charged off as prior period adjustments. On May 31, 2021, Mr. Dobler provided a memorandum to the Audit

² Extract from of IVGID General Manager Employment Agreement

Committee which outlined additional capital costs which should have been expensed applying the same standards of charge offs made on June 30, 2020. Excluding the Effluent Pipeline, a total of \$1,171,606 does not appear to have been addressed and either remains in the capital assets or construction in progress accounts of the District. (Appendix E).

Further supporting detail is provided in Appendix D

4 Additional Recommendations

1. The Committee recognizes that in their first year audit Davis Farr has identified several issues that would support more in depth review in future audits to ensure IVGID financial statements provide an accurate representation of the District's finances and assets. It is the Committee's strong and unanimous recommendation that in the 21-22 audit, the Board should expand the scope of the audit, in particular to include more detailed examination of fixed assets and review of compliance with internal controls.
2. The audit has identified a number of apparent issues of failure of internal controls and processes. At the October 26 Audit Committee meeting, the Committee discussed with management their concerns with the apparent lack of progress on developing internal controls and strongly encouraged management to consider bringing on additional resources to ensure that this work was prioritized to ensure effective internal controls could be implemented expeditiously. The Audit Committee strongly recommends that the Board should direct this to be a critical priority for Management action and to be completed by 30 April 2022 at the latest.
3. In the current ongoing review of Board Policies and Practices the Committee recommend that the Board should provide explicit guidance to Management and staff of the absolute requirement to comply with Board Policies and Practices. If compliance is to be regarded as optional it must be questioned whether there is any value in the District applying resources and expenditures to revise these Policies. If staff identify legitimate issues with complying with Policies it is the responsibility of staff to bring these issues to the Board for resolution.
4. With regard to the actions proposed by Management in response to Material Weaknesses and Deficiencies identified by the Audit, it is the intention of the Audit Committee to add review of progress on these actions as a standing item on the AC agenda. The Committee recommends the Board should also highlight this as a priority action for Management with the objective of achieving a FY 21/22 audit that identifies no Material Weaknesses or Significant Deficiencies.
5. It is recommended that the current practice of placing maintenance expenses in Capital Improvement projects be discontinued forthwith and for all such expenditures to be properly budgeted within operating expenses. The process for review of such expenditures for allocation in accordance with Board Policies and Practices should be reviewed, updated as necessary and documented in order to provide an effective audit trail.

Conclusions

The AC believes this report satisfies our required responsibilities under Audit Committee

Board Policy 15.1.0 and trust that the Board of Trustees will consider our questions, concerns, comments and recommendations.

The AC wishes to thank Davis Farr and IVGID Management for the effort applied to the Audit and preparation of the ACFR. The outcomes clearly demonstrate the value of regular rotation of Auditors to bring fresh perspective on IVGID financial reporting.

Respectfully,

IVGID Audit Committee

Ray Tulloch, At large Audit Committee Member and Audit Committee Chair

Mathew Dent, IVGID Board Trustee and Vice Chair

Sara Schmitz, IVGID Board Trustee and Secretary

Clifford F. Dobler, At large Audit Committee Member

Appendix A

SUMMARY OF FIXED ASSET AUDIT ADJUSTMENTS

Fund	Description	Value of Assets Reviewed		Audit Adjustments			% of Value at Cost	% of Value at Book Value
		Total Value (at Cost)	Total Book Value	Original Cost	Accumulated Depreciation	Book Value (6/30/21)		
100	General Fund	5,251,618.00	3,046,089.00	39,556.33	\$ 28,690.52	\$ 10,865.81	0.75%	0.36%
200	Utility Fund	141,958,054.00	65,339,896.00	1,417,460.79	1,028,380.94	389,079.85	1.00%	0.60%
320	Golf Fund	20,204,054.00	9,870,681.00	1,343,643.67	1,111,875.58	231,768.09	6.65%	2.35%
330	Facilities	4,512,052.00	2,501,277.00	52,225.77	41,330.63	10,895.14	1.16%	0.44%
340	Ski	36,912,505.00	19,459,640.00	382,929.90	272,776.68	110,153.22	1.04%	0.57%
350	Rec Center	8,736,381.00	2,361,328.00	165,604.42	111,424.94	54,179.48	1.90%	2.29%
360	Rec Admin	1,618,495.00	1,106,932.00	23,618.42	20,338.17	3,280.25	1.46%	0.30%
370	Parks	17,152,467.00	12,815,403.00	33,410.27	27,609.99	5,800.28	0.19%	0.05%
380	Tennis	2,681,501.00	1,249,895.00	8,033.00	4,394.25	3,638.75	0.30%	0.29%
390	Beach	7,440,534.00	3,985,297.00	113,108.49	66,265.66	46,842.83	1.52%	1.18%
410	Fleet	169,903.00	45,163.00	9,477.92	9,477.92	0.00	5.58%	0.00%
430	Buildings	70,694.00	6,623.00	3,794.87	3,794.87	0.00	5.37%	0.00%
Totals		\$ 246,708,258.00	\$ 121,788,224.00	\$ 3,592,863.85	\$ 2,726,360.15	\$ 866,503.70	1.46%	0.71%

Appendix B



Accounting, Auditing and Financial Reporting Capitalization of Fixed Assets Practice 2.9.0

RELEVANT POLICIES: 8.1.0 Establishing the Estimated Useful Lives of Capital Assets and 9.1.0 Establishing Appropriate Capitalization Threshold for Capital Assets

1.0 ACCOUNTING CONTROL

The capitalization threshold for all asset classes shall be identified during the budget process each fiscal year by the Finance and Accounting staff and approved by the Board of Trustees as part of the adoption of the annual Debt Management Policy, including the Five Year Capital Improvement Plan and its statement on Minimum level of expenditure.

- 1.1 The capitalization threshold per item shall be:

<u>ASSET CLASS</u>	<u>MINIMUM COST</u>
Equipment	\$ 5,000.00
Structures and Land Improvements ...	\$10,000.00

- 1.2 In addition to cost, all of the following criteria shall also be used:

- 1.2.1 The normal useful life of the item is three or more years.
- 1.2.2 The item has an acquisition cost (including freight and installation) of at least the amounts listed above in each asset class.
- 1.2.3 The item will not be substantially reduced in value by immediate use.
- 1.2.4 In case of repair or refurbishment that will be capitalized, the outlay will substantially prolong the life on an existing fixed asset or increase its productivity significantly, rather than merely returning the asset to a functioning unit or making repairs of a routine nature.

Effective July 1, 2016

1



**Accounting, Auditing and Financial Reporting
Capitalization of Fixed Assets
Practice 2.9.0**

1.2.5 The capitalization threshold is applied to individual items rather than to groups of similar items (e.g. desks and tables).

1.2.6 The utilization of componentization of assets under the project, to provide a more appropriate management of an assets care, condition and associate maintenance or replacement, takes precedent over the stated thresholds under section 1.1.

2.0 PHYSICAL CONTROL

All fixed assets acquired either as operating or capital expenditures will be identified as IVGID property and recorded. Such items represent a value to the operations that have an ongoing usefulness to justify safeguarding them from loss or abuse. The items should be expected to be in service at least two years and can be readily assigned to a function or activity as responsible for its care and condition.

Appendix C



Accounting, Auditing and Financial Reporting Establishing Appropriate Capitalization Threshold for Capital Assets Policy 9.1.0

POLICY. The District will consider the following guidelines in establishing capitalization thresholds:

- 1.0** Potentially capitalizable items should only be capitalized if they have an estimated useful life of greater than two years following the date of acquisition or placed into service.
- 2.0** Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets.
- 3.0** In no case will the District establish a capitalization threshold of less than \$5,000 for any individual item.
- 4.0** In establishing capitalization thresholds, when the District is a recipient of federal awards, then federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts for purposes of federal reimbursement will prevail.
- 5.0** Capitalization of buildings and infrastructure should consider the use of componentization as a way to reflect the varying life cycle considerations of mechanical, structural elements, and wear items that may require different cycles of maintenance and replacement from the main asset being capitalized. The significance of such componentization takes precedent over the \$5,000 threshold, and thus smaller amounts may be listed to facilitate proper asset management.

Appendix D

Background

2020 CAFR - Prior Period Adjustments for Capital Assets and Construction in Progress ONLY

- Community Services and Beaches - \$803,514 consisting of:
 - Carpeting and Painting - 8 "projects" - \$78,582
 - Paving - 38 "projects" - \$435,672
 - Pre development - High School Ball field - \$77,216
 - Pre development - Community Services Master Plan - \$212,044

2021 Concepts and Assessments (Pre development) and abandonments which were **NOT** considered for charge off to expense. Amounts should have been expensed based on Moss Adams report 1/14/2021 and accepted by Board of Trustees on 2/10/2021 - Cliff Dobler memo dated 5-31-2021. More detail on Appendix E

- Burnt Cedar Pool - \$219,802 (includes \$119,498 of repairs completed in 2019 and abandoned in June 2021)
- Incline Beach Bldg - \$216,131
- Mountain Golf Course Club House - \$328,954 (includes \$150,751 for repair costs to open prior to major rehab)
- Tennis Center - \$68,621
- Incline Baseball Field - \$120,268
- Diamond Peak Master Plan - \$217,830
- **Total - \$1,171,606**

2021 CAFR - Initial Charge off (per Davis Farr) of \$866,504 in second draft and amounts removed in third draft (throw back)

	<u>Initial</u>	<u>Throw Back</u>	
• General Fund -	\$28,691	\$ 8,800	
• Utility Fund -	389,080	316,885	Wetland repairs \$1743K
• Community Services -	369,194	314,106	Parking and Cart Path repairs \$211K
• Beaches -	66,266	37,640	100% Parking and Boat Ramp repairs
• Internal Services -	13,273	ZERO	
total	\$866,504	\$677,431	
	DIFFERENCE	\$189,073	
	MEMO	\$167,751	WHY?

2021 CAFR - Additional Charge Off for Pipeline - \$3,179,000 DID NOT INCLUDE 2020 AND 2021 EXPENSES OF \$182,023. Costs included the Granite assessment report ,the Jacobs report on the Pond,. and an unknown amount of Staff time.

Other Charge offs not considered - ACQUIRED UNDER NEW BOARD POLICY AND PRACTICE

- Staff Uniforms at DP 2016-2017 \$115,739
- Rental Skis at DP 2016-2017 \$466,104
- Undepreciated amount - To be determined

Appendix E

Incline Village General Improvement District Capitalized concept and assessments for potential charge offs

Burnt Cedar Pool

Repairs to circulation system -in 2019	119,498
Conceptual Design - TSK 2020	32,200
Schematic Design - TSK 2020	68,104
	219,802

Incline Beach Building

concept design and cost estimates - Bull Stockwell - 2016	216,131
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Total Beaches	\$ 435,933
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Mountain Golf Course

Global Golf and BRG Architecture - New Clubhouse 2012/2014	132,203
Temporary Repair Costs for 2019 season before new rehab	150,751
Schematic Design Cart Paths - Lumos and Staff Time - 2020	46,000

Tennis Center

Lloyd Design - evaluation 2015/2016	42,120
Concept Design - BJB Architecture 2018	26,501

Incline Ball Fields

LPA - Concept Design - 2017	41,000
Schematic Design - Lloyd Consulting Group - 2017	73,930
Other unknow costs for concepts put in unbudgeted project	5,338

Diamond Peak

Concept Master Plan SEC Group 2014	156,030
Permit Submittals to Forest Service SEC Group 2015	29,000
Biological surveys - Hauge Brueck Associates 2019	32,800

Total Community Services	\$ 735,673
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GRAND TOTAL

\$ 1,171,606

Appendix F

Audit Committee Report to the Board of Trustees.

Analysis of capital items originally considered a charge off and reversed by IVGID management

Supplement to item 3.2

At the request of IVID management, Davis Farr provided a high level review of cost items classified as capital assets which should have been expensed based on Board Policies and Practices, the Moss Adams recommendations and GFOA sections on capitalization. The report was provided to the Audit Committee on November 17, 2021. The review indicated that \$866,503.70, consisting of \$3,592,863.85 in costs and \$2,726,350.15 in accumulated depreciation, would be charged off and reported as a prior period adjustment. Subsequently, undocumented discussions ensued between Davis Farr and IVGID management wherein it was determined that 169 items with a book value of \$677,540.52 consisting of \$2,396,674 in costs and accumulated depreciation of \$1,179,244 would not be expensed and remain as capital assets. As a result only \$189,072 (\$866,504 less \$677,540) was charged off as expenses and reported as a prior period adjustment. The Audit Committee is unsure why the December 8th memo from Paul Navazio listed \$167,751 as the charged off costs. (page 5 of AC Packet)

Based on a Committee Member extended review of the CAPITAL ASSETS reversed the following are conclusions based on historical facts and recommendations.

There were 169 items listed

- 33 items had no book value and were not necessary to be included
- 26 items were not depreciated and had total costs of \$50,015. It is unknown what these costs were, however they averaged only \$1,924. We have reservations about the whether these costs should remain as capital assets even though Board Policies and Practices did not establish capitalization thresholds for costs which would not be depreciated.
- 64 items with a combined book value of \$127,553 should not have been reversed since the original purchase costs for each item did not meet the cost threshold for capitalization as defined in Board Policies and Practices.
- There were two items in the Utility Fund labeled "Maintenance Facility Garage" each costing \$42,350 and purchased on the same date of 12/31/2017. The remaining book value of these two items was \$34,130. This may be a duplicate.
- There were 10 items in the Utility Fund for repairs of roadways and levees at the 600 acre Wetland site which captures all waste water from the Waste Water Treatment Plant in Incline Village. Total book value was \$174,333. Applying the criteria of the Moss Adams Report and the GFOA section - "Governmental Accounting ,Auditing and Financial Reporting" (GAAFR 23-10) these items should not have been capitalized as continuous repairs are being conducted annually at the Wetlands site. As stated in the Moss Adams Report:

"Governments often expend resources on existing capital assets. Most often, these expenditures simply preserve the asset's utility are expensed as routine repairs and maintenance. Any outlay that does no more than return a capital asset to its original condition, regardless of the amount expended, should be classified as maintenance and repairs. Since maintenance and repairs provide no additional value , their costs should be recognized as expense when incurred."

- There were seven items listed as parking lot and golf course cart path paving repairs. The net book value was \$248,000. Applying Moss Adams and GFOA recommendations (above) these costs should have been expensed. Ironically, in fiscal year 2019/2020, IVGID staff reported a prior period adjustment to expense 38 paving projects with a net book value of \$435, 672 which had previously been capitalized.

Also during 2020/2021, 13 parking lot and golf cart paths paving repairs costing \$253,736 were expensed. As such, IVGID management is not being consistent in capitalization of expenses regarding paving maintenance and repairs.

Accounting principles - The consistency principle states that, once you adopt an accounting principle or method, continue to follow it consistently in future accounting periods. Only change in accounting principle or method if the new version in some way improves reporting financial results - May 15, 2017

- There were 4 remaining items with a combined net book value of \$42,348 which consisted of a sewer line repair (\$18,582), a roof repair at the Diamond Peak Snowflake lodge (\$14,266), a snowmaking master plan (\$8,845) and a small amount of software (\$655) all of which appear to be expenses.

Conclusion

The audit committee generally concurred with the original analysis by Davis Farr wherein most of the \$866,504 of net book value of assets should have been expensed and recorded as a prior period adjustment.

- We find that IVGID management did not follow board Policies and Practices, nor the recommendations of Moss Adams, nor the guidance by the GOFA but rather used their own "judgment" as to costs which should be capitalized as opposed to expensed.
- It is unclear to the AC the extent of the Davis Farr review. Davis Farr provided no opinion on their review.

Recommendation:

- A deeper review of the Capital Assets should be conducted after an agreement is reached by the Board of Trustees on a definitive description of what costs should be capitalized or expensed.

MEMORANDUM

TO: Board of Trustees

THROUGH: Paul Navazio
Director of Finance

FROM: Indra Winqest
District General Manager

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

DATE: April 13, 2022

I. RECOMMENDATION

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

II. BACKGROUND

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

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

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

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

Staff concurs with recommendations of the Audit Committee related to:

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

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

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

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

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

Recommendation #2 - The Audit Committee recommends a prior period adjustment to expense items 2a & 2b for consistency and accuracy of our financial statements. (Related to maintenance and repair activities).

Recommendation #3 - The Audit Committee recommends a prior year adjustment to expense these items for compliance with Board Practice and consistency and accuracy of our financial statements. (Application of capitalization threshold criteria).

Recommendation #4 - The Audit Committee recommends a prior period adjustment removing investment income credited to the General Fund and included in the fund balances for the fund(s) which had cash invested at LGIP, as it had historically been done, prior to FY 2018-2019.

III. DISCUSSION

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

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

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

Management Response:

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

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

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

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

Management Response:

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

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

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

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

Management Response:

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

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

Staff notes that in following up with both the external auditor and the District’s legal counsel, the comments attributed to both in this Audit Committee recommendation

are taken out of context and should not be viewed as concurrence with the Audit Committee's position.

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

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

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

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

Management Response:

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

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

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

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

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

Management Response:

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

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

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

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

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

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

III. ALTERNATIVES

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

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

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

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Potential charge offs of capitalized costs incurred in the capital project #2599SS1102 - Wastewater Treatment Plant Improvements

**STRATEGIC
PLAN REFERENCE(S):** None

DATE: 6-16-2022

I. RECOMMENDATION

Review, discuss and determine if action is necessary to expense costs that may have been incorrectly capitalized. This may also require identification of what level of asset componentization is being applied and too ensure consistency in this application.

II. BACKGROUND and ANALYSIS

For the seven year period from 7-1-2014 to June 30, 2021, \$1,197,757 in costs were charged to the Wastewater Treatment Plant Improvements capital project #2599SS1102. Several outside design, IVGID engineering charges, IVGID work orders, and outside purchases and contracts were included.

It is unclear, if the charges were capitalized as one capital assets or capitalized as individual components of the Wastewater Treatment Plant.

Probable Expense Items

A portion of charges (\$179,461) by Jacobs Engineering Group may have been for concept or preliminary design. These type of charges would be expensed based on Moss Adams recommendations.

IVGID Engineering charges of \$74,950 should have been expensed based on Moss Adams recommendations.

There were 15 internal work orders for \$41,937 consisting of labor only and several may not have reached the capitalization thresholds or could have been for normal repairs. Several small purchases may have been materials for the work orders and should be combined with the labor cost to determine if capitalization thresholds were met.

Components subject to capitalization as separate components

The vast majority of the remaining costs appear to be for a variety of items and should be capitalized as components.

Exhibits

- A. List of Costs from 7-1-2015 to 6-30-2021
- B. Project Summary for 2020

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

Possible necessity to record a prior period adjustment

V. ALTERNATIVES

NONE

VI. COMMENTS

NONE

VII. STRATEGIC PLAN REFERENCE(S)

NONE

VIII. BUSINESS IMPACT

Proper reporting to users of the CAFR insuring an accurate reflection of expenses for operations.

	From 07/01/2014 to 06/30/2021						
	2599SS1102 Wastewater Treatment Plant Improvements	EXHIBIT A					
EFFECTIVE DAT	DESCRIPTION	VENDOR	VENDOR INVOICE#	PO	DEBIT	CREDIT	BALANCE
	Capital Improvements						0.00
08/31/2014	I-393670-2W P-S004597 C-747560 CH2M H	Jacobs Engineering Group Inc			17,232.15		17,232.15
09/30/2014	I-PSI-13013 P-S004695 C-748168 Centris	Centrisys Corporation			31,855.00		49,087.15
09/30/2014	I-PSI-13014 P-S004695 C-748168 Centris	Centrisys Corporation			11,515.00		60,602.15
09/30/2014	I-4003109 P-S004597 C-748018 CH2M Hill	Jacobs Engineering Group Inc			7,409.80		68,011.95
10/31/2014	Rebuild and servicing of two solids dewa	Centrisys Corporation	PSI-13137	15-0029	20,110.00		88,121.95
10/31/2014	Rebuild and servicing of two solids dewa	Centrisys Corporation	PSI-13137	15-0029	12,455.60		100,577.55
10/31/2014	Rebuild and servicing of two solids dewa	Centrisys Corporation	PSI-13138	15-0029	3,334.79		103,912.34
10/31/2014	Rebuild and servicing of two solids dewa	Centrisys Corporation	PSI-13138	15-0029	3,140.21		107,052.55
11/13/2014	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4004782	14-0028	5,613.80		112,666.35
11/25/2014	History PO # S004812 2nd pump overhaul a	Reed Electrical & Field Services	RJIR2386	15-0109	5,696.92		118,363.27
11/30/2014	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4006452	14-0028	12,825.60		131,188.87
12/23/2014	Seal rebuild kit for 2nd WWTP pumpover	Nevada Seal & Pump	3476	15-0154	2,276.45		133,465.32
01/27/2015	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4007925	14-0028	11,154.91		144,620.23
02/24/2015	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4009830	14-0028	7,875.70		152,495.93
02/24/2015	HVAC replacement at WWTP.	CR Engineering	3002	15-0113	2,515.20		155,011.13
02/28/2015	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4011152	14-0028	1,377.60		156,388.73
06/09/2015	Chesterton 442 split seal for pump rebui	Nevada Seal & Pump	3683	15-0310	4,332.71		160,721.44
06/23/2015	Two centrifugal water pumps.	MuniQuip, LLC	103173	15-0166	17,728.31		178,449.75
06/29/2015	Hotbox installation around domestic wate	Burt & Burt, Inc	5426	15-0329	199.00		178,648.75
06/29/2015	Change order -discovered non compliant p	Burt & Burt, Inc	5426	15-0329	534.00		179,182.75
06/29/2015	Change order -discovered non compliant p	Burt & Burt, Inc	5428	15-0329	166.00		179,348.75
06/30/2015	Pump and motor rebuild. CO approved to	Reed Electrical & Field Services	RJIR2651	15-0309	9,406.70		188,755.45
06/30/2015	Change order -discovered non compliant p	Burt & Burt, Inc	5429	15-0329	2,363.00		191,118.45
06/30/2015	Hotbox installation around domestic wate	Burt & Burt, Inc	5424	15-0329	5,550.00		196,668.45
06/30/2015	Hotbox installation around domestic wate	Burt & Burt, Inc	5422	15-0329	701.00		197,369.45
06/30/2015	Replace (3) garage door openers and (1)	Thompson Garage Doors	76926	15-0357	3,429.65		200,799.10
06/30/2015	Replace (3) garage door openers and (1)	Thompson Garage Doors	76924	15-0357	4,360.26		205,159.36
	TOTAL				205,159.36	0.00	205,159.36
					Balance	Forward	205,159.36
07/31/2015	Project 2599SS1102 - Removed & installed	Thompson Garage Doors	77803		3,653.29		208,812.65
11/30/2015	CIP Engineering Charges - November 2015				9,000.00		217,812.65
11/30/2015	CIP #2599SS1102 - TO 15.1, WWTP Headwork	Jacobs Engineering Group Inc	4024778	16-0044	29,994.91		247,807.56
12/31/2015	CIP Engineering Charges - December 2015				12,000.00		259,807.56
12/31/2015	2W Pump replacement project.	FARR Construction CORP Dba:Resource Developer	122915	16-0096	53,100.00		312,907.56
12/31/2015	Change Order Misc Piping Change at 2nd F	FARR Construction CORP Dba:Resource Developer	122915	16-0096	577.05		313,484.61
12/31/2015	Change Order Misc Piping Change at 3rd F	FARR Construction CORP Dba:Resource Developer	122915	16-0096	743.10		314,227.71
01/31/2016	CIP #2599SS1102 - Rotary drum screen equ	Parkson Corp	AR1/51014197	16-0045	8,440.20		322,667.91
01/31/2016	CIP #2599SS1102 - W2 Building HVAC Renov	Mt. Rose Heating & Air Conditioning, Inc	112792	16-0095	7,000.00		329,667.91
01/31/2016	CIP #2599SS1102 - WWTP meter replacement	Siemens Industry, Inc	5600651823	16-0188	5,419.70		335,087.61
02/23/2016	3-mechanical seals for north aeration ba	Nevada Seal & Pump	NSP1706	16-0190	6,993.00		342,080.61
02/23/2016	3-mechanical seals for north aeration ba	Nevada Seal & Pump	NSP1706	16-0190	28.46		342,109.07
02/29/2016	CH Spencer& Co/Air Valve Actuator- TP 2599SS1102	????????????????????????????????			7,022.00		349,131.07
02/29/2016	CIP Work Order Charge - Work Order #5994				2,052.95		351,184.02
02/29/2016	CIP Engineering Charges - February 2016				7,000.00		358,184.02
02/29/2016	CIP #2599SS1102 - W2 Building HVAC Renov	Mt. Rose Heating & Air Conditioning, Inc	3927	16-0095	34,990.00		393,174.02
02/29/2016	Fronthead w/wear ring for WWTP north bas	JM Squared Equipment	116-7039	16-0209	18,900.00		412,074.02
02/29/2016	Freight	JM Squared Equipment	116-7039	16-0209	150.00		412,224.02
02/29/2016	CIP #2599SS1102 - volute gasket, P/N TAK	JM Squared Equipment	116-7039	16-0209	57.00		412,281.02

	From 07/01/2014 to 06/30/2021							
	2599SS1102 Wastewater Treatment Plant Improvements		EXHIBIT A					
02/29/2016	CIP #2599SS1102 - Inlet flange gasket, P	JM Squared Equipment	116-7039	16-0209	187.50		412,468.52	
03/08/2016	CIP #2599SS1102 - FCA 10 DI 900	Western Nevada Supply	16545269		2,290.65		414,759.17	
03/31/2016	Work Order #5994: North basins rebuild 3 motors and recirculating pumps				8,058.08		422,817.25	
03/31/2016	MAR 2016 - in store chgs	Napa Sierra Nevada , Inc	MAR 2016 STMNT		5.02		422,822.27	
03/31/2016	MAR 2015 - in store chgs	Village Ace Hardware	1244-MAR 2016STMN		83.66		422,905.93	
03/31/2016	MAR 2015 - in store chgs	Village Ace Hardware	1244-MAR 2016STMN		48.40		422,954.33	
03/31/2016	CIP Engineering Charges - Estimates				10,000.00		432,954.33	
03/31/2016	Rotary drum screen equipment associated	Parkson Corp	AR1/51014880-1	16-0045	63,301.50		496,255.83	
03/31/2016	WWTP north basins: Rebuild three electri	Reed Electrical & Field Services	RJIR3070	16-0219	33,298.92		529,554.75	
04/12/2016	Project 2599SS1102 - materials	Western Nevada Supply	16580355		18.99		529,573.74	
04/19/2016	CIP #2599SS1102 - impact wrench	MSC Industrial Supply Co.	66492826		470.75		530,044.49	
04/26/2016	CIP 2599SS1102 - proto std imp socket se	MSC Industrial Supply Co.	C66499076		299.63		530,344.12	
04/29/2016	APR 2016 in-store chgs	Village Ace Hardware	244-APR 2016 STMN		136.51		530,480.63	
04/30/2016	CIP Work Order Charges - April 2016				64,681.10		595,161.73	
04/30/2016	CIP Engineering Charges - April 2016				3,500.00		598,661.73	
04/30/2016	To correct JE 91432 Assume reversal of a portion of Work Order Charges -April 2016					61,924.52	536,737.21	
05/10/2016	Materials for Headworks Rehab Project.	Western Nevada Supply	16608884	16-0323	63.37		536,800.58	
05/10/2016	Materials for Headworks Rehab Project.	Western Nevada Supply	16608939	16-0323	801.68		537,602.26	
05/24/2016	Materials for Headworks Rehab Project.	Western Nevada Supply	16608883	16-0323	3,831.13		541,433.39	
05/24/2016	Materials for Headworks Rehab Project.	Western Nevada Supply	16608953	16-0323	7,824.30		549,257.69	
05/31/2016	CIP Engineering Charges - May 2016				12,000.00		561,257.69	
05/31/2016	TO 15, WWTP 2W Pump Station & Headworks	Jacobs Engineering Group Inc	4033645	14-0028	24,850.67		586,108.36	
06/07/2016	CIP Project 2599SS1102-Junc Box, overloa	Grainger, Inc.	9127092550		933.12		587,041.48	
06/07/2016	Materials for Headworks Rehab Project.	Western Nevada Supply	16608888	16-0323	9,566.00		596,607.48	
06/28/2016	TO 15.1, WWTP Headworks Rehab project. B	Jacobs Engineering Group Inc	4029341	16-0044	7,737.80		604,345.28	
06/30/2016	CIP Engineering Charges - June 2016				12,000.00		616,345.28	
06/30/2016	TO 15.1, WWTP Headworks Rehab project. B	Jacobs Engineering Group Inc	4035170	16-0044	5,414.30		621,759.58	
06/30/2016	Refurbished display panel for WWTP, per	Centrisys Corporation	PSI-16334	16-0399	6,641.15		626,400.73	
	TOTAL				483,165.89	61,924.52	421,241.37	
						Balance	626,400.73	
						Forward	716,700.73	
07/28/2016	Installation of rotary microscreen, Trea	FARR Construction CORP Db:Resource Developmer	16012-C	16-0317	90,300.00		716,700.73	
07/31/2016	CIP Engineering Charges - July 2016				4,000.00		720,700.73	
08/09/2016	Add'l work -Installation of rotary micro	FARR Construction CORP Db:Resource Developmer	08/04 16012-C	16-0317	8,834.79		729,535.52	
08/30/2016	CIP #2599SS1102- W2 Building HVAC Renova	Mt. Rose Heating & Air Conditioning, Inc	113047	16-0095	2,210.00		731,745.52	
08/30/2016	Add'l work -Installation of rotary micro	FARR Construction CORP Db:Resource Developmer	Aug 8 16012-C	16-0317	4,941.74		736,687.26	
08/30/2016	Add'l work -Installation of rotary micro	FARR Construction CORP Db:Resource Developmer	Aug 8 16012-C	16-0317		4,941.74	731,745.52	
08/30/2016	Add'l work -Installation of rotary micro	FARR Construction CORP Db:Resource Developmer	Aug 8 16012-C	16-0317	4,941.74		736,687.26	
09/27/2016	South aeration basin recirculating pumps	JM Squared Equipment	116-7110	17-0051	18,900.00		755,587.26	
09/27/2016	Volute gaskets.	JM Squared Equipment	116-7110	17-0051	57.00		755,644.26	
09/27/2016	Inlet flange gasket	JM Squared Equipment	116-7110	17-0051	187.50		755,831.76	
09/27/2016	Freight	JM Squared Equipment	116-7110	17-0051	150.00		755,981.76	
09/30/2016	Grating for influent channel walkway.	American Grating LLC	50130	17-0066	6,006.00		761,987.76	
09/30/2016	Freight	American Grating LLC	50130	17-0066	340.00		762,327.76	
10/25/2016	CIP 2599SS1102 - Materials	Western Nevada Supply	16805246		2,321.34		764,649.10	
10/25/2016	volute gasket	JM Squared Equipment	116-7122		111.13		764,760.23	
10/30/2016	CIP #2599SS1102 - WRRF: Modify basin wal	FARR Construction CORP Db:Resource Developmer	10-30-2016	16-0393	13,556.65		778,316.88	
11/08/2016	4x3x1/4 ALUM ANGLE	PDM Steel Service Centers, Inc	282193-01		356.92		778,673.80	
11/08/2016	CIP 2599SS1102 - combination wrenches	MSC Industrial Supply Co.	35968158		121.22		778,795.02	
11/08/2016	Mechanical seal for south basin aeration	Nevada Seal & Pump	NSP2092	17-0115	6,789.00		785,584.02	
11/08/2016	Freight	Nevada Seal & Pump	NSP2092	17-0115	26.48		785,610.50	
11/10/2016	Replace concrete slab in breezeway and u	Eric's Concrete Pavers, Inc	1396	17-0110	5,327.00		790,937.50	
11/29/2016	CIP #2599SS1102 - Rebuild south basin #1	Reed Electrical & Field Services	RJIR3406	17-0133	26,781.14		817,718.64	
11/30/2016	4x3x1/4 ALUM ANGLE	PDM Steel Service Centers, Inc	282085-01		178.28		817,896.92	

From 07/01/2014 to 06/30/2021							
	2599SS1102 Wastewater Treatment Plant Improvements	EXHIBIT A					
11/30/2016	CIP Work Order Charges - November 2016				606.84		818,503.76
11/30/2016	CIP Work Order Charges - November 2016				538.28		819,042.04
11/30/2016	NOV 2016 in store chgs	Village Ace Hardware	#4244 NOV 2016 chg		65.25		819,107.29
12/13/2016	Mixer for north aeration basin at the WR	Xylem Water Solutions	3556925087	16-0369	8,080.00		827,187.29
12/13/2016	Freight	Xylem Water Solutions	3556925087	16-0369	323.00		827,510.29
12/27/2016	Chesterton 442-30, 3.75in.SA RSC/RSC S F	Nevada Seal & Pump	NSP2156		4,163.31		831,673.60
12/31/2016	Accrue Village Ace Acct #4244 Dec 2016				89.04		831,762.64
01/01/2017	Accrue Village Ace Acct #4244 Dec 2016					89.04	831,673.60
01/17/2017	Dec 2016 - in-store chgs	Village Ace Hardware	#4244 - Dec 2016		98.79		831,772.39
02/28/2017	Rotary drum screen equipment associated	Parkson Corp	AR1-51014880-2	16-0045	12,660.30		844,432.69
02/28/2017	Rotary drum screen equipment associated	Parkson Corp	AR1-51014880-2	16-0045		12,660.30	831,772.39
02/28/2017	Rotary drum screen equipment associated	Parkson Corp	AR1-51014880-2	16-0045	12,660.30		844,432.69
	TOTAL				235,723.04	17,691.08	218,031.96
					Balance	Forward	844,432.69
03/17/2018	Sodium hypochlorite pumps for WRRF	G3 Engineering Inc.	2018-5654	18-0178	22,704.72		867,137.41
03/27/2018	expansion wedge anchor	Grainger, Inc.	9740649224		88.88		867,226.29
03/27/2018	ss angle type 304	PDM Steel Service Centers, Inc	336450-01		300.24		867,526.53
03/29/2018	channel, butterfly valve, spring nut, &	Grainger, Inc.	9742805121		1,781.32		869,307.85
03/31/2018	March 2018 In-Store Chgs - Acct# 4244	Village Ace Hardware	4244-MARCH 2018		31.00		869,338.85
04/03/2018	reducer bushings	Grainger, Inc.	9743177634		43.75		869,382.60
04/03/2018	pvc sockets, adapters, etc...	Grainger, Inc.	9746709261		1,547.99		870,930.59
04/03/2018	2 1/2 & 3 150# B&N sets	Western Nevada Supply	17379911		38.34		870,968.93
04/03/2018	pressure adapters & bushings	Grainger, Inc.	9746709279		208.64		871,177.57
04/03/2018	pressure adapters	Grainger, Inc.	9746803395		107.90		871,285.47
04/11/2018	ball valves	Grainger, Inc.	9754708486		821.15		872,106.62
04/18/2018	6 element static mixer	USABlueBook	548361		315.25		872,421.87
04/23/2018	pipe markers	Grainger, Inc.	9766213178		23.00		872,444.87
04/26/2018	pipe markers	Grainger, Inc.	9770923374		43.92		872,488.79
05/01/2018	hex cap screws & nuts, & washers	Grainger, Inc.	9774463054		97.05		872,585.84
05/02/2018	cplgs & adapters	Grainger, Inc.	9775723696		67.84		872,653.68
05/03/2018	pipe markers	Grainger, Inc.	9777377723		19.40		872,673.08
05/16/2018	channel spring nut & cap slip sockets	Grainger, Inc.	9790419908		181.97		872,855.05
05/21/2018	repair motor	Reed Electrical & Field Services	RJIR4095		1,411.10		874,266.15
05/22/2018	channel struts, dust caps, cpvb ball vlv	Grainger, Inc.	9795935262		872.31		875,138.46
05/22/2018	cpvc bv, union, sockets	Grainger, Inc.	9795942664		614.95		875,753.41
05/30/2018	dismantle, repair & remount motor	Reed Electrical & Field Services	RJIR4124		1,791.52		877,544.93
06/01/2018	Move CIP costs to correct GL Account	UNKNOWN transfer from another account.			28,150.00	????????	905,694.93
06/05/2018	50% Down Pmt WRRF Improvements Project;	L.A. Perks Plumbing & Heating, Inc.	855844	18-0361	15,972.00		921,666.93
06/18/2018	vinyl flooring installed @ PW	Simonian Flooring, Inc.	10268		2,688.75		924,355.68
	TOTAL				79,922.99	0.00	79,922.99
					Balance	Forward	924,355.68
07/30/2018	WRRF Improvements Project; day tank repl	L.A. Perks Plumbing & Heating, Inc.	856525	18-0361	540.92		924,896.60
08/01/2018	WRRF Improvements Project; day tank repl	L.A. Perks Plumbing & Heating, Inc.	856572	18-0361	416.34		925,312.94
09/11/2018	WRRF Improvements Project; two new contr	DO Supply, INC	8032	19-0078	7,780.00		933,092.94
09/30/2018	CIP Engineering Charges - September 2018				700.00		933,792.94
10/11/2018	WRRF Improvements Project; day tank repl	L.A. Perks Plumbing & Heating, Inc.	857628	18-0361	15,971.83		949,764.77
10/31/2018	CIP Work Order Charges - Oct 2018				315.99		950,080.76
11/30/2018	CIP Engineering Charges - November 2018				1,200.00		951,280.76
02/20/2019	WRRF Improvements; rotor and gaskets for the DWSP.	R-2 Engineering, Inc.	117681	19-0195	6,129.48		957,410.24
03/13/2019	motor replacement	Reed Electrical & Field Services	SJIR1026		2,041.69		959,451.93
05/07/2019	Centrisys Corporation - Vendor Invoice PSI-22431				25,731.15		985,183.08
05/07/2019	Centrisys Corporation - Vendor Invoice PSI-22431				3,824.90		989,007.98

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	2599SS1102 Wastewater Treatment Plant Improvements							
05/07/2019	Centrisys Corporation - Vendor Invoice PSI-22431					5,215.77		994,223.75
05/31/2019	CIP Engineering Charges					1,600.00		995,823.75
06/14/2019	CIP#2599SS1102 ER7056 .035X 33 LB PK MIG WELDING WIRE SPOOL,	MSC Industrial Supply Co.	C23214981			957.36		996,781.11
06/17/2019	PARALLEL CABLE , FOR USE WITH 20KP49,PORTABLE GENERATOR,INVERTER,PURE SINE WAVE etc	Grainger, Inc.	9206596703			3,306.29		1,000,087.40
06/17/2019	252 AMP 200(208)/230V MILLERMATIC MIG WELDER	MSC Industrial Supply Co.	23214971			3,557.03		1,003,644.43
06/30/2019	Accrue PO 19-0315 GE Engineering for pol					39,500.00		1,043,144.43
06/30/2019	WRRF Improvements; Steamscrubber glassware washer, per Quote 142992.	USABlueBook	949773	19-0327		10,102.50		1,053,246.93
	TOTAL					128,891.25	0.00	128,891.25
							Balance	Forward
								1,053,246.93
08/12/2019	Accrue PO 19-0315 GE Engineering for pol							39,500.00
08/12/2019	Polymer Feed System for the WRRF, per UGSI Quote 201903-22447-2. This equipment bid per NRS 332.	G3 Engineering Inc.	2019-6264	19-0315		39,500.00		1,053,246.93
08/27/2019	credit memo for packing slip #2321497, invoice 23214971	MSC Industrial Supply Co.	62943959					3,557.03
08/30/2019	252 AMP 200(208) /230V Millermatic MIG, replacement for invoice 23214971, CR 62943959	MSC Industrial Supply Co.	31577171			3,557.03		1,053,246.93
09/19/2019	COUPLING,CPVC,80,1-1/2 IN.,SLIP SOCKET	Grainger, Inc.	9298136848			63.90		1,053,310.83
09/19/2019	CPVC BV,UNION,SOCKET/FNPT,1-1/2"	Grainger, Inc.	9297873847			394.80		1,053,705.63
09/19/2019	1-1/2 CPVC 80 HOT WTR PIPE	Western Nevada Supply	18035777			227.60		1,053,933.23
09/30/2019	CIP Work Order Charges - September 2019					1,462.65		1,055,395.88
09/30/2019	MALE ADAPTER,1-1/2 IN.,235 PSI AT 73F,ELBOW, 45,CPVC,80,1-1/2 IN.,SLIP SOCKET,ELBOW, 90,CPVC,80,1-1/2 IN.,SLIP SOC	Grainger, Inc.	9309110949			316.48		1,055,712.36
09/30/2019	CIP Engineering Charges - Sept. 2019					1,000.00		1,056,712.36
10/08/2019	parts for CIP 2599SS1102 (SPEA 1 MA ADPT CPVC 80,SPEA 1 S CPVC 80 45 ELL,SPEA 1 S CPVC 80 90 ELL,CPVC 80 HOT WTR	Western Nevada Supply	18060733			544.23		1,057,256.59
10/09/2019	CIP 2599SS1102 - 1 CPVC 80 HOT WTR PIPE	Western Nevada Supply	18063327			67.80		1,057,324.39
10/11/2019	SPEA 1-1/2 X 3/4 S CPVC 80 BUSH,SPEA 3/4 S CPVC 80 T,ASAH 3/4 1072 OMNI CPVC 80 S BALL VLV	Western Nevada Supply	18067206			305.82		1,057,630.21
10/31/2019	MALE ADAPTER,3/4 IN,NIPPLE,THREADED AT BOTH ENDS	Grainger, Inc.	9341524388			16.29		1,057,646.50
10/31/2019	Acct 4244 -October 2019 In-Store Chgs	Village Ace Hardware	4244-October 2019			45.39		1,057,691.89
10/31/2019	CIP Work Order Charges - October 2019					10,251.11		1,067,943.00
11/01/2019	NIPPLE,THREADED AT BOTH ENDS	Grainger, Inc.	9341804822			12.63		1,067,955.63
11/01/2019	Project #2599SS1102 -ASAH 3/4 T21 1609 CPVC 80 TU E BALL VLV,SPEA 3/4 S CPVC 80 T,SPEA 3/4 FA CPVC 80 ADPT,SPEA 1-1/2 X 1 S CPVC 80 BUSH,SPEA 1-1/2 S CPVC 80 CPLG,1-1/2 CPVC 80 HOT WTR PIPE	Western Nevada Supply	18093599			926.38		1,068,882.01
11/14/2019	3/4" SPEARS MFG CPVC,3/4 X 1/2MXF CPVC SCH 80 BUSHING	MSC Industrial Supply Co.	73788411			39.60		1,068,921.61
11/14/2019	SPEA 3/4 S CPVC 80 90 ELL,SPEA 3/4 S CPVC 80 45 ELL,ASAH 3/4 T21 1609 CPVC 80 TU E BALL VLV	Western Nevada Supply	18112009			307.60		1,069,229.21
11/18/2019	SPEA 3/4 X 1/2 TXT CPVC 80 BUSH,SPEA 3/4 S CPVC 80 CPLG	Western Nevada Supply	18112011			30.62		1,069,259.83
11/20/2019	CIP 2599SS1102 POST BASE,6 IN,SILVER	Grainger, Inc.	9363270621			382.40		1,069,642.23
11/20/2019	SPEA 1-1/2 S CPVC 80 CPLG	Western Nevada Supply	18119314			30.80		1,069,673.03
11/30/2019	CIP Work Order Charges - November 2019					8,064.68		1,077,737.71
12/03/2019	SMBL 317 SDL NYL 4.74-5.63 X 3/4, LF 3/4 MIP X MIP CORP STP, 6 300 1/8T BG L441 FF GSKT	Western Nevada Supply	18130548			262.29		1,078,000.00
12/04/2019	HHCS,5/8-11X2-1/2,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9375685113			20.16		1,078,020.16
12/04/2019	HEX NUTS,HHCS & Threaded Rod/materials	Grainger, Inc.	9375726149			135.40		1,078,155.56
12/05/2019	4 150 1/8T BG L441 FF GSKT, 3 150 1/8T BG L441 FF GSKT	Western Nevada Supply	18132582			76.60		1,078,232.16
12/09/2019	PEC-04 F1-CI-NBR/NBR-GE w/HWGPC,4,F1,CI,NBR,NBR,GE-S30SC0*GS-6-HD8	Frank A. Olsen Company LLC	243997			2,023.27		1,080,255.43
12/10/2019	HHCS,5/8-11X2-1/2,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9380739772			15.12		1,080,270.55
12/10/2019	HEX NUT,5/8-11,GR 5,ZP,PK25, HHCS,5/8-11X3,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9381277988			32.50		1,080,303.05
12/31/2019	CIP Work Order Charges - December 2019					1,279.63		1,081,582.68
12/31/2019	CIP Work Order Charges - December 2019					692.57		1,082,275.25
01/03/2020	CIP 2599SS1102-Electromagnetic flowmeter	Seco Controls LLC	143021			2,402.99		1,084,678.24
01/08/2020	THREADED ROD,316 SS,5/8-11X6 FT, HREADED ROD,18-8 SS,3/4-10X6 FTT, HHCS,3/4-10X2-1/2,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9404629561			100.41		1,084,778.65
01/31/2020	CIP Work Order Charges - January 2020					4,090.48		1,088,869.13
02/24/2020	CIP #2599SS1102 ABB "MINI-MAG" FEM300 ELECTROMAGNETIC FLOWMETER,WAFER-STYLE, INTEGRAL TRANSMITTER	Seco Controls LLC	143099			2,578.47		1,091,447.60
06/22/2020	TRIPP PDU BASIC 120V 15A 5-15R 5-15PManufacturer Part Number: PDU1215	CDW Government, Inc.	ZFJ6841			81.49		1,091,529.09
06/23/2020	APC SMART UPS X 3000VA RT 100-127VSerial No: SAS2006254802Manufacturer Part Number: SMX3000RMLV2UNC	CDW Government, Inc.	ZFP2382			1,999.14		1,093,528.23
06/26/2020	PROLINE 1000BASE-SX EXTENDED MMFMManufacturer Part Number: SFP-MX-CDW	CDW Government, Inc.	ZGG0841			203.58		1,093,731.81
06/26/2020	WRRF Network Security Computer Hardware	Dell Marketing LP C/O Dell USA L.P.	10402887375	20-0284		4,182.11		1,097,913.92
	TOTAL					87,724.02	43,057.03	44,666.99

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2599SS1102 Wastewater Treatment Plant Improvements		EXHIBIT A							
						Balance		Forward	
07/20/2020	Badger Meter Item: 100-0164 M2-100-R1-A-SAK-S-XXGF-STD	Badger Meter, Inc.	1377464			3,922.00			1,101,835.92
07/20/2020	WRRF Improvements Project; 2 new sludge level indicators.	Hach Co.	12044680	21-0033		7,368.40			1,109,204.32
07/25/2020	WRRF Network Security Server Hardware	Dell Marketing LP C/O Dell USA L.P.	10410795539	20-0283		5,358.64			1,114,562.96
07/27/2020	10 MEGA FLG ADPT, 10 X 1/8 FF SPPCO FLG GSKT 150	Western Nevada Supply	18419783			567.31			1,115,130.27
08/14/2020	WRRF Network Hardware	SHI International Corp.	B12139080	20-0291		612.18			1,115,742.45
08/21/2020	WRRF Network Hardware	SHI International Corp.	B12175991	20-0291		6,771.98			1,122,514.43
08/27/2020	FASTENAL COMPANY 01NVCARHardware for WRRF maga meter installation CIP 2599SS1102					171.27			1,122,685.70
08/27/2020	FASTENAL COMPANY 01NVMINHardware for WRRF mag meter installation CIP 2599SS1102					25.44			1,122,711.14
08/31/2020	PO WRRF08312020 (Microsoft Windows Server 2019 Standard License, WinSvrCal 2019 SNGL MVL USRCAL 2019 Windows	SHI International Corp.	B12229037			1,991.37			1,124,702.51
09/14/2020	WRRF Improvements; DWSP Pump #1 replacement.	Liberty Process Equipment, INC	0084286-IN	21-0066		6,746.18			1,131,448.69
09/15/2020	HHCS,5/8-11X2-1/2,STEEL,GR 2,ZP,PK5, HHCS,3/4-10X3,STEEL,GR 5,ZP,PK5, BATTERY,D,PREMIUM,1.5VDC,PK12	Grainger, Inc.	9653485921			123.76			1,131,572.45
09/15/2020	VMware vSphere Essentials Kit subscription and license	SHI International Corp.	B12282760			753.48			1,132,325.93
09/16/2020	3 150 1/8T BG L441 FF GSKT, 4 150 1/8T BG L441 FF GSKT, 8 150 1/8T BG L441 FF GSKT	Western Nevada Supply	18489350			399.77			1,132,725.70
09/16/2020	4" DeZurik Model PEC Eccentric Plug Valve, 6" DeZurik Model PEC Eccentric Plug Valve	Frank A. Olsen Company LLC	245636			2,076.52			1,134,802.22
09/23/2020	WRRF Network Hardware	SHI International Corp.	B12327647	20-0291		4,845.60			1,139,647.82
10/01/2020	3 VICT E GSKT FOR 77 07 997 GREEN	Western Nevada Supply	18509259			24.79			1,139,672.61
10/02/2020	WRRF Facility Improvements project; Network security upgrades per TO 35.	Jacobs Engineering Group Inc	D3404100 -01	20-0280		15,993.66			1,155,666.27
10/05/2020	INSTALLED STANDARD RAIN GUTTERS @ 1250 SweetwaterRd	Dunn Rite Inc	16035			2,056.00			1,157,722.27
10/07/2020	Veeam bck & rpl vul sub 1yr upfront billing	???????????????				1,066.67			1,158,788.94
10/14/2020	6" DeZurik Model PEC Eccentric Plug Valve Cast Iron Body, Flanged ANSI 125/150 Ends	Frank A. Olsen Company LLC	245818			1,256.06			1,160,045.00
10/21/2020	HHCS,3/4-10X3,STEEL,GR 5,ZP,PK5, HEX NUT,3/4-10,GR 5,ZP,PK20	Grainger, Inc.	9692402473			67.88			1,160,112.88
10/22/2020	FCA 6 DI, 6 150 1/8T BG L441 FF GSKT	Western Nevada Supply	18538969			373.32			1,160,486.20
10/23/2020	CUSTOM SHAFT HEAD	Liberty Process Equipment, INC	0084827-IN			445.66			1,160,931.86
10/30/2020	ESET Endpoint Protection Advanced	SHI International Corp.	B12527789			535.40			1,161,467.26
10/31/2020	CIP Work Order Charges - October 2020					304.53			1,161,771.79
11/01/2020	TIMING BELT	Applied Industrial Technology	7019969305			267.66			1,162,039.45
11/04/2020	STANDON C9206 6 FC SS SUPPORT	Western Nevada Supply	18540547			1,030.89			1,163,070.34
11/27/2020	WRRF Facility Improvements project; Network security upgrades per TO 35.	Jacobs Engineering Group Inc	D3404100 -02	20-0280		31,973.21			1,195,043.55
11/30/2020	CIP Work Order Charges - November 2020					106.51			1,195,150.06
11/30/2020	CIP Work Order Charges - November 2020					1,336.03			1,196,486.09
12/04/2020	CONDUIT 3/4-IN GALV STEEL, APP NTC-75 3/4 IN CONN NO THR, APP T75-M 3/4 T UNILET FORM 3	Rexel USA, Inc DBA Platt Electric Supply	1B49840			365.82			1,196,851.91
02/01/2021	Tax - items send to consultant in CA	SHI International Corp.	B12175991 TAX			490.97			1,197,342.88
02/01/2021	Tax - items send to consultant in CA	SHI International Corp.	B12185589 TAX			9.10			1,197,351.98
02/01/2021	Tax - items send to consultant in CA	SHI International Corp.	B12139080 TAX			44.38			1,197,396.36
04/30/2021	CIP Engineering Charges - April 2021					250.00			1,197,646.36
05/30/2021	WRRF Network Hardware	SHI International Corp.	B12185589	20-0291		2,416.92			1,200,063.28
06/30/2021	To expense CIP Cost to Operating Assume Rain Gutters above							2,306.00	1,197,757.28
TOTAL						102,149.36		2,306.00	99,843.36
GRAND TOTAL						1,424,386.60		226,629.32	1,197,757.28

	<u>Jacobs</u>	<u>Engineer</u>	<u>Work Order</u>
	17,232		
	7,410		
	5,619		
	12,826		
	11,154		
	7,876		
	1,378		
	63,495	-	-
	<u>Jacobs</u>	<u>Engineer</u>	<u>Work Order</u>
		9,000	
	29,996		
		12,000	
			2,052
		7,000	

		1,600	
	-	4,200	316
	<u>Jacobs</u>	<u>Engineer</u>	<u>Work Order</u>
			1,463
		1,000	
			10,251
			8,085
			1,280
			693
			4,090
	-	1,000	25,862

EXHIBIT B



Project Summary

Project Number:	2599SS1102
Title:	Water Resource Recovery Facility Improvements
Project Type:	E - Capital Maintenance
Division:	99 - General Administration - Sewer
Budget Year:	2020
Finance Option:	
Asset Type:	SS - Sewer System
Active:	Yes

Project Description	<p>The District's water resource recovery facility (WRRF) treats all of the raw sewage from the communities of Incline Village and Crystal Bay. The original treatment plant was built in 1962 and went through many upgrades as the community grew in size. The current plant configuration is largely the same from the major renovation in 1992 that replaced most equipment and processes. The plant is rated to treat 2.14 MGD by the State of Nevada. The plant has preliminary treatment, aeration, sedimentation, disinfection and solids dewatering processes to treat the raw sewage. Each of these processes consist of electrical, mechanical, instrumentation, and communication equipment. The plant also has odor control, chemical storage, fuel storage, overflow ponds, effluent storage reservoir, emergency generator, and other miscellaneous structures. Future years include the develop, design and construction of odor control upgrades.</p>
Project Internal Staff	<p>Staff selects, purchases and installs small equipment projects. Larger replacement projects are bid to outside contractors.</p>
Project Justification	<p>The majority of equipment and processes at the WRRF are 20 years old. The WRRF has sufficient capacity and redundancy that has kept the operating hours low for a number of pieces of equipment. Some equipment is run 24/7 necessitating frequent replacement. The forecast is staff's projection of the needed equipment replacement. It is planned to replace the potable water system, pump and motor installs, meters and sensors and to upgrade servers, firewalls, and other network equipment.</p>

Forecast				
Budget Year	Total Expense	Total Revenue	Difference	
2020				
Equipment improvements	15,000	0	15,000	
Mechanical Systems, sensors & meters	35,000	0	35,000	
SCADA, Network and Server Enhancements	50,000	0	50,000	
Year Total	100,000	0	100,000	
2021				
Equipment improvements	75,000	0	75,000	
Year Total	75,000	0	75,000	
2022				
Equipment improvements	75,000	0	75,000	
Year Total	75,000	0	75,000	
2023				
Equipment improvements	75,000	0	75,000	
Odor Control Predesign	25,000	0	25,000	
Year Total	100,000	0	100,000	
2024				
Equipment improvements	75,000	0	75,000	
Odor Control Design	100,000	0	100,000	
Year Total	175,000	0	175,000	
2025				
Equipment improvements	100,000	0	100,000	
Odor Control Construction	500,000	0	500,000	
Year Total	600,000	0	600,000	
2026				
Emergency generator replacement	300,000	0	300,000	
Equipment improvements	100,000	0	100,000	
Year Total	400,000	0	400,000	
2027				
Equipment improvements	100,000	0	100,000	
Year Total	100,000	0	100,000	
2028				
Equipment improvements	100,000	0	100,000	
Year Total	100,000	0	100,000	
	1,725,000	0	1,725,000	
Year Identified	Start Date	Est. Completion Date	Manager	Project Partner
2012	Jul 1, 2019	Jun 30, 2020	Utility Superintendent	

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Potential charge offs of capitalized costs incurred at the Burnt Cedar Water Disinfection Plant #2299DI1401

**STRATEGIC
PLAN REFERENCE(S):** None

DATE: 6-16-2022

I. RECOMMENDATION

Review, discuss and determine if action is necessary to expense costs that may have been incorrectly capitalized. This may also require identification of what level of asset componentization is being applied and too ensure consistency in this application.

II. BACKGROUND and ANALYSIS

For the past six years from 7-1-2015 to June 30, 2021, \$548,004 in costs were charged to the Burnt Cedar Water Disinfection Plan capital project #2299DI1401. During that period, several charges for design, IVGID engineering, IVGID work orders, and outside purchases and contracts were included.

It is unclear, if all of the charges were capitalized under one capital assets or were capitalized as individual components of the Disinfection Plant.

Probable Expense Items

Concept designs were completed by Jacobs Engineering Group, Inc. for a contingency plan to extend water intake line for low levels in Lake Tahoe (\$28,037) and CH2M-Hill provided an evaluation of the SSADA system

(\$21,271). These charges should have been expensed based on Moss Adams recommendations.

IVGID Engineering charges of \$60,000 should have been expensed based on Moss Adams recommendations.

There were 7 internal work orders for \$5,647 which were for labor only and may not have reached the capitalization thresholds. There could be associated purchased items when combined with the labor could have reached the capitalization. A public records request have been made for the work ourders..

LA Perks Plumbing & Heating, Inc. **repaired** three inlet pumps for \$26,889 which should have been expensed as repairs.

Ferrell Civil Engineering charged \$4,350 for Beach flatscape and Carson Pump LLC, charged \$500. Both charges should have been expensed as the amounts did not meet capitalization thresholds.

Brown & Reed charged \$7,700 to **repair** the HVAC which should have been expensed.

There was \$35,182 charged by Coldale Electric Supply for Water Pump Station 2.1. Obviously a coding error.

Components subject to capitalization as separate items

The vast majority of the remaining costs appear to be for new software and hardware.

Exhibits

- A. List of Costs from 7-1-2015 to 6-30-2021
- B. Project Summary for 2020

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

Possible prior period adjustment.

V. ALTERNATIVES

NONE

VI. COMMENTS

NONE

VII. STRATEGIC PLAN REFERENCE(S)

NONE

VIII. BUSINESS IMPACT

.Material Weakness in financial statements effecting future financing arrangements.

EXHIBIT A

		From 07/01/2014 to 06/30/2021						
		Project 2299DI1401 Burnt Cedar Water Disinfection Plant Improvements						
EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	PO	DEBIT	CREDIT	BALANCE	
	Capital Improvements						0.00	
	TOTAL				0.00	0.00	0.00	
					Balance	Forward	0.00	
11/30/2015	CIP #2299DI1401 - TO 19 - BCWDP Ozone ga	Jacobs Engineering Group Inc	4024787	16-0043	8,282.90		8,282.90	
12/31/2015	CIP Engineering Charges - December 2015				7,500.00		15,782.90	
02/29/2016	CIP Engineering Charges - February 2016				2,500.00		18,282.90	
03/31/2016	Project 2299DI1401 Installation new over Did not meet threshold	L.A. Perks Plumbing & Heating, Inc.	845923		3,850.00		22,132.90	
04/30/2016	CIP Engineering Charges - April 2016				6,500.00		28,632.90	
05/31/2016	CIP Engineering Charges - May 2016				2,500.00		31,132.90	
06/28/2016	TO 18 - BCWTP Low Lake Level Contingency	Jacobs Engineering Group Inc	4029345	16-0046	4,139.00		35,271.90	
06/30/2016	CIP Engineering Charges - June 2016				5,000.00		40,271.90	
06/30/2016	CH2M Hill				1,104.00		41,375.90	
06/30/2016	CH2M Hill				21,576.86		62,952.76	
06/30/2016	TO 18 - BCWTP Low Lake Level Contingency Concept Project	Jacobs Engineering Group Inc	4035265	16-0046	23,928.20		86,880.96	
06/30/2016	BCWDP Tech Support Services, TO 12.1.	Jacobs Engineering Group Inc	4035163	16-0053	502.20		87,383.16	
	TOTAL				87,383.16	0.00	87,383.16	
					Balance	Forward	87,383.16	
07/31/2016	CIP Engineering Charges - July 2016				2,000.00		89,383.16	
09/27/2016	TO 18 - BCWTP Low Lake Level Contingency Concept Project	Jacobs Engineering Group Inc	4033642	16-0046	4,109.80		93,492.96	
09/27/2016	BCWDP Tech Support Services, TO 12.1.	Jacobs Engineering Group Inc	4033641	16-0053	3,827.80		97,320.76	
09/30/2016	CIP Engineering Charges - September 2016				2,500.00		99,820.76	
10/01/2016	SCADA System Evaluation - CH2M Hill Concept Project				13,178.50		112,999.26	
10/31/2016	SCADA System Evaluation Concept Project	Jacobs Engineering Group Inc	4040915-A	14-0029	8,093.38		121,092.64	
11/30/2016	CIP Engineering Charges - November 2016				7,500.00		128,592.64	
01/31/2017	Work Order #8233				528.90		129,121.54	
01/31/2017	BCWDP Tech Support Services, TO 12.1.	Jacobs Engineering Group Inc	4045272	16-0053	7,308.75		136,430.29	
01/31/2017	CIP #2299DI1401 - TO 20 - BCWDB Electric	Jacobs Engineering Group Inc	4045276	17-0002	18,010.70		154,440.99	
02/07/2017	CIP #2299DI1401 - APOL 3/4 SS Chk Vlv 62	Western Nevada Supply	16892680		239.64		154,680.63	
02/28/2017	CIP Engineering Charges - February 2017				5,000.00		159,680.63	
03/14/2017	SS ball valve and actuator for drip leg	Bakersfield Pipe and Supply, Inc.	S2325805.002	17-0176	8,150.00		167,830.63	
03/14/2017	Freight	Bakersfield Pipe and Supply, Inc.	S2325805.002	17-0176	154.14		167,984.77	
03/24/2017	8 300 bolt & nut set zinc pltd	Western Nevada Supply	16949599		85.71		168,070.48	
03/28/2017	CIP #2299DI1401 - WPS2-1 pump control va	Western Nevada Supply	16886176	17-0171	10,937.95		179,008.43	
03/31/2017	parts	Western Nevada Supply	16958958		73.20		179,081.63	
03/31/2017	CIP Internal Work Order #8233				289.57		179,371.20	
03/31/2017	CIP Engineering Charges - March 2017				10,000.00		189,371.20	
04/25/2017	crane service	Connolly Crane Service, Inc	14217		708.75		190,079.95	
04/30/2017	CIP Work Order Charges - April 2017				2,110.53		192,190.48	
04/30/2017	CIP Work Order Charges - April 2017				1,853.22		194,043.70	
04/30/2017	CIP Engineering Charges - April 2017				6,500.00		200,543.70	
04/30/2017	CIP # 2299DI1401TO 20 - BCWDB Electric	Jacobs Engineering Group Inc	4050237	17-0002	46,166.45		246,710.15	

		From 07/01/2014 to 06/30/2021						
		Project 2299DI1401 Burnt Cedar Water Disinfection Plant Improvements						
EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	PO	DEBIT	CREDIT	BALANCE	
04/30/2017	BCWDP Ozone Piping Modifications	K. G. Walters Construction Co	17-0213	17-0213	5,800.00		252,510.15	
05/01/2017	CIP # 2299DI1401 - steel	U.S. Pipe and Foundry CO., LLC	INV050130		802.28		253,312.43	
05/01/2017	CIP # 2299DI1401TO 20 - BCWDB Electric	Jacobs Engineering Group Inc	4050237	17-0002		46,166.45	207,145.98	
05/01/2017	CIP # 2299DI1401TO 20 - BCWDB Electric	Jacobs Engineering Group Inc	4050237	17-0002	5,156.60		212,302.58	
05/03/2017	CIP # 2299DI1401BCWDP Tech Support Ser	Jacobs Engineering Group Inc	4050315	16-0053	1,888.10		214,190.68	
05/03/2017	CIP # 2299DI1401TO 20 - BCWDB Electric	Jacobs Engineering Group Inc	4050320	17-0002	1,257.60		215,448.28	
05/31/2017	CIP Work Order Charges - May 2017				561.40		216,009.68	
06/30/2017	CIP Work Order Charges - June 2017				303.42		216,313.10	
	TOTAL				175,096.39	46,166.45	128,929.94	
					Balance	Forward	216,313.10	
01/01/2018	BCWDP Tech Support Services, TO 12.1.	Jacobs Engineering Group Inc	4063154	16-0053	6,469.70		222,782.80	
01/01/2018	TO 20 - BCWDB Electrical and WPS-1 Impro	Jacobs Engineering Group Inc	4063152	17-0002	7,884.00		230,666.80	
03/07/2018	removal and install of new pump @ lakesh	Dan Trampe DBA Carson Pump LLC	4100		500.00		231,166.80	
03/27/2018	Repair of three inlet pumps at BCWDP, pe	Reed Electrical & Field Services	RJIR3974	18-0203	2,580.00		233,746.80	
04/01/2018	TO 20 - BCWDB Electrical and WPS-1 Impro	Jacobs Engineering Group Inc	4067496	17-0002	4,649.80		238,396.60	
04/13/2018	Burnt Cedar Beaches Flatscape - stair re	Ferrell Civil Engineering	2018	18-0209	4,350.00		242,746.60	
04/30/2018	Repair of three inlet pumps at BCWDP, pe	Reed Electrical & Field Services	RJIR4067	18-0203	12,155.19		254,901.79	
05/30/2018	Repair of three inlet pumps at BCWDP, pe	Reed Electrical & Field Services	RJIR4123	18-0203	4,244.81		259,146.60	
05/30/2018	Change Order Rebuild Water Damaged Pump	Reed Electrical & Field Services	RJIR4123	18-0203	7,910.38		267,056.98	
06/30/2018	TO 20 - BCWDB Electrical and WPS-1 Impro	Jacobs Engineering Group Inc	4068748	17-0002	801.20		267,858.18	
	TOTAL				51,545.08	0.00	51,545.08	
					Balance	Forward	267,858.18	
09/12/2018	Burnt Cedar WDP Improvements, Firewall s	CDW Government, Inc.	PDX9945	19-0054	4,985.00		272,843.18	
09/12/2018	Burnt Cedar WDP Improvements, Firewall s	CDW Government, Inc.	PDX9945	19-0054	1,100.00		273,943.18	
09/12/2018	Sales tax due to shipping to California	CDW Government, Inc.	PDX9945	19-0054	361.41		274,304.59	
10/01/2018	Birdseye Construction - Invoice 000259	???????			5,000.00		279,304.59	
10/31/2018	CIP Engineering Charges - October 2018				600.00		279,904.59	
10/31/2018	BCWDP Improvements Project, network and	Jacobs Engineering Group Inc	704839CH001	18-0308	4,846.10		284,750.69	
11/02/2018	WPS 2-1 Improvements; Quote S6400296. wrong account	Codale Electric Supply	S6400296.001	19-0035	35,182.26		319,932.95	
12/11/2018	BCWDP Improvements; Firewall system equi	CDW Government, Inc.	QFJ5040	19-0149	2,806.98		322,739.93	
12/13/2018	BCWDP Improvements; Firewall system equi	CDW Government, Inc.	QJX3404	19-0149	2,137.30		324,877.23	
12/14/2018	BCWDP Improvements; Firewall system equi	CDW Government, Inc.	QKD2594	19-0149	823.78		325,701.01	
12/18/2018	BCWDP Improvements; Firewall system equi	CDW Government, Inc.	QKX8078	19-0150	4,361.35		330,062.36	
12/20/2018	BCWDP Improvements; Firewall system equi	Dell Marketing LP C/O Dell USA L.P.	10288242608	19-0151	13,768.44		343,830.80	
01/09/2019	T100 compact GPS ntp server, surge supressor & antenna extension cable	SHI International Corp.	B09356276		912.78		344,743.58	
01/14/2019	CAT6 wiring for Scada project	CDW Government, Inc.	QQZ6215		148.81		344,892.39	
01/22/2019	BCWDP Improvements Project, network and security IT services, TO 28. - Srvc rendered 9/29 - 11/30/2018	Jacobs Engineering Group Inc	704839CH002	18-0308	14,444.06		359,336.45	
01/31/2019	CIP Engineering Charges				1,000.00		360,336.45	
01/31/2019	BCWDP Improvements; Firewall system equipment per Quote KGKN675. To be shipped to I. Ossokie ! Jacobs, 2525 Airport Park, Redding CA 96002.	CDW Government, Inc.	QJN8617	19-0149	2,392.22		362,728.67	

		From 07/01/2014 to 06/30/2021						
		Project 2299DI1401 Burnt Cedar Water Disinfection Plant Improvements						
EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	PO	DEBIT	CREDIT	BALANCE	
01/31/2019	BCWDP Improvements; Firewall system equipment per Quote KGKN675. To be shipped to I. Ossokie ! Jacobs, 2525 Airport Park, Redding CA 96002.	CDW Government, Inc.	QJN8617	19-0149		2,392.22	360,336.45	
01/31/2019	BCWDP Improvements; Firewall system equipment per Quote KGKN675. To be shipped to I. Ossokie ! Jacobs, 2525 Airport Park, Redding CA 96002.	CDW Government, Inc.	QJN8617	19-0149	2,392.22		362,728.67	
02/07/2019	TRIPP 24U RACK ENCLOSURE 33 DEEP	CDW Government, Inc.	QZZ5926		690.00		363,418.67	
02/09/2019	TRIPP PDU BASIC 120V 15A 5-15/20R & TRIPP RACK HEAVY DUTY SLIDING SHELF	CDW Government, Inc.	RBK0453		420.00		363,838.67	
02/28/2019	CIP Engineering Charges				500.00		364,338.67	
03/04/2019	Fortinet Fortitoken MOB SW 10U - BC improvements	CDW Government, Inc.	RJF6422		307.75		364,646.42	
03/05/2019	fortinet fg-100E + 1yr 24/7 support - BC improvement project	CDW Government, Inc.	RJL4524		2,563.28		367,209.70	
03/18/2019	Precision 5820 Tower XCTO Base - BC upgrades	Dell Marketing LP C/O Dell USA L.P.	10301420938		2,510.52		369,720.22	
03/19/2019	Burnt Cedar WDP Improvements Project; variable frequency drive installation. Work bid per NRS 338. - MAR2019 - Electrical #1 @ Burnt Cedar plant	San Joaquin Electric, INV	2019.03.19 - Elec.#1	19-0116	53,400.00		423,120.22	
03/21/2019	Burnt Cedar WDP Improvements Project; HVAC repairs. Work bid per NRS 338.	Brown & Read Engineering, Inc	10488	19-0185	7,700.00		430,820.22	
03/31/2019	CIP Engineering Charges				2,000.00		432,820.22	
04/09/2019	Change Order - Additional onsite installation BCWDP Improvements; Quote S6400296.	Codale Electric Supply	S6644602.001	19-0035	3,325.00		436,145.22	
04/09/2019	Change Order - Additional onsite installation BCWDP Improvements; Quote S6400296.	Codale Electric Supply	S6644602.001	19-0035		3,325.00	432,820.22	
04/09/2019	Change Order - Additional onsite installation BCWDP Improvements; Quote S6400296.	Codale Electric Supply	S6644602.001	19-0035	3,325.00		436,145.22	
04/09/2019	Change Order 2 BCWDP Improvements; Quote S6400296.							
04/09/2019	Extra work required for start-up of the VFD's post construction	Codale Electric Supply	S6644602.001	19-0035	10,238.00		446,383.22	
04/26/2019	TO 20 - BCWDB Electrical and WPS-1 Improvements Final Apr 28, 2018 to Dec 28, 2018	Jacobs Engineering Group Inc	393670CH004	17-0002	9,231.10		455,614.32	
04/26/2019	BCWDP Improvements Project, network and security IT services, TO 28. Dec 1, 2018 to Mar 29, 2018	Jacobs Engineering Group Inc	704839CH003	18-0308	25,704.80		481,319.12	
06/01/2019	BCWDP Improvements Project; engineering services during construction, per TO 32.	Jacobs Engineering Group Inc	D3203800-001	19-0192	14,997.94		496,317.06	
06/26/2019	BCWDP Improvements; new chemical feed pumps.	G3 Engineering Inc.	2019-6285	19-0332	13,981.00		510,298.06	
06/30/2019	PowerFlex 755 AC Packaged Drive	Codale Electric Supply	S6709568.001	19-0318	10,306.45		520,604.51	
	TOTAL				258,463.55	5,717.22	252,746.33	
						Balance Forward	520,604.51	
05/05/2020	BCWDP Improvements Project; new LOX control panel.	Tesco Controls, Inc.	0070116-IN	20-0268	22,135.00		542,739.51	
	TOTAL				22,135.00	0.00	22,135.00	
						Balance Forward	542,739.51	
10/05/2020	INSTALLED STANDARD RAIN GUTTERS @ 665 LakeshoreBlvd	Dunn Rite Inc	16034		2,082.00		544,821.51	
06/28/2021	Upgrade to Captor injection pump at Burnt Cedar WDP. Requested by K. Rudd.	G3 Engineering Inc.	2021-7151	21-0234	5,265.32		550,086.83	
06/30/2021	To expense CIP Cost to Operating					2,082.00	548,004.83	
	TOTAL				7,347.32	2,082.00	5,265.32	
	GRAND TOTAL				601,970.50	53,965.67	548,004.83	

Engineering Charges - \$60,000

EXHIBIT B



Project Summary

Project Number:	2299DI1401
Title:	Burnt Cedar Water Disinfection Plant Improvements
Project Type:	E - Capital Maintenance
Division:	99 - General Administration - Water
Budget Year:	2020
Finance Option:	
Asset Type:	DI - Distribution Infrastructure
Active:	Yes

Project Description	<p>The Burnt Cedar Water Disinfection Plant produces one billion gallons of potable drinking water for the 8000+ customers in Incline Village and Crystal Bay. The delivery of potable water to our customers is the most important mission of the Public Works Department. The two main federal water regulations that regulate the District's water system is the Surface Water Treatment Rule (SWTR 1989) and the Long Term 2 Enhanced Surface Water Treatment Rule (LT2 2006). The Plant contains raw water pumping, ozone system for disinfection for virus inactivation, ultraviolet system for girardia and cryptosporidium inactivation, chlorine dosing for residual disinfectin in the distribution, and treated water pumping. Associated with these processes are communication equipment, electrical equipment, instrumentation equipment, valving, standby electrical generation, chemical dosing etc. The plant has been in existence since 1961 with the most recent major upgrade completed in 2012 to achieve compliance with LT2.</p> <p>This project is to cover the on-going capital maintenance and replacement of the equipment and facilities at the water disinfection plant.</p>
Project Internal Staff	<p>Staff will oversee the design, bid and administer the construction.</p>
Project Justification	<p>This project is for on-going capital replacement of equipment and facilities at the water disinfection plant. This project also includes a possible extension of the water intake pipeline. EPA and State Regulations may require extension of the raw water intake to the water plant where it is deeper and farther from the shore and creek mouths where it will be less influenced by disturbances from storms. This project also includes the potential abandonment of the old water intake line in Crystal Bay owned by IVGID since 1978. This project funds mechanical, electrical civil and control system improvements.</p>

Forecast				
Budget Year	Total Expense	Total Revenue	Difference	
2020				
Electrical, Mechanical, and Pumping Improvements	25,000	0	25,000	
Removal of Washoe 1 Water Intake Line	25,000	0	25,000	
Year Total	50,000	0	50,000	
2021				
Electrical, Mechanical, and Pumping Improvements	25,000	0	25,000	
Removal of Washoe 1 Water Intake Line	30,000	0	30,000	
Year Total	55,000	0	55,000	
2022				
Electrical, Mechanical, and Pumping Improvements	25,000	0	25,000	
Year Total	25,000	0	25,000	
2023				
Electrical, Mechanical, and Pumping Improvements	25,000	0	25,000	
Year Total	25,000	0	25,000	
2024				
Electrical, Mechanical, and Pumping Improvements	25,000	0	25,000	
Year Total	25,000	0	25,000	
2025				
Water intake design	250,000	0	250,000	
Year Total	250,000	0	250,000	
2026				
Water intake construction	1,500,000	0	1,500,000	
Year Total	1,500,000	0	1,500,000	
	1,930,000	0	1,930,000	
Year Identified	Start Date	Est. Completion Date	Manager	Project Partner
2014	Jul 1, 2019	Jun 30, 2020	Engineering Manager	

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch
Audit Committee Chairman

FROM: Paul Navazio
Director of Finance

SUBJECT: FY2021/22 Independent Financial Audit: Schedule/Work Plan

DATE: June 16, 2022

I. RECOMMENDATION

That the Audit Committee review, discuss and comment on the Schedule/Work plan provided by Davis Farr, LLP related to the Independent External Audit for the fiscal year ending June 30, 2022.

II. BACKGROUND

Last year, the Board of Trustees engaged Davis Farr, LLP to serve as the District's Independent External Auditor, for a five-year term starting with the fiscal year ending June 30, 2021.

At the Audit Committee meeting of May 10, 2022, the Audit Committee reviewed the Engagement Letter pertaining to the audit of the District's financial statements for the fiscal year ending June 30, 2022, as well as two supplemental engagement letters for agreed-upon procedures related review and assessment of internal controls in the areas of a) capitalization and b) purchasing and contracts. Each of the engagement letters have since been executed by the Audit Committee Chair.

The purpose of this agenda item is to provide the Audit Committee with an overview of the schedule and work plan for the audit of the FY2021/22 financial statements.

Attachments:
Audit Schedule/Work plan
Engagement Letter (signed)

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
Audit Work Plan
Fiscal Year Ending June 30, 2022

The following work plan is subject to modification but represents the work plan and milestones for the completion of the annual financial statement audit.

Audit Committee Meeting
IVGID Finance staff
Davis Farr

Date	Task Assigned To	Task
March 15, 2022	Audit Committee	Meeting #1 with auditors and staff to discuss scope and timing of audit
April 6, 2022	Davis Farr	Draft audit engagement letter delivered
April 24, 2022	Davis Farr	Provide interim audit request list to Finance staff
May 23, 2022	Finance staff	Upload interim audit request items to FTP site
May 23, 2022	Davis Farr	Begin interim audit procedures
May 24, 2022	Davis Farr	Planning meeting with Finance staff
June 17, 2022	Davis Farr	Provide final audit request list and confirmation instructions to Finance staff
June 30, 2022	Finance staff	Due date for returning confirmation requests to Davis Farr
July 30, 2022	Finance staff	Accounts Payable Cut-off
August 30, 2022	Finance staff	Complete capital project closeouts and depreciation entries
Late Aug 2022	Audit Committee	Meeting #2 to discuss progress of year end close, issues identified during interim audit, complex accounting issues, and review final audit timeline
September 30, 2022	Finance staff	Upload trial balance and final audit request items to FTP site
October 3, 2022	Davis Farr	Begin final audit procedures off-site
October 10, 2022	Davis Farr	Continue final audit procedures on-site
October 17, 2022	Davis Farr	Status meeting with Finance staff
October 21, 2022	Finance staff	Draft #1 of financial statements due to Davis Farr (Financial Section only)
October 28, 2022	Davis Farr	Status meeting with Finance staff
October 28, 2022	Davis Farr	Review comments on Draft #1 and draft SAS letters due to Finance staff
November 4, 2022	Finance staff	Draft #2 of financial statements due to Davis Farr (inclusive of Introductory Section, MD&A, and Statistical Section)
Early November	Finance staff	Mailout of draft reports to Audit Committee
Mid of November	Audit Committee	Meeting #3 to review draft reports and results of audit
By Nov 30, 2022	Davis Farr	Finalize audit opinion and reports after Finance staff makes any necessary changes as a result of audit committee meeting
December	Davis Farr	Present final reports to Board of Trustees

May 5, 2022

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

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide the Incline Village General Improvement District (the "Entity").

The Entity has requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Entity, as of June 30, 2022, and for the year then ended and the related notes, which collectively comprise the Entity's basic financial statements.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and, if applicable, in accordance with Government Auditing Standards, and/or any state or regulatory audit requirements will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP,) as promulgated by the Governmental Accounting Standards Board (GASB) require that certain required supplementary information ("RSI") such as management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of Employer Required Contributions to Defined Contribution Multi-Employer Plans
3. Budgetary Comparison Schedules

Supplementary information other than RSI will accompany the Entity's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

1. Budgetary Comparison Schedules (Governmental and Enterprise Funds)

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

1. Introductory Information
2. Statistical Information

Auditor Responsibilities

We will conduct our audit in accordance with GAAS and in accordance with Government Auditing Standards. As part of an audit in accordance with GAAS and in accordance with Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and in accordance with Government Auditing Standards.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Entity's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters, including the Entity's Policies, Practices and procedures related to financial reporting;
 - ii. Additional information that we may request from management for the purpose of the audit;
 - iii. Unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.
 - iv. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
 - v. A final version of the Annual Comprehensive Financial Report (including all the documents that, together, comprise the report) in a timely manner prior to the date of the auditor's report.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by us;
- e. For identifying and ensuring that the Entity complies with the laws and regulations applicable to its activities including the Entity's policies, practices and procedures related to financial reporting;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;

- h. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the financials; and
- j. For the accuracy and completeness of all information provided.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

We agree to perform the following nonattest services:

- Propose adjusting or correcting journal entries detected during the audit, if applicable, to be reviewed and approved by the Entity's management.
- Word process the financial statements using information provided by management.

We will not assume management responsibilities on behalf of the Entity. However, we will provide advice and recommendations to assist management of the Entity in performing its responsibilities.

The Entity's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards
- The nonattest services are limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries.

Reporting

We will issue a written report upon completion of our audit of the Entity's basic financial statements. Our report will be addressed to the Board of Trustees of the Entity. Circumstances

may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of Government Auditing Standards, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

Engagement Fees

We estimate that our fixed fees for the services previously outlined will be \$49,000.

Additionally, our fees are dependent on the availability, quality, and completeness of the Entity's records and, where applicable, upon the Entity's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., Entity employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.).

Should our assumptions with respect to these matters be incorrect, or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. If significant additional time is necessary, we will discuss it with the Audit Committee and management and arrive at a new fee estimate as soon as reasonably practicable.

Other Engagement Matters

During the course of the engagement, we may communicate with the Audit Committee or Entity personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Enclosed, as required by *Government Auditing Standards*, is a copy of the report on the most recent peer review of our firm.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

Jennifer Farr is the engagement partner responsible for supervising the engagement and signing the report.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management or the Audit Committee, either orally or in writing.

The Audit Committee and management agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the Audit Committee and the Board of Trustees the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Davis Farr LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulatory agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Davis Farr LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulatory agencies. The regulatory agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to provide these services and believe this letter accurately summarizes the significant terms of our engagement.

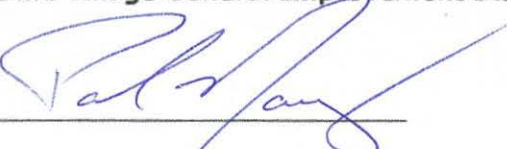
Very truly yours,



Jennifer Farr, CPA
Davis Farr LLP


The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Incline Village General Improvement District

By 

Paul Navazio, Director of Finance

Date 5/23/22

By 

Ray Tulloch, Chair of Audit Committee

Date 5/23/22

May 15, 2022

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

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

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

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

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

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

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

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

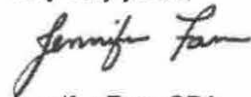
\$90-\$180 per hour based on the personnel used. We will also bill the District for any travel costs incurred, if applicable. We estimate the fees for this engagement will range from \$6,000-\$10,000 based on the number of transactions tested.

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

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

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

Very truly yours,



Jennifer Farr, CPA
Partner

RESPONSE:

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

By:  _____

Title: AUDIT COMMITTEE CHAIR

Date: 5/23/22

Procedures to be Performed

1. We will obtain an understanding of the District's policies, practices and procedures for capitalizing assets during the fiscal year ended June 30, 2022. For purposes of these procedures, Board Policy 8.1.0 updated and approved in January 2022 will be effective for costs incurred or assets received after January 1, 2022. We will include the following policies and practices as exhibits in our report:
 - Board Policy 8.1.0 (updated January 2022)
 - Board Policy 8.1.0 (effective July 2016)
 - Board Policy 9.1.0 (effective July 2016)
 - Board Practice 2.9.0 (effective July 2016)
2. We will compare the Board of Trustee's policies and practices to the District's *Policies and Procedures Manual for Accounting & Financial Control* and provide a listing of any inconsistencies. We will obtain the Government Finance Officers Association capital asset best practice policies and identify any differences with the Board of Trustee's policies and practices.
3. We will obtain detail of all capitalized costs for the fiscal year ended June 30, 2022. We will summarize the expenses by project, type of asset, and transaction amount.
4. For the period July 1, 2021 through December 31, 2021, we will obtain supporting documentation for all capitalized costs less than \$5,000. We will determine if transactions met the capitalization requirements of Board Policies 8.1.0 and 9.1.0 and Board Practice 2.9.0 as follows:
 - a. Amount capitalized agreed to supporting documentation
 - b. Initial useful life was more than two years
 - c. Capitalized item met the \$5,000 capitalization threshold
 - d. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
5. For the period January 1, 2022 through June 30, 2022, we will obtain supporting documentation for all capitalized costs less than \$10,000. We will determine if transactions met the capitalization requirements of Board Policy 8.1.0 as follows:
 - a. Amount capitalized agreed to supporting documentation
 - b. Initial useful life was three years or more
 - c. Capitalized item met the \$10,000 capitalization threshold (\$25,000 for certain assets)
 - d. If capitalization threshold was applied to a network or group of items:
 - i. Asset was part of a group purchase for similar assets (example: golf cards when they are components of a fleet; banquet facility furnishings)
 - ii. Item is a component of a system or network (components of a computer/telephone network; snow-making system)
 - iii. District documented justification for grouping the assets
 - e. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
6. We will select a random sample of 30 transactions greater than \$5,000 for the period July 1, 2021 through December 31, 2021 and greater than \$10,000 for the period January 1, 2022 through June 30, 2022 (15 transactions for each period). We will determine if transactions met the capitalization requirements as follows:
 - a. Amount capitalized agreed to supporting documentation

- b. Initial useful life was two (or three) years or more, as applicable to the period
 - c. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
 - d. Item was not a feasibility study for purposes of determining whether or not to move forward with a project
 - e. Transaction was not related to master plan costs that are not specific to a capital project
7. For projects exceeding \$50,000 for the fiscal year ended June 30, 2022, we will perform the following procedures:
- a. Review the Board approved capital project including any capital project summaries to obtain information about the project including the approved budget, the nature of the project, and the expected completion date of the project.
 - b. Meet with the project manager to obtain additional information about the nature of the project
 - c. We will determine if the capital project met the capitalization requirements as follows:
 - i. Initial useful life is three years or more
 - ii. Item was not for a repair or maintenance that does not extend the original useful life of the asset or expand the capacity of the asset
 - iii. Item was not a pre-planning activity or feasibility study
 - iv. Transaction was not related to master plan costs that are not specific to a capital project
 - d. If the project is a replacement project, determine if the replaced asset was removed from the accounting system
8. We will request written representations from the District's Management stating that the accounting records we examined are accurate.
9. We will prepare a report for the Audit Committee that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies, practices or procedures.
10. We will meet with Management and the Audit Committee to report on the results of our procedures prior to finalization of our report.

May 5, 2022

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

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

We agree to apply procedures to the District's vendor contracts for the fiscal year ended June 30, 2022. Management is responsible for complying with the District's Purchasing Procedures ("Policies").

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

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

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

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

We plan to begin our procedures in June 2022. Our fees will be billed at the hourly rates in our proposal for audit services dated December 14, 2020 which range from \$90-\$180 per hour based on the personnel used. We will also bill the District for any travel costs incurred, if

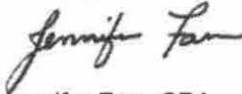
applicable. We estimate the fees for this engagement will range from \$6,000-\$10,000 based on the number of contracts tested.

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

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

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

Very truly yours,



Jennifer Farr, CPA
Partner

RESPONSE:

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

By:  _____

Title: AUDIT COMMITTEE CHAIR

Date: 3/23/22

Procedures to be Performed

1. We will obtain an understanding of the District's policies, practices and procedures related to Purchasing and Contracts during the fiscal year ended June 30, 2022 including *Board Policy 3.1.0*, *Board Practice 13.2.0*, and *Policies and Procedures Manual for Accounting & Financial Control*. We will summarize the purchasing policies, practices and procedures in our report.
2. We will obtain general ledger detail of all costs incurred from July 1, 2021 through April 30, 2022. We will summarize transactions by vendor. We will provide statistical information about the population of vendor transactions in our report. We will exclude vendors paid less than \$5,000 from our testing population. We will exclude vendors not subject to the District's purchasing policies (e.g., utility providers, employee benefit providers, insurance providers) from our testing population. We will list those vendors in our report.
3. We will select a sample of 25 vendors for additional testing. We will exclude vendors identified in procedure 2. We will select the top 5 vendors in terms of total amount paid during the period and 20 vendors selected randomly from the list of vendors paid during the year. We will obtain purchasing documentation, contracts, change orders, and a sample of payments for each of the 25 vendors selected.
4. We will test the 25 vendors for the following attributes:
 - a. Competitive bidding was obtained, as required by the policy
 - b. Contract was approved in accordance with the policy
 - c. The Board approved the contract in accordance with the policy
 - d. Total payments made under the contract did not exceed the contract amount (this attribute will include reviewing payments since the inception of the contract through April 30, 2022).
 - e. Change order, if applicable, was approved in accordance with the policy
 - f. Change order, if applicable, was approved prior to the date when the authorized contract amount including Board approved contingencies was exceeded
 - g. We will select five invoices from each vendor and test for the following attributes:
 - i. Invoice was for goods or services provided during the period of performance noted in the contract
 - ii. Invoice was approved for payment by an individual who has the appropriate spending authority
 - iii. Invoice was approved by an individual knowledgeable of the goods or services provided
 - iv. If the individual who approved the invoice is still employed by the District, we will obtain written representations from the employee that the goods or services billed were provided or received
 - v. If the invoice is for a service, we obtained documentation for all statement of work task orders billed
 - vi. Invoiced amounts were consistent with the amounts and terms noted in the agreement
5. We will request written representations from the District's Management stating that the accounting records we examined are accurate.
6. We will prepare a report for the District that summarizes the procedures and results of the procedures. We will include any recommendations for improvements to the District's policies or practices.

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

MEMORANDUM

TO: Audit Committee

FROM: Paul Navazio
Director of Finance

SUBJECT: Review and Discussion of Recognition of Revenue for Accounting and Financial Reporting Purposes

DATE: June 16, 2022

I. RECOMMENDATION

That the Audit Committee review, discuss and comment on current practice for recording District program revenues for accounting and financial reporting purposes.

II. BACKGROUND

The agenda item has been prepared to provide the Audit Committee with an overview of what the current practice is accounting for and reporting of District revenues across venues, programs and activities.

The Audit Committee may wish to comment on the accounting treatment related to specific transactions, to include recording of Diamond Peak Season Passes, Golf Play Passes, Punch Cards, etc.

Management is seeking input from the Audit Committee in an effort to promote consistency in reporting of program revenues across District activities.

Attachment:
IVGID Program Revenue Recognition Matrix

IVGID PROGRAM REVENUE RECOGNITION MATRIX

	Golf	Facilities	Ski	Recreation Center	Tennis	Parks	Beaches
Facility Fees	<p>Annual Recreation and Beach Facility Fees established by the Board through the annual budget process; the Fees are billed separately and collected via the Washoe County Property Tax bill. Revenues are collected and transmitted quarterly and recorded in the month of receipt from Washoe County Treasurer's Office.</p> <p>Upon receipt, each quarter, the Recreation Facility Fee is allocated to each Community Services sub-fund in proportion to the allocation established by the Board through the annual budget process.</p>						
							<p>The Beach Facility revenues are recorded upon receipt, each quarter, as program revenue within the Beach Fund.</p>
Punch Cards	<p>Punch Cards are recognized as a "form of payment" in various Point-of-Sale (POS) systems used by the District. Generally, a Punch Card can be used to either access a "Guest Rate" or buy-down the Non-Picture Pass Holder Rate to a Picture Pass Holder rate.</p>						
Original Issue	<p>Original issue Punch Cards are paid for via the Facility Fees assessed on parcel owners within the District. Therefore, when an Original issue Punch Card is used at a District Venue, any revenue recorded in the originating POS system is "backed-out" via a contra-revenue entry.</p>						
Additional / Purchased	<p>Parcel owners may purchase a limited number of additional "limited-access" Punch Cards. Each Punch Card is priced equal to 1/5 of the applicable total Facility Fee paid by the parcel owner. When purchased, the amounts paid are recorded as a DEFERRED REVENUE. Revenue is recognized when these Punch Cards are utilized, and recorded as Charges for Services at that venue. Any unused value from these "additional" Punch Cards at the end of the year (May 31st) is recorded as "earned" at fiscal year-end.</p>						
Charges for Services							
Daily Use	<p>Fees paid for daily use of District venues is recorded as earned revenue in the period when the transaction occurred.</p>						
Play Passes / Season Passes	<p>Revenue from Golf Play Pass sales are recorded as DEFERRED revenues when purchased. Revenues are recognized as "earned" when applied to round of golf played by Play Pass-holder. For All-You-Can-Play passes, 1/40th of the value of the pass is recognized for each round played. Any unused value of a play-pass is recognized as "earned" at the end of the golf season (November/December)</p>		<p>Diamond Peak Season Passes sold prior to start of each new ski season are recorded as Deferred Revenue and recognized as "earned" on December 1st.</p>				
Memberships					<p>Revenues from Recreation Center and Tennis/Pickleball Club memberships are recorded as "earned" when membership is sold.</p>		

IVGID PROGRAM REVENUE RECOGNITION MATRIX

	Golf	Facilities	Ski	Recreation Center	Tennis	Parks	Beaches
Lessons	When lessons are booked in advance, the revenue is generally deferred and recognized at the time the service is provided.						
	X		X	X	X		X
Camps				Revenue for participation in Camps is deferred and recognized as revenues when the Camp takes place (service is provided).			
Facility Rentals / Events	Deposits received for Facility rentals and Special Events are recorded as deferred revenues. Revenues are recognized as "earned" in the accounting period of the event.						
Tournaments	Fees collected for tournaments are generally deferred and recognized in the period when the events are held.			Fees collected for tournaments are generally deferred and recognized in the period when the events are held.			
Food & Beverage							Concession revenues for Beach Food and Beverages are recorded when quarterly payments received.
	X	X	X				
Merchandise							
	X		X	X	X		
UTILITIES							
Utility Charges for Services							
Base Charge (Fixed)	Charges for Services for water and sewer service are recorded in the period in which charges are billed. Note: in the past, the District would "defer" the June billing for the fixed "base" rate (Admin and Capital Charge) until July based on the notion that the fixed charges are billed "in advance." This practice has been discontinued, in consultation with the auditor, based on the revenue recognition principle that the District records 12 months of fixed charges in each fiscal year, and that deferral of the June billing to the following July (across fiscal years) is not necessary.						
Consumption Charge	Charges for water and sewer services are recorded in the period in which the charges are billed.						

TO: Audit Committee
FROM: Audit Committee Chairman Ray Tulloch
DATE: 16 June 2022

Review, discuss, and modify as necessary the draft of the Audit Committee's Annual report to the Board of Trustees

MEMORANDUM

I. RECOMMENDATION

That the Audit Committee provide the Board with an annual report of the actions taken by the Committee to fulfil their duties and responsibilities required under Policy 15.1.0. This report will be prepared to cover the fiscal year. The Audit Committee should review, discuss and modify the draft report attached prior to presentation to the Board.

II. BACKGROUND AND ANALYSIS

Under Policy 15.1.0, Section 2.9, the Audit Committee is to submit an annual report to the Board of Trustees assessing the results of its fulfillment of its duties and responsibilities. The annual report be based on the time period between each fiscal year. The Audit Committee held 13 meetings between July 13 2021 and June 30, 2022. Two of these were single issue special meetings that were made necessary to meet urgent timelines for submissions. A summary of items discussed and resolved at each meeting is on Exhibit B.

It is now appropriate for the Audit Committee to review our results over the past year and provide a short executive summary of achievements and actions fulfilling the duties and responsibilities required during the past 12 months.

Annual Audit Committee Report for 2021-22

During the 2021-22 fiscal year the Audit Committee held 13 meetings Two of these were single issue special meetings that were made necessary to meet urgent timelines for submissions. A summary of items discussed and resolved at each meeting is on Exhibit A.

It is unfortunate that for much of the year the Audit Committee was required to operate with less than its full complement of Committee members. Initially there was only one (of 2) Trustee on the Board as Trustee Dent had stepped down as of 30 June 2021 and the Board was unable to appoint a replacement. The Audit Committee wishes to thank Mr. Dent for stepping back up to fill the position on a temporary basis from September 2021. In addition At-Large member Mr. Aaron resigned from the Committee as of July 19 due to business pressures. Although the Board interviewed candidates to replace Mr. Aaron they declined to appoint a replacement. As a result, for the majority of the year the Committee operated with only 4 (four) rather than 5 (five) members which increased the workload on these members given that Committee members were responsible for personally preparing agenda memos for the Committee.

In the initial 2020-21 year of operation of the Committee, some concerns were raised that at times the Committee was perceived to be operating outside its defined scope. As a result every effort was made to ensure the involvement and purview of the Committee was focused on its responsibility to provide independent review, oversight and feedback on:

1. Financial reporting
2. Internal controls
3. The independent audit of the basic financial statements
4. The ACFR

It is the considered view of the Committee that, during 2021-22, it has indeed operated within these parameters.

The Committee, recognizing the lessons learned from the initial 2020-21 year, as well as responding to concerns raised by some Board members, spent significant time during the first half of the year making recommendations for changes in Policy 15.1.0. This proved to be an extended iterative process before the Board finally reached agreement on changes at their February 3, 2022 meeting.

During the year there were instances where the Board declined to accept considered and researched recommendations from the Audit Committee. Most notable concerned the Annual Comprehensive Financial Report (ACFR) where the Audit Committee was presented with the final version, with changes that had not been previously discussed, on the same day it was provided to the Board for approval. As a result the Audit Committee had no time to discuss changes and was unable to sign off on the ACFR as presented. The concerns of the Committee were substantively around items being capitalized rather than expensed in compliance with Board policies and practices. As will be understood this unfortunately created some friction between the Board and the

Audit Committee. The Audit Committee does also recognize that it bears some responsibility in this area as it has identified for future years that it should schedule more frequent updates with the external auditor and IVGID financial staff during the course of the Audit in order that concerns may be addressed at an earlier stage.

However, the Audit Committee has remained consistent and steadfast in operating in accordance with its charter, which also reflects Government Finance Officers Association (GFOA) guidance, as follows:

“An Audit Committee plays a key role with respect to overseeing the integrity of the District’s annual financial statements (the “ACFR”) by ensuring those responsible for financial management (Management and the Board of Trustees) meet their responsibilities for maintaining an effective system of internal controls over financial reporting. An Audit Committee is a practical means for a governing body to provide much needed independent review and oversight of the District’s financial reporting processes, internal controls, and independent auditors.

An Audit Committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an Audit Committee helps to ensure that procedures are in place to objectively assess management’s practices, and that the independent auditors, through their own review, objectively assess the government’s financial reporting practices.”

The Audit Committee recognizes that this may not always be a popular approach. However it is the unanimous and considered view of the Committee that to operate otherwise or to be influenced by political pressures would be an abrogation of the independence and charter of the Committee. The Audit Committee is not established simply as a rubber stamp but to provide independent and objective oversight of IVGID financial reporting practices, and also leveraging the extensive skills in the community through the at-large members. The Audit Committee fully recognizes that it has a distinctively apolitical and different role from the Board and that, while it can make recommendations to the Board, it is up to the Board to accept or reject these recommendations and to subsequently be responsible for the decisions reached.

During the year the Audit Committee developed, as directed by the Board, a whistleblower policy. This was presented to the Board but no action has been taken.

Another focus of the Committee has been working with staff on development and implementation of appropriate internal controls. This remains a work in progress and has also been further informed by the external audit findings of Material weaknesses and deficiencies which are being addressed through this process. The Committee notes the additional resources brought in by IVGID management to accelerate this work as previously suggested.

During the year there have been recurring discussions between the Committee and finance staff regarding Capitalization policies. The Committee has been consistent in its approach to this in that capitalization should be consistent applied in accordance with Board policies as well as compliance with GAAP and GASB. This supports consistent financial reporting than can be used for accurate year on year comparisons. This is of particular importance for external financial review that will be necessary for the future bonding of the effluent pipeline.

The Committee also notes the approval of the Board, based upon a joint recommendation from Finance staff and the Audit Committee, to expand the scope of the external audit to include additional review of internal controls and capitalization policies. It is our joint view that this will benefit the District and support more consistent and accurate financial reporting.

DRAFT for DISCUSSION

Attachments:

EXHIBIT A

History of Audit Committee Meetings for fiscal year ending June 30, 2022

July 13, 2021

- The Audit Committee Chair outlined expectations for decorum and procedure for the Audit Committee
- The Audit Committee reviewed, discussed and provided recommendations where appropriate on:
 - Whistleblower policy
 - External Auditor performance
 - Annual Audit Committee report to the Board
 - Facilitation of the 2020/21 external audit process including election of a liaison to the Auditor
 - Proposed modifications to Policy 15.1.0

August 10, 2021

- Update to the Audit Committee on work products presented to the Board
 - Whistleblower policy
 - Annual Report from the Audit Committee
- External Auditor, Davis Farr, update to the Audit Committee
- Update presentation on Internal Controls
- The Audit Committee reviewed, discussed and provided recommendations where appropriate on:
 - Proposed modifications to Policy 15.1.0
 - Staff's response on investment income allocation

August 17 2021

- Special additional meeting to finalize 15.1.0 recommendations to Board

October 26, 2021

- Update to the Audit Committee on work products presented to the Board
 - Modifications to Policy 15.1.0
- Update on external audit and review of initial draft of financial statements
- Review of completed Internal Controls updates and prioritized schedule of Internal Control updates to be completed in Fiscal Year 2021/2022
- Update on allocation of Investment Income earned on Cash, Cash Equivalents and Investments for the Governmental Funds ONLY for the Fiscal Year ending June 30

November 17, 2021

- The Audit Committee reviewed and discussed the DRAFT of the District's Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021 and Results of Audit

December 8, 2021

- The Audit Committee reviewed and discussed the District's FINAL Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021 and recommended changes

December 16, 2021

- The Audit Committee reviewed and discussed the District's FINAL Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021
- The Audit Committee agreed to provide a report to the Board detailing their concerns over inaccuracies in the Annual Comprehensive Financial Report and recommending changes

February 22, 2022

- The Audit Committee reviewed and discussed District Management's response to the Audit Committee report to the Board of Trustees on the Annual Comprehensive Financial Report
- The Audit Committee reviewed and discussed status of implementing recommendations made by the Auditor (Davis Farr) in their Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2021 as well as implementation of (selected) recommendations from the Audit Committee on the Audit
- The Audit Committee reviewed and discussed actions taken in response to recommendations in the Moss Adams report on policies and practices
- The Audit Committee reviewed and discussed to determine if action was required in response to memos received regarding:
 - Charge off of expenses which have been included in construction in progress
 - Incline Park Facility Renovation, Project#4378L11801, Final disclosure of the close out of the Memorandum of Understanding ("MOU") with Incline-Tahoe Foundation regarding construction of the project
 - Golf Courses Irrigation, Greens, Tees and Bunkers, etc. Expenses rather than Capital Assets
 - Reporting and use of Facility Fees

April 13, 2022

- The Audit Committee reviewed and discussed and provided recommendations as appropriate on
 - draft report to Board of Trustees on the Annual Comprehensive Financial Report and Staff response
 - further action if any on the Effluent Pipeline Capital Improvement Project charges to expense for FY 2020 and 2021
 - further action if any on the Golf Courses Irrigation, Greens, Tees, Bunkers and similar items as expenses rather than capital assets

April 21, 2022

- Special additional meeting to Review, discuss and possibly take action on the Davis Farr draft engagement letter; to include discussion on schedule, reporting, milestones and interim deliverables and to include discussion related to concerns of the Audit Committee and options for expanding annual audit by Davis Farr

May 10, 2022

- The Audit Committee reviewed, discussed and provided recommendations as appropriate on
 - the Davis Farr draft engagement letter to include review discussion and approval of supplementing FY2021/22 Independent Audit to Include Additional Agreed-Upon Procedures Related to 1) Capitalization of Assets and 2) Purchasing/Contracts options for expanding annual audit by Davis Farr to include review of internal controls as integrated audit
 - further action if any on the Effluent Pipeline Capital Improvement Project charges to expense for FY 2020 and 2021
 - further action is necessary on the Golf Courses Irrigation, Greens, Tees, Bunkers and similar items as expenses rather than capital assets
 - Review, discuss and determine if any further action is necessary on the expensing of net costs which were historically capitalized relating to 3 ongoing projects in the Utility Fund.

June 1, 2022

- The Audit Committee reviewed, discussed and provided recommendations as appropriate on
 - further action if any on charges to the Water and Sewer Pump Stations capital projects for 2015 to 2021 which were capitalized but should have been expensed
 - further action if any on charges to the Wetlands Effluent Disposal Facility Improvements capital projects for 2015 to 2021 which were capitalized but should have been expensed
 - Management's responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting
 - further action if any on Note 22 - Prior Period Adjustment - Annual Comprehensive Financial Report as of June 30, 2021 (ACFR)
 - further action if any on Accounting and Reporting of Facility Fees Revenue in the Annual Comprehensive Financial Report (ACFR)
 - Verbal review of annual internal controls schedule and update on revisions to internal controls (Policy 15.1.0, 2.6.1,2)
 - further action if any on implementation of agreed actions identified from 20-21 Audit Report by the Audit Committee

June 16, 2022

- The Audit Committee reviewed, discussed and provided recommendations as appropriate on
 - Follow-up explanatory on Management Responses to Audit Committee report on 2020-21 ACFR
 - Wastewater Treatment Plant Improvements
 - Burnt Cedar Disinfection Water Treatment Plant
 - Schedule / work plan for 2021-22 Financial Audit
 - How revenue is treated for play passes and punch cards
 - Annual Audit Committee report to the Board of Trustees as per Policy 15.1.0

DRAFT for DISCUSSION

DATE	DAY OF THE WEEK	TIME	LOCATION	COMPLETED MEMORANDUMS WITH ALL BACK UP MATERIALS FOR AGENDA ITEMS FROM AUDIT COMMITTEE MEMBERS DUE DATE	ITEMS SLATED FOR CONSIDERATION
PARKING LOT					Internal controls Whistleblower – Future date to be determined DavisFarr Work Plan review DavisFarr monthly meeting with the AC to update them on the audit process Dillon’s Rule on DPSEF contract Annual report to the Board of Trustees related to Policy 15.1.0 (Dobler)

MINUTES

AUDIT COMMITTEE MEETING OF JUNE 1, 2022 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Wednesday, June 1, 2022 at 4:04 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

Cliff Dobler (At-Large Member), Sara Schmitz (Trustee), Matthew Dent (Trustee) and Raymond Tulloch (At-Large Member) (Chair)

On roll call, present were Cliff Dobler (At-Large Member), Raymond Tulloch (At-Large Member, Chairman) and Matthew Dent (Trustee). Trustee Sara Schmitz was absent.

B. PUBLIC COMMENTS

There were no public comments made at this time.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Tulloch asked for changes; Audit Committee At-Large Member Dobler asked that General Business Item D.6 be moved to after General Business Item D.9. Trustee Dent said with the changes made to the Audit Committee, we have to make sure the new committee is set up for success. Audit Committee At-Large Member Dobler said we will still have items that are unanswered and that we have a long range calendar that they can take up. Audit Committee Chairman Tulloch said let's try and clear the decks today and suggested that General Business Items D.3. and D.6. be moved to before General Business Item D.8. The agenda was approved as revised.

D. GENERAL BUSINESS ITEMS (for possible action)

D.1. Review, discuss and determine if any further action is necessary on charges to the Water and Sewer Pump Stations capital projects for 2015 to 2021 which were capitalized but should have been expensed

Audit Committee At-Large Member Dobler went over the submitted materials of both memorandums. The Audit Committee had a discussion about both memorandums.

Audit Committee At-Large Member Dobler made a motion to have IVGID Staff review these memorandums, make a determination and provide a report back to the Audit Committee in the next 60 to 90 days. Audit Committee Chairman Tulloch asked for an amendment and that was that Staff do a high level review and report back what approach is being used going forward.

Audit Committee At-Large Member Dobler said that is a tipping point and it is all about the aggregate. You have found what happened and then aggregate all together to see if our financial statements have been done incorrectly; he thinks that needs to be done. Audit Committee Chairman Tulloch said he is not sure he can sign on to spend \$100,000 to do this work. Audit Committee At-Large Member Dobler said he is going to be talking about two other items at the next Audit Committee meeting and he doesn't know how you can't do the work and aggregate it to find out how large the problem is. Audit Committee Tulloch said he can't support going line by line and work order by work order. The work order could have 1,000 line items on the work order.

Trustee Dent seconded the amended motion. District General Counsel Nelson said that Audit Committee At-Large Member Dobler's motion failed for lack of a second. Audit Committee Chairman Tulloch called the question and Trustee Dent and Audit Committee Chairman Tulloch voted in favor of the amended motion and Audit Committee At-Large Member Dobler voted opposed. The motion passed.

District General Counsel Nelson said that motions can be passed with a 2 versus 1 vote as referenced in the Open Meeting Law.

D.2. Review, discuss and determine if any further action is necessary on charges to the Wetlands Effluent Disposal Facility Improvements capital projects for 2015 to 2021 which were capitalized but should have been expensed

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. The Audit Committee had a discussion about how this is a capital asset and Staff said they didn't make a unilateral decision as Staff pulled work order, contracts and invoices and then did the capital asset review with DavisFarr and that the remaining were those items that were to be capitalized so that work has already been done. Audit Committee At-Large Member Dobler said it should be maintenance and not capitalized

based on what Moss Adams has said. Audit Committee Chairman Tulloch said it looks that way to him and that we are doing running repairs but did you say you have detail that you could provide at the next meeting? Director of Finance Navazio said yes, based on the review of the work that was actually done and DavisFarr reviewed that and concurred and will bring that to the next meeting. Audit Committee Chairman Tulloch said ok and asked if Staff can bring back the additional details as that would be helpful.

D.3 Discuss Management's responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting (*moved to General Business Item D.*)

D.3. Review, discuss and determine if any further action is necessary on Note 22 - Prior Period Adjustment - Annual Comprehensive Financial Report as of June 30, 2021 (ACFR) (*was General Business Item D.4.*)

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. The Audit Committee had a discussion which concluded with Staff saying that they did an analysis and Audit Committee At-Large Member Dobler asked to see it.

D.5. Review, discuss and determine if any further action is necessary on Accounting and Reporting of Facility Fees Revenue in the Annual Comprehensive Financial Report (ACFR) (*was General Business Item D.4.*)

Audit Committee At-Large Member Dobler gave an overview of the submitted materials. Director of Finance Navazio said he did commit to Trustee Schmitz that we owe a response to the Audit Committee with respect to why we disagree with Moss Adams on this operating versus non-operating and we will be including this in your report for your next meeting and then gave a brief history.

D.6. Verbal review of annual internal controls schedule and update on revisions to internal controls (Policy 15.1.0, 2.6.1,2) from Director of Finance Paul Navazio (*was General Business Item D.6.*)

Director of Finance Navazio gave the following highlights:

- ⇒ Implemented a more rigorous review of capitalization and it is happening throughout the year (goal is monthly but not quarterly)
- ⇒ Bank signature cards – fixed prior to the issuance of their report
- ⇒ Updating finance and accounting manuals and working with Management Partners on this effort and is a complete rewrite of the internal documentation; hoping to wrap it up this month however we are also transitioning to a new financial system so that will have to be incorporated into the documentation
- ⇒ Auditors are working on the additional scope of work for contracts and purchasing and they have the data that they have asked for
- ⇒ Periodic internal audits – have identified 7 or 8 areas that are candidates for interim audits regarding cash and inventory

Audit Committee Chairman Tulloch asked if they have looked at the things that are being built into the Tyler software? Director of Finance Navazio said no, we have had conversations with them as a sounding board and they are going to audit what we produce. Audit Committee Chairman Tulloch said we agreed that this would be a quarterly report on internal controls to the Audit Committee. District General Manager Winquest said we are pleased with the work done by Management Partners and that we take this extremely seriously. Audit Committee At-Large Member Dobler said that we are basically saying we don't have any internal controls. District General Manager Winquest said that is not what we are saying. Audit Committee Chairman Tulloch said the Audit Committee did encourage Staff to bring in some outside help and Audit Committee At-Large Member Dobler is correct but we have accelerated it. Director of Finance Navazio said that the Tyler financial system does work hand in hand and that we are building up an internal controls system. Audit Committee At-Large Member Dobler said make sure you have enough help. Audit Committee Chairman Tulloch said make sure the payroll part works first because that will be your biggest headache. Trustee Dent said thank Staff for the update and it sounds like there has been progress moving forward and thank you for the progress made so far.

D.7. Review, discuss and determine if any further action is necessary on implementation of agreed actions identified from 20-21 Audit Report by the Audit Committee

Audit Committee Chairman Tulloch asked Director of Finance Navazio to give an update and the Audit Committee members asked a few questions.

D.3 Discuss Management's responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting

Audit Committee Chairman Tulloch said that we have covered this item already. Audit Committee At-Large Member Dobler said there are 4 or 5 disagreements and Staff has to give him a reason and tell us why Moss Adams is wrong. Director of Finance Navazio said we are going to bring back a report that provides the rational and supporting accounting principles; may not be 100% satisfied with the responses and he will review with the Audit Committee Chairman. Audit Committee At-Large Member Dobler said he finds it amazing that the interest income is based on a misunderstanding, it is what it is, no misunderstanding at all and leave at that.

D.8. Review, discuss and possibly update the Audit Committee Long Range calendar.

Audit Committee At-Large Member Dobler said he wants to add two ideas – wastewater treatment plant improvements and the Burnt Cedar Disinfection Water Treatment Plan and he would like to add those two things even though it appears no one cares. Audit Committee Chairman Tulloch agreed to adding these two items. Audit Committee At-Large Member Dobler said as he leaves the committee, he wants everyone to know that we misstated our operations. These ideas of deferring revenues for punch cards and play passes and then amortizing them in as using them is incorrect because there are no refunds and they expire, he would like to see that on the agenda to see if we should change that accounting as it is automatic revenue. Same thing at Diamond Peak – no refund - so it is automatic revenue. Audit Committee Chairman Tulloch said you need to be careful. Audit Committee At-Large Member Dobler said yes, because of the one-year gap. Audit Committee Chairman Tulloch said he sees it as alignment for business purposes. Director of Finance Navazio said Staff can put together how it is treated at each venue. Audit Committee Chairman Tulloch said he thinks that would helpful and put that on the long range calendar. Audit Committee Chairman Tulloch said to move the Dillon's Rule item further down on the long range calendar. Audit Committee At-Large Member Dobler said we have an obligation to do a report on our performance under Policy 15.1.0 –

he doesn't want to do it and should we ask the Board to wave that off? Audit Committee Chairman Tulloch said it will be moved further out. Audit Committee At-Large Member Dobler said it can't be moved over to the new Audit Committee and he just doesn't want to do it. Audit Committee Chairman Tulloch said it sounds like it is falling in his lap; Audit Committee At-Large Member Dobler said yes. Audit Committee Chairman Tulloch asked Director of Finance Navazio to reach out to Ms. Farr about their work plan and when she can present it.

D.9. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee

Audit Committee Chairman Tulloch said that he has not received any correspondence.

E. MEETING MINUTES (for possible action)

E.1. Meeting Minutes of May 10, 2022

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of May 10, 2022 were approved as submitted.

F. PUBLIC COMMENTS*

There were no public comments made at this time.

G. ADJOURNMENT (for possible action)

The meeting was adjourned at 6:28 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

*In accordance with NRS 241.035.1(d), the following attachments are included but have neither been fact checked or verified by the District and are solely the thoughts, opinions, statements, etc. of the author as identified below.