

## MEMORANDUM

**TO:** Audit Committee

**FROM:** Paul Navazio  
Director of Finance

Martin Williams  
Controller

**SUBJECT:** Informational Update on Internal Controls

**DATE:** August 10, 2021

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### **I. RECOMMENDATION**

Receive an informational update on management's ongoing review and update of District-wide internal controls.

### **II. BACKGROUND**

The Board of Trustees, Audit Committee and District management have prioritized the need to review strengthen internal control policies and procedures consistent with financial management and accountability best practices.

Management has previously presented to the Audit Committee a framework for strengthening the District's system of internal controls, to include a process and schedule for review and update of internal control policies and procedures. (See Audit Committee Agenda Item D.2, April 29, 2021). In addition, during the financial statement audit for the fiscal year ended June 30, 2020, the District's Independent Auditor identified material weakness in internal controls over financial reporting that contributed to a significant number of adjusting journal entries.

This agenda item has been prepared to provide the Audit Committee with an information update on management's ongoing efforts related to strengthening the District's internal control policies and procedures.

Former Audit Committee At-Large Member Derrek Aaron served as the Committee liaison on Internal Controls and, until his recent resignation, held several meetings with Staff and provided input on the overall work plan and specific tasks/deliverables as well as selected policy updates.

### **III. Discussion**

#### Updates to Spending Authority for Purchasing / Contracts

- NRS Guidelines and Policy 3.1 (See Attachment A)

- Finance and Legal have updated the District's internal contract award threshold matrix to reflect compliance with NRS requirements as well as revisions to Board Policy 3.1.0 (September 2020).
- GM-delegated Spending Authority (See Attachment B)
  - Board Policy 3.1.0 establishes, among other things, the General Manager's authority related to budget, spending and contract authority. The GM, has, in turn established specific levels of delegated spending authority to members of IVGID staff.
- Blanket Purchase Orders
  - Prior to September 2020, Board Policy 3.1.0 provided that contracts that are not subject to the advertising and competitive bidding requirements established by the NRS may be authorized, approved and executed by the General Manager." Board Policy 3.1.0 was revised by the current Board such that the General Manager's spending authority is now strictly limited to contracts not exceeding \$50,000.
  - As such the following guidelines are provided to inform establishment of blanket purchase orders for planned procurement activities assumed within the FY2021/22 approved budget.
    - Department Directors are generally delegated spending authority to approve purchase orders up to estimated total amount of \$25,000.
    - The General Manager must approve Purchase Orders exceeding \$25,000, and up to \$50,000.
    - Most Purchase Orders exceeding \$50,000 require Board approval, provided that the underlying contract has been executed consistent with the public bidding requirements set forth in the NRS. (Board approval of Blanket Purchase Orders is scheduled to be on the agenda for the meeting of August 25, 2020).

### Procurement Cards

- The District participates in a procurement card program through our banking institution (Wells Fargo) as a means of streamline certain routine purchasing activities
- All District staff has been advised that all transactions made using a District procurement card MUST be made in conformity with the District's Purchasing Policy as well as the District's Procurement Card policy and procedures.
- *Staff is reminded that procurement cards should be used judiciously, and only when issuance of formal purchase orders through the Accounts Payable system are not possible, or not required by IVGID purchasing policy.*
- Further. Procurement Cards use is discouraged with vendors for which the District's level of activity warrants establishment of commercial accounts.
- Staff has Update Procurement Card Authorizations / Approvers
  - Monthly spending limits applicable to the District's procurement card program have been updated
  - Staff has updated documentation required of District staff in order to issue, cancel, or modify procurement card authorizations, spending limits and approval thresholds. (Attachment C)

- Staff has ensured that all Procurement Card accounts for former District employees are closed and no longer active.

### Review of Internal Accounting and Financial Procedures

- The District's Controller in the process of reviewing and updating internal documentation of accounting procedures.
- The following internal procedures have been reviewed by the Director of Finance (See Attachment D):
  - General Ledger and Journal Entries (6.3.3)
  - Cash Management (6.3.4)
  - Property and Equipment procedures (6.3.9),
  - Procurement and Accounts Payable procedures (6.3.10), and
  - Adopting Electronic Payment Systems (6.3.15)
- Human Resources and Payroll procedures are currently under review in conjunction with project to transition to Tyler Munis HRMS/Payroll system

### Contract Management

- Contract Approvals / Change Order Tracking – the Director of Finance and Director of Public Works are working to develop a Contract Approval Form for contracts and change orders to ensure that documentation and approvals are in compliance with the requirements established by the NRS, Board Policy and GM-delegated approval authority.
- Project Close-out Checklist – in response to recommendation included in the Moss Adams Construction Advisory Report, Public Works staff is updating and formalizing its internal project close-out check-lists.

### Cash Handling Audits

- Finance staff has instituted monthly audits of petty cash handled across all District-facilities, on a rotational basis, such that every location handling petty cash will be audited on a quarterly basis.

### Utility Billing –

- The District's Controller has identified a potential internal control weakness related to the procedures used to upload monthly utility billing data from the meter reads to the billing system. Procedures have been updated to provide for two-person validation of the meter data being transferred and uploaded to the billing software.

### Banking Accounts

- Account Access
  - Finance Staff has completed the process of updating authorized access to the District's bank accounts and safe deposit boxes. In the process of updating access for new staff, as required, it was noted that former District employees who have had access to the District's bank accounts were, in some cases, still listed as authorized users. This has been remedied and processes are now in place to ensure timely updates of account access when employees leave District employment.

- Fraud Prevention Services
  - Staff is currently reviewing the level of fraud prevention services provided through our bank, related to checks and vendor payments. The District has instituted “Positive Pay” verification for all check issued and is currently in the process of adding a “Vendor Verification” component to the existing fraud prevention measures.

### Review of Board Policies and Practices –

- Management is currently in the process of updating selected Board Policies and Procedures
  - Capitalization of Fixed Assets (See Attachment E)
    - Policy 8.1.0
    - Policy 9.1.0 / Practice 9.2.0
  - Capital Planning, Budgeting and Capital Expenses
    - Policy 12.1.0
    - Policy 13.1.0 / Practice 13.2.0
  - Fund Balance and Working Capital (See Attachment F)
    - Policy 7.1.0 / Practice 7.2.0
    - Policy 19.1.0 / Practice 19.2.0
  - Central Services Overhead Allocation Plan
    - Policy 18.1.0 / Practice 18.2.0

### *Independent Auditor’s Findings of Material Weaknesses over Financial Reporting*

- Adjusting Journal Entries and Adjustments - now that our accounting department is fully staffed, we have assigned reconciliations, and reviews to various staff to ensure any issues are investigated and handled timely. Additionally we reconciling accounts monthly and having them reviewed and approved monthly. The Central Service adjustments are now being reported net of the expenses, instead of as a revenue item in the General Fund. These internal control improvements, we believe, will prepare IVGID for a more streamlined year-end close and audit.
- Capitalization – Staff has reviewed the existing policies and procedures, and is in the process of reviewing with Board prior to formally updating policies.
- Additionally staff has implemented modifications to chart of accounts for tracking of capital maintenance expenditures to ensure repair and maintenance items that do not meet capital criteria are excluded from capitalization and depreciation of fixed assets.

## **VI. ATTACHMENTS**

Attachment A – General Spending Authority Parameters (NRS and Board Policy)

Attachment B – GM-delegated Spending Authority

Attachment C – Procurement Card Authorization Form – Updated

Attachment D – Updated Finance and Accounting Procedures (Mark-up)

Attachment E – Draft Update to Capitalization Policy

Attachment F – Draft Update to Fund Balance / Working Capital Policies

Attachment A

General Spending Authority Parameters (NRS and Board Policy)

The following table provides guidance on limits to spending authority as well as NRS requirements for competitive bidding for construction contracts, professional services and purchases (i.e. commodities).

CONTRACT AWARD THRESHOLDS			
Contract Authority	Construction Contracts NRS 338	Professional Services NRS 332 <i>Not Subject to Competitive Bidding</i>	Purchases NRS 332
Board of Trustees	> \$50,000  a) <i>NRS requires contracts over \$100,000 to be Award To Low Responsible Bidder</i> b) <i>NRS requires Publicly Advertising</i> c) <i>Contracts under \$100,000 require solicitation of 3 bids</i>	> \$50,000  <i>Awarded Based on Qualifications (RFQ) Scope and Cost Negotiated</i>	> \$50,000  <i>Award To Low Responsible Bidder NRS requires Publicly Advertising for Contracts over \$100k; &gt;\$50,000 requires 2 bids</i>
General Manager	> \$25,000 - \$50,000  <i>NRS Requires solicitation of 3 bids</i>	< \$50,000  <i>Awarded Based on Qualifications (RFQ) Scope and Cost To Be Negotiated</i>	> \$25,000 - \$50,000  <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>
General Manager <i>(or Delegated Authority)</i>	< \$25,000 <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>		< \$25,000 <i>NRS does not require bid solicitation IVGID Practice - informal bid solicitation</i>

**Note 1:** Board Policy 3.1.5.f - Provides that:  
Contracts proposed or estimated to be over \$50,000 must be approved by the Board of Trustees  
The General Manager is authorized to approve contracts under \$50,000, provided that funds for that specific purpose are included in the budget.

**Note 2:** Assemble Bill 86, signed into law on May 15, 2019, and effective July 1, 2019, effectively raised the dollar amount threshold for advertising of public agency contracts for non-Public Works contracts, including professional services and procurement contracts from \$50,000 to \$100,000. These public advertising thresholds are now consistent with dollar thresholds that were in place for public works construction contracts, as defined.

Attachment B

General Manager- Delegated Spending Authority

Position	GM-Delegated Spending Authority	Comments
Board of Trustees	> \$50,000	Approves contract > \$50K per Board Polici 3.1
General Manager	50,000	Approves contract <= \$50K per Board Policy 3.1
Clerk to the Board Verification of BOT notice for items > \$25,000 when unbudgeted	10,000	Verify contract at \$50K for NRS 338
Director of Finance	25,000	Verify contract at \$50K for NRS 338
Controller	10,000	
Director of Human Resources	10,000	
Director of Information Technology	10,000	
Director of Public Works	25,000	
Engineering Manager / Director of Asset Management	10,000	
Fleet Superintendent	10,000	
Buildings Superintendent	10,000	
Utilities Superintendent	10,000	
Public Works Administration Manager	5,000	
Resource Conservationist	5,000	
Director of Community Services	25,000	
Superintendent of Parks & Recreation	10,000	
Parks Superintendent	10,000	
Recreation Center Manager	5,000	
Ski Resort General Manager	25,000	
Mountain Operations Manager	10,000	
Marketing Manager	5,000	
Executive Chef	5,000	
Sales and Event Coordinator	5,000	
Golf Course Merchandiser	5,000	
Golf Course Superintendent	10,000	

## Attachment B General Manager- Delegated Spending Authority (Comparison to Prior Authority)

Position	GM-Delegated Approval Authority		Comments
	Previous	Updated	
Board of Trustees	> \$50,000	> \$50,000	Approves contract > <del>100k</del> \$50K for NRS 338
General Manager	50,000	50,000	Approves contract > \$50K per Board Policy
Clerk to the Board	10,000	10,000	Verify contract at <del>100k</del> \$50K for NRS 338
Verification of BOT notice for items > \$25,000 when unbudgeted			
Director of Finance	10,000	25,000	Verify contract at <del>100k</del> \$50K for NRS 338
Controller	5,000	10,000	
Director of Human Resources	10,000	10,000	
<del>Communications Coordinator</del>	<del>5,000</del>		
Director of Information Technology		10,000	
Director of Public Works	50,000	25,000	
Engineering Manager / Director of Asset Management	10,000	10,000	
<del>Principal Engineer</del>	<del>5,000</del>		
<del>Senior Engineer</del>	<del>5,000</del>		
<del>Public Works Contracts Admin</del>	<del>5,000</del>		
Fleet Superintendent	10,000	10,000	
<del>Fleet Mechanics</del>	<del>5,000</del>		
Buildings Superintendent	10,000	10,000	
<del>Buildings Assist. Super.</del>	<del>5,000</del>		
Utilities Superintendent	10,000	10,000	
<del>Utilities Maintenance Specialist</del>	<del>5,000</del>		
<del>Collection/Distribution Supervisor</del>	<del>5,000</del>		
<del>Water/Wastewater Supervisor</del>	<del>5,000</del>		
<del>Waste/Water Operator II Steve Gibbs</del>	<del>5,000</del>		
<del>Public Works/Treatment</del>	<del>5,000</del>		
Public Works Administration Manager	10,000	5,000	
Resource Conservationist	10,000	5,000	
<del>Compliance Supervisor/Chief Inspector</del>	<del>5,000</del>		
Director of Community Services	10,000	25,000	
<del>Director of Parks &amp; Recreation, Assistant GM</del>	<del>10,000</del>		
Superintendent of Parks & Recreation		10,000	
Parks Superintendent	5,000	10,000	
<del>Community Services Analyst</del>	<del>5,000</del>		
Recreation Center Manager	5,000	5,000	
<del>Recreation Supervisor—Aquatics</del>	<del>5,000</del>		
<del>Recreation Supervisor—Programs</del>	<del>5,000</del>		
<del>Recreation Supervisor—Seniors</del>	<del>5,000</del>		
<del>Recreation Supervisor—Sports</del>	<del>5,000</del>		
<del>Parks &amp; Rec Manger—Operations</del>	<del>5,000</del>		
<del>Parks &amp; Rec Administration Specialist</del>	<del>5,000</del>		
Ski Resort General Manager	10,000	25,000	
Mountain Operations Manager	5,000	10,000	
<del>Lift Manager</del>	<del>5,000</del>		
<del>Slope Maintenance Manager</del>	<del>5,000</del>		
<del>Director of Skier Services</del>	<del>5,000</del>		
<del>Ski Patrol Director</del>	<del>5,000</del>		
<del>Base Operations Manager</del>	<del>5,000</del>		
<del>Diamond Peak Receptionist/Administrative Clerk</del>	<del>5,000</del>		
<del>Revenue Office Manager</del>	<del>5,000</del>		
Marketing Manager	5,000	5,000	
<del>Sales Manager</del>	<del>5,000</del>		
Executive Chef	10,000	5,000	
Sales and Event Coordinator	5,000	5,000	
<del>Event Coordinator</del>	<del>5,000</del>		
<del>Director of Golf/Community Services</del>	<del>5,000</del>		
<del>Mountain Head Professional</del>	<del>5,000</del>		
Golf Course Merchandiser	5,000	5,000	
Golf Course Superintendent	5,000	10,000	
<del>Golf Course Asst Superintendent</del>	<del>2,500</del>		
<del>Mountain Course Asst Superintendent</del>	<del>2,500</del>		

**Attachment C  
Procurement Card Authorization Form - UPDATED**



<b>New Cardholder Set up Form</b>	<b>PLEASE FILL OUT ALL SHADED AREAS BELOW</b>		
<b>C a r d h o l d e r   I n f o r m a t i o n</b>			
Company ID:	incli001		
Company Name:	INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT		
Name Line 1:			
Name Line 2:	IVGID 88-760004-K		
Address Line 1:	893 SOUTHWOOD BLVD		
Address Line 2:			
City, State, Zip:	INCLINE VILLAGE, NV 89451		
Work Phone:	775-832-1100		
Employee ID (CCER Unique ID)			
Cardholder's Email Address:			
<b>P a r a m e t e r s</b>			
Credit Limit: (Supervisor fill out.)	New Card:	\$ -	Change: \$ -
Single Purchase Limit:(Super.fill out.)			
Cost Center			
Approver:			
<b>M a i l i n g   I n s t r u c t i o n s</b>			
Issue Plastic:	YES		
Delivery Method:	BULK SHIP		
Send Cards To:	IVGID		
Name:	Martin Williams		
Address:	893 SOUTHWOOD BLVD		
City, State, Zip:	INCLINE VILLAGE, NV 89451		
Phone Number:	775-832-1169		
Cardholder's Signature:		Date:	
Authorized By Signature:		Date:	
Authorized Name			
General Manager's Signature:		Date:	



# Attachment D



## Adoption of Financial Practices

### 6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

#### MAINTAINING AN EFFECTIVE ACCOUNTING SYSTEM

Incline Village General Improvement District (IVGID) has established and maintains an effective accounting system to capture data regarding the economic activity of the District's funds.

District Leadership requires accurate and timely financial reports in order to judge the performance of the District's operations and plan for future activities. Preliminary operating reports (consisting of revenues and expenses compared to budget) are published on the 15<sup>th</sup> business day following the end of a month, and final operating reports are published within 20 business days following the end of a month.

Monthly financial reports (consisting of a balance sheet and operating reports) will be published within ten business days of the final operating reports.

A Comprehensive Annual Financial Report (CAFR) is published at the conclusion of our yearly audit. An independent auditing firm approved by our Board of Trustees and management completes our independent annual financial audit.

#### 6.3.3.1.1 General Ledger Set-Up and Posting

~~IVGID has set up a general ledger system to timely and accurately aggregate all financial transactions. The framework for this system is called the chart of accounts. The chart of accounts consists of the account titles and account numbers assigned to the titles. The account titles are developed from an understanding of the economic activity and the information management deems necessary in the financial reports. Account titles must appropriately describe the assets, liabilities, fund balance, revenues, and expenses for IVGID accounting fund types.~~



**Adoption of Financial Practices**

**6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES**

**6.3.3.1.21 Arrangement of Accounts Titles**

Accounts titles within the chart of accounts should, according to GAAP, generally be arranged in the following order:

- Assets
- Liabilities
- Fund Balance
- Revenue
- Expenses

Within these categories, for presentation of a statement of net asset accounts, current accounts are grouped first, followed by long-term accounts.

Accounts are numbered in the following manner:

<del>1000-2999</del>	<u>1000-1999</u> Assets
<del>3000-3900</del>	<u>2000-2999</u> Liabilities
<del>4000-4999</del>	<u>3000-3999</u> Fund Balance
<del>5000-5999</del>	<u>4000-4999</u> Revenue
<del>6000-6999</del>	<u>5000-7999</u> Expenses
<del>7000-8900</del>	<u>8000-9999</u> Non-operating
Revenue or Expense	

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**6.3.3.1.3 Establishment of Contra Accounts**

~~IVGID's account systems record transactions at their historical cost. However, there are instances where generally accepted accounting principles require that an account be presented in the financial reports at a lesser amount. This is accomplished through the use of contra accounts while allowing the accounting system to maintain records of the accounts at historical cost.~~

**6.3.3.1.42 Financial Information Adequacy**

The accounting systems shall provide adequate financial information to meet a variety of reporting needs.



## Adoption of Financial Practices

### 6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

~~Every account includes codes for fund, function, cost center and object. Additional codes added to the accounts in the chart of accounts give all of the detail needed for each function or cost center.~~

The computerized accounting system is able to produce financial reports for each function or cost center, as well as combined reports to show the overall financial position and results of operations of IVGID by fund or in the aggregate.

The chart of accounts is arranged so that each function or cost center ~~is consistent with each other. The accounts are arranged consistently so that the operating result of function or each cost center~~ can be quickly merged with the operating results of other function or cost centers to produce the overall results.

## GENERAL LEDGER ACTIVITY

### TRANSACTIONS AND EVENTS

<b>OCCURRENCE</b>	Transactions and events that are recorded pertain to IVGID.
<b>COMPLETENESS</b>	All transactions and events that are authorized are recorded.
<b>ACCURACY</b>	Amounts, descriptions and other information is recorded appropriately for processing and reporting.
<b>CUTOFF</b>	Transactions and events are recorded in the proper accounting period.
<b>CLASSIFICATION</b>	Transactions and events are recorded in the proper accounts.



## Adoption of Financial Practices

### **6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES**

#### **6.3.3.2.1 Posting Monthly Activity to the General Ledger**

At least monthly, all activity should be posted to the general ledger. The postings to the general ledger accounts may come from any and all of the following sources:

1. General journal – adjusting journal entries
2. Revenues journal – revenues and account receivable activities
3. Purchases – expense and accounts payable entries
4. Payroll journal – payroll summary
5. Cash receipts journal
6. Cash disbursements journal

Our computerized accounting software package, ~~JDEdwards~~, is fully interactive and posts journal activity to the general ledger on command by a computer operator. ~~Daily revenues and cash receipt journal entries are automatically uploaded daily from our operating locations. Daily activities are posted to the accounting software by journal entries uploaded from third party softwares.~~

#### **6.3.3.2.2 Documentation of Entry ~~Not Originating from Regular Transactions~~**

All entries ~~that do not originate from transaction journal entries~~ should have supporting documentation. ~~This supporting document should be sufficient to allow a reviewer to understand the transaction being posted, and verify the amounts entered.~~



## Adoption of Financial Practices

### **6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES**

~~Certain entries (recurring adjusting journal entries) are made every period. These entries include, but are not limited to the following:~~

- ~~1. Depreciation of fixed assets~~
- ~~2. Amortization of intangible assets~~
- ~~3. Amortization of prepaid expenses~~
- ~~4. Amortization of deferred revenue~~
- ~~5. Accrual of interest expense on notes that are not paid within each accounting period.~~

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~~Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to the following:~~

- ~~1. Correction of posting errors~~
- ~~2. Accrual of revenue and expense items~~
- ~~3. Recording of non-cash transactions~~

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#### **6.3.3.2.4 Adequate Documentation for All Journal Entries**

~~All journal entries should be prepared only on the basis of adequate supporting documentation. Journal entries should include pertinent information such as original date, exact amount, vendor name, and reason for adjustments.~~

#### **6.3.3.2.5 Authorization of Entries**

All journal entries into the general ledger should be authorized by the Controller assigned financial department staff.

#### **6.3.3.2.6 Review of All Authorized Transactions**

A review should be performed of the sequential transaction numbers to ensure that all entries have been made and posted accurately and timely.

#### **6.3.3.2.7 Filing and archiving journal entries**

All journal entries are to be kept in a central area in the finance and accounting department with access to accounting personnel. They are to be filed numerically in a binder by



## Adoption of Financial Practices

### 6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES

~~general ledger period. These binders will be made available to the outside auditors.~~

~~After the audit is completed, all journal entries are to be scanned and archived in a secure place.~~

### ADEQUATE GENERAL LEDGER MAINTENANCE

#### ACCOUNT BALANCES AT PERIOD END

<b>EXISTENCE</b>	Assets, liabilities and fund balance <del>interests</del> exist.
<b>RIGHTS AND OBLIGATIONS</b>	IVGID holds rights to identified assets and has the obligation on stated liabilities.
<b>COMPLETENESS</b>	All transactions and events that should be recorded are recorded.
<b>VALUATION AND ALLOCATION</b>	Assets, liabilities and fund balance <del>interests</del> are included in financial statements at appropriate amounts and that proper adjustments are recorded.

~~A trial balance should be prepared periodically from the general ledger. The trial balance should list all general ledger accounts and their balances as of a particular date. The trial balance will verify the general ledger account balances and serves as a basis to make adjustments to any accounts to correct their balances.~~



**Adoption of Financial Practices**

**6.3.3 GENERAL LEDGER AND JOURNAL ENTRIES**

**6.3.3.3.1 Performance of Reconciliations**

Reconciliations should be performed at least quarterly between control accounts maintained in the general ledger and the subsidiary ledgers.

**6.3.3.3.2 Review of Trail Balance and Reconciliations**

The Controller should review the trail balance and the reconciliations and sign and date them as evidence of the review. The reasons for differences noted should be reviewed and any adjustments properly processed in the form of journal entries.

**6.3.3.3.3 Monthly Reconciliation for Specific Accounts**

Reconciliations will be performed monthly for all accounts representing cash on hand or in banks and investments.

**6.3.3.3.4 Close of Revenue and Expense Items**

At the end of the fiscal year, all items of revenue and expense should be closed so that they will not carry forward to the next fiscal year. After the closing entry is posted to the general ledger, the revenue and expense accounts should be zero and the general ledger is ready to begin accepting transactions for the next fiscal year.

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## Adoption of Financial Practices

### 6.3.4 CASH

#### **CASH MANAGEMENT**

**Objective** Incline Village General Improvement District (IVGID) ~~will maintain~~ an effective system of cash management that anticipates cash needs and plans adequately to satisfy them and to be in compliance with Nevada Revised Statutes.

~~Cash is required to pay for all assets and services purchases by IVGID and to meet future obligations as they come due. The disbursements of cash, therefore, are a regular occurrence, and a sufficient level of cash should be kept available to meet these requirements. However, cash is not a productive asset, as it earns no return. Therefore, only Ccash necessary needed to meet anticipated day-to-day expenditures plus a reasonable cushion for emergencies should be kept available. Any excess cash should be invested in liquid income-producing instruments.~~

The District's ~~Controller~~ Director of Finance invests operating and capital reserves following a formal investment policy adopted by the Board of Trustees.

#### **Procedures**

##### **6.3.4.1.1 Maximizing Return on Idle Funds**

Cash not required for operations should be invested. Authorized investments include obligations of the U.S. Government or U.S. Treasury with maturates of ten years or less, the State of Nevada Treasurer's local government investment pool, certificates of deposit issued by commercial banks or insured savings and loans, short-term negotiable notes or bonds issued by local governments, and bankers' acceptances eligible by law for rediscount with the Federal Reserve Banks not to exceed 180 days.

##### **6.3.4.1.2 Expediting of Cash Receipts**

The time lag between service performance and the deposit of funds to IVGID's bank account should be kept to a minimum. Invoices/billings should be issued timely and consistently, and as close as possible to the time of performance. All customer remittances should be sent to a single address at each of our facilities - utility, golf, ski, recreation, and general administration areas.

##### **6.3.4.1.3 Collection Practices**

A review of accounts receivable listings for past due balances should be performed on a continuous basis by qualified personnel at each of our facilities. Delinquent accounts should be contacted immediately. The overall aging of receivables will be considered each month end.

##### **6.3.4.1.4 Disbursements**



## Adoption of Financial Practices

### 6.3.4 CASH

Cash disbursements should be released at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken. Checks will be mailed each week on Fridays. Exceptions will be made if a holiday falls on a Friday. Vendor checks over and above \$2500 (major) must be approved by our Board of Trustees during their next scheduled meeting. Upon approval, those checks will be immediately mailed. IF the timing of meetings requires a check to wait more than 3 weeks, it can be released on the authority of the General Manager.

#### **6.3.4.1.5 Cash Budgets**

A cash projection should be prepared in order to effectively manage cash balances. The projection should be prepared on an annual basis, broken down by week or month. Reports should monitor each component by comparing actual performance with the projection, both for the current month and moving forward.

### **CASH RECEIPTS**

**Objective** Control will be maintained over all cash, checks, and credit card payments received, and they should be deposited promptly within three days in IVGID's bank account.

Cash receipts should be protected from misappropriation. Physical access to cash receipts and cash receipt records should be limited to authorized personnel. Additionally, cash receipts should be recorded in the appropriate accounting period. Cash over/short should be recorded and reconciliations should not be forced to zero. Adjustments to cash over/short and receipts are to be made with the proper audit trail.

### **Procedures**

#### **6.3.4.2.1 Opening the Mail**

The mail is to be opened and a listing of cash and/or checks received should be prepared under the supervision of a responsible staff member.

Individuals preparing the list of cash receipts should be persons other than those who deal with accounts receivable, accounts payable, or the general ledger. The listing of cash receipts should include the name, amount, date, and person and department to whom the cash receipt was sent.

#### **6.3.4.2.2 Endorsement of Checks**

In situations where cash receipts are received directly by IVGID, checks should be restrictively endorsed immediately.



## Adoption of Financial Practices

### 6.3.4 CASH

#### **6.3.4.2.3 Bank Deposits**

All cash and check remittances should be deposited intact daily. Completing and balancing a daily revenue report and making the deposit does not have to be completed simultaneously but should be completed within three business days.

#### **6.3.4.2.4 Reconciliation of cash/checks received to bank deposits**

Persons other than those who handle cash receipts should compare records of cash receipts and summaries to deposit slips and to bank statements on a monthly basis.

#### **6.3.4.2.5 Summarize Cash Receipts**

Records of cash receipts should be summarized and totals established for posting to the general ledger. Daily reports should be completed and sent to accounting for posting or uploaded into our financial system within three working days.

#### **6.3.4.2.6 Return Checks**

Return Items (return checks) should be redeposited immediately. Verification of good funds can be verified with the customer in a discrete manner and handled only between the customer and our appropriate personnel. Since our bank does not charge use a return item fee, we do not charge our customers a return item fee.

### **DISBURSEMENTS FROM BANK ACCOUNTS**

**Objective** Disbursements from bank accounts should be made only for authorized transactions.

The payment for goods and services, whether accomplished by check or bank transfer, should be organized to ensure that no unauthorized payments are made, that complete and accurate records are made of each payment, and that payments are recorded in the appropriate period. Additionally, physical access to cash and unissued checks must be restricted to authorized personnel.

### **Procedures**

#### **6.3.4.3.1 Preparing Checks and Bank Transfers**

Checks and bank transfers should be prepared based on the determination that the transaction is authorized and is in accordance with the District's procedures.



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### 6.3.4 CASH

A determination that the transaction is authorized, should be accomplished by reviewing the following supporting documentation as applicable:

1. Invoices – with receiving documents and purchase orders.
2. Payroll records.
3. Petty cash vouchers.
4. Remittance advices.
5. Check requisitions.

A responsible person indicating proper authorization and coding should sign and date all supporting documentation. All invoices, \$500 or more, should be completed through the purchase order process.

Persons other than those who initiate or approve any documents should prepare checks and bank transfers.

Checks and bank transfers should be designed or completed in such a way to make subsequent unauthorized alternation difficult through the use of protective paper, check imprint, and so on.

The following procedures are prohibited:

1. Checks payable to “bearer” or “cash.”
2. Checks signed in blank.
3. Altered checks and bank transfers.

#### **6.3.4.3.2 Check Signing**

Officials other than those who approved the transactions for payment should sign checks. Two signatures are required on District checks. IVGID’s official signatories are the General Manager and one of the District Trustees.

Limited control over the authorization of the use of the printer must be monitored to protect check stock and usage.

An original and one copy of accounts payable checks are to be printed. The copy should have “accounting copy” printed on them. The original of the check is to be distributed to the vendor and the copy attached to the voucher package for filing in the accounts payable files.

#### **6.3.4.3.3 Disbursement of Checks**

After checks have been printed and properly matched with voucher package, all checks should be forwarded to the payees. Major checks (over \$2,500) are listed on a Major checklist and forwarded to the Board



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### 6.3.4 CASH

of Trustees. After the bi-monthly Board meetings, at which major checks are approved, these checks should be immediately forwarded to the payees. Each weekly check run will have some checks that are picked up by other IVGID departments for distribution. These checks are to be listed on a separate sheet and signed for by a responsible person when picked up.

#### **6.3.4.3.4 Maintenance of Check Control Log**

1. A separate record of checks being processed should be maintained by using a control log. The control log should contain the date of the check, the range of the check numbers, the initials of the person in charge of writing the checks, and the verification initials of a supervisor.
2. A separate record of returned and/or voided checks should be maintained. This log should contain the name of the payee, the date the check was written, the date the check was voided and/or returned, the check number, and a void description.
3. The usage of checks should be accounted for by reconciling the quantity of checks issued to the cash disbursement records. Persons should perform this other than those who have authority to issue checks.
4. Supplies of unused checks should be properly safeguarded.

#### **6.3.4.3.5 Summarize Cash Disbursements**

All checks and bank transfers should be summarized and recorded in the General Ledger.

### **IMPREST AND SIMILAR FUNDS**

**Objective** Reimbursement of imprest and similar funds (petty cash) should be made only for authorized reasons.

Imprest accounts are limited to a nominal balance, and reimbursements are to be in the amount equal to the total of miscellaneous payments made. Reimbursements are to be paid through accounts payable and require approved and coded slips for backup.

### **Procedures**

#### **6.3.4.4.1 Disbursements of Funds**

Prior to the disbursement of any funds, a voucher should be prepared with supporting evidence such as receipts or other



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### 6.3.4 CASH

miscellaneous supporting details and approved where appropriate.

A summary of all disbursements should be maintained and an analysis should be performed in order to charge the proper general ledger accounts.

Periodically, the imprest account should be replenished so as to bring the balance up to the imprest amount. The amount replenished should equal the sum of all imprest account disbursements since the previous reimbursement and any differences should be reconciled.

The District maintains an Automated Teller Machine (ATM) at the Ski Resort. This will be accounted as an imprest account. When each draw for replacement funds is made, the balance will be reconciled to the general ledger and machine reported totals.

### **BANK RECONCILIATIONS**

**Objective** Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger.

Monthly data on cash receipts and disbursements should be compared with the details reported on bank statements. Unmatched and mismatched data are used to reconcile the book and bank balances.

### **Procedures**

#### **6.3.4.5.1 Preparing Bank Reconciliations**

Bank balances, as shown by the bank statement, should be reconciled monthly with the general ledger balance. Data on cash receipts journals, including credit cards and cash disbursement journals should be listed for review. The person who prepares the reconciliation should receive the bank statements directly from the bank and retain them until the reconciliations are completed.

#### **6.3.4.5.2 Determination of Reconciling Items**

Discrepancies between general ledger cash balances and closing balances reported on the bank statements result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks) and items on bank statements not yet processed and recorded by IVGID (such as bank service fees). Most of those items do not require further review.

Accounting personnel who do not have access to cash and are not involved in processing and recording cash transactions should review all significant differences. Review items should include but are not limited to



## **Adoption of Financial Practices**

### **6.3.4 CASH**

items such as: 1) unmatched data in cash receipts, credit card processing and disbursements journals that fail to clear the banks within a reasonable period of time, 2) unmatched items on bank statements unanticipated or judged erroneous by IVGID, and 3) mismatched items in cash receipts and disbursements journals and bank statement items.

Bank reconciliations and proposed adjustments to the general ledger cash balances and cash detail files should be reviewed and approved by the Controller.



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**6.3.9 PROPERTY AND EQUIPMENT**

**ADDITIONS TO PROPERTY AND EQUIPMENT**

**Objective** All additions to property and equipment should be properly authorized utilizing our requisition/purchase order processing. Expenditures for tangible assets used actively in business operations ~~that benefit a period with a useful life exceeding one fiscal year and exceeding the below costs thresholds~~ should be capitalized. Repair costs are recorded as expenditures, ~~unless they significantly increase the useful life of the asset, or the benefit received from the asset.~~ The following procedure should be followed in determining if a purchase meets the necessary requirements for capitalization:

Asset Class	Minimum Cost
Equipment	\$ 5,000.00
Structures & Land Improvements	\$10,000.00

The following ~~are IVGID's broad-asset types generally categorize property and equipment:~~

- 1. Land
- 2. Land improvements
- 3. Buildings
- 4. Equipment
- 5. Furniture, fixtures, and office equipment
- 6. Computer equipment, including purchased software
- 7. Tools
- 8. Vehicles
- 9. Construction in process
- 10. Right to use
- 11. Water Rights

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Capital budgeting is ~~as~~ integral to forming the District's annual operating budget. ~~Since the budgeting process must take place far in advance, estimations of acquisitions in the budget year must be made.~~ The decision to purchase a capital asset should be ~~an informed one~~ based on the ongoing capital improvement projects, the multi-year capital plan, and the current year budgets, projected benefits of the addition, and ~~possibility~~ analysis of ~~the~~ lease versus purchase options.

The fixed asset accountant ~~should~~ maintains a capital improvement project (CIP) book, which contains details for all proposed capital project expenditures ~~ever for~~ a five-year ~~and beyond~~ period.

**Procedures**

**6.3.9.1.1 Approval of Capital Budgeting**





## Adoption of Financial Practices

### 6.3.9 PROPERTY AND EQUIPMENT

~~Capital budgets should be submitted along with operating budgets for review and approval by the appropriate levels of management and the Board of Trustees.~~

#### 6.3.9.1.21 **Capital Asset Purchase Authorization**

No purchase of capital assets should be made without proper authorization and review to ensure compliance with budget guidelines and sound investment decision making.

#### 6.3.9.1.32 **Approval of Requisition Requests**

Requisition requests should be submitted and approved by appropriate levels of management as determined by the dollar magnitude of the acquisition before funds are committed for capital expenditures.

Requisition requests and purchase orders are required for all capital asset expenditures. The requisition and purchase order should specify the reason for the request and the estimated cost.

In some instances, capital items will need to be purchased that were not included in the budget. Proper change-of-scope forms and authorizations by the appropriate levels of management must be received prior to purchasing these items.

#### 6.3.9.1.43 **Long-Term Lease or Purchase**

Obtaining the use of property and equipment through long-term leases is an alternative to ~~outright a purchase. Leases vary in term, assumption of expenses, and many other details.~~ The purchase versus lease decision should be based upon ~~the basis of net cost, considering cash flows, financial statement presentation, and suitability of the asset to leasing. While leased equipment is not a capitalized asset, the right to use the item will be capitalized.~~

### **ACCURATE RECORDS OF PROPERTY AND EQUIPMENT**

**Objective** Accurate records ~~should be required to~~ be maintained of the cost ~~purchase date, useful life,~~ and accumulated depreciation of property and equipment.

~~The acquisition of capital assets should be organized.~~ It is important to ensure that no unauthorized acquisitions have been made and that records of each acquisition are accurate, complete, and recorded in the appropriate period.

#### **Procedures**

6.3.9.2.1 **Receipt and Identification of Capital Assets**



## Adoption of Financial Practices

### 6.3.9 PROPERTY AND EQUIPMENT

All property and equipment should be identified upon their receipt by the use of a prenumbered tag. The tag should be permanently affixed in a readily visible area. The property number on the tag should be recorded in the detailed fixed asset ledger along with the asset's location. ~~The location of the asset should be recorded in the detailed fixed asset ledger.~~

#### 6.3.9.2.2 **Review of Purchase Price Variances**

For each capital item purchased, a comparison should be made of the actual versus budgeted cost. Differences should be explained and approved by a responsible person.

#### 6.3.9.2.3 **Maintenance of Detailed Fixed Asset Ledgers**

Detailed fixed asset ledgers that are accurate and complete should be maintained for all asset classifications.

#### 6.3.9.2.4 **Depreciable Assets Net Acquisition Costs**

Depreciable assets should be carried in the accounting records at the original net acquisition cost, less separate accounts for accumulated depreciation or depletion. Non-depreciable capital assets customarily should be carried in the records at the original net cost. Purchased items of property and equipment that meet the capitalization requirements are to be capitalized at the invoice price plus all charges incurred to prepare the asset for operations.

Cost of acquisition or construction includes not only the contract or invoice price but also such costs as preliminary engineering studies, excluding feasibility studies, and surveys, legal fees to establish title, installation costs, freight, and labor and material used in construction or installation.

Cash discounts taken should be recorded as a reduction of the cost.

#### 6.3.9.2.5 **Posting to Detailed Ledger**

Asset additions, disposals, and period depreciation should be posted to the detailed ledger on a monthly basis.

#### 6.3.9.2.6 **Reconciliation to General Ledger**

On a periodic bases~~basis~~, the detailed fixed asset ledger should be reconciled with the general ledger for asset cost and accumulated depreciation.

#### 6.3.9.2.7 **Investigation and Resolution of Differences**

Any differences disclosed by the reconciliation in 6.3.9.2.6 should be investigated and resolved. The resolution needs to be approved by the



## Adoption of Financial Practices

### 6.3.9 PROPERTY AND EQUIPMENT

~~controller before it is entered into the accounting system and detailed records~~

#### 6.3.9.2.8 ~~Review of Differences~~

~~The results of the reconciliation should be reviewed and approved by the Controller before any adjustments to the accounts are recorded. A signature should evidence such review.~~

#### 6.3.9.2.98 **Capitalization of Expenditures While Building**

~~Expenditures made by the District while building a capital asset should be capitalized.~~

Expenditures involved in the construction of an asset such as those for materials, labor, engineering, supervision, clerks' salaries and expenses, legal expenses, insurance, overhead, and interest should be capitalized as "construction in progress" until the project is completed and placed in service. No depreciation should be taken on construction in progress.

Periodically during construction, a comparison should be made between projected and actual expenses incurred. Appropriate approvals should be obtained if projected costs will exceed the budgeted amount prior to expenditures going over budget.

Upon completion of construction and placement in service, the asset should be removed from construction in progress and entered into the detailed fixed asset ledger under the appropriate classification. Depreciation should now be taken on the asset.

#### 6.3.9.2.109 **Expenditures – Capitalization vs. Expense**

Repair expense should be distinguished from expenditures for improvements, additions, renovations, alterations, and replacements.

Expenditures are repair expense if they do not materially add to the value or benefit received from the property and do not materially prolong the life of the property. Examples of repair expense are:

1. Replacing loose or damaged shingles
2. replacing broken glass
3. Painting and decorating
4. Resurfacing a parking lot
5. Making temporary repairs to last less than one year
6. Making minor repairs to fully depreciated assets

Repair costs that increase the value benefit received from the of property, prolong its life, or adapt it to a new or different use are capital

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**Adoption of Financial Practices**

**6.3.9 PROPERTY AND EQUIPMENT**

expenditures. If the life of the asset has been significantly extended, the remaining original cost and the repair cost should be depreciated over the new life. Examples of repair expenditures that are capital expenditures are:

- 1. ~~Replacing floors~~
- 2. ~~Replacing a roof, thereby substantially prolonging its life~~
- 3. ~~Reconditioning machinery, thereby extending its life~~
- 4. ~~Replacing an auto's or a truck's engine~~
- 5. ~~Overhauling an auto or truck that is substantially worn out~~
- 6. ~~Installing a new heating system~~

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Other expenditures that may be capitalized are structural changes or alterations to company-owned buildings, which become a part of a building and increase its life or value benefit or significant improvements to property leased by the company, improvements that add value to the leasehold (e.g. permanent office partitions).

**DEPRECIATION OF PROPERTY AND EQUIPMENT**

**Objective** The cost of all capitalizable assets should be allocated over the estimated useful lives in a rational and systematic manner.

Straight-line depreciation is used for determining depreciation. Straight-line depreciation is calculated by using an equal amount of the net cost of an asset and retiring this amount monthly over dividing the asset acquisition value by the number of months in the useful life of the asset.

**Procedures**

**6.3.9.3.1 Determination of Useful Life**

The useful life should be determined when a capital asset is acquired. The useful life is expressed in terms of months.

The cost of an asset should be allocated over a useful life via depreciation or depletion.

IVGID's estimated useful life based on asset type:

<u>Buildings</u>	<u>468 months</u>
<u>Land Improvements</u>	<u>240 months</u>
<u>Vehicles</u>	<u>120 months</u>
<u>Equipment</u>	<u>120 months</u>
<u>Furniture, Fixtures, Office Equipment</u>	<u>84 months</u>
<u>Computer Equipment</u>	<u>60 months</u>



## Adoption of Financial Practices

### 6.3.9 PROPERTY AND EQUIPMENT

~~When a useful life is not determinable, such as for land, no depreciation should be taken.~~

If there is a change in the estimate of the remaining useful life after the asset is placed into service, the remaining cost to be depreciated should be spread over the revised remaining life.

The Controller should review the estimated useful life.

Once depreciation has been determined, it should be applied consistently until conditions change to such a degree that its application no longer produces reasonable results.

#### EXISTENCE OF CAPITAL ASSETS

**Objective** Control should be maintained over capital assets and their related records to ensure that all recorded assets exist and are in use for operations.

The physical existence of capital assets should be verified and reconciled to the fixed asset records or inventories.

#### Procedures

##### 6.3.9.4.1

##### **Identification and Record of Assets**

At the time of acquisition, all assets should have been identified, tagged, and entered into the detailed fixed asset ledger. The tag should have been placed in a visible area. The tags provide a clear method of tracing the asset to the fixed asset ledger. Periodically, the District should take a physical inventory of all capital assets to ensure the completeness and accuracy of the company's records.

Responsible management employees who are not responsible for the custody or record keeping of the assets should oversee the inventory process.

All assets should be examined to determine that they are currently being used.

##### 6.3.9.4.2

##### **Comparison to Detailed Records**

The inventory of the assets on hand should be compared to the detailed records.

A responsible management employee should resolve all differences.



## Adoption of Financial Practices

### 6.3.9 PROPERTY AND EQUIPMENT

#### DISPOSAL OF CAPITAL ASSETS

**Objective** Disposal of capital assets should occur only after proper authorization has been given.

Control over the disposition of property should be maintained not only to preserve the accuracy of the records but also to ensure that assets are safeguarded, improper disposal is avoided, and the best possible terms are received for disposal.

#### Procedures

##### 6.3.9.5.1 Documentation of Disposal

The following procedures should apply to the retirement and disposal of District assets:

1. No item of property and equipment should be removed from the premises without a properly approved disposal form
2. A disposal form should be completed for all disposals
3. This disposal form should be reviewed and approved by the fixed asset accountant

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##### 6.3.9.5.2 Recording Disposal

Once the retirement has been properly approved and documented, the following procedures apply to the recording of the transaction:

1. At the time the property is retired, the cost should be removed from the appropriate asset account; the related accumulated depreciation including depreciation to date of disposal, should be removed from the accumulated depreciation account; and the profit or loss, adjusted for the cost of removal, should be recorded as an income (gain) or expense (loss) item.
2. When the disposal is via a trade-in of a similar asset, the acquired asset should be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance should such cost exceed the fair market value for the new asset.

##### 6.3.9.5.3 Fully Depreciated Assets

Fully depreciated assets should remain on the property records with the related accumulated depreciation as long as the property is still in use.

#### IMPAIRMENT OF ASSETS

**Objective** Impairment of assets is defined by GASB 42 as a significant, unexpected decline in the service utility of a capital asset of lived-assets occurs when



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### 6.3.9 PROPERTY AND EQUIPMENT

~~the fair value is less than the carrying amount or book value. Book value or carrying value results from applying the cost of the related asset to an allocation over an estimated useful life. A change in the remaining useful life is only a change in the time over which the allocation should be made. Impairment is recognition that some element of value will not be recovered in the future. Impairment is more likely to be an accounting issue for non-depreciable assets such as land and land rights or factors from technology and intangibles. Proper recognition of impairment should be considered.~~

#### **Procedure 6.3.9.6.1**

##### **Monitoring**

The Finance Officer will make an annual review of the assets and consider the need for any recognition of impairment. This review will be conducted as a part of preparing the records for the annual audit. Any impairment discovered will be booked and future depreciation adjusted by the capital asset accountant.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

#### DETERMINATION OF NEEDS

**Objective** Determination of IVGID's needs for goods and services should be made by appropriate personnel.

The determination of needs for goods and services, such as inventory, equipment, office supplies, and professional services, should be made considering levels of service and to avoid the disruption of operational efficiency because of improper or untimely purchases affecting the District's ability to serve the Community.

#### Procedures

##### 6.3.10.1.1 Methods to Determine Needs

Purchasing requirements, categorized by the type of goods or service, should be determined according to the following methods:

1. Inventory replenishment needs should be determined by a supervisor who has responsibility for the specific task.
2. The need for services that are provided on a recurring basis by the same vendor, such as utilities, telephone, periodicals, or janitorial services, should be determined initially by authorized persons, ~~and thereafter provided continuously or not redetermined until the end of the contract period. These services should be re-examined at the end of the contract period.~~
3. Determining the need for specialized services, such as insurance, advertising, and legal and accounting services, should be the responsibility of designated individuals.
4. Responsible individuals within each division of IVGID should determine routine operating and maintenance goods and services.

##### 6.3.10.1.2 Preparation of Requisitions for Routine Goods and Services

Requisitions for routine goods and services should be prepared by ~~the user~~ ~~department~~ on the ~~JDE~~ ~~Edwards~~ ~~innoprise~~ software and contain the following information:

1. Vendors – names and address.
2. Billing address - all departments should use 893 Southwood Blvd., Incline Village, NV 89451.
3. The date the department made the requisition.





## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

4. Ship or deliver to the specific location where goods or services are to be delivered.
5. Name of originator or individual designated to receive goods when received from vendor.
6. List of specific items requested including part number, model number, color, dimensions, item description, etc.
7. Specific quantity to be purchased and delivered.
8. Unit of measurement – each, dozen, carton.
9. Current unit price.
10. Approval obtained through ~~JDEdwards~~ Innoprise software if the amount is above the originator's approval level.
11. CIP requisitions should include the CIP budget year, the data sheet number, and area, and should be printed on the hard copy of the purchase order form.

#### 6.3.10.1.3 **New Vendors**

When it is necessary to establish credit with a new vendor, the following information needs to be furnished to an Accounts Payable Clerk prior to placing an order:

- Vendor Name – DBA, if applicable
- Vendor Address and remit address if different
- Vendor Tax ID number or social security number
- Vendor organizational type – e.g. corporation, partnership, or sole proprietorship
- Vendor phone and fax numbers
- Vendor contacts

An Accounts Payable Clerk will then request from the vendor completion of a W-9 form and remit address form (before checks will be issued).

#### 6.3.10.1.4 **Purchase Order Processing**

Once the requisition request has been approved, the requestor should obtain a purchase order number through the ~~JDEdwards~~ Innoprise computer software.

Purchase Order numbers must be obtained before ordering the services or materials and given to the vendor upon order - see exceptions, 2.1(b).

#### 6.3.10.1.5 **Bid Processes**

There are 3 types of bidding processes to consider for local governments:



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

1. Informal bids: If bid/contract is over \$10,000 but less than \$25,000 then 1) requests must be submitted to 2 or more persons capable of performing the contract, and 2) Records of all requests for bids received must be kept for at least 7 years after the date of execution of contract.
  
2. Non-Public Works construction bids: If bid/contract is over \$25,000 then the following rules must be followed.
  - A. Must advertise all contracts for which the estimated amount required to perform the contract exceeds \$25,000.
  - B. Maintain a record of all requests for bids and all bids received for at least 7 years after the date of execution of the contract.
  - C. Publication of notice to bid must be published at ~~least once every day for at least 7 days~~ and not less than 7 days before the opening of bids. The advertisement must be by "notice to bid," and must be published in a newspaper having general circulation.
  - D. The notice must state the nature, character or object of the contract; if plans and specifications are to constitute part of the contract, where the plans and specifications may be viewed.
  - ~~D-E.~~ The notice must state the time and date on which responses will be opened.
  - ~~E-F.~~ On-line bidding is allowable – see Statute on requirements (NRS 332.047).
  - ~~F-G.~~ Exceptions to requirements for competitive bidding (NRS 332.115) include: items which may only be contracted from a sole source; professional services such as consulting, legal, etc; additions to and repairs and maintenance of equipment which may be more efficiently added to, repaired or maintained by a certain person; equipment which by reason of the training of the personnel or of an inventory of replacement parts, maintained by the local government is compatible with existing equipment; perishable goods; insurance; hardware and associated peripheral equipment and devices for computers; software for computers; supplies, materials or equipment that are available from contracts with the General Services Administration or another governmental agency in the regular course of its business; items for resale through a retail outlet operated in this state by a local government or the State of Nevada.
  
3. Public Works Construction bids:  
Construction projects over \$100,000:

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## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

1. Adhere to the law NRS 338.
2. May not divide a project into segments to avoid public bidding.
3. Must advertise in a newspaper of general circulation (Bonanza is fine).
4. Must have plans and specifications on file by the date of advertisement.
5. Plans and specifications must be available to all interested parties.
6. Place, date, and time of where plans and specifications are available must be advertised.
7. Date, place, and time of when and where the bids will be opened must be advertised.
8. Contract must be awarded to contractor who submits the best bid.
9. Best bid is not necessarily the lowest; but IVGID must have compelling reasons to award to a higher bidder. As a reference, refer to Case No CV01-05346, Second Judicial Court, and Washoe County (American General Development vs. Washoe Co School District.
10. Contractor must be licensed in Nevada in appropriate classification.
11. 10% bid bonds required.
12. IVGID Board of Trustees must award work.

Construction Projects between \$25,000 and \$100,000:

1. Advertising is not required.
2. Must maintain a list of qualified contractors.
3. May request bids by direct mail from the qualified contractors.
4. Other provisions of larger contracts apply.

Construction Projects under \$25,000 IVGID Internal Policy applies.

In-House Projects IVGID may do construction with its own forces if Board determines that the bidder isn't qualified, or that the bidder isn't responsive, or the quality of services, materials, equipment or labor does not conform to plans and specifications, or that the public interest would be served by bid rejection and using in-house construction forces.

- 6.3.10.1.6** **Emergency bidding not required:** If an emergency exists that may lead to impairment of the health, safety or welfare of the public if not immediately attended to, then the bidding process is not required.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

#### PLACEMENT OF ORDERS

**Objective** Proper approval and a purchase order number should be obtained prior to the establishment of a firm order or contract to purchase.

Requisitions and purchase orders will be reviewed to ascertain that the amount of requisition is within the approved District's limit.

IVGID's terms are net 30 days. However, payments will be made earlier in order to take appropriate discounts, avoid penalties, or contract agreements.

Telecommunications (phone or data lines), computer hardware and software are handled through the Information Technology Division (IT). All inquiries and orders should first be identified, researched, and approved by IT.

#### Procedures

##### 6.3.10.2.1

#### Establishment of Purchasing Guidelines

The General Manger, the Board of Trustees, and NRS determine purchasing guidelines that define approval requirements and procedures for purchase commitments. The following purchasing guidelines should be applied:

1. Approval limits are set for each employee over ~~whom~~ which the employee is required to obtain appropriate approval prior to the establishment of a firm order or contract.
2. All purchases are to be obtained using a purchase order with few exceptions - as listed below:
  - ~~Any cash purchase~~ under \$500.
  - ~~Established revolving District charge cards.~~
  - Small purchases at Incline Auto Parts, Spitsen Lumber and Village Ace Hardware.
  - ~~District Procurement card purchases.~~
  - Payments to utility companies such as Southwest Gas, Sierra Pacific Power, and SBC.
  - Reimbursements such as petty cash or employees payments.
  - Recreation instructor payments.
  - Investment management invoices.
  - General Council payments.
  - Bond and Note payments and related payments.

**Commented [MAW1]:** Why are instructors services not required to follow purchasing guidelines?



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

- 6.3.10.2.2 Entering Into Purchase Commitments**  
Purchase commitments should be entered into to assure an adequate supply or price. All contracts should be documented in writing and the approval of the Board of Trustees should be obtained before a firm contract is signed. In order to avoid losses from inappropriate commitments, a projection of requirements for the specified goods or services should be prepared.
- 6.3.10.2.3 Preparation of ~~Prenumbered~~ Purchase Orders**  
Purchase order numbers are automatically assigned within the ~~JDEdwards-Innoprise~~ process. Purchase orders should be prepared and contain the following information:
- Name and address of vendor
  - Ship-to information
  - ~~Date the order was placed~~
  - Date the goods are to be delivered or service performed
  - Terms of purchase
  - Items listed separately with adequate descriptions
  - Specific quantity and unit of measure
  - Unit price
  - Signature of authorized buyer
- 6.3.10.2.4 Multiple-Copies of Purchase Orders**  
Multiple-copies of purchase order forms may be used with copies being distributed as follows:
- Copy to vendor (if necessary)
  - Accounts payable department
  - Copy to originator (if necessary)
- 6.3.10.2.5 Review of Unmatched Purchase Commitments**  
On a quarterly basis, a review should be performed by an Accounting Clerk of any commitments that have not been matched with receiving reports or equivalent records of goods or services received. Follow-up should be performed to determine whether or not the goods or services are yet to be received. If it is determined that the goods or services are not to be received, the purchase orders should be voided and removed from the system.

#### **Cellular Telephone Use**

**Objective** IVGID requires certain positions within the District to use cellular telephones for business purposes. The need and business purpose for use of a cellular telephone will be stated clearly in the Job Description.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

Factors which support cellular telephone use include but are not limited to:

- Performing work requires the employee to be out of the office on a regular basis where availability of a land telephone is limited.
- Performing work which requires the employee to regularly serve in an off-duty, on-call status a minimum of 2-3 days a week.
- Performing work which requires the employee to stand by for emergency call back where once called, time becomes a significant response factor.
- Where the safety of the employee or participants at a District sponsored program or event requires it.
- Managerial responsibilities.

Each employee in a job requiring a cellular telephone will be offered a District provided Nextel cellular telephone. If it is to the mutual benefit of the District and the employee, the District may elect to allow the employee be provided a fixed dollar stipend for the use of the employee's personal cellular telephone as the means of communication for District business.

#### Procedures

##### 6.3.10.3.1

#### Establishment of service

At the time of hire, the employee's supervisor and/or manager will determine the requirement for a cellular telephone. The employee and supervisor/manager will agree which plan suits the needs of the District and the employee.

If it is determined that a District Nextel cellular telephone will be issued, a cellular phone agreement will be completed, approved and forwarded to the Information Technology Department (IT). IT will purchase all equipment and set up.

If it is determined that the employee will use their cellular telephone and District plan, a cellular phone agreement will be completed, approved and forwarded to the Information Technology Department (IT). A monthly stipend for the cellular telephone will be included on the payroll check for the 20<sup>th</sup> of each month.

See the District Cellular Telephone Policy for complete rules and regulations.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

#### RECEIPT AND ACCEPTANCE OF PURCHASES

**Objective** Control should be established over goods and services received as a basis for determining and recording the liability for goods and services received.

The physical receipt of all purchased goods should be the responsibility of the receiving department or a designated individual at each of our departments. ~~The receiving person should inspect goods for conformity with specifications on the purchase orders. Counting, weighing, or measuring should verify quantities. Receipt and acceptance of a shipment should be documented with signature and date on a receiving document or packing slips and should then be routed to the accounting department.~~

#### Procedures

##### 6.3.10.4.1 Inspection of All Goods and Services

A receiving department or designated individual should inspect all goods received for the following:

- Correct delivery point
- Verify the number of containers
- Verify contents – compare description of goods and quantity per the purchase order
- Inspect for damage
- Remove packing slip, sign and date, and send to the accounting department

##### 6.3.10.4.2 Proper Communication Between Departments

The receiving department or originating individual should contact the vendor if any order has an obvious discrepancy (physical damage, wrong items, quantity error, etc.) in an expeditious manner to reach an understanding about how to correct the delivery.

##### 6.3.10.4.3 Receiving Documentation Sent to Accounting to be Filed

After inspection, the packing slip should be signed, dated, and sent to accounting with any ~~noted~~ discrepancies ~~noted~~. The accounting division matches the packing slip with the purchase order. These documents are to be filed while waiting for the invoice.

##### 6.3.10.4.4 Inspection and Approval of All Services Received

Services that are received should also be inspected or reviewed by the ~~user~~ department to determine that the work was done in accordance with



## Adoption of Financial Practices

### **6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES**

the purchase order or contract. Approval by the ~~user~~ department should be documented on the purchase order or on the invoice and sent to the accounting department.

If the work is of a confidential or highly technical nature, a specific department (e.g. engineering) or individual (e.g. risk manager) may wish to review the documentation and approve the services received.

#### **6.3.10.4.5 Storing and Controlling of Goods**

Inventory, component parts, and other goods should be accounted for and controlled from the time of receipt through utilization. Any transfers to the appropriate ~~user~~ department must be noted on a warehouse order form.

Storerooms should be locked. Access to storerooms should be restricted to authorized personnel.

#### **6.3.10.4.6 Recording month-end inventory**

A journal entry should be prepared to record goods that have been received prior to the end of an accounting period but have not been matched with the related suppliers' invoices. (See 6.0 for further discussion of cut-off procedures at the end of an accounting period.

### **ESTABLISHMENT OF ACCOUNTS PAYABLE**

**Objective** All authorized accounts payable transactions should be accurately recorded as accounts payable.

Employees independent of the ordering and receiving functions should record assets or expenses and the related liability. The amounts recorded should be based on vendor invoices for the related goods or services. The vendor invoices should be in agreement with an approved purchase order. Furthermore, evidence of receipt or performance of services should be documented before the vendor invoice can be processed. Invoices and related general ledger account distribution should be reviewed before recording.

### **Procedures**

#### **6.3.10.5.1 Establishment of Invoice Control**

All vendor invoices and statements should be mailed directly to 893 Southwood Blvd. and forwarded to the Accounting Department. Failure to do so may result in delays in recording the invoice and cause a misstatement of accounts payable and the related asset or expense





## Adoption of Financial Practices

### **6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES**

accounts. Furthermore, cash discounts may be lost or penalties imposed because of untimely processing.

The ship-to address can be the main warehouse or an individual department address.

#### **6.3.10.5.2 Accounts Payable Time-Line**

All [approvals of invoices](#) must be submitted [to the Accounts Payable Department in Innorpipe](#) by noon each Monday. If a holiday falls on a Monday then the deadline is on Tuesday by 10 AM.

#### **6.3.10.5.3 Request-for-Check forms**

A request-for-check form is only used in place of an invoice, for cash advances for trips or seminars, and for special purchase reimbursements. Proper coding and authorization must be completed.

#### **6.3.10.5.4 Travel Authorizations and Reimbursable expense**

Your supervisor and division head must approve a travel authorization form during the planning stages of a trip. The travel authorization is not a payment authorization. Payment authorizations are accomplished through the use of an expense report or a check request form.

IVGID will pay for expenses related to business only. Meal expenses will be covered at the established per diem rate unless specified on the IRS per diem table (contact an accounts payable [clerk](#) for area rates or refer to the table on the intranet). Mileage expenses will be covered at the established IRS rate per mile.

Expenses will be paid via an expense report. A clearly documented business purpose must be reported on the expense report, and all individual expenditures must have a supporting receipt attached except the meal per diem. Approved expense reports and receipts must be submitted to Accounts Payable within 30 days of the first date of incurred expense. Small receipts should be attached to an 8x5 blank sheet to

allow for easy verification and so those small receipts aren't lost in the process. (See additional information in IVGID's Personnel Policy Manual). A copy of the travel authorization must accompany a check request or expense report.

#### **6.3.10.5.5 Preparation of the Voucher Package**

The voucher package should be assembled with the following documents:

- Vendor invoice
- Packing slip



## Adoption of Financial Practices

### **6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES**

- Purchase Order
- Authorization of acceptance of goods or services
- A separate voucher package should be assembled for each Capital Project.
- The same invoice can be used to support multiple voucher packages, especially for multiple CIP numbers

#### **6.3.10.5.6 Procedures Performed on Voucher Package**

After the voucher package has been assembled, the following procedures should be performed:

- The nature and quantity of goods ordered and the price per the vendor invoice should be compared to the purchase order and the receiving document
- Calculations of the invoice, such as totals and extensions of quantities multiplied by unit price, should be recomputed
- The general ledger account coding should be verified
- ~~If the invoice is over \$2,500, the voucher package should be reviewed and approved by the Accounting Supervisor or the Controller.~~

#### **6.3.10.5.7 Processing of Freight Bills**

Freight bills may be received for goods received from vendors and for goods shipped to customers.

The bill of lading should be routed from the receiving division to the accounts payable division. When the invoice for the freight is received, the invoice should be approved for payment by the original receiving division, coded, matched with the proper purchase order, and sent to the accounts payable division.

A voucher package should be assembled as stated above in item ~~45.5~~.

#### **6.3.10.5.8 Guidelines for C.O.D. Purchases**

Cash on delivery (C.O.D.) purchases are discouraged. When it becomes necessary for a C.O.D. purchase, a requisition and purchase order should be prepared, complete with proper coding and approval. A check request is then processed for payment ~~and the check returned to the ordering department~~. When the goods are delivered, the following procedures are ~~appropriate~~:



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

- The goods should be inspected by the receiving division
- The bill of lading and the vendor invoice should be immediately marked "paid"
- The purchase order number should be marked on the invoice
- The documents should be sent to the accounts payable division for filing
- Accounts payable should review the documents and compare them to the check request and check that was issued earlier. Any discrepancies should be resolved.

#### 6.3.10.5.9 **Recording Invoices in the Accounts Payable Computer System** After the voucher package is complete, the vendor invoice is ready for recording. The following information should be entered into the [JDEdwards-Innoprise](#) computer system:

- Vendor name
- Vendor invoice number
- Date of vendor invoice
- Amount of invoice
- General ledger account number
- Date invoice is to be paid
- General ledger date
- Discount, if applicable
- Voucher number (assigned automatically by system)

Upon the posting of the vendor invoice into the accounts payable system, the vendor invoice has been automatically recorded into the accounting system as a liability. [Batch numbers or user names complete invoice postings.](#)

#### 6.3.10.6.10 **Check Run Process**

Check runs are completed weekly. Invoices are processed on Monday s and Tuesday s. Checks are printed on Wednesday s, matched, verified and readied for disbursement Wednesday afternoons and Thursday s. Checks are ready to be picked up or mailed from the accounting office on Friday s at 8 am. IVGID's vendor terms are Net 30 days.

Checks over ~~\$2500~~ [10,000](#) must be listed and presented to the Board of Trustees before they are released. Exceptions to holding checks for Board approval are checks that pay utilities, inventory, to avoid penalties, to receive discounts, or by contract agreement. Board meetings are normally held during the second and last week of each month. Checks



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

over \$2510,000 that receive board approval are mailed the day after the Board meetings.

#### **6.3.10.5.11 Out-of-cycle Checks**

Out-of-cycle checks are discouraged. Planning ahead should eliminate the need for out-of-cycle checks. If a check is necessary before the next scheduled check run, approval must be obtained from the Controller and/or the General Manager along with a detailed explanation as to why the check needs to be processed early.

#### **6.3.10.5.12 Returned Checks**

Returned checks should be forwarded to Accounts Payable Clerk for processing. The Accounts Payable Clerk will research the reasons for the return to determine if the check needs to be forwarded to a new address; or if the payment was made in error, the check should be immediately voided.

If a division has a check that they have picked up from Accounts Payable that they no longer need, the check needs to be returned to Accounts Payable immediately so that it can be voided or mailed to the vendor. All checks should be returned to the Accounts Payable Clerk within four weeks of the issuance date.

#### **6.3.10.5.13 Reconciliation of Accounts Payable General Ledger Amounts**

Quarterly, the accounts payable general ledger total should be reconciled. All differences should be investigated and adjustments made as necessary. The reconciliation and the results of the investigation of differences should be reviewed and approved by the Controller. The reconciliation and adjustments should be made by someone other than the accounts payable clerk.

#### **6.3.10.5.14 Review of Debit Balances in Accounts Payable**

The accounts payable clerk should review the accounts payable detail list on ~~JDEdward's~~ ~~Innoprise~~ ~~speed release~~ monthly for debit balances (amounts vendors owe IVGID). In reviewing debit balances, the employee should ascertain if the company will receive cash from the vendor or if an offset to another invoice is appropriate. If there is a significant dollar amount of debit balances in accounts payable, this debit balance should be removed from accounts payable and recorded in accounts receivable.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

- 6.3.10.5.15 Review of Hold Balances in Accounts Payable**  
The accounts payable detail list ~~on-in JDE~~Edward's ~~Inno~~prise speed ~~release~~ should be reviewed weekly by the accounts payable clerk for all "hold" amounts. In reviewing the holds, the employee should ascertain if these holds should be released against other invoices or if the invoice should remain on hold. All holds should be investigated and adjustments made accordingly.
- 6.3.10.5.16 Reconciliation of Accounts Payable Records to Suppliers' Records**  
Accounts payable records should be periodically reconciled to suppliers' records by comparison with supplier's statements. Any differences should be analyzed. A copy should be immediately obtained of any invoice(s) that is 60 days or more past due. Once received, proper approval must be obtained, and the invoice paid as soon as possible. Also, copies should be obtained of any credit memos that have not been recorded. No payments to vendors will be made from a statement. We pay only original invoices.
- 6.3.10.5.17 Sales and Use Tax**  
The Nevada Revised Statutes have granted IVGID sales/use tax-exempt status. Therefore, purchases in the state of Nevada are exempt from sales/use tax.  
  
Our tax ID # is 88-760004-K. If a vendor requests further verification of the Districts exempt status, a copy of the letter from the State of Nevada, Department of Taxation can be faxed or mailed to them.
- 6.3.10.5.18 Phone bills and Reimbursement of personal phone calls**  
All phone bills will be reviewed by each division for accuracy. Any questionable charges will be researched and resolved.

#### RETURN OF GOODS TO SUPPLIERS

**Objective** Return of goods to suppliers should be adequately controlled, documented, and recorded.

The return of goods should be approved and documented by each area or the receiving division. Follow-up with the supplier ~~should be made~~ to ascertain that the supplier recognized the return of goods.

#### Procedures

- 6.3.10.6.1 Shipment of Goods Back to Vendor**



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

When each area or the receiving division has goods to return to a vendor, a log should be maintained recording the description of merchandise, vendor, quantity, and reason for rejection.

The area or receiving division should call the vendor and shipping company to arrange for return. A credit memo should be requested to be sent to the accounts payable division. Notice should also be given to the accounts payable division or the return or if a replacement item will be sent.

#### **PURCHASE CUT-OFF**

**Objective** At the end of the accounting period, it should be ascertained that the related liabilities for goods or services received during the accounting period are also recorded in the same accounting period.

#### **Procedures**

##### **6.3.10.7.1 Procedures for Proper Purchasing Cut-Off at End of Accounting Period**

Time delays in receiving and processing vendor invoices for goods and services can cause recording the liabilities for the related goods and services in a subsequent accounting period, unnecessary penalties, or C.O.D. requests. Therefore, it is imperative that an attempt be made to record all liabilities and that a proper purchasing cut-off is achieved. To accomplish this, the following procedures should be observed:

1. Closing of the accounting records should be delayed for a few days to allow receipt of vendor invoices. The preliminary and final month-end close is completed on approximately the 15<sup>th</sup> and 20<sup>th</sup> business day of each month.
2. Invoices that are received at the end of each month should be immediately sent to the accounts payable division for processing. Invoices are processed and recorded to the general ledger according to the invoice date unless otherwise noted by the receiving departments. Invoices received after a month end close are recorded in the current open month.

#### PETTY CASH PROGRAM

Objective The use of petty cash is for unexpected, small, reimbursements. These transactions closely relate to the Procurement Card Program, below, and the procurement card is the preferred method of payment for these transactions.



## Adoption of Financial Practices

### **6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES**

#### Procedures

##### 6.3.10.8.1 Use of Petty Cash

The District has petty cash amounts at most locations for small purchases and reimbursements. These purchases should be limited to small amounts and urgent need items. Any purchase that can be processed through the standard purchasing process described above should be Petty Cash should also be used only in situations when a purchase card cannot be used, or the use of a purchase card would cause the District to pay a higher cost, as at some gas stations.

##### 6.3.10.8.2 Petty Cash Procedures

Some of the District's administration staff have been given the responsibility to manage a petty cash drawer. It is their responsibility to maintain the cash in a secure location and distribute payments only after receiving proper documentation of a business related expense. This documentation is a cashier receipt with the proper coding and signature on it. These receipts are kept in the petty cash drawer, and at least once a month an audit shall be performed on the petty cash drawer with a witness to ensure the total amount of receipts and cash totals to the amount of the petty cash drawer.

When the petty cash drawer is running low on funds, the administration staff responsible for the petty cash drawer will process an Accounts Payable Check Request, and attach all the receipts collected to the check request. Once the check is printed it will be delivered to the administration staff in charge of the petty cash to have it converted to cash at a local bank.

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#### **PROCUREMENT CARD PROGRAM**

**Objective** The procurement card program is a fast and flexible purchasing tool which offers an alternative to the existing purchasing processes and provides an efficient and effective method for purchasing and method of paying for items. The procurement card has individual purchase limits and monthly total expenditure limits assigned to each cardholder.

The card is to be used for official purchases; primarily goods and services but includes official travel. The cards will be issued in the employee's name and have the Incline Village General Improvement District's sales tax ID number clearly indicated on the card.

#### Procedures

##### 6.3.10.89.1 Approval of cards



## Adoption of Financial Practices

### **6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES**

Individual cards will be issued to employees upon approval by their supervisors and the general manager. Approval is authorized by completion of an application, complete with signatures. Individual card limits are established at this time. The Procurement Card Administrator within the Finance and Accounting Division is responsible for ordering new cards. The administrator will also oversee the balancing and payment of the monthly statement. One-time limit over-rides can be arranged by the Procurement Card Administrator.

#### **6.3.10.89.2 Issuance of cards**

Each individual cardholder must sign the cardholder agreement including the receipt section in the presence of the Procurement Card Administrator. By signing this agreement, the employee indicates that he/she understand the intent of the program, and will comply with all guidelines of the program.

#### **6.3.10.89.3 Cardholder responsibilities**

The cardholder must use the procurement card for legitimate business purposes only. Misuse of the card will subject the cardholder to disciplinary action in accordance with IVGID's policies and procedures relating to disciplinary action. The cardholder must:

- Ensure the card is used for legitimate business purposes only.
- Maintain the card in a secure location at all times.
- Not allow other individuals to use their card without prior approval for each purchase.
- Adhere to the purchase limits and restrictions of the card and ensure that the total transaction amount of any single transaction does not exceed the authorized threshold.
- Obtain and reconcile all sales slips and register receipts to the cardholder statement and provide this documentation to the Procurement Card Administrator. Approval and account allocation must be provided.
- Attempt to resolve ~~disputes of~~ billing errors directly with the vendor and notify ~~Bank of America~~Wells Fargo if the dispute or billing error is not satisfactorily resolved by faxing ~~Bank of America~~Wells Fargo the required Dispute Form. The Procurement Card Administrator can assist with this process.





## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

- Ensure that an appropriate credit for the reported disputed item or billing error appears on a subsequent cardholder statement.
- Not accept cash in lieu of a credit to the purchasing card account for returned items.
- Immediately report a lost or stolen card to [Bank of America/Wells Fargo and the Procurement Card Administrator](#).
- Send invoices immediately to the procurement card administrator in the Finance and Accounting division.

#### **6.3.10.89.4 Monthly statement review and approval**

The card administrator will supply each cardholder with a copy of his or her monthly statement. All charges are to be verified. A copy of each receipt properly approved and coded should be returned to the administrator within three business days. Food purchases should include the names of all persons involved.

However, if all receipts for a monthly procurement card statement have been coded and sent to the card administrator, the card administrator will send the procurement card statement and receipts directly to his/her supervisor for final approval.

Occasionally no receipt will be available. If this happens, a note should be written explaining the purchase. Also included must be proper approval and coding.

#### **6.3.10.89.5 Monthly statement payment**

The Procurement Card Administrator will pay all charges due by the due date. Payment is to be made in the form of a bank wire transfer.

#### **6.3.10.89.6 Purchasing Card Maintenance and Closure**

All contact with [Bank of America/Wells Fargo](#) for card set up, maintenance and closure will be handled by the Purchasing Card Administrator who is located in the Finance and Accounting Division.

The Procurement Card Administrator is required to close an account if a cardholder transfers to a different department, moves to a new job in which a purchasing card is not required, terminates employment, or misuses his/her card.

A request for closing a cardholder account will be submitted to [Bank of America/Wells Fargo](#) by the Procurement Card Administrator. When an



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

account is closed, the credit card must be returned to the Procurement Card Administrator.

#### 6.3.10.89.7 Sales and Use Tax

The Nevada Revised Statutes have granted IVGID sales/use tax-exempt status. Therefore, purchases in the state of Nevada are exempt from sales/use tax.

Our tax ID # is 88-760004-K and should be on the face of the credit cards. If a vendor requests further verification of the Districts exempt status, a copy of the letter from the State of Nevada, Department of Taxation can be faxed or mailed to them. Copies of these letters can be obtained from the Procurement Card Administrator.

#### 6.3.10.89.8 General Ledger Posting

The Procurement Card Administrator will complete a spreadsheet on a monthly basis of all amounts, coding, and descriptions of purchases. After balancing is complete, these amounts must be posted immediately to the correct financial period in our general ledger.

### ADVERTISING

**Objective** There are three primary types of advertising that the district processes on a regular basis – classified ads, legal ads, and display ads.

Classified ad purchase orders will be used primarily by HR for employment advertising. Each division will work with the HR Division on all employment ads prior to ad placement.

Legal ad purchase orders will be primarily used by the General Fund and/or the Engineering Division to satisfy the district's legal requirements.

All other divisions will primarily use the display ad purchase order. Each division will work with the Marketing Division on all marketing ads prior to ad placement.

### Procedure

#### 6.3.10.910.1 Ad preparation and placement

Each division must contact the HR Division on employment ads or the Marketing Division on advertising ads prior to ad placement.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

A purchase order must be issued before the ad is placed. When an exact amount of the ad is not known, an estimate will be used. The purchase order number must appear on the tear sheets and invoices.

Each division will use its own account codes.

All ads shall be proofread by the division placing the ad and by the HR Division (for employment ads) or Marketing Division (for advertising ads) before being finalized and approved with the vendor.

At the time the division receives the ad invoice, they should immediately approve the invoice for payment by providing the purchase order number along with their signature, current date, a proper coding. The invoice should then be forwarded to the Finance and Accounting Division for payment.

#### **TIPPING**

**Objective** Tipping is a reasonable expense of the District but should be limited through the following guideline.

#### **Procedure**

**6.3.10.4011.1 Limitation of food tips**  
Food tips should not exceed 15% of your food charges.

#### **BULK PURCHASES**

**Objective** Certain bulk purchases should be ordered through established vendors in order to take advantage of governmental or IVGID discounts.

#### **Procedure**

**6.3.10.4412.1 Office Supplies**  
All office supplies should be purchased through Office Max which takes advantage of our governmental discount. To receive a sign-on password, please see our Management Assistant. Office supplies are ordered by each division for the supplies they need.

#### **6.3.10.4412.2 Janitorial Supplies**

All bulk janitorial supplies should be purchased by our Buildings Division and ordered through Lake Tahoe Supply. See our buildings division if you have any questions relating to janitorial supplies.



## Adoption of Financial Practices

### 6.3.10 PURCHASING AND ACCOUNT PAYABLE CYCLES

#### 6.3.10.1112.3 Fuel Purchases

Fuel purchases are ordered by our Fleet Division, ski area personnel and golf area personnel. The vendor should be able to furnish us with the governmental-required bio-diesel and reformulated gasoline.

#### 6.3.10.1112.4 Printers and copiers

All purchases are handled by the IT Division to take advantage of our State discounts. After consultation, copier orders and maintenance are handled by the individual area. ~~IT handles the necessary paperwork~~—IT handles all printer ordering, installations, — and paperwork. IT is responsible for verifying the compatibility — between all equipment and our computer equipment and systems.

#### 6.3.10.1112.5 Software licenses

All software licenses are handled by the IT division. Contact the IT division for further information.



## Adoption of Financial Procedures

### 6.3.15 ELECTRONIC PAYMENTS SYSTEMS

#### **OBJECTIVE**

Moving funds electronically is both efficient and effective. Federal and state agencies are mandating the use of electronic payment for some tax receipts and payments to other governmental units. Many vendors also require or encourage the use of electronic payments. Increasingly, governments are now using the electronic movement of funds and information to take advantage of its efficiencies and to meet the growing demands of citizens and taxpayers for more ease and accessibility in government services.

Electronic payment methods include:

1. Fedwire — This method provides same day processing with guaranteed settlement. The cost per transaction is high and it is generally used for large dollar transactions.
2. ACH (Automated Clearing House) — This method is a batch process with one or two day settlement. The cost per transaction is low. It is designed for high-volume, low-value transactions.
3. EBT (Electronic Benefits Transfer) — This is an electronic system that allows recipient transfer of Government benefits to a point of sale terminal or ATM. Most EBT systems use magnetic stripe cards and "online" authorization. Smart cards may also be used.
4. Purchase Card (Procurement Card or PCard) — This method is used for purchases to reduce overall purchase processing costs.
5. Prepaid cards — Prepaid cards can be used for payroll, rebates, incentives, or other single payments instead of using checks.
6. EFT (Electronic Funds Transfer) — This is an electronic system that allows transfer of payments bank to bank through pre-arranged account codes. It often is accompanied by EDI (Electronic Data Interchange) which communicates the details of the transaction. Cost of this form is relatively low, but can take up to four days to process and clear.

#### **PURPOSE**

The District will consider using electronic payments when it demonstrates advantages such as:

1. Eliminates the storage, handling, and processing of paper checks
2. Reduces the time spent on reconciliation
3. Reduces the visibility of information used in payment fraud
4. Eliminates the occurrence of lost or stolen checks and the cost of check reissuance
5. When used properly the electronic aspects of purchasing and prepaid cards can increase internal controls over high volume, small dollar purchases



## Adoption of Financial Procedures

### 6.3.15 ELECTRONIC PAYMENTS SYSTEMS

#### **ALLOWABLE ELECTRONIC PAYMENT SYSTEMS:**

1. Fedwire – This method provides same day processing with guaranteed settlement and it is generally used for transactions greater than \$1,000.
2. ACH (Automated Clearing House) – This method is a batch process with one or two day settlement.
3. Credit Card – This method is a batch process with one to three day settlement, merchant fees generally are about three percent of the amount charged.
4. Electronic Check Conversion – This method converts checks to ACH collections. It should be used when there is time to accept a one to two day settlement process.
5. Web based collections for product and services ~~sales to picture pass holders and other customers~~. Payment portals can be linked from the District's web page and allow a variety of payment methods. (If legally authorized and implemented in accordance with appropriate guidelines. Convenience fees may be utilized to pass on the merchant fees.)
6. EFT (Electronic Funds Transfer) This is an electronic system that allows transfer of payments ~~from~~ bank to bank through pre-arranged account codes.

#### **ELIGIBLE TRANSACTION TYPES:**

1. Disbursements
  - a. Payroll and retirement payments
  - b. Employee expense reimbursements
  - c. Vendor payments
  - d. Social benefits and child support payments
  - e. Intergovernmental payments
  - f. Debt Service payments
2. Collections
  - a. Repetitive collections - such as utility payments
  - b. Tax settlements
  - c. Fee payments
  - d. Grant advances or reimbursements
  - e. Registration fees
  - f. Online sales
  - g. Lease and other recurring receipts
3. Costs/Benefits Factors (when requested by the other party)
  - a. Cost savings
  - b. Customer needs and desires
  - c. Fundamental to type of transaction
  - d. Information technology resources require a specific form of transmission
  - e. Impact (either positive or negative) on the availability of funds and interest earnings
  - f. Grant requirement
  - g. Statutory regulations



## Adoption of Financial Procedures

### 6.3.15 ELECTRONIC PAYMENTS SYSTEMS

#### **INTERNAL CONTROLS AND SAFEGUARDS:**

This form of processing requires strong internal and information technology controls on all programs and data files associated with identity information of vendors and employees to ensure privacy and prevent unauthorized use. These include security and appropriate segregation of duties. Attributes of the District's Electronic Payment Systems include:

1. Network security to protect data files from internal and external threats.
2. Written agreements that establish procedures, risk exposure, and indemnification issues should be executed with banks and third party providers/recipients.
3. Dual controls for the authorization of non-repetitive transactions.
4. Dual controls for the establishment of repetitive transactions.
5. Establishment of dollar limits for authorized personnel.
6. Establishment and use of passwords for authorized personnel to initiate transactions.
7. File receipt verification by the Originating Depository Financial Institution.
8. All ACH activity should be properly authorized as defined by NACHA rules and Federal Regulation E.
9. Establishment and use of adequate controls against unauthorized ACH debits, such as blocks and filters.
10. Use of separate accounts for ACH debit activity where volume and type of payment warrant.
11. Pre-noting or testing ACH transactions to vendors and employees when practical.
12. Use of an ACH format that supports the transmission of the remittance advice when needed.
13. Implementation and periodic review of internal controls that address access control, confidentiality of data, integrity of data, and other information security issues as appropriate. Internal controls should incorporate the current Payment Card Industry Standards.

#### **SPECIFIC PROCEDURES FOR ELECTRONIC PAYMENT SYSTEMS**

The District will maintain appropriate procedures of reach transaction type. This statement allows for guidance on a set of tools that can be used to complete these transactions. It is not formulated to substitute or override established procedures. Any thresholds for approval or authority, from existing Policies, Practices or Procedures, must remain or be exceed when utilizing an Electronic Payment System.

# Attachment E



## **I - Capitalization Policy**

- Background / Preliminary Recommendations (DRAFT)
- Board Policy 8.1.0 and 9.1.0
- Board Practice 2.9.0
- Best Practices / Guidelines

## **CAPITALIZATION POLICY**

*Board Policy 8.1.0*

*Board Policy 9.1.0*

*Board Practice 2.9.0*

### **Background:**

- Board Policy 8.1.0 relates to “Establishing Estimated Useful Life of Capital Assets
- Board Policy 9.1.0 relates to Appropriate Capitalization Threshold for Capital Assets
- Board Practice 2.9.0 relates to Capitalization of Fixed Assets
  - Capitalization Threshold:            Equipment                                = \$ 5,000  
   Structures / Improvements = \$10,000
  - Useful Life 3+ years (All assets categories)

### **Best Practices and Resources:**

- GFOA provides guidance on best practices for development of policies related to Capitalization Thresholds as well as Estimating Useful Life of Capital Assets
- Moss Adams, LLP Identified several observations and recommendations related to capital asset accounting in their report, “Evaluation of Certain Accounting and Reporting Matters,” dated January 14, 2021, to include:
  - District’s policies and practices should be revised to acknowledge different stages to a project, definition of costs incurred in each stage, consistent with established and accepted governmental accounting practices.
  - 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.
  - 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.
- Staff has reviewed sample Capitalization Policies provided by consultants, the District’s Independent Auditor and comparable public agencies.

## CAPITALIZATION POLICY

### Preliminary Recommendations:

- 1) It is recommended that Board Policies 8.1.0 and 9.1.0 be consolidated into a single, comprehensive Capitalization Policy to include direction related to:
  - a. Capitalization Thresholds
  - b. Estimated Useful Life of capital assets
  - c. Definition of capital expense to be capitalized versus repair and maintenance costs to be expensed in period incurred
  - d. Distinction of costs incurred at various phases of capital project life-cycle to inform expensing of costs incurred prior to establishment of formal project definition, scope and financing plan. (*Cross-reference to Board Policy 13.1.0 and Board Practice 13.2.0*)
  
- 2) Board Practice 2.9.0 should be updated to reflect:
  - a. Updated numbering sequence (previously Practice 9.2.0)
  - b. Specific Capitalization Thresholds for ALL asset types
  - c. Default Estimated Useful Life for All asset types
  - d. Application of distinction between capital costs to be capitalized and repairs and maintenance costs to be expensed
  - e. Definition of pre-planning costs to be expensed versus capitalized
  
- 3) The updated capitalization policy will also need to reflect implementation of GASB 87, related to leases, which are required – as of 7/1/21 - to be reported as “intangible assets” and depreciated of the remaining lease term(s).

## CAPITALIZATION POLICY (Sample)

### Policy Overview

Capital assets include land, improvements to land, water rights, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, construction in process (CIP), and all other tangible or intangible assets that are used in operations, that have initial useful lives extending beyond one year and meets the capitalization threshold.

The District classifies capital assets in the following groups for financial reporting:

- Land
- Buildings and structures
- Venue Improvements
- Service Infrastructure
- Equipment and Vehicles
- Construction in progress

The District’s capitalization threshold shall be as follows:

<u>ASSET CLASS</u>	<u>CAPITALIZATION THRESHOLD</u>	
Land .....	All	
Building and Structures .....	<del>\$10,000</del>	\$ 25,000
Venue Improvements .....	<del>\$10,000</del>	\$ 10,000
Service Infrastructure.....	<del>\$10,000</del>	\$ 25,000
Equipment and Vehicles .....	<del>\$ 5,000</del>	\$ 10,000

Capital assets purchased by the District are recorded at cost. Capital assets donated to the District are recorded at fair value on the date accepted.

Items should only be capitalized if they have an estimated useful life of ~~greater than two~~ three years of more.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>YEARS</u>
Buildings and Structures	10-40
Venue Improvements	10-25
Service Infrastructure	5-40
Equipment and Vehicles	3-20

Capital projects will be capitalized if they meet one of the following criteria:

- The project is creating a new asset for the District
- The project significantly extends the useful life of an asset beyond what was originally established as the estimated useful life for that asset and/or significantly increases the service capacity of the asset.

Improvements, replacement and major repairs of all capital assets, which were approved on the basis that the alterations or repairs achieve greater future benefits such as improving efficiency or materially extending the useful life of the asset should be capitalized. Expenditures that simply maintain a given level of service should be expensed.

Three major categories of costs subsequent to original construction or acquisition are incurred relative to capital assets:

- Improvements - an improvement is the substitution of a better component for which possesses superior performance capabilities, whereas a replacement is the substitution of a similar component.
- Replacement – a replacement, which is a substitution of a component of the asset with one of similar quality is to be expensed. On rare occasions, a replacement can be considered improvements and be capitalized if it meets certain established criteria.
- Maintenance - certain activities budget as capital projects will be expensed as repair and maintenance expenses if they meet one of the following criteria:
  - The activity is performed on a regular and recurring basis to keep the District’s assets in their normal operating condition over the course of the originally-established useful life.
  - The project represents a repair activity that restores an asset to its original condition.

### Capital Project Planning

Major capital projects, as defined in Board Policy 12.1.0, will often (but not always) be managed through the application of distinct project phases. These may include:

- Project Definition
- Planning
- Feasibility
- Design
- Construction

Costs incurred in pre-planning phases, including Master Plans and Project Feasibility Studies that explore potential capital projects should be expensed. Once a master-planning site-specific feasibility study results in a defined project, with a specific scope and cost, and the Board determines that a financing plan is to be developed for inclusion in the District’s Capital Improvement Budget, costs associated with the capital project are to be capitalized.

To facilitate the tracking of capital project costs to be expensed versus capitalized, the District will consider establishing separate capital project codes to distinguish between phases where costs will be expensed and those capital project phases where costs are to be capitalized.

Capital project costs to be capitalized will be reported as Construction In Progress until the capital project is completed and the capital asset is placed into service.

# Attachment F

### **III - Fund Balance / Working Capital Policy**

- Background / Preliminary Recommendations (DRAFT)
- Board Policy 7.1.0 and 19.1.0
- Board Practice 7.2.0 and 19.2.0
- Best Practices / Guidelines

## FUND BALANCE AND WORKING CAPITAL

Board Policy 7.1.0  
Board Practice 7.2.0  
Board Policy 19.1.0  
Board Practice 19.2.0

### Background -

- Board Policy 7.1.0 relates to “Appropriate Level of Fund Balance”
  - GFOA and GAAP guidelines and definitions
- Board Practice 7.2.0 relates to “Appropriate Level of Fund Balance”
  - Minimum requirement under NAC 354.650
- Board Policy ~~17.1.0~~ relates to “Appropriate Level of Working Capital”
  - GFOA and GAAP guidelines and definitions
- Board Practice ~~17.2.0~~ relates to “Appropriate Level of Working Capital”
  - Operating Working Capital = 25% of Operating Expenses
  - Debt = 1-year interest expense
  - Capital = 1-year of 3-year average depreciation

### Best Practices and Resources:

- GFOA provides guidance on best practices for development of policies related to Unrestricted Fund Balance and Appropriate Level of Working Capital for Enterprise Funds.
  - Based on “risk” to be mitigated
- Best practices suggest that formal fund balance policies be established to provide for:
  - Appropriate level of fund balance
  - Appropriate use(s) of established reserves, and
  - Guidelines for replenishment of reserves when used.
- Fund Balance – General Fund
  - Nevada Administrative Code (NAC 354.650) establishes a (minimum) fund balance of 4% of operating expenditures for public agencies; the NAC further provides for notification/explanation to be provided to the Department of Taxation in the event that reported fund balances fall below 4% of actual expenditures.
  - The GFOA acknowledges that the appropriate level of fund balance for the General Fund should take into account each government’s own unique circumstances, but recommends general-purpose governments maintain an unrestricted fund balance of no less than 2-months of regular general fund revenues or general fund expenditures.



- Working Capital – Enterprise Funds
  - GFOA recommends that government’s target for working capital be no less than 45-days of annual operating expenses (1.5 months).
  - The District has contracted with an outside consultant (Raftelis) to review the Public Works operations and capital asset management and provide recommendations, to include appropriate level of working capital to inform update of Board Policy 17.1.0 and Board Practice 17.2.0.

Preliminary Recommendations:

- 1) It is recommended that Board Policy 7.1.0, Board Practice 7.2.0, Board Policy 17.1.0 and Board Practice 17.2.0 be updated to establish a target minimum fund balance(s) as well as incorporate fund balance policy language consistent with GFOA guidelines for best practices
- 2) It is recommended that Board Policy 17.1.0 and Board Practice 17.2.0 related to Appropriate Levels of Working Capital be updated to establish appropriate level of working capital for the District’s Enterprise Funds, informed by pending recommendations from the review of the District’s utility operations by third-party consultant.
  - a. Debt Service should be reviewed in relation to bond covenants; usually require annual revenues equal to 100-120% of annual debt payments, which have priority over operating expenses
  - b. Policy should distinguish between Capital Reserve (as a % of annual capital budget or depreciation) and Capital Asset Replacement fund (as a percentage of five-year CIP).
- 3) Staff is reviewing the applicability of establishing a Working Capital policy for its Internal Service Funds; while reported as Enterprise Funds, these funds activities are generally self-funded with year-end adjustments made to clear fund balances.
- 4) Board Practices 7.2.0 and 17.2.0 should also be updated to reflect the transition of the District’s Community Services Fund and Beach Fund from Special Revenue Funds to Proprietary (Enterprise) Funds.
- 5) Consideration should be given to consolidating updates to Policies 7.1.0 and 17.1.0 as well as Practices 7.2.0 and 17.2.0 to provide for a comprehensive Policy and related Practice related to appropriate levels of fund balance and working capital across all District funds.

**Appropriate Level of Fund Balance**  
Practice 7.2.0 / Practice 19.2.0  
(Sample Update)

**PRACTICE.** It is the practice of the Incline Village General Improvement District, hereinafter referred to as the District, to maintain Fund Balance in the General Fund and each governmental or proprietary fund type in a manner which provides for contractual, bond and customer service obligations, while meeting its routine and non-routine cash flow requirements and complying with all federal, state and local statutes and regulations.

*This policy/practice establishes the minimum level of funding to be maintained in reserve within the fund balance of the District’s governmental and proprietary funds, defines the conditions under which these funds can be utilized, and provides a timeline for replenishment of reserve funds, when utilized.*

**1.0 Scope**

This Practice shall apply accounting principals as forth in Governmental Accounting Standards Board (GASB) Statement 54 considering the unique characteristics of the District. To that end the following measurements will apply to each fund or type:

**2.0 Appropriate Level of Fund Balance and Working Capital**

**General Fund**

*The policy of the District shall be to maintain a minimum funds balance within the General Fund of \_\_\_ % to provide for economic uncertainty, fluctuations in General Fund revenues and unforeseen events that may require of unbudgeted expenditures.*

In no case shall the fund balance for the District’s General Fund fall below the 4% of expenditures required under Nevada Administrative Code Section 354.

*The appropriate level of fund balance to be maintained in reserve within the District’s General Fund shall be reviewed annually*

**Proprietary Fund Types:**

Measurements of target working capital ~~fund balances~~ with Stabilization Arrangements:

Community Services ..... Operations - 25% of operating expenses  
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*



*(Capital Expenditure – 1 year of a 3 year average depreciation)*

Beach ..... Operations - 25% of operating expenses  
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*  
*(Capital Expenditure – 1 year of a 3 year average depreciation)*

Utilities ..... Operations - 25% of operating expenses  
Debt Service - One year’s payments *(or as set by debt coverage ratio established in bond documents)*  
Capital Expenditure – 1 year of a 3 year average depreciation

Internal Services ..... Operations - 25% \_\_\_\_ % of operating expenses

Operating expenses for these calculations do not include depreciation or interest expense since they are covered by separate definitions.

*The appropriate level of working capital to be maintained in reserve within the District’s enterprise funds shall be reviewed annually.*

**Governmental Activities:**

~~Workers Compensation.....SIR—Stated Deductible~~

**3.0 Appropriate Use of Fund Balances and Working Capital Held in Reserve**

*The targeted level of fund balance and working capital established by Board policy and practice serves to address significant short-term issues, including unexpected revenue shortfalls, higher than anticipated expenditures, or unforeseen emergencies.*

*It is the intent of the Board of Trustees to limit the use of reserved fund balances to address unanticipated, non-recurring needs. Fund balances should not be applied to recurring annual operating expenditures. Fund balances may, however, be applied buffer the impacts of a loss or reduction in revenues to allow time for the District to restructure its operations, but such use will only take place in the context of a Board-approved long-term financial plan.*

#### **4.0 Excess Fund Balance or Working Capital**

*At the end of each fiscal year, the Finance Department will report on the audited year-end budgetary fiscal results. Should actual revenues exceed expenditures, including contractual obligations and carry-forward items, a year-end surplus shall be reported.*

*Any year-end operating surplus which results in unrestricted fund balances in excess of the targeted fund balances established by the Board, shall be deemed available for allocation to specific needs, subject to Board action. These include:*

- 1) Payments toward unfunded liabilities, deferred maintenance and asset replacement, or other non-recurring needs.*
- 2) Transfer to other funds, as deemed appropriate, to offset year-end deficits within those funds*
- 3) Allocation to capital projects with shortfalls in funding sources and/or to provide matching funds for awarded grants.*
- 4) Re-appropriation within the subsequent year's operating budget to provide for one-time, non-recurring needs.*

#### **5.0 Replenishment of Fund Balances or Working Capital**

*If the General Fund fund balance reserve or Enterprise Fund Working Capital reserve are required to be drawn-down below the minimum level established by Board policy, a plan will be developed and implemented to replenish fund balances. Replenishing fund balances will be a priority use of one-time resources, and minimum fund balances will be restored within a maximum of two fiscal years.*

#### **6.0 Definition of Stabilization Arrangement**

*(To be updated in conjunction with pending Utility Rate Study)*

In conformity with GASB Statement 54, the District will establish a stabilization arrangement only when it includes:

- 2.0.1 Recognition of the authority by which the arrangement is established including resolution, ordinance or other action.
- 2.0.2 When to make additions to the stabilization amount
- 2.0.3 When stabilization amounts can be spent
- 2.0.4 That a balance will be reported at each fiscal year end.

## 7.0 Other Classifications

The District will apply other classifications and accounting standards under GASB 54 including the use of Non-spendable, Restricted, Committed, Assigned, Unassigned and Unrestricted when presenting either a Statement of Net Assets or other forms of fund balance in its financial reports.