

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Lack of disclosure of Claims Payable - Note 13 and Restricted Funds - Note 14 in the 2021 Annual Comprehensive Financial Report

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

DATE: 3-29-2022

I. RECOMMENDATION

The Audit Committee recommends that Note 13 Claims Payable in the 2021 Annual Comprehensive Financial Report ("ACFR") be expanded to provide more information of the Claims. In the 2020 CAFR there is no indication of any Claims Payable in the Statement of Net Position or the Footnotes. As such, Note 13 is not factual. While the claim may have been included in accounts payable there was no claims payable. The expansion should provide detailed information on what was the nature, the terms, any interest and the IVGID fund which is responsible for the Claim.

The Audit Committee also recommends that Note 14 - Restricted Funds is unclear as to the purpose or the decision to restrict funds according to GASB Statement #34. The information contained in Note 14 should have been part of Note 13 relating to the Claims Payable. There is no cross reference other than a dollar amount.

In addition, there are other restricted funds which have not been disclosed in Note 14 which include \$141,727 in the Community Services Special Revenue Fund, \$1,000 in the Beach Special Revenue Fund, and \$324,306 in the Utility Fund.

II. BACKGROUND and ANALYSIS

IVGID was required by a settlement reached in August 2020 between Washoe County and property owners within the IVGID boundaries, to refund a portion of property taxes collected in prior years. IVGID proportional share of the refunds is reported to be \$1,359,757.

The Claims Payable is effectively a debt obligation and disclosure of the Claims and its terms should be included under Long Term Debt Obligations since the Claims extend beyond one year.

The Washoe County, Nevada Notes to Financial Statements June 30, 2021 (page 63) refers to the claim as a Property Tax Refund and is included in Long Term Debt Obligations.

Exhibit A - Note 13 and 14 of the 2021 ACFR
Exhibit B - Statement of Net Position 2021 ACFR
Exhibit C - Statement of Net Position 2020 CAFR
Exhibit D - Page 63, Washoe County Nevada Notes to the Financial Statements June 30, 2021

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

Weakness in Financial Reporting

V. ALTERNATIVES

NONE

VI. COMMENTS

NONE

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

Possible risk premium of interest rates on borrowings as a result of material weakness in financial reporting.

EXHIBIT A

The District has elected to participate in the Nevada Public Agency Insurance Pool. The risk-sharing Pool secures insurance coverage for all its members. The Pool agreement provides coverage for the equivalent of errors and omissions and directors' and officers' acts. The Pool does not offer general or excess liability coverage for the Diamond Peak Ski Resort. Therefore, separate coverage is purchased.

A portion of each member's premium contributions to the Pool goes into the Loss Fund and the remainder pays for the excess insurance premiums and administrative expenses. The amount of the Loss Fund contribution is determined by the underwriters based on each member's average annual losses over the prior five years. This amount may vary each year.

The Pool pays all losses from the Loss Fund per occurrence, less the member's maintenance deductible. The District has a \$5,000 deductible. Excess insurance above the Pool's self-funded amount, is provided by secondary markets based on arrangements made with the Pool, including a Pool owned captive.

There were no District settlements in excess of insurance coverage in any of the three prior fiscal years.

Ski Liability Insurance is not covered by the Nevada Public Agency Insurance Pool. A separate insurance program, less the District's \$10,000 deductible, provides coverage.

The District has elected to participate in the Nevada Public Agency Compensation Trust (NVPACT) to provide workers compensation coverage for all employees. The District pays quarterly assessments. The assessments are based on actuarial estimates provided by NVPACT utilizing covered payroll data for the most recent calendar year. A portion of each member's assessment goes into the Loss Fund and the remainder pays for the excess insurance premiums and administrative expenses. This amount may vary each year.

13. CLAIMS PAYABLE

Claims payable are as follows for the last two fiscal years:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
FY2020	\$ -	\$1,359,757	\$ -	\$1,359,757
FY2021	1,359,757	-	-	1,359,757

14. RESTRICTED FUNDS

The General Fund reflects a restriction of \$1,359,736 to reflect the District's obligation under the terms of settlement of the property tax dispute filed against Washoe County et al, Nevada State Board of Equalization and the Department of Taxation by the Village League to Save Incline Assets, Inc. As the terms of the settlement are finalized, this amount is recorded as a liability at June 30, 2021 in the government-wide Statement of Net Position.

15. COMMITTED FUNDS

As of July 1, 2015, the Board of Trustees established Special Revenue, Capital Project and Debt Service funds for District Community Services and Beach activities. Based on governmental accounting standards the fund balance for the Special Revenue funds are committed for the purpose of recreation privileges utilizing the assessed facility fee. Furthermore, fund balances within the Community Services Capital Fund and Beach Capital Fund are further committed for the purpose of future planned capital improvement projects. These funds generally represent revenues collected through the Recreation and Beach Facility fees allocated specifically to capital projects.

Exhibit B

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash, cash equivalents, and investments	\$ 28,903,510	\$ 15,828,516	\$ 44,732,026
Receivables:			
Accounts receivable, net	78,021	1,356,069	1,434,090
Interest on investments	16,415	3,790	20,205
Grants receivable	373,912	12,881	386,793
Due from other governments	505,377	-	505,377
Inventories	495,351	161,068	656,419
Prepaid items	779,979	-	779,979
Restricted assets:			
Restricted deposits	142,727	324,306	467,033
Capital assets:			
Land	17,290,327	6,715,544	24,005,871
Construction in progress	1,939,563	1,035,834	2,975,397
Buildings, structures, improvements, infrastructure, equipment and vehicles, net of accumulated depreciation	39,552,343	55,934,282	95,486,625
Total assets	<u>90,077,525</u>	<u>81,372,290</u>	<u>171,449,815</u>
LIABILITIES			
Accounts payable	1,379,102	288,273	1,667,375
Accrued personnel costs	1,397,480	333,705	1,731,185
Accrued interest payable	8,465	46,566	55,031
Due to other governments	17,678	-	17,678
Unearned revenue	2,201,964	171,921	2,373,885
Noncurrent liabilities:			
Bonds due within one year	378,000	573,891	951,891
Claims payable within one year	355,507	-	355,507
Bonds due in more than one year	389,043	2,972,341	3,361,384
Claims payable in more than one year	1,004,229	-	1,004,229
Total liabilities	<u>7,131,468</u>	<u>4,386,697</u>	<u>11,518,165</u>
NET POSITION			
Net investment in capital assets	58,015,190	60,139,428	118,154,618
Restricted	142,727	324,306	467,033
Unrestricted	24,788,140	16,521,859	41,309,999
Total net position	<u>\$ 82,946,057</u>	<u>\$ 76,985,593</u>	<u>\$ 159,931,650</u>

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

Exhibit C

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 16,600,567	\$ 9,415,167	\$ 26,015,734
Short term investments	4,801,614	3,791,702	8,593,316
Receivables:			
Accounts receivable, net	7,165	1,268,002	1,275,167
Interest on investments	33,822	17,560	51,382
Taxes and Fees from Washoe County	38,914	-	38,914
Grants Receivable	371,079	12,881	383,960
Due from other governments	466,730	-	466,730
Inventories	557,257	151,327	708,584
Prepaid items	175,449	-	175,449
Long term investments	3,598,620	1,537,061	5,135,681
Restricted assets:			
Restricted Deposits	385,160	322,895	708,055
Capital assets:			
Land	17,290,327	6,715,544	24,005,871
Construction in progress	2,974,576	1,607,772	4,582,348
Buildings, Structures, Improvements, Infrastructure, Equipment and Vehicles, net of accumulated depreciation	38,532,744	58,963,987	97,496,731
Total assets	<u>85,834,024</u>	<u>83,803,898</u>	<u>169,637,922</u>
LIABILITIES			
Accounts payable	2,215,584	355,031	2,570,615
Accrued personnel costs	1,587,807	444,160	2,031,967
Accrued interest payable	11,235	54,080	65,315
Due to other governments	17,517	-	17,517
Unearned revenue	1,361,285	167,926	1,529,211
Noncurrent liabilities:			
Due within one year	368,000	538,707	906,707
Due in more than one year	763,685	3,546,231	4,309,916
Total liabilities	<u>6,325,113</u>	<u>5,106,135</u>	<u>11,431,248</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow	243,026	-	243,026
NET POSITION			
Net investment in capital assets	57,665,962	63,202,365	120,868,327
Restricted	142,134	322,895	465,029
Unrestricted	21,457,789	15,172,503	36,630,292
Total net position	<u>\$ 79,265,885</u>	<u>\$ 78,697,763</u>	<u>\$ 157,963,648</u>

no claims payable

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

Exhibit D

WASHOE COUNTY, NEVADA NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2021 (CONTINUED)

Outstanding balances at June 30, 2021 is as follows:

	Governmental Activities	Business-type Activities	Total
Washoe County:			
Vacation	\$ 15,990,386	\$ 269,206	\$ 16,259,592
Sick Leave	10,327,919	156,818	10,484,737
Compensatory Leave	6,658,955	110,240	6,769,195
Benefits	475,219	7,776	482,995
Total Compensated Absences	\$ 33,452,479	\$ 544,040	\$ 33,996,519

Net Other Postemployment Benefits Obligation

Prior to May 11, 2010, when the County established the Washoe County, Nevada OPEB Trust (Note 15), the County financed their net other postemployment benefits obligation on the pay-as-you-go basis with the funds accumulated in the Pre-Funded Retiree Health Benefits Fund. Currently, the OPEB Trust is funded from the General fund.

Due to other Governments – Business Type Activities

The Utilities fund has a liability to an outside government agency in the amount of \$17,581 which is not due within 12 months.

Pollution Remediation Obligation

The pollution remediation activities of the Central Truckee Meadows Remediation District (CTMRD) are paid for through an annual charge billed directly to residents and businesses within its boundaries. Accordingly, the CTMRD's pollution remediation obligation is limited to the net position accumulated by the fund for payment of future remediation related expenditures. All of the assets of CTMRD are held for remediation and are offset by a long-term liability for remediation. As of June 30, 2021, the remediation liability for net position held in CTMRD was \$4,770,578.

Claims and Judgments

The claims and judgments liability of \$23,030,000 consists of pending property and liability claims, workers' compensation claims, and unprocessed health benefits claims. These claims will be liquidated through the Risk Management and Health Benefits Internal Service Funds (Note 16). The Risk Management and Health Benefits Funds finance the payment of claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds or, as needed, through transfers from the General Fund.

Property Tax Refunds

The County was the defendant in various lawsuits with property owners disputing the County Assessor's valuation methods used for property within the Lake Tahoe Basin. The County vigorously defends the Assessor's valuations; however, in August 2020 the Board of County Commissioners approved a settlement agreement that would dismiss the case resulting in a roll back of property values and subsequent refunds in the amount of \$23,800,000. These property owner's claims will be paid starting July 1, 2021 by charging other funds based on management's assessment of the original property taxes paid that should be assumed by individual funds or, as needed, through transfers from the General Fund.

Discretely Presented Component Unit:

General obligation bonds

Truckee Meadow Fire Protection District (TMFPD) issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of TMFPD and are additional secured by a pledge of 15% of certain proceeds of liquor taxes, tobacco taxes, real property transfer taxes, basic governmental services tax and basic and supplemental sales taxes. During the fiscal year 2021, principal and interest paid on the bonds totaled \$156,635 and pledged revenues totaled \$1,559,487.

TMFPD issued general obligation capital improvement bonds in the year ended June 30, 2021 to provide funds for fire station projects. These bonds will be repaid from all legally available funds of TMFPD, including its capital projects fund and its general fund. The bonds have a stated rate of interest of 1.53% and are payable in equal installments over the next 15 years.