May 31, 2021

To: Audit Committee for meeting on June 9, 2021

CC: Indra Winquest, Paul Navazio

From: Clifford F. Dobler

Re: Reclassification of certain preliminary project costs which have been accounted for as construction in progress but must be expensed. The costs either have no future value because of abandonment or are considered expenses in accordance with the guidelines outlined in the Moss Adams final report dated 1/14/2021.

**Background**

In 2020, Moss Adams was engaged by the Audit Committee to review the capitalization policies and provide best practice accounting guidance. As outlined in the final report: "***Accepted practice includes recognition of the different stages of a project including preliminary, construction and post-construction. Preliminary stage activities include conceptual formulation and evaluation of alternatives, determination of future needs, feasibility studies, and development of financing alternatives. Cost incurred in the preliminary stages are expensed as costs in this stage are not directly connected with creating service capacity of a particular asset.***

Over several years, IVGID staff did not distinguish or establish separate accounts for the three phases of a project and only one project account was established. As such, ALL costs of a project were considered a future capital assets and were accounted initially in Construction in Progress and once the project was placed into service, ALL of the costs were transferred to a capital asset account and depreciated.

In the 2020 CAFR, IVGID management only expensed two projects which had preliminary stage activities. The expense was treated as a prior year adjustment (Note 22 of 2020 CAFR). The two projects were $212,044 related to the development of a Parks Master Plan (Plan was actually called the Community Services Master Plan) and $77,216 related to preliminary designs for the High School Ball Fields but stated in Note 22 of the 2020 CAFR as the Incline Village Ball field. It should be understood what the reason was for preliminary design of the High School Ball Fields.

IVGID management either overlooked or did not address expensing other preliminary stage activities on several projects and the costs remain in the Construction in Progress account as of June 30, 2020. A short description of the projects and estimated costs to be expensed are listed below:

**Burnt Cedar Pool**

In 2019, IVGID incurred $119,498 to repair waterlines at the Burnt Cedar Pool. Since a new pool has been started, these repairs have no future value, have been abandoned and must be expensed. See my memo to Audit Committee dated August 24, 2020.

In 2020 two contracts were awarded to TSK architects for conceptual design ($32,200) and for schematic design ($68,104) to develop a new swimming pool at Burnt Cedar Beach and the amounts should be expensed. In addition, all IVGID staff charges and third party cost estimates should also be expensed. A final design contract and a CMAR contract were approved by the Board of Trustees on December 9, 2020.

**Utilities - WRRF Aeration System**

In March 2018, a contract was issued to CH2M- Hill for conceptual design ($40,000) for improvements to the WRRF Aeration System which should be expensed together with all related IVGID staff charges from March to December, 2018 when the final design for the project was authorized.

**Utilities - Waterline Leak Study**

In March 2019, a contract was issued to Pure Technologies for $52,500 to provide a conditions assessment of a 4,200 foot long alternate water transmission line from Water Pump Station #2 to a water reservoir located on Lariat Circle. The line was taken offline in 2001 because of recurring leaks. The total costs of the assessment as of June 30, 2020 was $78,506 which may have included IVGID staff time and other costs. These costs should be expensed.

**Utilities - Effluent Pipeline Phase II**

This project involves several items. In violation Board requirements to keep individual projects separate, the General Manager decided in 2018 that any costs associated on or for the effluent pipeline from the Wastewater Treatment Plant to the wetlands in the Carson city area would be reported within this project.

On January 29, 2020, IVGID Staff provided a presentation to the Board of Trustees which indicated the accumulated costs were $5,146,100 through June 30, 2019, however the CIP report for the same date indicated only $4,864,275 had been accumulated on the project. It is unknown what is the difference between the two reports. The requested reconciliation of the air pressure relief valves reported as $643,400 but public records documented only $567,409 and the difference has not been explained by Staff. A reconciliation of the meters and valves installed in three different areas and reported as $86,500 in costs. However, public records documented only $77,687 in costs and the difference has not been explained.

On 2/10/2021, the Audit Committee by a unanimous vote approved the Audit Committee Report to the Board of Trustees which included the recommendation to expense $3,179,600 which was capitalized in fiscal year 2019 as "***Placed in Service***". Exhibit C of the Audit Committee report describes the items which should be expensed. According to minutes of the Board of Trustee meeting held on February 10, 2021, the Board of Trustees approved the Audit Committee recommendation.

It is recommended that all charges made to the Effluent Pipeline Phase II project be reviewed and separated into the various subprojects to provide an accurate accounting for capitalization and expenses. In the past, the Board of Trustees has recommended that individual projects be reported rather than "lumped" into one project.

**Mountain Golf Course**

In 2012/2014 contracts were issued to Global Golf Advisors and BRG Architecture for a facility assessment and future needs recommendations and to develop conceptual designs on 5 options for a new clubhouse. Costs incurred as of June 30, 2020 were $132,203. These costs should be expensed as no recommendations were enacted.

In the summer of 2018, a fire occurred in the Clubhouse kitchen area. In November 2018, Smith Design was issued a design contract for the rehabilitation of the Clubhouse which included a large expansion of the deck area. The intent was to fast track the rehabilitation for completion prior to the opening of the golf course in May 2019. Subsequently it was determined that the rehabilitation could not occur in time for the season and would be postponed until the season ended. In order to provide services, fire damage repairs were completed for temporary use during the 2019 season. The costs incurred was $150,751 (may include the design fees of Smith which should not be expensed). An unknown portion of the temporary repairs were abandoned when the extensive rehabilitation started at the end of the 2019 season. Certain of the temporary repair costs should be expensed.

In 2020 a contract was issued to Lumos and Associates for schematic design ($27,500) of the Mountain Golf Course cart path replacements which should be expensed together with all IVGID staff charges of $18,500 from July, 2020 to February 2021 when final design was approved by the Board of Trustees.

**Tennis Center**

In 2015 and 2016, a contract and change order was issued to LLoyd Design for $42,120 to evaluate the Tennis Center. This assessment should be expensed together with IVGID staff charges.

In 2018 a contract was issued to BJG Architecture and Engineering to develop conceptual design ($26,501) for the rehabilitation of the Tennis Center. These costs should be expensed together with all IVGID staff charges from 2018 to the Board approval of the final design on 6/19/2019.

**Incline Park - Ball fields**

In July, 2017, a contract was issued to LPA Inc. for $41,000 to develop conceptual design for improvements to the three ball fields at Incline Park. In December, 2017 a contract was issued to Lloyd Consulting Group, LLC for $58,500 to provide engineering design services including a survey, site planning, schematic design, construction documents and permitting. In November, 2018 an additional contract for $15,430 was issued to LLoyd to modify the design to lower the estimated costs. A project called Incline Park Improvements (#4378BD1801) was set up but a budget was never established. The total costs as of June 30, 2020 was $120,268 which includes other unknown costs beyond the three contracts. Another project called Incline Park Facility Renovation (#4378LI1803) was established for construction of improvements to only one ball field. A review of both project accounts should be conducted as the total costs as of March 31, 2021 for the Park Facility Renovation is $1,550,570 which is in excess of the Incline-Tahoe Foundation grant made to IVGID of $1,328,001. The two Lloyd contracts mentioned above were for final design and subsequent modification. The actual payments made were $75,458 ($59,563 & $15,430) and should be transferred from the Incline Park Improvements project to the Incline Park Facility Renovation project.

**Incline Beach Building**

In May 2016, a contract for design of the Incline Beach Building was issued to Bull, Stockwell and Allen for $221,891. The contract consisted of two main phases 1) community outreach, program concepts, and schematic design for $81,745 and 2) final design and construction documents. A large portion of the work was authorized based on the Beach Recreation Enhancement Opportunity Plan approved by the Board of Trustees in February 2016. After phase 1 of the contract was substantially completed, two cost estimates were conducted resulting in estimates between $3.9 million and $5.2 million which included site improvements never addressed in the design contract. More importantly the design was a replica of the building at Sand Harbor which was is six times larger than the existing building at incline beach . Sand Harbor has between 800,000 to 1,000,000 visitors while Incline Beach has annual visits of about 130,000.

The total costs in the construction in progress account is $216,131 which includes IVGID staff time, estimates and unknown other costs. The entire amount should expensed as expenditures were for only the first phase of the contract.

## Diamond Peak

In 2014, IVGID Board decided to develop a master plan for summer activities and expansion of the winter activities by issuing an assessment contract on 9/12/2014 ($152,000) to the SE Group which was approved by the Board of Trustees in 2015. Accumulated costs through 6/30/2020 is $156,030. This work was concept only, community steering and financial models which should all be expensed.

In October, 2015, the Board of Trustees approved expenditures to submit a plan for Phase 1a of the approved master plan to TRPA, USFS and Washoe county for environmental clearances. Contracts were issued in 2015 to SE Group for $29,000 for permit submittals and in 2019 to Hauge Brueck Associates for $32,800 to perform biological resources surveys of rare plants, California Spotted Owl and the Northern Goshawk required in advanced of environmental documentation. The submittals, if made, by the SE Group are almost six years old and are probably would need to be re submitted. Currently the Board of Trustees have removed Phase 1a and 1b of the master plan from the 5 year capital plan. With the Forest Service special use permit on 361 acres expiring on December 31, 2023 and the lack of interest in continuing the Phase 1a summer activities, these costs are conceptual submittals and should be expensed.

## Conclusions and Recommendations

IVGID management has historically assigned only one project number for a future construction project. In order to avoid the consolidating costs, components two separates accounts should be established for each project. First an expense account which will include all concepts, community outreach, schematics designs, assessments, and financing options. After the Board of Trustees accept the inputs and accepts other conditions and decides to move forward with final plans then a CIP account should be established for the final design, construction and in house staff time to complete the project.

The Audit Committee recommends that IVGID Staff establishes separate accounts as prescribed in the Moss Adams report for the three main phases of a project. This should eliminate recording of expenses in the CIP accounts.

Date: May 31, 2021

To: Audit Committee

CC: Board of Trustees, Indra Winquest, Paul Navazio

From: Clifford F. Dobler

Re: Incline Park Facility Renovation # 4378LI1801 - Final disclosure of the close out of the Memorandum of Understanding with Incline-Tahoe Foundation ("MOU")regarding construction of the project - Recommendations to Board of Trustees.

**Background of MOU and budget**

Incline Tahoe Foundation ("IFT") provided two specific grants for the improvements to the Ball Fields at Incline Park. Funds for the grants were provided to IFT from a private donor. The first grant was for $58,400 to design upgrades to three ball fields. A contract was awarded on December 18, 2017 to LLoyd Engineering. A second grant for $1,350,801 only for improvements to Ball Field #3 was made on March 18, 2019 after several amendments were made to reduce the scope of work to offset the high price of the sole bid from a contractor for construction . From the second grant ITF was to receive $22,800 for administration and IVGID was to receive $1,386,401. In addition, $135,080 of contingency fees could be provided for additional improvements if the donor, which provided the fund to ITF, approved the additional improvements.

The CIP budget for this project was established in fiscal year 2019 for $1,208,071 and was never increased.

**Costs and reimbursements from IFT under Grant**

As of March 31, 2021, the total costs of the project is $1,550,570, however, does not include the design fees from Lloyd Consulting Group under two contracts for $58,500 and $15,430 (Costs $75,458), plan check fees ($6,123), and TRPA Soils application ($601) all of which were charged to another project called Incline Park Improvements (#4378BD1801) which was unbudgeted and which a project summary was never completed. The total costs are $82,182 and should properly be accounted for as costs for the IFT grant funded project. If properly transferred the total costs for the grant funded project would be $1,632,752 exceeding the CIP budget by $424,681. Nothing was ever brought to the Board of Trustees to approve the budget overruns. Certain Board members suggest that because the costs were being funded by a grant, increasing the budget was not necessary. Untrue. All expenditures must have a budget. The funds from a grant is a revenue item and do not reduce the expenditures. I suggest that the words "net of grant" be removed from the project description in the CIP "popular report" as of March 31, 2021 since it is an inaccurate statement.

The costs also exceed the two IFT grant amounts of $1,444,801 ($58,500 and $1,386,401) by **$187,951**. Assuming the $135,080 contingency fees available in the second grant was authorized to reimburse IVGID for the increased costs, there would remain $52,871 which would not be recovered (see below for the unreimbursed costs).

In 2019, IVGID requested three reimbursements from ITF for only $1,355,400, with the last request done on December 19, 2019 almost 17 months ago, leaving a considerable amount of IVGID's out of pocket costs unreimbursed. According to the reimbursement statements, two change orders from RaPID Construction (#2 and #8) were excluded from the reimbursements. Change order #2 ($51,150) was for increased costs to change the drainage plan, which according to Indra Winquest, was considered, presumably by staff, an infrastructure project and not part of the Grant. According to the revised drainage plan, the improvements in the original plan were eliminated and the change order should have reflected a credit for the eliminated items. That was not done. Change order #4 ($8,778) was for light pole repairs which may be a proper exclusion but should have been expensed and not left in the CIP.

Assuming the two change orders issued to RaPID Construction are not reimbursed, then the total IVGID costs subject to reimbursement would be $1,572,824 ($1,632,752 less $51,150 and $8,778). Since IVGID has only billed $1,355,400, then *$237,424* is required to billed and funded by ITF. According to a recent e mail from Susan Herron, a billing is in process. According to the MOU the District responsibilities are under section 3.4 "Invoicing shall be on a reimbursement basis and shall be submitted no more frequently than monthly". Not 17 months.

*A major condition of the MOU, was that ITF would be responsible for all costs of the project. Excluding the change order for the increased cost of drainage improvements from reimbursement should have been a Board decision, not management and could have been discussed at the time the RaPID requested the change order for $51,150 which required Board approval.*

It is unknown if all reimbursement requests made by IVGID have been paid by ITF.

**History of Grant Agreements:**

1) A letter agreement regarding the first grant of $58,500 for design of the 3 ball fields at Incline Park

2) On December 14, 2017 a "Grant Agreement" for $760,000 was executed

3) In April, 2018 an increase to the Grant Agreement to $1,208,071 was approved by the Board of Trustees, however, an amendment to the 2017 Grant Agreement was never prepared but the increase was understood by correspondence.

4) On 3-19-2019, a new Memorandum of Understanding(MOU), replacing the two previous agreements was approved by the Board which increased the IVGID portion of the grant to $1,386,301.

**RaPID Construction Contract - Circumventing Board approval of Change orders**

In December 20, 2018, RaPID Construction was the only bid received from the invitation to bid advertisement dated 11-16-2018 for the IVGID Ball field Improvement Project. The bid was $1,456,654 with an additional $357,764 in alternatives.

In early 2019, IVGID Staff negotiated with RaPID to reduce the scope of work by eliminating improvements to Fields #1 and #2 and eliminating all alternatives. The negotiated price was established at $1,298,241 and a contract was executed on 3-19-2019.

However for some unknown reason, on March 18, 2019, (one day before the contract date) IVGID issued Change Order #1 reducing the contract by $158,413 based on the **BID amount not the CONTRACT amount.** This change order should never have been issued.

As a result of this improper change order, seven additional changes orders of $116,663 were issued without Board approval, under the assumption that until cumulative change orders exceeded $50,000 no approvals were required. Under Board Practice 13.2.0 - 3.8.7.2, it states: ***General Manager Responsibility - Duties: Approve change orders cumulatively not exceeding 10% of construction contract or $50,000.***

By creating a phony $158,413 negative change order, the seven additional change orders were issued for $116,663 which on a CUMULATIVE basis when combined with the phony change order #1 did not meet the required Board approval for cumulative change orders over $50,000. Thus all change orders were never brought to the Board for approval and Staff intentionally or unintentionally violated Board Practice 13.2.0.

Change order #2 was for $51,150 issued on July 24, 2019 for a reconfiguration of the drainage system. During negotiations to establish a lower contract price modifications to the infield drainage system was a major item. Apparently on May 5, 2019, the drainage plan was changed again with county comments delivered in May and July, 2019. Had the phony Change order #1 not been created, this change order would have require Board approval.

Purchase order #19-0216 was dated May 1, 2020 almost 14 months after the contract was issued and only included change orders 2 through 6.

Another major concern is the MOU with Incline Tahoe Foundation (ITF) only provided for $1,298,241(the original contract amount). It is unclear if the additional $116,663 in change orders were approved by ITF.

**Conclusion**

The administration of this contract and the related MOU was quite weak. Request by certain Board members and the Audit Committee to hire a contract administrator has not yet been fulfilled but should be acted upon as soon as possible.

Based on the irregularities in this contract, the PICA contract, the Terracon contract and the Moss Adams report which reviewed only a few contracts, an investigation into the proper handling of other large contracts should be considered

**Recommendation**

Since a major amount of time has elapsed since completion of the project in 2020, a report to the Board of Trustees should be completed which establishes:

- Classification of costs into proper project accounts
- The final amount which will be reimbursed to IVGID by ITF
- The final amount of IVGID's costs which will not be reimbursed
- Status of any disputes which may exist with ITF
- A memorandum from IVGID and ITF that MOU conditions for the project construction have been satisfied.
- A close out memorandum between RaPID and IVGID
- That all as built drawing are completed (especially the drainage plan)
- Explanation if any IVGID engineering costs were billed to the project

Exhibits are extensive and will be delivered upon request.

June 1, 2021

To: IVGID Audit Committee

cc: Indra Winquest and Paul Navazio

From: Clifford F. Dobler

Re: Golf Courses Irrigation, Greens, Tees and Bunkers ect. Expenses rather than capital assets

IVGID management has established ongoing capital projects for various costs to maintain or improve the irrigation system and other costs for Greens, Tees and Bunkers at the Championship and Mountain Golf Courses. Over the past six years, an average of $103,366 per year has been spent and accounted for as capital assets as opposed to operating expenses. EXHIBIT A provides a summary for each course and type of cost.

According to the 1/14/2021 report by Moss Adams LLP regarding best practices for capitalization, a key criteria to consider: "do the costs increase the service capacity".

While it is unknown exactly what has been accomplished, I am aware of the following items at the Championship Golf Course.

- Irrigation - Replacement of the irrigation apparatuses are always being repaired or replaced with new and better products, but do these replacements actually increase capacity?
- Greens - I am unaware of any major changes to the Greens.
- Tees - An additional set of tees on most holes were installed to provide shorter lengths and it is possible that service capacity could have been increased by more beginners playing golf. Expansion of the tee boxes on Hole #7 (upper level) and #17 have been completed. The costs to expand hole #17 was $25,531. Service capacity would not be increased but the expansion was probably done to provide a larger area as the many divots made the original tees boxes somewhat unattractive.
- Bunkers- There are two parts. First part - Several bunkers were removed or made smaller to make the course easier to play. Second part - Some years past, sand was purchased from an Idaho supplier and installed in each bunker, however, the sand had pebbles. After several complaints by seasoned golfers, the sand was removed, sifted through grates and then reinstalled. The unanticipated result was the sand became a "hard pan" and not acceptable for proper bunker play. Over the past 3 to 4 years, and still ongoing, a higher grade of sand has been and continues to be installed. Prior to the installation, existing sand had to be removed and new drainage lines inside the bunkers were installed. The service capacity was not increased and the costs, if capitalized, were to correct a mishap in purchasing. Sand will always need to be installed as bunker play normally scatters sand outside the bunkers which is meshed into the fairways.
- Last year, a small one foot high split log fence was installed around certain tees and greens. These costs may have been capitalized, but did not increase service capacity and the objective may have been an effort for beautification.

**Conclusion and Recommendation** - These costs should be considered ongoing maintenance expenses similar to maintaining cart paths and parking lots. Beautification costs should be expensed as the results are similar to a marketing expense.

Recommendation would be to expense these historical costs in fiscal year 2021, consistent with the look back time period determined for the "Prior Year Adjustments" of $514,254 made in fiscal year ending June 30, 2021 for previously capitalized costs for paving repairs and painting at the District various venues.

**EXHIBIT** A - Summary of Costs capitalized for Irrigation, Greens Tees and Bunkers - Golf Courses

EXHIBIT A

## Incline Village General Improvement District

Capitalized Maintenance Costs which should have been expensed

Golf Courses

**Fiscal years - 2015 to 2020**

**Six year time period**

| | Championship | | Mountain | | |
|---|---|---|---|---|---|
| Type of Maintenance | Total Costs | Annual Average | Total Costs | Annual Average | Total Annual Avg |
| Irrigation | 160,023 | 26,671 | 48,953 | 8,159 | 34,829 |
| Greens, Tees and Bunkers | 212,352 | 35,392 | 151,874 | 25,312 | 60,704 |
| Hole 17 rebuild | 25,531 | 4,255 | | | 4,255 |
| Drainage enhancements | 7,982 | 1,330 | | - | 1,330 |
| Cart Path Retaining Walls | | | 13,481 | 2,247 | 2,247 |
| Total | $ 405,888 | 67,648 | 214,308 | 35,718 | $ 103,366 |

June 1, 2021

To: IVGID Audit Committee

cc: Board of Trustees, Indra Winquest, Paul Navazio

From: Cliff Dobler

Re: Improper reporting and use of Facility Fees

Beginning on July 1, 2015, the District management determined that the Facility Fee was a special revenue and as such, the reporting and accounting of the Community Service venues and the Beaches would be done using separate governmental funds on a modified accrual basis . The funds established were a special revenue fund, a capital projects fund and a debt service fund. The intent as described in the 2015 CAFR Notes #19 - Subsequent Event was: "***The District has changed its approach to the pricing of services and in particular recognizes that the use of the facility fee to provide resources for capital expenditures and debt service cannot be displayed in a readily understandable fashion for its constituents.***" (Exhibit A)

The annual facility fees , thereafter, were assessed by the Board of Trustees as one amount but clearly indicated how much would be specified for operations, capital projects and debt service. Operating revenues and expenses would be accounted for in a Special Revenue fund, capital projects expenditures in a capital project fund and debt services in a debt service fund.

**Qualifying for Special Revenue Accounting -**

GASB stated conditions to form a Special Revenue fund requires two elements:

- The special revenue, determined to be the operating portion of the Facility Fee, must represent a "substantial portion" of all revenues which has been established as a benchmark at "around 20%" concluded by the Governmental Finance Officers Association.
- Facility Fees committed to be used for capital projects and debt service CANNOT be included as revenues in a Special revenue fund nor could the Facility Fees specified for operations be used for capital projects or debt service (GASB #54).

Both of these conditions were never satisfied in reporting the operations of the Community Service venues in a Special Revenue Fund since the Special Revenue, Capital Projects and Debt Service were established.

The Facility Fee committed for operations of the Beaches did represent a substantial portion of all revenues and did qualify as a special revenue fund as calculated in Exhibit C.

**Improper accounting to meet conditions to qualify as a Special Revenue Fund for the Community Services**

In order to circumvent both conditions, IVGID management would include as revenues in the Special Revenue Fund the Facility Fees specified for capital projects and debt service and in turn transfer out the amounts to the capital projects and debt service funds. The Moss Adams report dated 1-21-2021 (Exhibit B) clearly stated that such accounting and reporting was not in compliance with GAAP.

The probable intent of this improper accounting was to satisfy the condition that the facility fees (which included the capital project and debt service portions) would reach 20% of revenues in order to have a substantial portion. Had the portion of the facility fees specified for capital projects and debt service been property recorded as revenues in the respective funds, the portion of the facility fees for operations was never adequate to never reached the suggested threshold of 20% . As calculated on Exhibit B the past five year average of facility fees used for operations as a percent of total revenues was only 10.67%. (Exhibit C)

Current IVGID staff believes that the last page of resolution 1838 which established the new governmental funds which provided an inappropriate accounting treatment, somehow overshadowed GASB statements, NRS definitions and common sense and as such, the past accounting and reporting was correct. GASB is the generally accepted accounting principles not a concoction contrived by management.

**Material overstatement of Revenues and the excess of revenues over expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance for the Community Services Special Revenue Fund for the five year period 2016 to 2020**

By improperly recording Facility Fees specified for capital projects and debt service in the Community Service Special Revenue fund, material misstatements in the 2016 to 2020 Comprehensive Annual Financial Reports have occurred. By violating requirements of GASB and NRS the revenues were overstated by an average of 17.5% over the five year period. More important the Excess of Revenues over Expenditures were overstated by a massive 63.4% (Exhibit D). Any reader of the Statement of Revenues, Expenditures and Changes in Fund Balance for the Community Services venues would be led to believe that operations were more profitable than actually was the case.

**Misappropriation of Funds - Community Services Special Revenue Fund**

During the past five years from July 1, 2016 to June 30, 2020, Revenues (other than the Facility Fee) for all recreational venues and related administration exceeded expenses by $1,513,639 (Exhibit D). As a result the annual Facility Fee committed for operations, was ***NEVER NEEDED***. Since the Facility Fee is considered a "standby service charge" and was not needed then all amounts are "standing by" to be used for operating activities. The total amount collected from property owners over the five year period was $9,807,950 (Exhibit D ). Since the portion of the facility fees for operations could NOT be used for capital projects or debt service as required by GASB and NRS , the $9,807,950 could either be returned to the owners whose properties were assessed or would have to be used ONLY for operations expenses which exceeded revenues in the future.

Again, IVGID management, ignoring the purpose and intent of separate and specified funds, chose to TRANSFER every year, a portion of the facility fee committed ONLY for operations to the capital project fund. For the five year period $3.3 million was improperly transferred and utilized for capital projects violating the specific intent of the Board of Trustees and GASB requirements. At the end of June 30, 2020 about $6.5 million of unspent facility fees committed for operations remained in the special revenue fund (Exhibit F).

The budget for fiscal year 2020/2021 properly accounted for and reported the specific portions of the Facility Fees committed for operations, capital projects and debt service in the respective funds. However, $5,594,546 of the $6.5 million prior years unused Facility Fee committed for operations and "standing by" was transferred out of the Special Revenue Fund to the capital project fund. Unfortunately this transfer was not in compliance with GASB #54 or the intent of the Board of Trustees when adopting the annual resolutions assessing the Facility Fees for specific purposes.

This improper use of funds is similar to the funds raised for the Effluent Pipeline Phase II project which was to be set aside to replace only 6 miles of the Effluent Pipeline but instead a portion was used for other projects. In order to circumvent this misuse of fund, in 2018. the District management renamed the project the "Effluent Pipeline Project" and considered any costs associated with the ENTIRE 21 mile pipeline from the Treatment Plant to Wetlands could be funded from the set aside money for only the 6 mile project. This change was not the intent or commitment provided to the customers using the sewer facilities when the money was collected annually.

It was quite apparent that in the fiscal year 2019/2020 budget, Mr. Gerald Eyck, former Director of Finance , realized that GASB and NRS were being violated by using Facility Fees for capital projects committed for operations. In a last ditch effort to circumvent the situation, he stated in his May 23, 2019 message within 2019/2020 State Budget, that the Capital Projects and Debt Service funds would become inactive as of July 1, 2019 and used only in the event the District issues bonds for a specific construction project. Apparently he assumed that when the budget was approved, his message became the new accounting for capital projects. Thereafter any capital project or purchase which was not funded by borrowing money would be an operating cost and accounted for in the Special Revenue Fund. This was quite odd, because at the same time, the Board of Trustees had approved the Facility Fee and committed specific amounts to operations, capital projects and debt service. This was pure folly, as the action was a blatant attempt to continue misappropriating funds specified for one purpose to another purpose (Exhibit G). In 2020, that accounting folly was overturned.

Why does all this matter now?.

1)Financial Statement are to be presented in accordance with GAAP and other accepted guidance.

2) One of the very top principles of accounting and reporting is Consistency which has not been the case for several years.

3) Since the Facility Fees specified for Community Services operations never reached the substantial portion threshold of 20% of all revenues, then accounting for the operations in a Special Revenue was inherently wrong.

4) Reporting ALL of the facility fees as revenues in the special revenue fund did not comply with GASB and provided an inaccurate representation that the operations of the Community Services venues were extremely profitable.

**Conclusion**

Over the past five years, the extent of the material misrepresentations regarding the improper use of a Special Revenue fund, the material weakness in capitalization of costs which should have been expensed, the material weakness in internal controls over financial reporting and missing disclosure in the financial statement notes which were prevalent in the 2019 CAFR would lead many professionals to consider a restatement of the past five years of IVGID's financial statements. The accounting and reporting of the Facility Fees in the 2019 CAFR which was not in compliance with GAAP, was "passed on" by the external auditors based on a representation letter from senior management that all accounting and reporting was in accordance with Generally Accepted Accounting Principles.

It is important to review all of the accounting issues with the past CAFR's and engage Davis Farr, the new auditors, to review the extend of materially and whether the previous financial statements should be restated or disclosures should be made in the 2021 CAFR.

**EXHIBITS (continues on next page)**

A - Note 19 - Subsequent Events - CAFR for the year ending June 30, 2015

B - Excerpt of the 1-21-2021 Moss Adams report regarding Special Revenue Fund reporting

C - Facility Fees - Calculations of "substantial Portion" for the Community Services and Beaches Special Revenue Funds

D - Analysis of improper reporting Facility Fees specified for Capital Projects and Debt Service in Special Revenue Funds

E - Community Services - Special Revenue Fund by Venue - Operating Revenues and Expenditures 2016-2020 exclusive of Facility Fees

F - Summary of Facility Fees transferred to the Capital Projects and Debt Service Funds which were in excess of Facility Fees improperly recorded in Special Revenues Funds - Fiscal years 2016-2020

G - Excerpt from Budget Message - May 23, 2019 by Gerald Eyck - Budget for fiscal year ending June 30, 2020 regarding ending the use of Capital Projects and Debt Service Funds

Exhibit A

The District has committed to these capital improvement projects through contractual arrangements:

| | Contract Award | Completed at June 30, 2015 | Remaining Commitment |
|---|---|---|---|
| Utility Fund | | | |
| Water main Replacement | | | |
| Q&D Construction, Inc. | $596,560 | $267,848 | $328,712 |
| Community Services Fund | | | |
| Creek Restoration | | | |
| Cardno, Inc. | $227,000 | $197,773 | $ 29,227 |
| Ski Resort Point of Sales System | | | |
| Active Network | $313,449 | $132,400 | $181,049 |

## 18. EXTRAORDINARY EXPENSE FOR UTILITY FUND

In April 2014, a leak occurred in the District's effluent pipeline that results in damage to an area highway. Leaks of this magnitude and consequence are not expected in the normal course of operations and thus the repairs costs have been reported as an extraordinary expense. In July 2014 the District incurred $26,906 of repair costs to complete the paving of the State highway affected by the leak.

## 19. SUBSEQUENT EVENT

Effective July 1, 2015, with its new fiscal and budget year, the District began utilizing Special Revenue, Capital Projects and Debt Service governmental fund accounting for the Community Services Fund and the Beach Fund, which have to date been accounted for as enterprise funds. The District has changed its approach to the pricing of services and in particular recognizes that the use of the facility fee to provide resources for capital expenditure and debt service cannot be displayed in a readily understandable fashion for its constituents.

The Board of Trustees has approved a budget, which has been filed with the State of Nevada Department of Taxation, which reflects this change. The remaining action will be to have the Board of Trustees approve the transfer of the Net Position of the Community Services Fund and the Beach Fund upon conclusion of the audit process and the acceptance of that report. The budget document filed with the State estimated that amount to be $5,294,138 for the Community Services Fund, and $1,302,486, for the Beach Fund. The District presented a template for calculating the transfer amount to the Nevada Department of Taxation Committee on Local Government Finance and outlined its intended method to convert from accrual based accounting under an enterprise fund, to modified accrual accounting for the Special Revenue governmental funds, which would go forward. No Net Position is considered directly related to either the capital projects funds or debt service funds at July 1, 2015.

Based on the audit as of June 30, 2015 the Net Position of the Community Services Fund is $44,762,511. The Net Position for the Beach Fund is $5,701,288. These amounts are adequate to satisfy their role in supporting the budget for the fiscal year ending June 30, 2016. The amount of capital project carryover $1,115,576 (See Note 17) was known and set as a part of the approval of the operating and capital budget.

As of October 28, 2015 the District agreed to a settlement of the suit, described in Note 12, that will result in collecting $245,000.

fees and charges often provide less than 20% of the cost of operating the transit system and subsidies from taxpayers, states, and the federal government provide a majority of the revenue necessary to cover operating costs. Another example is government operated medical clinics for low income individuals where fees and charges are set at amounts the users of those services can afford as opposed to the actual cost of providing the service, and, the government determines it prudent to be able to measure the subsidy level required to fund the activity from the entity's other revenue sources.

Therefore, the District has the option to report the recreational activities of Community Services and Beach within either governmental funds or enterprise funds.

**Evaluation of Special Revenue Fund reporting guidance applicable to the District.**

As noted above, the District has the option to utilize governmental funds for reporting its recreational activities. However, in order to support the use of special revenue funds, the District would need to establish that a substantial portion of the revenue streams of the operations of the recreational activities are either externally restricted, or internally committed by Board action as memorialized in Board resolutions.

In our review of state law, bond agreements, and other documents provided to us, we did not find any externally imposed restrictions on the revenue sources reported within Community Services and Beach as provided in GAAP.

In addition to the revenues generated from charges for services at each of the District's recreational activities, the District has assessed a Recreation Standby and Service Charges Fee (referred to in this report generically as Facility Fees). These fees are established by the Board with separate assessments for the Recreational Facility Fee and the Beach Facility Fee to support the operating, capital, and debt service costs of the activities reported within the Community Services and Beach funds. **(NRS 318.197)**

The Board adopts a resolution annually as required under NRS 318.201 to enable the District to utilize the Washoe County Assessor's Office to assess and collect this fee on behalf of the District. While the main purpose of this resolution is to enable the District to utilize the County for assessment and collection purposes, we believe the wording within the resolution is sufficient to create a commitment as contemplated by GAAP.

In addition to the resolution noted above, the District prepares a memorandum that documents the portion of the Facility Fee that is assessed to fund the activities reported within Community Services and Beach, as well as the portions of these Fees to be committed to support capital projects and debt service.

From review of prior year financial statements, we found that the District has been reporting the Recreation and Beach Facility Fees, including the portions allocated to capital projects and debt service, initially as revenues in the Community Services and Beach special revenue funds. Cash is then transferred for the portions allocated to capital projects and debt service and reported as 'transfers-out' of the special revenue funds and as 'transfers-in' to the respective capital projects and debt service funds.

We find that given the specific intent of the Board to commit portions of the Facility Fees to capital projects and debt service, the portions so committed should be reported as revenues directly within the respective capital projects and debt service funds. Further, we find that the portion of the Facility Fees committed to the operations of the Community Services and Beach funds are insufficient to meet the spirit and intent of the 'substantial portion' criteria in GAAP to support the use of special revenue funds. While GAAP provides no specific benchmarks or percentages necessary to meet the substantial portion criteria, a 20% threshold has evolved in practice as a benchmark that can be defended as meeting the substantial portion criteria. In cases where separate funds are utilized for management reporting, budgetary compliance, or other purposes but fail the substantial portion criteria, the funds are to be combined with the General Fund for external financial reporting purposes. (GASB Q&A Z.54.39)

**Recommendations.**

We recommend the District report its recreational activities for Community Services and Beach in respective enterprise funds. While the decision on the use of governmental or enterprise funds is optional given the District's specific circumstances, the determination of whether the financial condition of capital intensive activities funded primarily with fees and user charges is significantly enhanced through the use of the full accrual basis of accounting and the related use of Enterprise Funds. The full accrual basis of accounting through the use of Enterprise funds is necessary when it is important to know the extent to which fees and user charges are sufficient to cover all the costs incurred for a particular activity including capital costs. In addition, the determination of whether the financial condition of such activities is improving or declining over time requires a measurement of the wear and tear from the use of capital assets through the recording of depreciation among the operating expenses that is accomplished through the bases of accounting used by Enterprise Funds. Capital assets, long-term debt, and depreciation are not financial elements reported within Governmental fund financial statements that use the modified accrual basis of accounting.

Should the District want to improve the transparency of tracking and reporting resources designated for specific purposes like capital asset acquisition or construction or debt service separately from resources used in operations, we recommend the use of separate sub funds within Community Service and Beach that roll up into the Community Services and Beach Enterprise funds for external financial reporting purposes, but enable separate reporting for Board and management oversight purposes. In essence, the sub-fund financial statements can be used to demonstrate compliance with either external restrictions or Board created designations on resources and their uses, and the external Enterprise Fund financial statements can be used to determine whether the financial policies and actual practices of the District result in improvements or declines in the financial condition of these activities over time.

If the District decides to continue reporting its recreational activities within governmental funds, and if the District intends to continue to place constraints on the Facility Fees, we suggest that the District adopt a separate resolution addressed specifically to documenting the constraint it intends to place on the Fees by fund and purpose. This will improve the transparency about the Board's intent to constrain the Facility Fees. The separate resolution should contain language that makes it clear as to the Board's intent to create a commitment as contemplated by GAAP. Further, should the District desire to continue the use of special revenue funds to report the activities within Community Services and Beach, additional resources reported within these respective funds would need to be committed by the Board and memorialized in resolutions sufficient to meet the substantial portion criteria in

GAAP. Absent meeting the substantial portion criteria, the activities of Community Services and Beach would need to be combined with the General Fund for external financial reporting purposes.

**Incline Village General Improvement District** **EXHIBIT C**

Facility Fees - Calculation of Substantial Portion of Revenues

2016-2020

| | Community Services SRF | | Beaches SRF | |
|---|---|---|---|---|
| | Budget | Actual | Budget | Actual |
| **Fiscal 2016** | | | | |
| Total Revenues | 17,612,962 | 22,166,508 | 1,750,500 | 1,790,203 |
| Less | | | | |
| Facility Fee - Capital Projects | (2,519,748) | (2,524,818) | (185,832) | (186,259) |
| Facility Fee - Debt Service | (1,276,236) | (1,278,804) | (7,743) | (7,761) |
| Net | 13,816,978 | 18,362,886 | 1,556,925 | 1,596,183 |
| Facility Fee - Operations Only | 2,176,146 | 2,180,524 | 580,725 | 582,058 |
| Substantial Percentage | **15.75%** | **11.87%** | **37.30%** | **36.47%** |
| **Fiscal 2017** | | | | |
| Total Revenues | 19,186,160 | 23,113,720 | 1,783,300 | 2,236,315 |
| Less | | | | |
| Facility Fee - Capital Projects | (2,618,240) | (2,619,078) | (185,856) | (185,937) |
| Facility Fee - Debt Service | (1,309,120) | (1,309,540) | (7,744) | (7,744) |
| Net | 15,258,800 | 19,185,102 | 1,589,700 | 2,042,634 |
| Facility Fee - Operations Only | 2,045,500 | 2,050,534 | 580,800 | 581,937 |
| Substantial Percentage | **13.41%** | **10.69%** | **36.54%** | **28.49%** |
| **Fiscal 2018** | | | | |
| Total Revenues | 20,026,514 | 20,692,535 | 2,001,700 | 2,236,315 |
| Less | | | | |
| Facility Fee - Capital Projects | (2,704,020) | (2,700,842) | (302,484) | (301,833) |
| Facility Fee - Debt Service | (1,311,040) | (1,309,499) | (7,756) | (7,739) |
| Net | 16,011,454 | 16,682,194 | 1,691,460 | 1,926,743 |
| Facility Fee - Operations Only | 1,761,710 | 1,759,641 | 659,260 | 657,842 |
| Substantial Percentage | **11.00%** | **10.55%** | **38.98%** | **34.14%** |
| **Fiscal 2019** | | | | |
| Total Revenues | 21,067,974 | 23,900,518 | 2,001,700 | 2,503,996 |
| Less | | | | |
| Facility Fee - Capital Projects | (3,612,400) | (3,633,412) | (302,484) | (304,238) |
| Facility Fee - Debt Service | (410,500) | (413,417) | (7,756) | (7,800) |
| Net | 17,045,074 | 19,853,689 | 1,691,460 | 2,191,958 |
| Facility Fee - Operations Only | 1,765,150 | 1,775,946 | 659,260 | 663,083 |
| Substantial Percentage | **10.36%** | **8.95%** | **38.98%** | **30.25%** |
| **Fiscal 2020** | | | | |
| Total Revenues | 22,298,780 | 21,630,483 | 2,479,800 | 2,614,821 |
| Less | | | | |
| Facility Fee - Capital Projects | (3,322,215) | (3,322,215) | (302,172) | (302,172) |
| Facility Fee - Debt Service | (410,500) | (410,150) | (7,748) | (7,748) |
| Net | 18,566,065 | 17,898,118 | 2,169,880 | 2,304,901 |
| Facility Fee - Operations Only | 2,050,750 | 2,050,750 | 658,580 | 658,580 |
| Substantial Percentage | **11.05%** | **11.46%** | **30.35%** | **28.57%** |
| **Totals years 2016 to 2020** | | | | |
| Total Revenues | 100,192,390 | 111,503,764 | 10,017,000 | 11,381,650 |
| Less | | | | |
| Facility Fee - Capital Projects | (14,776,623) | (14,800,365) | (1,278,828) | (1,280,439) |
| Facility Fee - Debt Service | (4,717,396) | (4,721,410) | (38,747) | (38,792) |
| Net | 80,698,371 | 91,981,989 | 8,699,425 | 10,062,419 |
| Facility Fee - Operations Only | 9,799,256 | 9,817,395 | 3,138,625 | 3,143,500 |
| Substantial Percentage | **12.14%** | **10.67%** | **36.08%** | **31.24%** |

# EXHIBIT D

## Incline Village General Improvement District

**Community Services**
**Analysis of improper reporting Facility Fees specified for Capital Projects and Debt Service**
**in Special Revenue Fund**
**2016 to 2020**

**Source: Comprehensive Annual Financial Reports**

| | | 2016 | 2017 | 2018 | 2019 | 2020 | | Total |
|---|---|---|---|---|---|---|---|---|
| Total Revenues | $ | 22,166,508 | 23,113,720 | 20,692,554 | 23,900,518 | 21,630,483 | $ | 111,503,783 |
| Facility Fees improperly recorded in Special Revenue Fund | | | | | | | | |
| Captial Projects | | 2,524,818 | 2,619,078 | 2,700,842 | 3,612,400 | 3,322,215 | | 14,779,353 |
| Debt Service | | 1,278,804 | 1,309,540 | 1,309,499 | 410,500 | 410,500 | | 4,718,843 |
| | | 3,803,622 | 3,928,618 | 4,010,341 | 4,022,900 | 3,732,715 | | 19,498,196 |
| Percentage Over Statement of Revenues | | 17.2% | 17.0% | 19.4% | 16.8% | 17.3% | | 17.5% |
| Excess of Revenue over Expenditures | | 7,312,933 | 7,193,761 | 4,555,107 | 6,611,938 | 5,084,379 | | 30,758,118 |
| Percentage overstatement of Excess of Revenues over Expenditures | | 52.0% | 54.6% | 88.0% | 60.8% | 73.4% | | 63.4% |

In fiscal year 2019, the facility fees for capital projects were understated by $1,103,872 and recored as facility fees for operations. Corrections were identifed in 2020 but CAFR was not restated

EXHIBIT E

# Incline Village General Improvement District
# Community Services Special Revenue Fund by Venue
# Operating Revenues and Expenditures 2016 to 2020
# exclusive of Facility Fees

| | *Championship Golf Course* | *Mountain Golf Course* | *Facilities* | *Diamond Peak* | *Rec Center Community Programming* | *Parks* | *Tennis* | *Recreation Administration* | *Other Revenues* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 3,488,229 | 645,128 | 275,156 | 10,202,972 | 1,264,177 | 59,521 | 166,533 | (521,179) | 601,927 | 16,182,464 |
| Expenses | (3,526,103) | (937,694) | (432,187) | (6,441,024) | (2,228,737) | (715,538) | (256,359) | (315,943) | | (14,853,585) |
| Captial Projects | | | | | | | | | | |
| | (37,874) | (292,566) | (157,031) | 3,761,948 | (964,560) | (656,017) | (89,826) | (837,122) | 601,927 | 1,328,879 |
| **2017** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 3,542,663 | 627,986 | 387,701 | 11,326,968 | 1,274,149 | 45,430 | 166,577 | (573,542) | 336,636 | 17,134,568 |
| Expenses | (3,944,772) | (1,002,359) | (498,577) | (6,810,598) | (2,225,893) | (821,034) | (262,369) | (354,367) | | (15,919,969) |
| Capital Projects | | | | | | | | | | |
| | (402,109) | (374,373) | (110,876) | 4,516,370 | (951,744) | (775,604) | (95,792) | (927,909) | 336,636 | 1,214,599 |
| **2018** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 3,765,419 | 630,214 | 355,696 | 9,155,646 | 1,289,953 | 48,910 | 145,197 | (758,481) | 375,561 | 15,008,115 |
| Expenses | (4,055,702) | (972,171) | (448,797) | (7,024,327) | (2,232,105) | (818,298) | (228,530) | (357,498) | | (16,137,428) |
| Capital Projects | | | | | | | | | | |
| | (290,283) | (341,957) | (93,101) | 2,131,319 | (942,152) | (769,388) | (83,333) | (1,115,979) | 375,561 | (1,129,313) |
| **2019** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 3,902,689 | 740,968 | 392,246 | 11,778,871 | 1,364,044 | 46,580 | 153,435 | (730,819) | 429,729 | 18,077,743 |
| Expenses | (4,285,423) | (960,442) | (482,527) | (7,830,948) | (2,296,972) | (815,439) | (253,544) | (363,285) | | (17,288,580) |
| Capital Projects | | | | | | | | | | |
| | (382,734) | (219,474) | (90,281) | 3,947,923 | (932,928) | (768,859) | (100,109) | (1,094,104) | 429,729 | 789,163 |
| **2020** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 4,070,762 | 690,798 | 361,890 | 9,781,499 | 1,004,900 | 32,505 | 133,786 | (590,712) | 370,987 | 15,856,415 |
| Expenses | (4,255,618) | (960,547) | (469,752) | (7,011,524) | (2,189,572) | (843,619) | (242,873) | (572,599) | | (16,546,104) |
| Capital Projects | | | | | | | | | | |
| | (184,856) | (269,749) | (107,862) | 2,769,975 | (1,184,672) | (811,114) | (109,087) | (1,163,311) | 370,987 | (689,689) |
| **Total** | | | | | | | | | | |
| Revenues (NO Facility Fee) | 18,769,762 | 3,335,094 | 1,772,689 | 52,245,956 | 6,197,223 | 232,946 | 765,528 | (3,174,733) | 2,114,840 | 82,259,305 |
| Expenses | (20,067,618) | (4,833,213) | (2,331,840) | (35,118,421) | (11,173,279) | (4,013,928) | (1,243,675) | (1,963,692) | - | (80,745,666) |
| Capital Projects | | | | | | | | | | |
| | (1,297,856) | (1,498,119) | (559,151) | 17,127,535 | (4,976,056) | (3,780,982) | (478,147) | (5,138,425) | 2,114,840 | **1,513,639** |
| *Costs recovered* | ***-93.53%*** | ***-69.00%*** | ***-76.02%*** | ***-148.77%*** | ***-55.46%*** | ***-5.80%*** | ***-61.55%*** | ***161.67%*** | | |

***Recreation fee appropriated for operations which was never required.***

| | **Operating Portion** |
|---|---|
| **2016** | 2,181,200 |
| **2017** | 2,050,000 |
| **2018** | 1,763,000 |
| **2019** | 1,763,000 |
| **2020** | 2,050,750 |
| **Total** | 9,807,950 |

About $2.5 million of negative revenues in Recreation Administration were transfers to the Beaches via contra revenue accounting

**Total Excess Cash flow from Operations and unused Facility Fee specified for operations** **$ 11,321,589**

# EXHIBIT F

## Incline Village General Improvement District

Summary of Transfers from Special Revenues Funds to
Captial Project and Debt Services Funds which were in
excess of Facility Fees improperly recorded in Special Revenue Fund
Fiscal years 2016-2020

| | Community Services Capital Projects | Community Services Debt Service | Beaches Capital Projects | Beaches Debt Service |
|---|---|---|---|---|
| **2016** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | 3,530,675 | 1,285,185 | 336,924 | 7,771 |
| Facility Fee recorded in SRF for CP and DS ( improperly) | (2,524,818) | (1,278,804) | (186,259) | (7,761) |
| Excess transferred from Facility Fee specified for operations | 1,005,857 | 6,381 | 150,665 | 10 |
| **2017** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | 3,818,908 | 1,309,540 | 240,937 | 7,747 |
| Facility Fee recorded in SRF for CP and DS ( improperly) | (2,619,078) | (1,309,540) | (185,937) | (7,747) |
| Excess transferred from Facility Fee specified for operations | 1,199,830 | - | 55,000 | - |
| **2018** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | 3,650,842 | 1,309,499 | 301,833 | 7,739 |
| Facility Fee recorded in SRF for CP and DS ( improperly) | (2,700,842) | (1,309,499) | (301,833) | (7,739) |
| Excess transferred from Facility Fee specified for operations | 950,000 | - | - | - |
| **2019** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | 3,678,473 | 329,848 | 198,558 | 1,635 |
| Facility Fee recorded in SRF for CP and DS ( improperly) | (3,612,400) | (410,500) | (302,484) | (7,756) |
| Excess transferred from Facility Fee specified for operations | 66,073 | (80,652) | (103,926) | (6,121) |
| **2020** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | 3,421,632 | 384,354 | 82,009 | 6,289 |
| Facility Fee recorded in SRF for CP and DS ( improperly) | (3,322,215) | (410,015) | (302,172) | (7,748) |
| Excess transferred from Facility Fee specified for operations | 99,417 | (25,661) | (220,163) | (1,459) |
| Excess transferred from Facility Fees specified for operations | $ 3,321,177 | (99,932) | (118,424) | (7,570) |
| **2021 Budget** | | | | |
| Transferred from SRF to Capital Project and Debt Service Funds | None | None | None | None |
| Facility Fee recorded in SRF for CP and DS ( improperly) | None | None | None | None |
| Excess transferred from Facility Fee specified for operations | $5,594,546 | | | |

**Error in the 2019 CAFR - Facility Fees were misstated and not in accordance with the Resolution authorizing the Facility Fees**

| | Community Services Capital Projects | Community Services Debt Service | Beaches Capital Projects | Beaches Debt Service |
|---|---|---|---|---|
| Authorized by Board of Trustees | 3,612,400 | 410,500 | 302,484 | 7,756 |
| Recorded in CAFR | (2,508,528) | (329,848) | (198,558) | (1,635) |
| ERROR | 1,103,872 | 80,652 | 103,926 | 6,121 |

This error was corrected prior to the end of fiscal year 2021 August 12,2020 Board Meeting - Item I.3
by transferring $1,100,000 from theSpecial Revenue Funds to the Capital Projects Funds

EXHIBIT G

Excerpt from Budget Message - May 23, 2019
by Gerald Eick - Budget for fiscal year ending
June 30, 2020.

The District is expected to adopt the updated Community Services Master Plan during the budget year. Neither the operating nor capital budgets include any projects contemplated by this plan. Should any project's needs develop prior to June 30, 2020, they would have to follow the augmentation requirements to become authorized.

During the fiscal year 2016-2017 the District began the process of update and review of the Diamond Peak Master Plan by the Tahoe Regional Planning Agency (TRPA). This is a multi-year process that may not be completed until after June 30, 2020. A substantial portion of that capital project's budget will be carried over to 2019-20.

**Governmental Fund Balance**

The District Final Budget Summary reports the following select Fund Balances:

| | Estimated Fund Balance 6/30/19 | Projected Minimum by Board Policy | Projected Fund Balance 6/30/20 |
|---|---|---|---|
| General Fund | $ 3,093,112 | $ 199,000 | $ 2,304,242 |
| Comm. Services SR | $13,183,167 | $4,493,000 | $ 9,146,076 |
| Beach Special Rev. | $ 1,749,171 | $ 526,000 | $ 1,123,442 |

**Comparison across Fiscal Years Presented in Form 4404LGF**

A fundamental aspect of the Form 4404LGF is comparison of information across the audited results of the fiscal year ending June 30, 2018, an estimated result for the year ending June 30, 2019, along with a presentation of the Tentative and Final budgets for the year ending June 30, 2020. The form and content for those three periods utilizes the same accounting principles and methodologies. Comparisons can be made knowing that differences are the consequence of circumstances, not methodology.

One major variation year on year relates to the District's use of Capital Projects and Debt Service Funds for the Community Services and Beach activities from July 1, 2015 through June 30, 2019. The objective for using these funds was the expectation for the need to demonstrate the sources and uses of the facility fee for capital expenditure and debt service. Our experience has been expenditures are the most sought after information. This can be demonstrated effectively within the functional expenditure reporting in Special Revenue funds. Therefore the Capital Projects and Debt Service funds will become inactive as of July 1, 2019 and used only in the event the District issues bonds for a specific construction project.

Another variation is in the level of activity for food and beverage operations. The fiscal year 2017-18 saw increased activity. However, the greatest jump for 2018-19 relates to the Beach Fund taking on delivering food and beverage services at the two beaches. For many years, this was a concessionaire service. The respective revenues and expenditures increase, as well as the bottom line results. This also resulted in increases to FTE's with the addition of staff.