

MEMORANDUM

TO: Audit Committee

THROUGH: Matthew Dent

FROM: Clifford F. Dobler

SUBJECT: Review, discuss and recommend to the Board of Trustees that the title for each of the 89 parcels of land acquired from Washoe County include the public purpose restriction required by Washoe County and that the nine parcels which were recorded as an asset in the General Fund be transferred to the Community Services Fund.

**STRATEGIC
PLAN REFERENCE(S):**

DATE: June 1, 2021

I. RECOMMENDATION

That the Audit Committee request the Board of Trustees to direct outside legal counsel to review the legal title of the 89 land parcels which were acquired from Washoe County in 2013 and 2014 to insure that an exception to the title for each parcel has been or will be recorded in the County real estate records which clearly states that the parcels are for public purpose as defined in NRS 361.603.

II. BACKGROUND

In 2013, 2014 and 2015 IVGID acquired 92 parcels of land from Washoe County which had acquired the parcels through a tax forfeiture. The IVGID board and management made a determination that the parcels would be held for a public purpose allowing Washoe County to transfer the parcels to IVGID and waive all delinquent taxes which had accumulated. In addition, IVGID had considerable delinquent and unpaid Facility Fees which could not be collected and had to be removed from the Washoe County records.

Note 4 of the fiscal 2013 CAFR states: ***"The parcels were acquired at no cost, for public purposes and were zoned as unbuildable. The General Fund holds 9 parcels which may be able to be restored to a form that makes them buildable at some point in the future. The remaining 78 parcel are held by the Community Services Fund. They could be sold at some future point because they carry the ability to have recreational privileges while remaining unbuildable"***.

Unfortunately, in 2014 and 2015, the IVGID Director of Finance, without Board of Trustee approval, sold three of the parcels to third parties which violated the terms of the purchase agreement with Washoe County. After public outrage addressing the inappropriate sales, Washoe County acknowledged IVGID's failure to honor the purchase agreement required IVGID to pay the accumulated delinquent taxes on the three parcels which were sold.

Since the parcels were sold, the legal title for each property probably did not have a title exception which delineated the Washoe County requirement to keep the parcels for a public purpose. It can be assumed that the other 89 parcels which were acquired from the County do not have the proper title exception.

No other parcels have been sold.

In order to avoid future IVGID employees from inadvertently suggesting to sell the parcels, an exception to the title on each property would prevent any sale from occurring as the exception would effectively notify a potential buyer that the parcel cannot be purchased.

Attached are excerpts of the 2013 to 2020 CAFR notes to financial statements regarding the parcels.

Two issues should be reviewed and corrected

- 1) Have Legal Counsel record in the County property records the exception to title for public purpose on each of the parcels held by IVGID
- 2) Record in the IVGID property records that the 9 parcels which were transferred to the General Fund be transferred back to the Community Services Fund. The general fund had no viable interest in the 9 parcels. The transfer to the General Fund was done apparently with the intent of selling the parcels wherein the proceeds would be deposited into the General Fund.

III. BID RESULTS

SUBJECT

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DATE

None

IV. FINANCIAL IMPACT AND BUDGET

None

V. ALTERNATIVES

None

VI. COMMENTS

None

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

None

or

Depreciation expenses for the year ended June 30, 2013 were charged to functions as follows:

Governmental Activities:	
General Government	<u>\$ 78,239</u>
Business-Type Activities:	
Utility Fund Water and Sewer	\$ 2,613,840
Community Services	2,246,216
Beach	<u>117,317</u>
Subtotal – Enterprise Funds	4,977,373
Fleet, Engineering and Buildings	<u>7,926</u>
Total	<u>\$4,985,299</u>

* In April 2013, the District acquired 87 parcels from Washoe County, which they held in trust following acquisition at a tax forfeiture sale. All parcels are located within the boundaries of the District. The parcels were acquired at no cost, for public purposes and were zoned as unbuildable. The General Fund holds 9 parcels which may be able to be restored to a form that makes them buildable at some point in the future. The remaining 78 parcels are held by the Community Services Fund. They could be sold at some future point because they carry the ability to have recreation privileges while remaining unbuildable.

5. ACCRUED PERSONNEL COSTS

The General Fund processes and pays all payroll and most related personnel and benefit costs for all funds of the District. At the time the expenses are incurred, each fund records its appropriate costs. As payments are made the individual funds record a due to the General Fund. Generally no payroll or personnel accruals are recorded on the individual funds. Accruals for Sick Leave Retirement, Workers Compensation and Vacation can appear in individual funds, because they are recognized well in advance of the payment process. The General Fund also maintains any bank accounts specific for payment of benefits except for those accumulated for Workers Compensation, which has a separate Internal Service Fund.

As a regular course of operations the payroll from June 30 was paid July 12th. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with in excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs. The District has no post employment benefit obligations for health insurance.

The District offers health reimbursement accounts (HRA) in exchange for the insured accepting a higher deductible or co-insurance. The Plan is administered by the health insurance carrier. The District also has a third party administered flexible spending account (FSA). The District maintains bank accounts exclusively for reimbursements for HRA and FSA transactions.

The District's Workers Compensation claims are processed by a Third Party Administrator. Claims are paid through a District zero balance account. Checks issued are payables until presented to the bank for payment.

As of June 30, 2013 the Accrued Personnel Costs were comprised of:

	Governmental	Business-type	Total
Current Payroll Liabilities:			
Accrued Payroll	\$427,383	\$ 2,591	\$ 429,974
Taxes Withheld	149,017	-	149,017
Accrued Benefits	31,298	3,779	35,077
Deferred Comp	3,315	-	3,315
Pension	19,857	-	19,857
Work Comp Claims	-	69	69
Ongoing Benefit Liabilities:			
Health Reimbursement Accounts	101,337	-	101,337
Sick Leave Retirement Benefit	12,000	160,423	172,423
Workers Comp unpaid losses and expenses	-	323,000	323,000
Accrued Vacation	<u>107,658</u>	<u>302,708</u>	<u>410,366</u>
Total Government-wide	<u>\$851,865</u>	<u>\$792,570</u>	<u>\$1,644,435</u>

Depreciation expenses for the year ended June 30, 2014 were charged to functions as follows:

Governmental Activities:	
General Government	<u>\$ 78,078</u>
Business-Type Activities:	
Utility Fund Water and Sewer	\$ 2,771,756
Community Services	2,293,786
Beach	<u>137,493</u>
Subtotal – Enterprise Funds	5,203,035
Fleet, Engineering and Buildings	<u>9,950</u>
Total	<u>\$5,212,985</u>



In April 2014, the District acquired 4 parcels from Washoe County, which they held in trust following acquisition at a tax forfeiture sale. All parcels are located within the boundaries of the District. The parcels were acquired at no cost, for public purposes and were zoned as unbuildable. These 4 parcels are held by the Community Services Fund. They could be sold at some future point because they carry the ability to have recreation privileges while remaining unbuildable.

5. ACCRUED PERSONNEL COSTS

The General Fund processes and pays all payroll and most related personnel and benefit costs for all funds of the District. At the time the expenses are incurred, each fund records its appropriate costs. As payments are made the individual funds record a due to the General Fund. This process provides the General Fund with the necessary available financial resources to meet these obligations. Generally no payroll or personnel accruals are recorded to the individual funds. Accruals for HRA, Sick Leave Retirement, Workers Compensation and Vacation can appear in individual funds, because they are recognized well in advance of the payment process. The General Fund also maintains any banks accounts specific for payment of benefits except for those accumulated for Workers Compensation, which has a separate Internal Service Fund.

As a regular course of operations the payroll from June 30 was paid July 12th. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with in excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs. The District has no post employment benefit obligations for health insurance or retirement benefits.

The District offers health reimbursement accounts (HRA) in exchange for the insured accepting a higher deductible or co-insurance. The Plan is administered by the health insurance carrier. The District also has a third party administered flexible spending account (FSA). The District maintains bank accounts exclusively for reimbursements for HRA and FSA transactions.

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As of June 30, 2014 the Accrued Personnel Costs were comprised of:

	Governmental	Business-type	Total
Current Payroll Liabilities:			
Accrued Payroll	\$288,018	\$ -	\$ 288,018
Taxes Withheld	23,917	-	23,917
Accrued Benefits	27,630	941	28,571
Deferred Comp	4,192	-	4,192
Pension	22,441	-	22,441
Ongoing Benefit Liabilities:			
Health Reimbursement Accounts	32,742	73,489	106,231
Sick Leave Retirement Benefit	12,642	202,154	214,796
Workers Comp unpaid losses and expenses	-	255,656	255,656
Accrued Vacation	<u>89,542</u>	<u>335,141</u>	<u>424,683</u>
Total Government-wide	<u>\$501,124</u>	<u>\$ 867,381</u>	<u>\$1,368,505</u>

The District has a number of Construction in Progress projects open as of June 30, 2015. The General Fund includes an Information Technology Network for \$585,466 that was placed into service July 1, 2015. The Utility Fund includes \$358,762 that is for a water main project that will be completed later in 2015, and \$1,267,970 for the design phase of the Effluent Export Line that will be ongoing through at least 2017. Community Services Fund includes \$235,649 for creek restoration that is grant funded and likely to be completed by mid-2016. The District's primary building season is limited to May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2015 were charged to functions as follows:

Governmental Activities:	
General Government	<u>\$ 81,005</u>
Business-Type Activities:	
Utility Fund Water and Sewer	\$ 2,865,958
Community Services	2,342,332
Beach	<u>149,427</u>
Subtotal – Enterprise Funds	5,357,717
Fleet, Engineering and Buildings	<u>10,638</u>
Total	<u>\$5,368,355</u>

* In April 2015, the District acquired one parcel from Washoe County, which they held in trust following acquisition at a tax forfeiture sale. The parcel is located within the boundaries of the District. The parcel was acquired at no cost, for public purposes. The parcel already has a District utility easement recorded on it. The parcel is held by the Utility Fund.

5. ACCRUED PERSONNEL COSTS

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As a regular course of operations the payroll from June 30 was paid July 3rd. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with in excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs. The District has no post employment benefit obligations for health insurance or retirement benefits.

The District offers health reimbursement accounts (HRA) in exchange for the insured accepting a higher deductible or co-insurance. The Plan is administered by the health insurance carrier. The District also has a third party administered flexible spending account (FSA). The District maintains bank accounts exclusively for reimbursements for HRA and FSA transactions.

The District's Workers Compensation claims are processed by a Third Party Administrator. Claims are paid through a District zero balance account. Checks issued are payables until presented to the bank for payment.

The District has a number of Construction in Progress projects open as of June 30, 2016. Community Services includes \$156,030 for the Diamond Peak Master Plan, and \$168,572 for the Incline Creek Culvert Rehabilitation. Beach includes \$107,790 for the Incline Beach Facility Study. The Utility Fund includes \$238,657 for the Equipment Storage Building, and \$1,868,073 for the design phase of the Effluent Export Line that will be ongoing through at least 2018. The District's primary building season is limited to May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2016 were charged to functions as follows:

Governmental Activities:	
General Government	\$ 162,414
Recreation	2,424,322
Beach	195,930
Internal Services	<u>11,888</u>
Total Depreciation Expense	<u>\$ 2,794,554</u>
Business-Type Activities:	
Utility Fund Water and Sewer	<u>\$ 2,929,425</u>



The District holds a substantial number of land parcels for recreation and public purposes. Approximately 80 parcels were acquired at no cost through a Washoe County tax forfeiture transfer. These lands are not held for the purpose of income or profit, and therefore are not considered an investment.

5. ACCRUED PERSONNEL COSTS

The General Fund processes and issues payments for all payroll and most related personnel and benefit costs for all funds of the District. At the time the expenses are incurred, each fund records its appropriate costs. As payments are made, the individual funds provide their share through the pooled cash. This process provides the General Fund with the necessary available financial resources to meet the District wide obligations. Generally, no regular payroll or personnel accruals are recorded to the individual funds. Accruals for special payments, Health Reimbursement Accounts, Sick Leave at Retirement, Workers Compensation and Vacation can appear in individual funds, because they are recognized well in advance of the payment process. The General Fund also maintains any banks accounts specific for payment of benefits except for those accumulated for Workers Compensation claims under the Internal Service Fund.

As a regular course of operations the payroll from June 30 was paid July 8th. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with in excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs. The District has no other post-employment benefit obligations for health insurance or retirement benefits.

The District offers health reimbursement accounts (HRA) in exchange for the insured accepting a higher deductible or co-insurance. The Plan is administered by the health insurance carrier. The District also has a third party administered flexible spending account (FSA). The District maintains bank accounts exclusively for reimbursements for HRA and FSA transactions.

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The District has a number of Construction in Progress projects open as of June 30, 2017. Community Services includes \$215,911 for the Diamond Peak Master Plan, and \$373,971 for the Incline Creek Culvert Rehabilitation. Beach includes \$180,574 for the Incline Beach Facility Study. The Utility Fund includes \$474,228 for the Equipment Storage Building, \$2,122,682 for the design phase of the Effluent Export Line that will be ongoing through at least 2018, and \$839,532 for the 2017 Watermain Replacement that opened early. The District's primary building season is limited to May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2017 were charged to functions as follows:

Governmental Activities:	
General Government	\$ 210,791
Recreation	2,547,499
Beach	214,003
Internal Services	<u>11,888</u>
Total Depreciation Expense	<u>\$ 2,984,181</u>
Business-Type Activities:	
Utility Fund Water and Sewer	<u>\$ 2,945,922</u>



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As a regular course of operations, the payroll including June 30 was paid July 7. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due as if the employee terminated. The District allows retiring employees with in excess of 20 years of service, and that have accrued sick leave, to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs. There are 17 eligible employees covered. The District has no other post-employment benefit obligations for health insurance or retirement benefits.

The District offers health reimbursement accounts (HRA) in exchange for the insured accepting a higher deductible or co-insurance. The Plan is administered by the health insurance carrier. The District also has a third party administered flexible spending account (FSA). The District maintains bank accounts exclusively for reimbursements for HRA and FSA transactions.

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Continued

Business-Type Activities

Utility Capital assets not being depreciated				
Land	\$ 6,715,544	\$ -	\$ -	\$ 6,715,544
Construction in Progress	4,519,884	7,037,423	(7,406,266)	4,151,041
Total utility capital assets, not being depreciated	11,235,428	7,037,423	(7,406,266)	10,866,585
Utility Capital assets, being depreciated				
Buildings and structures	11,900,859	3,272,789	(7,638)	15,166,010
Service infrastructure	105,000,108	3,633,611	(7,638)	108,626,081
Equipment and vehicles	3,483,938	499,866	(261,820)	3,721,984
Total utility capital assets at historical cost	120,384,905	7,406,266	(277,096)	127,514,075
Less accumulated depreciation for:				
Buildings and structures	(7,033,426)	(285,276)	7,638	(7,311,064)
Service infrastructure	(56,580,752)	(2,496,893)	7,638	(59,070,007)
Equipment and vehicles	(2,573,945)	(191,463)	261,820	(2,503,588)
Total accumulated depreciation	(66,188,123)	(2,973,632)	277,096	(68,884,659)
Total utility capital assets being depreciated, net	54,196,782	4,432,634	-	58,629,416
Business-Type Activities Capital Assets, net	\$ 65,432,210	\$ 11,470,057	\$ (7,406,266)	\$ 69,496,001

The District has a number of Construction in Progress projects open as of June 30, 2018. Community Services includes \$223,333 for the Diamond Peak Master Plan, and \$1,320,561 for the Incline Creek Culvert Rehabilitation. Beach includes \$210,032 for the Incline Beach Facility Study. The Utility Fund includes \$3,831,490 for the design phase of the Effluent Export Line that project will be ongoing through at least 2021. The District's primary building season is limited to May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2018 was charged to functions as follows:

Governmental Activities:	
General Government	\$ 242,714
Recreation	2,823,174
Beach	229,196
Internal Services	10,319
Total Depreciation Expense	<u>\$ 3,305,403</u>
Business-Type Activities:	
Utility Fund Water and Sewer	<u>\$ 2,973,632</u>

The District holds a substantial number of land parcels for recreation and public purposes. Approximately 80 parcels were acquired at no cost through a Washoe County tax forfeiture transfer. These lands are not held for the purpose of income or profit, and therefore are not considered an investment.

Continued Capital Asset activity for the year ended June 30, 2019:	Balance			Balance
	July 1, 2018	Increases	Decreases	June 30, 2019
Business-Type Activities				
Utility Capital assets not being depreciated				
Land	\$ 6,715,544	\$ -	\$ -	\$ 6,715,544
Construction in Progress	4,151,041	2,816,092	(5,549,081)	1,418,052
Total utility capital assets, not being depreciated	10,866,585	2,816,092	(5,549,081)	8,133,596
Utility Capital assets, being depreciated				
Buildings and structures	15,166,010	337,853	-	15,503,863
Service infrastructure	108,626,081	5,181,776	-	113,807,857
Equipment and vehicles	3,721,984	29,452	(55,223)	3,696,213
Total utility capital assets at historical cost	127,514,075	5,549,081	(55,223)	133,007,933
Less accumulated depreciation for:				
Buildings and structures	(7,311,064)	(377,074)	-	(7,688,138)
Service infrastructure	(59,070,007)	(2,567,148)	-	(61,637,155)
Equipment and vehicles	(2,503,588)	(209,587)	55,223	(2,657,952)
Total accumulated depreciation	(68,884,659)	(3,153,809)	55,223	(71,983,245)
Total utility capital assets being depreciated, net	58,629,416	2,395,272	-	61,024,688
Business-Type Activities Capital Assets, net	\$ 69,496,001	\$ 5,211,364	\$ (5,549,081)	\$ 69,158,284

The District has a number of Construction in Progress projects open as of June 30, 2019. Community Services includes \$223,333 for the Diamond Peak Master Plan and \$261,502 for the Community Services Master Plan. Beach includes \$210,632 for the Incline Beach Facility Study. The Utility Fund includes \$662,507 for the design phase of the Effluent Export Line that project will be ongoing through at least 2023. The District’s primary building season is limited to May to October because of regulations from the Tahoe Regional Planning Agency. Most equipment purchases follow the budget and fiscal year cycle.

Depreciation expenses for the year ended June 30, 2019 was charged to functions as follows:

Governmental Activities:	
General Government	\$ 261,088
Recreation	3,020,525
Beach	235,152
Internal Services	<u>12,561</u>
Total Depreciation Expense	<u>\$ 3,529,326</u>
Business-Type Activities:	
Utility Fund Water and Sewer	<u>\$ 3,153,809</u>

The District holds a substantial number of land parcels for recreation and public purposes. Approximately 80 parcels were acquired at no cost through a Washoe County tax forfeiture transfer. These lands are not held for the purpose of income or profit, and therefore are not considered an investment.