

NOTICE OF MEETING

The Audit Committee Meeting of the Incline Village General Improvement District will be held starting at [4:00 p.m.](#) on [June 1, 2022](#) via Livestream/Zoom only.

Public comment is allowed and the public is welcome to make their public comment either via e-mail (please send your comments to info@ivgid.org by 3:00 p.m. on June 1, 2022) or via telephone (the telephone number will be posted to our website on the day of the meeting). The meeting will be available for viewing at <https://livestream.com/accounts/3411104>. (Remote only meeting permitted by AB 253 as Audit Committee contains non-elected members.)

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

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

-OR-

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

- D. GENERAL BUSINESS ITEMS (*for possible action*)
1. Review, discuss and determine if any further action is necessary on charges to the Water and Sewer Pump Stations capital projects for 2015 to 2021 which were capitalized but should have been expensed – **pages 3 - 19**
 2. Review, discuss and determine if any further action is necessary on charges to the Wetlands Effluent Disposal Facility Improvements capital projects for 2015 to 2021 which were capitalized but should have been expensed – **pages 20 - 31**
 3. Discuss Management’s responses to the Annual Comprehensive Financial Report (ACFR) to identify and confirm for which items the Audit Committee requests additional documentation to be presented for the June 16 Audit Committee meeting – **pages 32 - 39**
 4. Review, discuss and determine if any further action is necessary on Note 22 - Prior Period Adjustment - Annual Comprehensive Financial Report as of June 30, 2021 (ACFR) – **pages 40 - 53**
 5. Review, discuss and determine if any further action is necessary on Accounting and Reporting of Facility Fees Revenue in the Annual Comprehensive Financial Report (ACFR) – **pages 54 - 61**
 6. Verbal review of annual internal controls schedule and update on revisions to internal controls (Policy 15.1.0, 2.6.1,2) from Director of Finance Paul Navazio - **pages 62 - 70**

Incline Village General Improvement District

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

893 Southwood Boulevard, Incline Village, Nevada 89451 • (775) 832-1100 • FAX (775) 832-1122

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NOTICE OF MEETING

Agenda for the Audit Committee Meeting of June 1, 2022 - Page 2

7. Review, discuss and determine if any further action is necessary on implementation of agreed actions identified from 20-21 Audit Report by the Audit Committee – *page 71*
 8. Review, discuss and possibly update the Audit Committee Long Range calendar – *page 72*
 9. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee
- E. MEETING MINUTES (for possible action)
1. Meeting Minutes of May 10, 2022 – *pages 73 - 78*
- F. PUBLIC COMMENTS* - Conducted in accordance with Nevada Revised Statutes Chapter 241.020 and limited to a maximum of three (3) minutes in duration.
- G. ADJOURNMENT (*for possible action*)

CERTIFICATION OF POSTING OF THIS AGENDA

I hereby certify that on or before Thursday, May 26, 2022 at 9:00 a.m., a copy of this agenda (Audit Committee Session of June 1, 2022) was delivered to the post office addressed to the people who have requested to receive copies of IVGID's agendas; copies were either faxed or e-mailed to those people who have requested; and a copy was posted at the following six locations within Incline Village/Crystal Bay in accordance with NRS 241.020:

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

/s/ Susan A. Herron, CMC

Susan A. Herron, CMC

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

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

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

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Sewer Pumping Stations - Capitalized costs potentially to be reclassified as expenses

STRATEGIC

PLAN REFERENCE(S): None

DATE: 5-25-22

I. RECOMMENDATION

That the Audit Committee make a request to the Board of Trustees to require IVGID staff to review all costs charged to the Sewer Pumping Stations capital project account #2599DI1104 for the period from July 1, 2015 to June 30, 2022, to determine what costs should have been expensed based on Moss Adams recommendations and Board Policies and Practices and to subsequently provide a report to the Audit Committee for review.

II. BACKGROUND and ANALYSIS

The District owns and operates 18 pump stations to pump waste water to the wastewater treatment plant.

The equipment in the stations includes pumps, motors, grinders, odor scrubbers, motor soft starts, variable frequency drives, telemetry equipment, motor control cabinets, automatic transfer switches, emergency generators, fuel tanks, check valves, isolation valves, instrumental equipment, communication equipment, piping and other miscellaneous equipment.

Only one capital project account was established for all of the pump stations and various costs, large and small, were charged to the account. It is unknown what costs were for repairs and maintenance or what costs did not reach the required

thresholds for capitalization. In house Engineering charges and Work Orders for Utility Staff personnel have also been charged to the account.

Based on the annual project Summaries, the budget was set for one major installation of a pump and/or a motor at a particular pump station and then an overall amount for all other items.

From 2016 to 2021 a total of \$687,233 was charged to the account (Exhibit A). Each year a major contract was issued and the combined amounts for the contracts were \$238,563 (Exhibit B) These costs may rightfully been classified as a capital assets. It is highly probable that the remaining costs of \$306,670 (net of major contracts and the Jacobs design for Pump Station #8) were for normal repairs and maintenance.

In the spring of 2016, a design contract was issued to Jacobs Engineering (\$142,000) for Sewer Pump Station #8. When combined with Staff engineering charges of \$109,000 the total costs for the design was \$261,000 exceeding the budget of \$200,000 established in 2017.

In 2018, construction of Sewer Pump Station #8 was completed for \$770,000, h exceeding the budget by \$270,000 (54%). The construction was accounted for under a separate capital project account.

Work orders from the Utility internal staff consisted of \$26,000 and all were less than \$5,000 and probably for repair costs.

The issue of combining projects under one account was brought to the Board of Trustees approximately five years ago and direction was given that each project for the water and sewer pump stations would be accounted for separately. This directive was never instituted.

Exhibit A - Listing of Charges to Sewer Pump Stations 2015 to 2022

Exhibit B - Major Contracts

III. BID RESULTS

NONE

IV. FINANCIAL IMPACT AND BUDGET

Possible restatement of prior financial statements

V. ALTERNATIVES

Do nothing and fail to be in accordance with Board Policies and Practices.

VI. COMMENTS

None

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

Because of the aggressive approach of capitalizing costs that should have been expensed, the historical financial statements have been distorted and may have had a material impact on proper financial reporting.

It is recommended that after ALL of the recommended charge offs of capital assets and CIP to expenses (some made in previous fiscal years and some not made) are aggregated then a determination should be made by an independent consultant of the overall effect on the historical financial statements to determine if a cumulative material misstatement occurred.

EXHIBIT A - 6 pages

From Date: 07/01/2014 (Had to run from this date instead of 6/1/2015 as requested in order to tie to requestors numbers)
 To Date: 06/30/2021
 Project: 2599DI1104 Sewer Pumping Station Improvements FY 18/19

EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	DEBIT	CREDIT	BALANCE
06/30/2015	To code CIP Costs to Correct GL Account				5,601.48 CR	
06/30/2015	Repairs to SPS #7: Exhaust thimble, wate	F.W. Carson Co.	51501	5,601.48		
	TOTAL			5,601.48	5,601.48	0.00
08/12/2014	I-INWO0796977 P-S004523 C-747128 Cashm	Cashman Equipment Company		3,678.91		
08/12/2014	I-INWO0796977 P-S004523 C-747128 Cashm	Cashman Equipment Company		105.28		
09/23/2014	I-S1294201 P-S004391 C-747795 Cashman	Cashman Equipment Company		35,877.00		
09/23/2014	I-S1294201 P-S004391 C-747795 Cashman	Cashman Equipment Company		10,911.00		
10/28/2014	I-2045-01 P-S004740 C-748403 KC Insula	KC Insulation, Inc		2,882.00		
10/28/2014	I-102 P-S004675 C-748402 K. G. Walters	K. G. Walters Construction Co		24,375.00		
01/27/2015	Radio telemetry equipment for sewer syst	Thunderbird Communications	2310	1,600.00		
02/24/2015	Radio telemetry equipment for sewer syst	Thunderbird Communications	2322	2,435.00		
03/31/2015	CIP #2599DI1104 - parts for sewer pump s	Western Nevada Supply	16190618	730.97		
03/31/2015	Radio telemetry equipment for sewer syst	Thunderbird Communications	2337	1,600.00		
04/30/2015	adj cover galvanize	Jensen Precast	SP28877	1,512.00		
05/01/2015	Burt & Burt, Inc			774.00		
05/01/2015	Burt & Burt, Inc			291.00		
05/19/2015	CIP #2599DI1104 - Sewer Pump Station # 1	Q&D Construction, Inc	14125-001	4,825.99		
05/19/2015	CIP #2599DI1104 - Sewer Pump Station # 1	Q&D Construction, Inc	14125-001		4,825.99	
05/19/2015	CIP #2599DI1104 - Sewer Pump Station # 1	Q&D Construction, Inc	14125-001	5,549.89		
05/26/2015	New soft starts (2) for SPS #12	Grove Madsen Industries	1239615	4,158.26		
05/26/2015	Freight	Grove Madsen Industries	1239615	38.28		
06/01/2015	Thunderbird Communications			1,282.87		
06/01/2015	Thunderbird Communications			617.13		
06/16/2015	SPS #12 mag meter remote transponder hea	Sparling Instruments, LLC	2936501	2,099.00		
06/16/2015	Freight	Sparling Instruments, LLC	2936501	120.00		
06/16/2015	SPS #12 mag meter remote transponder hea	Sparling Instruments, LLC	2936501		2,099.00	
06/16/2015	Freight	Sparling Instruments, LLC	2936501		120.00	
06/16/2015	SPS #12 mag meter remote transponder hea	Sparling Instruments, LLC	2936501	2,099.00		
06/16/2015	Freight	Sparling Instruments, LLC	2936501	120.00		
06/16/2015	SPS #12 mag meter remote transponder hea	Sparling Instruments, LLC	2936501		2,099.00	
06/16/2015	Freight	Sparling Instruments, LLC	2936501		120.00	
06/16/2015	SPS #12 mag meter remote transponder hea	Sparling Instruments, LLC	2936501	2,099.00		
06/16/2015	Freight	Sparling Instruments, LLC	2936501	44.90		
06/30/2015	To code CIP Costs to Correct GL Account			5,601.48		
	TOTAL			115,427.96	9,263.99	106,163.97
					Balance Forward	
07/28/2015	FCC license work	Thunderbird Communications	2367	1,600.00		
07/28/2015	CIP #2599DI1104 - Upgrade Muffin Monster	JWC Environmental	695418	14,471.18		
07/31/2015	Project# 2599DI1104 Exchange cutting uni	Rockwood Incorporated	1129	750.00		

07/31/2015	Install (2) overflow pipes into manhole	Rockwood Incorporated	1124	5,925.00	
08/11/2015	SPS #12 ~ Discharge valve replacement an	Burt & Burt, Inc	5449	14,628.00	
08/31/2015	CIP Project 2599DI1104-redvalve 12 serie	Western Nevada Supply	16345293	2,995.26	
08/31/2015	FCC license work	Thunderbird Communications	2378	1,600.00	
08/31/2015	2599DI1104 - Install new soft starts and	Placer Electric Inc	14925-1156	6,495.00	
09/22/2015	SPS #18: (2) Replacement grinder pump/mo	JM Squared Equipment	115-6962	6,242.00	
09/22/2015	Freight	JM Squared Equipment	115-6962	332.13	
09/30/2015	McNichols Company/SPS #10 screening metal;			714.44	
10/13/2015	FCC license work	Thunderbird Communications	2397	1,600.00	
10/31/2015	CIP Engineering Charges - October 3015			1,000.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5433	613.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5434	891.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5435	169.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5436	822.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5437	463.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5438	1,140.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5460	799.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5461	481.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5462	1,635.00	
10/31/2015	SPS#10: Installation of upgraded odor sc	Burt & Burt, Inc	5463	329.00	
11/10/2015	CIP 2599DI1104 Pump # 10 Scrubber Screen	Burt & Burt, Inc	5465	190.00	
11/17/2015	CIP #2599DI1104 - cplug, gasket	Western Nevada Supply	16444359	228.25	
11/30/2015	CIP Engineering Charges - November 2015			3,500.00	
11/30/2015	CIP Engineering Charges - November 2015			500.00	
12/31/2015	CIP Engineering Charges - December 2015			7,500.00	
12/31/2015	CIP Engineering Charges - December 2015			2,500.00	
01/31/2016	CIP Engineering Charges - January 2016			5,000.00	
01/31/2016	CIP Engineering Charges - January 2016			2,500.00	
02/29/2016	CIP Engineering Charges - February 2016			4,000.00	
02/29/2016	CIP Engineering Charges - February 2016			3,000.00	
03/15/2016	6'x 6'x vault lid	Jensen Precast	SP33074	2,583.00	
03/31/2016	Work Order 6128: Burnt Cedar Beach SPS #4			811.92	
03/31/2016	Alltizer/Pump Station #4 lid powder coating CIP: 2599DI1104			182.70	
03/31/2016	CIP Engineering Charges - Estimates			4,000.00	
03/31/2016	CIP Engineering Charges - Estimates			5,000.00	
04/19/2016	CIP #2599DI1104 - vault, barrel w/step h	Jensen Precast	SP33544	2,594.00	
04/19/2016	Cip #2599DI1104 - 30" sanitary sewer cov	Jensen Precast	SP33545	531.00	
04/19/2016	CIP #2599DI1104 - con flat top	Jensen Precast	SP33506	275.00	
04/19/2016	CIP #2599DI1104 - barrel w/stepholes	Jensen Precast	SP33586	116.00	
04/19/2016	nylon sling lift assembly	Jensen Precast	SP33566	452.00	
04/29/2016	#41810 - APR 2016 PW in store chgs	Spitsen Lumber Company	41810 - APR 2016 PW	1,020.38	
04/29/2016	#41810 - APR 2016 PW in store chgs	Spitsen Lumber Company	41810 - APR 2016 PW		20.40
04/30/2016	CIP Work Order Charges - April 2016			6,857.91	
04/30/2016	CIP Work Order Charges - April 2016			337.92	
04/30/2016	CIP Engineering Charges - April 2016			2,000.00	
04/30/2016	CIP Engineering Charges - April 2016			3,500.00	
04/30/2016	To correct CIP Engineering JE 92108				3,500.00

04/30/2016	Project 2599DI1104 Credit Memo	Jensen Precast	SP12376M	174.00		
04/30/2016	APR 2016 transfer station drop offs	Refuse, Inc DBA Waste Management of Nevada	0012163-2667-6	27.04		
05/31/2016	CIP Engineering Charges - May 2016			2,500.00		
05/31/2016	CIP Engineering Charges - May 2016			2,000.00		
06/07/2016	Ck #69676 to offset credit on accountC	Jensen Precast	Ck #69676	174.00		
06/09/2016	JensenPrecast/refund				174.00	
06/28/2016	Design improvements for Sewer PumpStat	Jacobs Engineering Group Inc	4029348	19,038.68		
06/30/2016	CIP Engineering Charges - June 2016			5,000.00		
06/30/2016	CIP Engineering Charges - June 2016			500.00		
06/30/2016	Design improvements for Sewer PumpStat	Jacobs Engineering Group Inc	4035164	45,981.60		
TOTAL				200,096.41	3,868.40	196,228.01

				Balance	Forward	
07/26/2016	CIP #2599DI11041 - SPS #5: (2) Replaceme	Pacific Water Resources	16193	24,256.00		
07/31/2016	CIP Work Order Charges			440.91		
07/31/2016	CIP Engineering Charges - July 2016			3,500.00		
08/30/2016	AUG 2016 in store chgs	Spitsen Lumber Company	#41810-AUG 2016	220.47		
08/30/2016	AUG 2016 in store chgs	Spitsen Lumber Company	#41810-AUG 2016		4.41	
08/31/2016	CIP Work Order Charges - Work Order 6332			3,974.18		
08/31/2016	AUG 2016 - in store chgs	Village Ace Hardware	#4244 AUG 2016	19.35		
08/31/2016	CIP Engineering Charges - August 2016			2,000.00		
08/31/2016	CIP Engineering Charges - August 2016			3,000.00		
09/27/2016	Design improvements for Sewer PumpStat	Jacobs Engineering Group Inc	4033644	8,404.10		
09/30/2016	CIP Engineering Charges - September 2016			1,300.00		
10/31/2016	CIP Engineering Charges - October 2016			8,000.00		
10/31/2016	CIP Engineering Charges - October 2016			4,000.00		
11/30/2016	CIP 2599DI1104 - return materials	Western Nevada Supply	CM16841964		186.80	
11/30/2016	CIP 2599DI1104 - Materials	Western Nevada Supply	16848138	158.42		
11/30/2016	CIP Engineering Charges - November 2016			6,000.00		
11/30/2016	CIP Engineering Charges - November 2016			7,000.00		
12/31/2016	CIP 2599DI1104 -5/PK Socket head cap scr	MSC Industrial Supply Co.	51772106	53.76		
12/31/2016	CIP Engineering Charges - December 2016			5,000.00		
12/31/2016	CIP Engineering Charges - December 2016			2,500.00		
01/31/2017	JAN 2017 #4244 in store chgs	Village Ace Hardware	#4244 - JAN 2017	7.80		
01/31/2017	CIP Engineering Charges - January 2017			2,000.00		
01/31/2017	CIP Engineering Charges - January 2017			3,000.00		
01/31/2017	Grinder pumps, check valves and guides f	JM Squared Equipment	117-7146	22,476.00		
01/31/2017	Freight	JM Squared Equipment	117-7146	1,200.00		
01/31/2017	SPS 8 Improvements - Design ServicesTa	Jacobs Engineering Group Inc	4045270	39,999.50		
02/06/2017	CIP #2599DI1104 - pipe, ch 2 gate vlv	Western Nevada Supply	16905616	344.16		
02/14/2017	CIP #2599DI1104 - 7x7" P/S vinyl nv sees	MSC Industrial Supply Co.	C62126177	21.24		
02/14/2017	CIP 2599DI1104 - Materials	Western Nevada Supply	16911615	151.48		
02/21/2017	CIP #2599DI1104 - Long tangent u-bolt, h	MSC Industrial Supply Co.	62417677	82.68		
02/21/2017	CIP #2599DI1104 - parts for Hydromatic H	JM Squared Equipment	117-7154	985.12		
02/28/2017	CIP Engineering Charges - February 2017			4,000.00		
02/28/2017	CIP Engineering Charges - February 2017			5,000.00		
03/31/2017	CIP Engineering Charges - March 2017			4,000.00		

03/31/2017	CIP Engineering Charges - March 2017			5,000.00		
04/01/2017	Move CIP Costs to correct Project				2,000.00	
04/01/2017	Move CIP Costs to correct Project				4,000.00	
04/01/2017	Move CIP Costs to correct Project				7,000.00	
04/01/2017	Move CIP Costs to correct Project				2,500.00	
04/01/2017	Move CIP Costs to correct Project				3,000.00	
04/01/2017	Move CIP Costs to correct Project				5,000.00	
04/01/2017	Move CIP Costs to correct Project				5,000.00	
04/25/2017	Sewer pump station improvements.	George T. Hall Co.,Inc.	S1226565.001	8,051.99		
04/30/2017	CIP Engineering Charges - April 2017			2,000.00		
04/30/2017	CIP # 2599DI1104TO 13.2, SPS 8 Improve	Jacobs Engineering Group Inc	4050209	9,494.40		
05/31/2017	MAY 2017 in store chgs	Village Ace Hardware	#4244-MAY STMNT	4.24		
TOTAL				187,645.80	28,691.21	158,954.59

				Balance	Forward	
07/24/2017	SPS 6 Rehabilitation - pump station proc	Smith & LoveLess, Inc	C/V9913	63,345.00		
08/07/2017	roma 4 macro 4.40-5.6 cplg	Western Nevada Supply	17115963	1,347.14		
08/10/2017	4 flg tee epoxy coated stl	Western Nevada Supply	17108636	1,287.90		
08/11/2017	4x2 tapt flg	Western Nevada Supply	17108343	214.99		
08/23/2017	roma rfca-4.8 di - piping	Western Nevada Supply	17135112	775.14		
09/01/2017	Sewer pump station improvements.	George T. Hall Co.,Inc.	S1226565.002	12,077.98		
09/05/2017	utility sand	F.W. Carson Co.	58077	32.25		
09/07/2017	18x3 threaded rod	Grainger, Inc.	9550233218	27.10		
09/07/2017	steel plate rental	Burt & Burt, Inc	5526	155.00		
09/07/2017	DeZurik Plug Valve	Frank A. Olsen Company LLC	238596	479.94		
09/09/2017	4 full face flg tyte gskt	Western Nevada Supply	1755704	24.51		
10/04/2017	Acct# 4244 - September 2017 in store cha	Village Ace Hardware	20170930 - 4244 stmt	96.37		
10/25/2017	cut, remove, and replace roadway on Nort	Blacktop Sealing & Striping	11017	835.00		
01/01/2018	SPS 8, Construction Services, per ASA 13	Jacobs Engineering Group Inc	4063027	10,057.70		
01/01/2018	SPS 8, Construction Services, per ASA 13	Jacobs Engineering Group Inc	4063027		10,057.70	
01/01/2018	SPS 8, Construction Services, per ASA 13	Jacobs Engineering Group Inc	4063027	10,057.70		
03/01/2018	SPS 8, Construction Services, per ASA 13	Jacobs Engineering Group Inc	4066754	8,929.40		
04/01/2018	SPS 8, Construction Services, per ASA 13	Jacobs Engineering Group Inc	4067480	1,010.40		
TOTAL				110,753.52	10,057.70	100,695.82

				Balance	Forward	
07/23/2018	Sewer Pump Station Improvements; SPS 7,	Reed Electrical & Field Services	SSIR2963	5,768.38		
07/31/2018	CIP Work Order Charges - July 2018			880.50		
08/15/2018	tree work @ sewer pump station	Etcheberry Construction, LLC	776369	290.00		
08/30/2018	screw pin shackle & clevis hangers	MSC Industrial Supply Co.	87537789	126.80		
08/31/2018	12GA strut channels & chain	MSC Industrial Supply Co.	C87537769	717.16		
08/31/2018	pvc piping, flg gskt, nuts&bolts, & adpt	Western Nevada Supply	17577939	1,226.34		
08/31/2018	CIP Engineering Charges - August 2018			3,000.00		
09/12/2018	conduit cover, gasket, & elbow	Grainger, Inc.	9903900752	32.73		
09/13/2018	clear pvc cement & conduit cover	Grainger, Inc.	9904126514	7.37		
09/13/2018	conduit gasket	Grainger, Inc.	9904687812	1.67		
09/13/2018	steel bushing	Grainger, Inc.	9904981710	14.85		

09/13/2018	conduit body outlet	Grainger, Inc.	9904369460	9.06		
09/13/2018	conduits & female conduit adptrs	Grainger, Inc.	9904136562	41.61		
09/17/2018	hex cap screws & washers	MSC Industrial Supply Co.	92700769	105.85		
09/17/2018	connectors, elbow/adptrs, cutting reel	Wedco, Inc.	506283	75.14		
09/18/2018	flg elbow	Western Nevada Supply	17597344	164.01		
09/18/2018	credit for returned item	Western Nevada Supply	CM17577939		89.00	
09/19/2018	wiring, conduits, & connectors	Codale Electric Supply	S6491847.002	474.22		
09/21/2018	40A breaker	Codale Electric Supply	S6491847.003	14.06		
09/21/2018	reducing bushing, conduits, & 2str & 8st	Wedco, Inc.	507446	216.60		
09/21/2018	custom concrete slab	Jensen Precast	SP49044	2,943.81		
09/25/2018	4" RFCAs	Western Nevada Supply	17577498	847.62		
09/26/2018	skytrack forklift rental	America Rents Inc	39665-2	3,390.54		
09/26/2018	enclosure & back panel	Grainger, Inc.	9916601553	153.39		
09/30/2018	Acct#4244 - SEPTEMBER 2018 In-Store Chgs	Village Ace Hardware	4244-SEPT 2018	84.88		
09/30/2018	CIP Engineering Charges - Sept. 2018			6,463.57		
09/30/2018	CIP Engineering Charges - September 2018			2,600.00		
09/30/2018	Sewer Pump Station Improvements; SPS 6 I	Granite Construction Co.	1474742	23,600.00		
10/01/2018	Move CIP costs to correct project				3,390.54	
10/02/2018	freight chg	Western Nevada Supply	17577498F	461.96		
10/10/2018	control transformer & fuses	Grainger, Inc.	9931041835	97.34		
10/31/2018	CIP Work Order Charges - Oct 2018			1,240.27		
11/30/2018	CIP Engineering Charges - November 2018			2,300.00		
12/31/2018	CIP Engineering Charges - December 2018			870.00		
01/09/2019	Move CIP costs to correct project				2,933.81	
01/09/2019	Sewer Pump Station Improvements; concrete slab purchase.	Jensen Precast	CD99000165	2,933.81		
01/31/2019	CIP Engineering Charges			2,600.00		
02/28/2019	CIP Engineering Charges			1,800.00		
05/01/2019	20 3/16x1 CTL 316L SS Chains	MSC Industrial Supply Co.	58535800	70.20		
05/01/2019	Welding Wire spool, flow gauge & hose	MSC Industrial Supply Co.	C58757590	256.76		
05/01/2019	screw pin shackle	MSC Industrial Supply Co.	C58510850	195.22		
	TOTAL			66,075.72	6,413.35	59,662.37

				Balance	Forward	
09/05/2019	CIP # 2599DI1104, 2599DI1703 DeZurik plug valve	Frank A. Olsen Company LLC	243386	1,559.24		
12/06/2019	4 150 1/8T BG L441 FF GSKT, 6 150 1/8T BG L441 FF GSKT	Western Nevada Supply	18134535	55.51		
12/11/2019	HEX NUT,5/8-11,GR 5,ZP,PK25, HHCS,5/8-11X3,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9383371367	32.50		
12/12/2019	HHCS,5/8-11X2-1/2,STEEL,GR 5,ZP,PK5	Grainger, Inc.	9383339117	15.12		
12/31/2019	CIP Work Order Charges - December 2019			8,128.08		
01/31/2020	Sewer Pump Station 9: Suction, discharge and check valve replacement per Quote 11763.	Frank A. Olsen Company LLC	244272	1,690.10		
02/05/2020	4 150 1/8T BG L441 RING GSKT, 4 X 1/16 NON ASB RING GSKT 150, FCA 4 STD STL DI	Western Nevada Supply	18195845	597.28		
02/06/2020	Sewer Pump Station 9: Suction, discharge and check valve replacement per Quote 11763.	Frank A. Olsen Company LLC	244318	5,187.32		
	TOTAL			17,265.15	0.00	17,265.15

				Balance	Forward	
07/23/2020	1 1/2 STD PIPE SIZE TUBE - 21 A500B*ORANGE*1.900 X .1452 EA of Heat# C06561	PDM Steel Service Centers, Inc	423307-01	157.44		
07/23/2020	30 ADJUSTABLE PIPE STAND TP100, 4 X 5?-0 F X S DI SPOOL	Western Nevada Supply	18415085	626.54		
07/24/2020	mechanical Seal, Volute Gasket, Bolts, Washers	Pacific Water Resources	20204	3,098.87		

07/28/2020	4 MEGA FLANGE ADPT 2104 EBAA	Pace Supply Corp.	066224022	538.39
07/29/2020	HEX NUT,3/4-10,GR 5,ZP,PK20, HEX CAP SCREW,3/4"-10,3-1/4"STEEL,PK20	Grainger, Inc.	9605268086	72.28
07/29/2020	4 X 4?-0 F X F DI SPOOL	Western Nevada Supply	18415279	413.28
07/31/2020	Inventory Journal #IJ20-0000427			34.47
08/31/2020	Acct 4244 -August 2020 In-Store Chgs	Village Ace Hardware	4244-August 2020	17.84
09/04/2020	4" VALMATICPLUG VALVE 5804R/7A08 Vend Part#: 5804R/7A08XP	Pace Supply Corp.	066223962	4,227.73
10/02/2020	10 150 1/8T BG L441 FF GSKT, 4 150 1/8T BG L441 FF GSKT, ROMA RFCA-4.80 DI 304SS/SC	Western Nevada Supply	18513678	552.62
10/02/2020	4" DeZurik Model PEC Eccentric Plug Valve Cast Iron Body, Flanged ANSI 125/150 Ends,	Frank A. Olsen Company LLC	245752	1,628.01
10/06/2020	HEX CAP SCREW,3/4"-10,3-1/2"STEEL,PK5, HHCS,5/8-11X3,STEEL,GR 5,ZP,PK5, HEX NUT,3/4-10,GR 5,ZP,PK20	Grainger, Inc.	9674369286	116.13
10/12/2020	4 X 4?-0 F X F DI SPOOL	Western Nevada Supply	18513686	413.28
10/21/2020	HHCS,3/4-10X3,STEEL,GR 5,ZP,PK5, HEX NUT,3/4-10,GR 5,ZP,PK20	Grainger, Inc.	9692402481	98.14
10/23/2020	6 150 1/8T BG L441 FF GSKT, 6 X 1/16 NON ASB FF GSKT 150, 4 150 1/8T BG L441 FF GSKT, 4 X 1/16 NON ASB FF GSKT 150	Western Nevada Supply	18540605	277.98
10/28/2020	PEC-06"F1-CI-NBR/NBR-GE w/HWG	Frank A. Olsen Company LLC	245902	2,502.13
10/31/2020	CIP Work Order Charges - October 2020			91.51
11/02/2020	THREADED ROD,CARBON STEEL,3/4-10X10 FT, HEX NUT,5/8-11,GR 5,ZP,PK25, HEX NUT,3/4-10,GR 5,ZP,PK20	Grainger, Inc.	9703999236	137.82
11/18/2020	Sewer Pump Station Improvements; Cornell Pump parts.	Gierlich-Mitchell, INC	15873	6,065.00
11/18/2020	Shipping	Gierlich-Mitchell, INC	15873	350.00
12/03/2020	Wear Ring Case	Gierlich-Mitchell, INC	15882	1,073.10
12/15/2020	Sewer Pump Station Improvements, new surge valve for SPS 7.	Frank A. Olsen Company LLC	246168	6,097.64
12/31/2020	CIP Work Order Charges - December 2020			106.51
01/01/2021	Gierlich-Mitchell, INC Invoice 15863			6,690.52
01/31/2021	CIP Work Order Charges - January 2021			3,789.21
02/09/2021	COP # 2599DI1104 PEC-06"F1-CI-NBR/NBR-GE w/HWG	Frank A. Olsen Company LLC	246392	2,599.15
03/19/2021	Sewer Pump Station Improvements Project; two fusion bonded epoxy lined 12"x6" reducers. Cost includes shipping.	FARR Construction CORP DbA:Resource Development CO	21-013	5,500.00
03/20/2021	10-12 150 A307 T2000 BLUE BN W SET, 6-8 150 A307 T2000 BLUE BN W SET	Western Nevada Supply	18710256	455.14
03/31/2021	CIP Work Order Charges - March 2021			532.55

TOTAL				48,263.28	0.00	48,263.28
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GRAND TOTAL				751,129.32	63,896.13	687,233.19
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		CD's Numbers	687,232.00
likely due to rounding	→	Difference	(1.19)

EXHIBIT B

Sewer Pump Stations - Major contracts

2015

Cashman Equipment Company - \$50,512 - No identification

KG Walters Construction - \$24,275 - No identification

2016

JWC Environmental - \$14,471 - No identification

Burt & Burt - \$14,628 - SPS #12

2017

Pacific Water Resources - \$24,256 SPS #5

JM Squared Equipment - \$23,476 No identification

2018

Smith & Loveless, Inc. - \$63,345 SPS #6

2019

Granite Construction - \$23,600 SPS # 6.1

2020

Nothing

2021

Nothing

TOTAL \$238,563

Other Items

- Jacobs Engineering 2016, 2017 and 2018 \$142,000 SPS #8
- Costs by internal staff
- Utility Staff Personnel Work Orders \$25,778
- Engineering Charges \$109,000

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Water Pumping Stations - Capitalized costs potentially to be expensed

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

DATE: 5-25-22

I. RECOMMENDATION

That the Audit Committee make a request to the Board of Trustees to require the Staff of IVGID to review all costs charged to the Water Pumping Stations #2299DI1102 capital project for the period from July 1, 2015 to June 30, 2022, to determine what costs should have been expensed based on Moss Adams recommendations and Board Policies and Practices and to subsequently provide a report to the Audit Committee for review. .

II. BACKGROUND and ANALYSIS

The District owns and operates 12 pump stations to pump fresh water from the Disinfection Plant to the water reservoirs to supply the homes and businesses in the District.

The equipment in each station includes pumps, motors, motor soft starts, variable frequency drives, telemetry equipment , motor control cabinets, automatic transfer switches, emergency generators, fuel tanks , surge anticipator valves, zone valves, isolation valves, instrumental equipment, communication equipment piping and other miscellaneous equipment.

Only one capital project account has been established for all of the pump stations and various costs, large and small, were charged to the account. It is unknown

what costs were for repairs and maintenance and/or what costs did not reach the required dollar thresholds for capitalization.

In house Engineering charges and Work Orders for Utility Staff personnel have also been charged to the account.

Based on the annual Project Summaries, a budget was set for one major installation of a pump and/or a motor at a station and then an additional budget for unidentified items for all pump stations.

From 2016 to 2021 a total of \$426,049 was charged to the account (Exhibit A). Each year a major contract was issued and the combined costs were \$225,311 (Exhibit B). It is assumed the contracts may have been for replacements of fully depreciated items and probably met the threshold for capitalization. It is highly probable that the remaining costs of \$200,738 were for normal repairs and maintenance and should have been expensed. .

In 2016, a major demolition of one pump station occurred. The cost for outside design and demolition was \$40,008 and should have been expensed.

Engineering Staff allocations were \$34,700 and may have been pre construction costs .

Several "work orders" for \$27,000 was charged by the utility staff apparently to install small flow meters which did not meet the capitalization thresholds. Other work orders were probably for repairs and maintenance.

III. BID RESULTS

NONE

IV. FINANCIAL IMPACT AND BUDGET

Possible restatement of prior financial statements

V. ALTERNATIVES

Do not charge off capital costs as expenses and fail to be in accordance with Board Policies and Practices.

VI. COMMENTS

None

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

Because of the aggressive approach of capitalizing costs that should have been expensed, the historical financial statements have been distorted and may have had a material impact on proper financial reporting.

It is suggested that after ALL of the various recommended charge offs of capital assets to expense (some made and some not made) are aggregated then a determination should be made by an independent consultant of the overall effect on the historical financial statements to determine the extent of materiality.

EXHIBIT A
page 1 of 3

From Date: 06/01/2015
To Date: 06/30/2021
Project: 2299DI1102 Water Pumping Station Improvements FY 19/20

EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	DEBIT	CREDIT	BALANCE
06/09/2015	loader with sweeper 150 hr flat rate plu	F.W. Carson Co.	51204	1,090.00		
06/16/2015	Clear debris off of and away from roadwa	Rockwood Incorporated	1111	8,775.00		
06/30/2015	10" M2000 Mag Meter for water pump stati	National Meter & Automation, Inc.	S1061146.001	3,498.00		
06/30/2015	Freight	National Meter & Automation, Inc.	S1061146.001	97.21		
06/30/2015	Replace broken/damaged retaining wall go	Rockwood Incorporated	1117	8,975.00		
	TOTAL			22,435.21	0.00	22,435.21
08/31/2015	CIP #2299DI1102 - Design services for pa	BJG Architecture & Engineering	20150076-1	1,761.25		
08/31/2015	Design services for partial demolition o	BJG Architecture & Engineering	20140036-4	3,714.00		
09/30/2015	CIP #2299DI1102 - Design services for pa	BJG Architecture & Engineering	20150076-2	1,192.50		
10/29/2015	Design services for partial demolition o	BJG Architecture & Engineering	20150076-3	270.00		
10/31/2015	CIP Engineering Charges - October 3015			2,000.00		
11/16/2015	Western Hydro Corporation	Western Hydro		26,230.00		
11/24/2015	Clp #2299DI1102 - Limited Scope OSHA Lea	Wise Consulting & Training	1511-387	754.50		
11/24/2015	Water Pump Station 2-2: Replacement pump	Western Hydro Corporation	PSI341504	4,629.00		
11/30/2015	CIP Engineering Charges - November 2015			5,000.00		
11/30/2015	CIP #2299DI1102 - Design services for pa	BJG Architecture & Engineering	20150076-4	1,260.00		
11/30/2015	Partial Demolition of old DP Air & Water	Empire Contractors	133650	21,520.00		
11/30/2015	CIP3 2299DI1102 - Change	Empire Contractors	133650	1,618.00		
12/29/2015	mileage	BJG Architecture & Engineering	20150076-5	37.95		
12/31/2015	CIP Engineering Charges - December 2015			7,500.00		
01/19/2016	Change Order foundation removal & demo	Empire Contractors	17104	7,400.00		
01/19/2016	Change Order removal interior ceiling ol	Empire Contractors	17104	132.00		
01/19/2016	Change Order Exterior Wallboard, Trim, V	Empire Contractors	17104	2,361.54		
01/26/2016	CIP #2299DI1102 - remove 75hp pump & mot	Dan Trampe DBA Carson Pump LLC	3771	1,185.00		
01/31/2016	CIP Engineering Charges - January 2016			2,500.00		
03/29/2016	WPS3-1 ~ 14" mag meter	National Meter & Automation, Inc.	S1068323.001	5,468.00		
03/29/2016	Freight	National Meter & Automation, Inc.	S1068323.001	119.49		
03/29/2016	WPS3-1 ~ 14" mag meter	National Meter & Automation, Inc.	S1068325.002	99.00		
03/29/2016	Freight	National Meter & Automation, Inc.	S1068325.002	12.55		
03/31/2016	Work Order #6211: Install new mag water meters			339.19		
04/30/2016	CIP Work Order Charges - April 2016			287.19		
04/30/2016	CIP Engineering Charges - April 2016			1,000.00		
06/30/2016	CIP 2299DI1102 - Work Order Charges			365.20		
06/30/2016	CIP Engineering Charges - June 2016			500.00		
	TOTAL			99,256.36	0.00	99,256.36
07/31/2016	CIP Engineering Charges - July 2016			1,500.00		
08/31/2016	CIP Engineering Charges - August 2016			1,000.00		
11/30/2016	CIP Work Order Charges - November 2016			2,949.99		
11/30/2016	CIP Engineering Charges - November 2016			4,500.00		
12/20/2016	Install new water meter and related pipi	FARR Construction CORP Db:Resource Development CO	16014	8,300.00		
01/01/2017	CIP Work Order Charges - Dec. 2016			841.69		
01/31/2017	Work Order #6211			606.84		
02/14/2017	CIP #2299DI1102 - CSA Ball valve, NIP br	Western Nevada Supply	16905312	913.70		
02/14/2017	CIP #2299DI1102 - brs nip	Western Nevada Supply	16905312-1	99.06		
02/14/2017	CIP 2299DI1102 - 2-14 Full Face FLG TYTE	Western Nevada Supply	16910379	106.68		
02/14/2017	CIP #2299DI1102 0 ACV-2"-145C-T1-DI-R564	Frank A. Olsen Company LLC	237186	568.42		
02/21/2017	CIP 2299DI1102 - 10 Full Face FLG TYTE G	Western Nevada Supply	16912989	117.36		
02/21/2017	CIP #2299DI1102 - hex bushings, brs tee	Western Nevada Supply	16909432	64.44		
02/28/2017	CIP Work Order Charges - February 2017 - Work Order # 6211			9,258.82		
02/28/2017	#4244 STMNT - FEB 2017 - in store chgs	Village Ace Hardware	4244-FEB STMNT	67.67		

BJG - \$6,976 - Demo design
Empire \$33,032 - Demo

Exhibit A
Page 2 of 3

02/28/2017	CIP Engineering Charges - February 2017			1,000.00		
02/28/2017	Install new water meter and related pipi	FARR Construction CORP Db	Resource Development CO	16014-pay req #2	9,600.00	
03/14/2017	Mag meters for WPS4-2 & WPS5-1	National Meter & Automation, Inc.		S1081507.015	5,007.00	
03/14/2017	Freight	National Meter & Automation, Inc.		S1081507.015	112.39	
03/14/2017	Mag meters for WPS4-2 & WPS5-1	National Meter & Automation, Inc.		S1081507.00	200.00	
03/14/2017	Freight	National Meter & Automation, Inc.		S1081507.00	25.08	
03/24/2017	If nibc 2 thd 600lb fp csa ball vlv, lf	Western Nevada Supply		16951111	198.96	
03/28/2017	CIP #2299DI11022" APCO Model 145C Sing	Frank A. Olsen Company LLC		237536	1,189.82	
03/31/2017	CIP Engineering Charges - March 2017				1,000.00	
04/12/2017	Water meter installations at WPS4-2 and	Thomas Haen Company, INC		App1	11,693.00	
04/30/2017	PDM Steel Service Centers, Inc				177.74	
04/30/2017	PDM Steel Service Centers, Inc				65.50	
04/30/2017	#4244-STMNT ARP 2017 in store chgs	Village Ace Hardware		#4244-STMNT APR 2017	209.99	
05/01/2017	PDM Steel Service Centers, Inc				691.12	
05/16/2017	CIP #2299DI1102 - Mag meters for WPS4-2	National Meter & Automation, Inc.		S1081507.017	3,568.00	
05/16/2017	CIP #2299DI1102 - Freight	National Meter & Automation, Inc.		S1081507.017	118.24	
05/31/2017	CIP Engineering Charges - May 2017				4,000.00	
06/21/2017	CIP # 2299DI1102AVC-2"	Frank A. Olsen Company LLC		238095	1,731.24	
06/22/2017	CIP # 2299DI1102Parts	Western Nevada Supply		17056339	303.03	
06/30/2017	Water meter installations at WPS4-2 and	Thomas Haen Company, INC		App2	7,190.00	
06/30/2017	Change Order - Water meter installations	Thomas Haen Company, INC		App2	2,682.00	
	TOTAL				81,657.78	0.00
						81,657.78
07/19/2017	parts	Western Nevada Supply		17091748	117.27	
08/29/2017	dixo dmh2025f	Western Nevada Supply		17140183	95.42	
08/29/2017	Rebuild pump and 100 HP motor at WPS4-2.	Dan Trampe DBA Carson Pump LLC		4025	10,820.00	
08/31/2017	CIP Work Order Charges - August 2017				2,581.92	
08/31/2017	CIP Work Order Charges - August 2017				3,969.13	
08/31/2017	August 2017 in-store charges for 4244	Village Ace Hardware		20170831-stmt-4244	37.47	
08/31/2017	WPS6-1 mag meter installation.	Thomas Haen Company, INC		App1 Mtr Install	9,800.00	
08/31/2017	WPS6C-1 & WPS8B-1 mag meter installation	Thomas Haen Company, INC		App1 Pmp Station	16,850.00	
09/01/2017	Village Ace Hardware - July in-store charges for 4244				81.54	
09/01/2017	National Meter & Automation, Inc.					3,498.00
11/29/2017	Amplifier Assembly 2299DI1102	National Meter & Automation, Inc.		S1079178.001	913.90	
11/29/2017	10" M2000 Mag Meter for water pump stati	National Meter & Automation, Inc.		S1080426.001	3,592.35	
11/29/2017	10" M2000 Mag Meter for water pump stati	National Meter & Automation, Inc.		S1080426.001		3,592.35
11/29/2017	10" M2000 Mag Meter for water pump stati	National Meter & Automation, Inc.		S1080426.001	3,592.36	
11/29/2017	Reclass CIP 2299DI1102 to Oper. Budget					4,492.55
	TOTAL				52,451.36	11,582.90
						40,868.46
08/17/2018	Water Pump Station Improvements: 2 chlor	Hach Co.		11097043	8,959.78	
10/01/2018	lcd dig solar controller	MSC Industrial Supply Co.		97149359	128.62	
10/01/2018	channel struts, flats, nuts, & connectin	Grainger, Inc.		9921256377	651.62	
10/01/2018	solar panel mounts	Grainger, Inc.		9921023033	81.92	
10/03/2018	solar panels	Grainger, Inc.		9923136478	811.68	
10/31/2018	CIP Work Order Charges - Oct 2018				105.33	
10/31/2018	CIP Work Order Charges - Oct 2018				180.66	
11/06/2018	4 - SLAA12-100C/FR	Batteries Plus #351		350-P7813826	790.00	
11/08/2018	Water Pump Station Improvements; replace	Dan Trampe DBA Carson Pump LLC		4224	28,830.00	
11/30/2018	CIP Work Order Charges - November 2018				441.35	
11/30/2018	CIP Work Order Charges - November 2018				2,881.76	
11/30/2018	Acct# 4244 - NOVEMBER 2018 In-Store Chgs	Village Ace Hardware		4244-NOV 2018	60.13	
11/30/2018	CIP Engineering Charges - November 2018				300.00	
01/31/2019	CIP Engineering Charges				1,100.00	
02/28/2019	CIP Engineering Charges				1,800.00	
06/11/2019	Water Pump Station Improvements; two chlorine analyzers.	Hach Co.		11502758	9,308.30	
06/30/2019	Accrue PO 19-320 G3 Engineering downsizi				40,200.00	
	TOTAL				96,631.15	0.00
						96,631.15

Exhibit A
Page 3 of 3

10/15/2019	Water Pump Station Improvements; new VFD for WPS 2-2, per Keith Rudd.	Codale Electric Supply	S6860754.001	8,104.25		
12/03/2019	rev-Accrue PO 19-320 G3 Engineering downsizi				40,200.00	
12/03/2019	Water Pump Station Improvements; downsizing pump and motor assembly at WPS 5-2, per Proposal 1851. Includes \$1,500 for freight.	G3 Engineering Inc.	2019-6281	39,038.89		
12/03/2019	Change Order #1 - Add mechanical seal \$3150 & change to solid shaft motor, provide pacer coupling \$525	G3 Engineering Inc.	2019-6281	3,675.00		
12/16/2019	A-B 150-F85NBD SMC FLEX 480V 60HP,A-B 150-F84 SMC Flex Protective Mod	Codale Electric Supply	S6926229.001	4,096.20		
12/30/2019	WASHER,REDUCER BUSHING,COLORED TAPE,	Codale Electric Supply	S6936742.002	79.85		
12/31/2019	CIP Work Order Charges - December 2019			5,097.50		
12/31/2019	Acct 4244 -December 2019 In-Store Chgs	Village Ace Hardware	4244-December 2019	36.24		
01/28/2020	ROMA RFCA-9.05 DI 304SS/SC	Western Nevada Supply	18186173	386.49		
01/28/2020	HEX CAP SCREW,3/4"-10,3"STEEL,PK5	Grainger, Inc.	9425612844	16.00		
02/07/2020	8 X 2?-9 #250 F X PE DI SPOOL	Western Nevada Supply	18186243	775.00		
03/04/2020	maint yard remove old 150hp pump, install new pump	Dan Trampe DBA Carson Pump LLC	4407	650.00		
03/26/2020	8" Apco Model 608.1 Silent Check Valve	Frank A. Olsen Company LLC	244579	3,498.19		
04/10/2020	8 300 1/8T BG L441 FF GSKT,ROMA RFCA-9.05 DI 304SS/SC	Western Nevada Supply	18268911	435.29		
04/16/2020	8 X 3?-5 F X S DI SPOOL 250# FLG	Western Nevada Supply	18268996	813.33		
04/24/2020	Water Pump Station Improvements; two new soft-starts, WPS 5-2 and 6-1.	Codale Electric Supply	S7046199.001	4,382.64		
04/28/2020	Water Pump Station Improvements; two new soft-starts, WPS 5-2 and 6-1.	Codale Electric Supply	20180054-17	20,527.08		
05/01/2020	Move CIP costs to correct CIP Project	Codale Electric Supply			20,527.08	
05/06/2020	Water Pump Station Improvements; two new soft-starts, WPS 5-2 and 6-1. Ref PO 20-0258	Codale Electric Supply	S7046199.002	3,820.16		
05/27/2020	8" Apco Model 608.1 Silent Check Valve	Frank A. Olsen Company LLC	244943	3,496.81		
	TOTAL			98,928.92	60,727.08	38,201.84
10/14/2020	8" Apco Model 608.1 Silent Check Valve	Frank A. Olsen Company LLC	245819	1,191.68		
10/19/2020	HEX CAP SCREW,3/4"-10,3-1/4"STEEL,PK20, HHCS,3/4-10X3,STEEL,GR 5,ZP,PK5, HEX NUT,3/4-10,GR 5,ZP,PK20	Grainger, Inc.	9689118959	50.78		
10/20/2020	ROMA RFCA-9.05 DI 304SS/SC, 8 150 1/8T BG L441 FF GSKT, 8 X 4?-0 F X S DI SPOOL	Western Nevada Supply	18536328	970.53		
11/06/2020	Water Pump Station Improvements Project; New pump for WPS 6-1.	G3 Engineering Inc.	2020-6730	44,262.48		
12/03/2020	ROMA RFCA-9.05 DI 304SS/SC	Western Nevada Supply	18589970	386.49		
12/11/2020	Construction services rendered to fabricate an 8" FXPE spool x 2'-6" with an 300# flange.	FARR Construction CORP Db:Resource Development CO	20005-02	420.00		
12/23/2020	Credit for item 8 X 4?-0 F X S DI SPOOL	Western Nevada Supply	CM18536328		546.94	
12/23/2020	Credit for item ROMA RFCA-9.05 DI 304SS/SC	Western Nevada Supply	CM18589970		386.49	
01/23/2021	Carson Pump LLC Invoice 4518			650.00		
	TOTAL			47,931.96	933.43	46,998.53
04/20/2017	A500A pipe size tube -21	PDM Steel Service Centers, Inc	298929-01	65.50		
04/30/2017	1/4 X 2 HR Flat and 1 1/2 STD Pipe Size	PDM Steel Service Centers, Inc	298924-01	177.74		
04/30/2017	PDM Steel Service Centers, Inc				177.74	
04/30/2017	PDM Steel Service Centers, Inc				65.50	
04/30/2017	CIP # 2299DI1102materials	PDM Steel Service Centers, Inc	298926-01	177.74		
05/01/2017	CIP # 2299DI1102materials	PDM Steel Service Centers, Inc	298926-01		177.74	
05/01/2017	CIP # 2299DI1102materials	PDM Steel Service Centers, Inc	298926-01	691.12		
05/01/2017	PDM Steel Service Centers, Inc				691.12	
	TOTAL			1,112.10	1,112.10	0.00
01/23/2021	labor + drive of boom truck to site to remove old pump + install new 125hp pump + return drive	Dan Trampe DBA Carson Pump LLC	4518	650.00		
01/23/2021	Move CIP Costs to correct GL account				650.00	
	TOTAL			650.00	650.00	0.00
	GRAND TOTAL			501,054.84	75,005.51	426,049.33
					CD's Numbers	425,050.00
					Difference	(999.33)

Exhibit B

Water Pump Stations - Large Contracts

2016

Western Hydro Corp - \$31,230 Station 2-2

2017

Resource Development Corp - \$17,900 - Unknown Station

2018

Thomas Haen Company, Inc. - \$21,625 - Station 4-2

2019

Carson Pump - \$28,830 - Unknown Station

Hach Co - \$18,268 - Unknown Station - two chlorine analyzers

2020

GE Engineering - \$42,714 Station 5.2

Codale Electrical Supply - \$20,482 Stations 2-2,5-2,6-1

2021

GE Engineering - \$44,262 Station 6-1

Total \$225,311

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tulloch

FROM: Clifford F. Dobler

SUBJECT: Required expensing of costs charged to the Wetlands Effluent Disposal Facility (# 2599SS1103) capital project for the fiscal years ending July 1, 2015 to June 30, 2020.

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

DATE: 5-16-22

I. RECOMMENDATION

That the Audit Committee make a request to the Board of Trustees to require IVGID staff to review all costs charged to the Wetlands Effluent Disposal Facility capital project account #2599DI1104 for the period from July 1, 2015 to June 30, 2021, to determine what costs should have been expensed based on Moss Adams recommendations and Board Policies and Practices and to subsequently provide a report to the Audit Committee for review.

II. BACKGROUND and ANALYSIS

For the 7 year period from July 1, 2015 to 2021, \$441,361 was charged to the Wetlands Effluent Disposal Facility (#2599SS1103) capital project account. Of that amount \$35,732 was transferred to other accounts in 2019. In 2021, ALL costs incurred of \$16,340 were reclassified as operating expenses. The net costs prior to depreciation was \$389,234 for the 6 year period. **(EXHIBIT A)**

The Wetlands consist of 900 acres of land in Douglas County which is used to dispose of effluent wastewater generated from Incline Village and transported by a 21 mile pipeline from the wastewater treatment plant. The wetlands consist of several cells and the wastewater is distributed via channels and pipes. The entire site is protected by 4.5 miles of surrounding levees. There are 10.5 miles of

unpaved roads connecting the cells. The site also has a control building which controls the flow of the effluent to and between the cells.

According to the 2019 project summary for five years ending in 2023, the District intended on maintaining and repairing the roads, levees and replacing certain piping, valves, inflow meters, fences and the control building roofing.

EXHIBIT B. The description in the project summary is consistent with the prior year's project summaries.

Moss Adams report - 1-28-2021 page 27

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

Based on the Moss Adams report most of the costs net of any depreciation should be expensed.

III. AUDIT COMMITTEE DISPUTE WITH DIRECTOR OF FINANCE ON EXPENSING CERTAIN COSTS

Purported analysis by Davis Farr and the IVGID Director of Finance conclusion.

Davis Farr was engaged, presumably Mr. Navazio, to review the capital project accounts to search for items which probably should have been expensed or did not comply with Board policy. The firm determined that 7 entries regarding the wetlands had been capitalized and might be expensed since the references indicated repairs. This was the extent of the engagement. Two of the entries were in 2007 and 2009 and had a book value of \$24,503 (cost - \$70,154) as June 30, 2020. The remaining five entries from 2015 to 2019 had a book value of \$149,829 (costs - \$185,878). **EXHIBIT C**

Mr. Navazio, on his own, decided that the \$174,332 in capitalized costs net of depreciation for the wetlands identified by Davis Farr should NOT be expensed.

Apparently a flood occurred in 2018 requiring extensive repairs to the levees and a considerable amount of clay was imported to reconstruct the levees. These

repair were a majority of the costs that Mr. Navazio determined were not expenses.

Davis Farr took no exception, as their audit and opinion was confined only to the fiscal year ending June 30, 2021 and did not cover any prior period adjustments.

The Audit Committee does not agree with Mr. Navzio's determination.

Exhibit A - Listing of Costs from July 1, 2015 to June 30, 2021

Exhibit B - 2019 Project Summary for the Wetlands Effluent Disposal Facility

Exhibit C - Davis Farr analysis of capital assets which has been sorted by venue with indication in red of wetland costs.

IV. BID RESULTS

Not required

V. FINANCIAL IMPACT AND BUDGET

Prior Period Adjustment required

VI. ALTERNATIVES

NONE

VII COMMENTS

It should be noted that ALL costs charged to the capital project account in fiscal year 2021 were subsequently expensed.

VIII. STRATEGIC PLAN REFERENCE(S)

None

IX. BUSINESS IMPACT

Effects of improper and inconsistent financial reporting.

EXHIBIT A - 4 pages

2599SS1103 Wetlands Effluent Disposal Facility Improvement

EFFECTIVE DATE	DESCRIPTION	VENDOR	VENDOR INVOICE#	DEBIT	CREDIT	BALANCE
	Capital Improvements					0.00
04/30/2015	mobilize equipment in and out, excavate	ARMAC Construction, LLC	15-024-1	1,900.00		1,900.00
06/30/2015	10" 3-way plug valve	DeZURIK, Inc	RPI61009827	10,998.00		12,898.00
06/30/2015	Extend effluent disposal line into barro	Coons Construction LLC	06/24/2015	8,975.00		21,873.00
	TOTAL			21,873.00	0.00	21,873.00
				Balance	Forward	21,873.00
07/14/2015	CIP #2599SS1103 - 14" 3-way plug valve	DeZURIK, Inc	rpi-61010666	12,377.00		34,250.00
08/14/2015	CIP #2599SS1103 - Replace/repair approxi	Finest Fence LLC	3420	14,650.00		48,900.00
10/30/2015	CIP #2599SS1103 - Install (2) 3-way plug	ARMAC Construction, LLC	15-077-01	9,450.00		58,350.00
10/30/2015	XIP #2599SS1103 - Change Order Install (ARMAC Construction, LLC	15-077-01	10,348.47		68,698.47
10/31/2015	AmericanReadyMix/Concrete blocks-3-way plug valves			960.00		69,658.47
12/22/2015	Replace heat pump unit, install pedestal	Applied Mechanical, Inc	2297-1	10,550.00		80,208.47
12/22/2015	change order - Replace heat pump unit, i	Applied Mechanical, Inc	2297-1	10,693.00		90,901.47
	TOTAL			69,028.47	0.00	69,028.47
				Balance	Forward	90,901.47
08/31/2016	CIP 2599SS1103 Replace Commercial Water	Western Nevada Supply	16752732	1,527.10		92,428.57
08/31/2016	325 Sheet pile for Wetlands dike repair	Crane Materials International	56690	18,973.50		111,402.07
08/31/2016	Freight	Crane Materials International	56690	1,990.00		113,392.07
09/20/2016	CIP #2599SS1103 - aggregate base for pro	Bing Materials	161884	261.79		113,653.86
09/20/2016	10 FLG x FLG RW Valve Epoxy In/Out-CIP25	Western Nevada Supply	16764115	1,732.84		115,386.70
09/20/2016	CIP 2599SS1103 Digital Box Level	Grainger, Inc.	9225562454	366.56		115,753.26
09/30/2016	CIP Work Order Charges - September 2016			3,909.55		119,662.81
09/30/2016	CIP 2599SS1103 -Slurry	Bing Materials	162663	2,460.00		122,122.81
10/11/2016	Install ADA parking spaces	F.W. Carson Co.	55536	21,600.00		143,722.81
10/25/2016	CIP 2599SS1103 - ADA door replacement-La	Birdseye Construction	0000011	4,000.00		147,722.81
10/25/2016	Wetlands effluent meter	National Meter & Automation, Inc.	S1075181.001	6,002.00		153,724.81
10/25/2016	Freight	National Meter & Automation, Inc.	S1075181.001	200.00		153,924.81
10/25/2016	Concrete pad for ADA hunting blind	F.W. Carson Co.	55570	5,400.00		159,324.81
10/31/2016	CIP 2599SS1103 - Materials	Western Nevada Supply	16813773	693.33		160,018.14
10/31/2016	Work Order # 7704			446.16		160,464.30
10/31/2016	Meter vault for effluent meter	Jensen Precast	SP37212	6,690.00		167,154.30
10/31/2016	Freight	Jensen Precast	SP37212	375.00		167,529.30
11/15/2016	CIP #2599SS1103 - 14 FCA DI 15:30	Western Nevada Supply	16813783	2,550.00		170,079.30
11/22/2016	CIP 2599SS1103 - Materials	Western Nevada Supply	16839492	106.68		170,185.98
11/22/2016	CIP #2599SS1103 - 14 150# bolt & nut set	Western Nevada Supply	16813792	280.00		170,465.98
11/30/2016	CIP 2599SS1103 - Materials	Western Nevada Supply	16848578	57.27		170,523.25
11/30/2016	NOV 2016 in store chgs	Spitsen Lumber Company	NOV 2016	59.27		170,582.52
11/30/2016	TrenchPlateRental/Wetlands mag meter installation	CIP2599SS1103		300.00		170,882.52
11/30/2016	CIP Work Order Charges - November 2016			8,172.94		179,055.46
11/30/2016	CIP #2599SS1103 drain rock	Bing Materials	164401	148.66		179,204.12
11/30/2016	NOV 2016 in store chgs	Village Ace Hardware	#4244 NOV 2016 chgs	26.71		179,230.83
12/13/2016	CIP #2599SS1103 - drain rock	Bing Materials	164402	98.78		179,329.61
12/20/2016	CIP #2599SS1103 - 75 ton crane service 4	Connolly Crane Service, Inc	13867	1,155.00		180,484.61
01/01/2017	Move CIP costs to correct GL Account				27,457.32	153,027.29
01/01/2017	CIP Work Order Charges - Dec. 2016			572.68		153,599.97
01/31/2017	CIP #2599SS1103 -184 Sheet pile ~ 6 foot	Crane Materials International	57988	10,741.92		164,341.89
01/31/2017	CIP #2599SS1103 - Freight	Crane Materials International	57988	1,250.00		165,591.89
04/01/2017	Move CIP costs to correct project				8,275.00	157,316.89
06/27/2017	Replace windows and finish interior buil	Birdseye Construction	000227	7,812.00		165,128.89
	TOTAL			109,959.74	35,732.32	74,227.42

				Balance	Forward	
07/25/2017	water truck rental	ARMAC Construction, LLC	17-113-01	550.00		165,128.89
08/07/2017	Concrete with Zypex added for cutoff wal	Bing Materials	170369	6,012.00		171,690.89
08/07/2017	Concrete with Zypex added for cutoff wal	Bing Materials	170370	10,521.00		182,211.89
08/07/2017	Concrete with Zypex added for cutoff wal	Bing Materials	170371	1,503.00		183,714.89
08/28/2017	Type 2, Class B Agg B	Bing Materials	171101	62.55		183,777.44
12/27/2017	Grade fill dirt from roadway	Burdick Ex Co, Inc.	Prop#3 12272017	4,124.38		187,901.82
03/12/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59629	111.00		188,012.82
03/12/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59628	111.00		188,123.82
03/21/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59636	111.00		188,234.82
03/28/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59642	111.00		188,345.82
03/30/2018	T2000 blue nut&bolt sets	Western Nevada Supply	17373216	252.00		188,597.82
03/31/2018	Wetlands 2017 Flood Damage Repairs.	Burdick Ex Co, Inc.	9998-181-1	24,980.00		213,577.82
04/02/2018	full face flanges	Western Nevada Supply	17377631	213.36		213,791.18
04/03/2018	Wetlands 2017 Flood Damage Repairs - Met	Burdick Ex Co, Inc.	1801-182	5,831.00		219,622.18
04/04/2018	Wetlands 2017 Flood Damage; installation	Burdick Ex Co, Inc.	9998-181-2	6,900.00		226,522.18
04/06/2018	fusion epoxy bonded cplg adapters	Western Nevada Supply	17384023	1,795.60		228,317.78
04/30/2018	CIP Work Order Charges - April 2018			1,610.08		229,927.86
05/01/2018	CIP Work Order Charges - April 2018			2,065.78		231,993.64
05/08/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59937	111.00		232,104.64
05/08/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59936	111.00		232,215.64
05/08/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59868	111.00		232,326.64
05/09/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59869	111.00		232,437.64
05/09/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60097	111.00		232,548.64
05/10/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59938	111.00		232,659.64
05/15/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	59965	111.00		232,770.64
05/15/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60098	111.00		232,881.64
05/18/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60004	260.00		233,141.64
05/18/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60005	180.00		233,321.64
05/22/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60061	111.00		233,432.64
05/30/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60191	111.00		233,543.64
05/30/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60188	111.00		233,654.64
05/30/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60192	111.00		233,765.64
05/31/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60195	222.00		233,987.64
05/31/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60194	111.00		234,098.64
05/31/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60247	111.00		234,209.64
05/31/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60248	111.00		234,320.64
06/01/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60249	111.00		234,431.64
06/01/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60250	111.00		234,542.64
06/01/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60320	111.00		234,653.64
06/04/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60321	111.00		234,764.64
06/04/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60322	111.00		234,875.64
06/04/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60349	111.00		234,986.64
06/04/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109845	1,813.87		236,800.51
06/04/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109325	2,390.20		239,190.71
06/04/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	109758	1,820.44		241,011.15
06/05/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60355	111.00		241,122.15
06/05/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60356	111.00		241,233.15
06/05/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60357	111.00		241,344.15
06/05/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109690	2,417.94		243,762.09
06/05/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109846	2,377.25		246,139.34
06/05/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109642	2,864.16		249,003.50
06/05/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109759	2,315.01		251,318.51
06/06/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60359	111.00		251,429.51

06/06/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60360	111.00	251,540.51		
06/06/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109643	1,322.76	252,863.27		
06/07/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60365	111.00	252,974.27		
06/07/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60369	111.00	253,085.27		
06/08/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60371	111.00	253,196.27		
06/08/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60372	111.00	253,307.27		
06/12/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60334	130.00	253,437.27		
06/12/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60376	111.00	253,548.27		
06/12/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60407	111.00	253,659.27		
06/13/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60501	111.00	253,770.27		
06/13/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60503	111.00	253,881.27		
06/14/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60409	111.00	253,992.27		
06/14/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60410	111.00	254,103.27		
06/14/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60504	111.00	254,214.27		
06/15/2018	compact wetlands roadway	ARMAC Construction, LLC	18-064	1,800.00	256,014.27		
06/18/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60505	111.00	256,125.27		
06/18/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60506	111.00	256,236.27		
06/19/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60507	111.00	256,347.27		
06/19/2018	2,500 yards of clay, delivered to the We	F.W. Carson Co.	60508	111.00	256,458.27		
06/25/2018	950 tons of grindings delivered to Wetla	Cinderlite Trucking Corp	109773	1,998.81	258,457.08		
06/25/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	109773	704.56	259,161.64		
06/25/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	109821	2,327.42	261,489.06		
06/25/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	109851	2,797.00	264,286.06		
06/25/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	110110	2,837.69	267,123.75		
06/26/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	109774	917.43	268,041.18		
06/26/2018	Change Order #1 - 700 additional tons of	Cinderlite Trucking Corp	110111	958.67	268,999.85		
06/30/2018	wet down and compact wetlands roadway on	ARMAC Construction, LLC	18-064-02	1,800.00	270,799.85		
06/30/2018	CIP Work Order Charges - June 2018			8,939.84	279,739.69		
	TOTAL			114,610.80	0.00	114,610.80	
				Balance	Forward	279,739.69	
02/10/2019	IVGID Wetlands - Push Down Piles - Contract	F.W. Carson Co.	19-02-App1	4,200.00	283,939.69		
03/13/2019	pre emergent pest srvcs @ 3050 vicki	Integrity Pest Management, LLC	28823	1,975.00	285,914.69		
03/20/2019	CIP #2566SS1103- Push down imported materials for Levee improvements	F.W. Carson Co.	App#1	1,800.00	287,714.69		
04/04/2019	Wetlands Facility Improvements Project; clay material for levee repairs.	F.W. Carson Trucking	5124	10,400.00	298,114.69		
04/19/2019	Wetlands Facility Improvements Project; clay material for levee repairs.	F.W. Carson Trucking	5172	9,400.00	307,514.69		
05/31/2019	CIP Work Order Charges - May 2019			1,219.29	308,733.98		
06/17/2019	Wetlands Effluent Disposal Facility Improvements; chip sealing roads. This work was bid per NRS 338.	Sierra Nevada Construction, Inc.	4811	63,007.00	371,740.98		
06/27/2019	Wetlands Facility Improvements, Roof Repairs.	Alpine Roofing Co., Inc	19029	7,628.00	379,368.98		
06/30/2019	CIP Work Order Charges - June 2019			210.66	379,579.64		
	TOTAL			99,839.95	0.00	99,839.95	
				Balance	Forward	379,579.64	
08/23/2019	CIP 2599SS1103 10 wheel dump truck 08/23/19 transport backhoe from Wetland to Incline	F.W. Carson Trucking	5402	375.00	379,954.64		
08/29/2019	air filter element outer	Shafer Equipment Company Inc.	10015938	50.15	380,004.79		
09/13/2019	SKID STEER TRACK LOADER,SKID STEER BUCKET 72" SMOOTH	United Rentals (North America, Inc.)	173627480-001	675.00	380,679.79		
10/01/2019	Wetlands Facility Improvements; excavator rental.	Shafer Equipment Company Inc.	10016213	5,447.56	386,127.35		
11/02/2019	Semi w/Lowbed Transport 5 axle	F.W. Carson Trucking	5470	437.50	386,564.85		
11/30/2019	CIP# 2599SS1103 BACKHOE/LOADER 60-90HP 4WD EXT-A-HOE, BACKHOE BUCKET 18"	United Rentals (North America, Inc.)	174509871-001	560.34	387,125.19		
05/28/2020	Asphalt Sealing	Cruz Construction Co., Inc.	11226	1,550.00	388,675.19		
05/31/2020	14.85 Tons of Type 2 Class B Agg B	Bing Materials	198055	109.15	388,784.34		
06/08/2020	type 2 Class B Agg B	Bing Materials	198345	170.30	388,954.64		
06/08/2020	type2 Class B Agg B	Bing Materials	198346	279.44	389,234.08		
	TOTAL			9,654.44	0.00	9,654.44	

			Balance	Forward	389,234.08
05/06/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	354855	338.18	389,572.26
05/07/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	354980	260.56	389,832.82
05/10/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	355226	425.61	390,258.43
05/11/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	355328	86.67	390,345.10
05/12/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	355457	344.51	390,689.61
05/14/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	355694	429.17	391,118.78
05/17/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	355884	425.69	391,544.47
05/19/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	356104	259.03	391,803.50
05/20/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	356201	426.45	392,229.95
05/31/2021	CIP Work Order Charges - May 2021			5,114.35	397,344.30
06/01/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357246	260.98	397,605.28
06/01/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	356876	278.35	397,883.63
06/01/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	356780	333.75	398,217.38
06/01/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	356636	170.83	398,388.21
06/02/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357350	354.65	398,742.86
06/03/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357433	272.45	399,015.31
06/07/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357719	168.68	399,183.99
06/08/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357861	412.63	399,596.62
06/09/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	357961	255.90	399,852.52
06/14/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	358409	334.57	400,187.09
06/15/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	358523	239.84	400,426.93
06/16/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	358641	83.89	400,510.82
06/17/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	358793	243.88	400,754.70
06/21/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	359071	182.85	400,937.55
06/22/2021	Wetlands Effluent Disposal Facility Improvements. Type II road base for levee repairs at the Wetlands.	Cinderlite Trucking Corp	359134	79.23	401,016.78
06/30/2021	CIP Work Order Charges - June 2021			4,556.93	405,573.71
06/30/2021	To expense CIP Cost to Operating			16,339.63	389,234.08
TOTAL				16,339.63	16,339.63
GRAND TOTAL				441,360.77	52,126.69
					389,234.08

EXHIBIT B - 2 pages



Project Summary

Project Number:	2599SS1103	
Title:	Wetlands Effluent Disposal Facility Improvements	
Asset Class:	E - Capital Maintenance	
Division:	99 - General Administration - Sewer	
Budget Year:	2019	
Scenario Name:	Main	Active: Yes
Budget Status:	Data Entry	
Locations:		
Project Something:	SS - Sewer System	

Project Description				
The District owns and maintains 900 acres of land in Douglas County for the disposal of wastewater treatment plant effluent, at the end of the effluent export pipeline. The facility was constructed in 1983 as a beneficial reuse project by creating wetland cells for wildlife habitat. The effluent is distributed through the various cells via channels and pipes for transportation, evaporation and percolation. The property also contains a large area of warm water springs that is kept separate from the effluent cells. The underlying geology of the site poses challenges as the alkali dissolves causing short circuiting of flows from cell to cell. There is an extensive system for the wetland cells and surrounding levees to protect the facility from flooding. There is a road network of over 10.5 miles within the wetlands facility, with an additional 4.5 miles of levees, a control building and infrastructure for controlling the flow of effluent to and between cells.				
Project Internal Staff				
Public Works staff performs some of the maintenance and repairs at the facility, while larger projects may be contracted out with design and inspection being provided by staff.				
Project Justification				
The levees and roadways need to be maintained and resurfaced due to years of wear and tear as well as sub-grade subsidence. The District used to be able to obtain grindings from various projects at no cost. That is no longer the case and materials for repairs must be purchased. With the continued subsidence along levees and roadways we are installing barriers in the levees and roadways to reduce and/or eliminate the short circuiting between cells. With the facility being 33 years old, there are infrastructure improvements that need to be addressed in order to keep the facility in good working order such as replacement of piping, valves, vegetation control, invasive weed mitigation, master inflow meter and sample stand, plus reroofing of the control building. To date we have resurfaced approximately 5 miles of road, replaced 2 main control valves and replaced the HVAC unit as well as ducting in the control building.				
Forecast				
Budget Year	Total Expense	Total Revenue	Difference	
2019				
Resurface roadways, replace valves and install cut-off barriers in levees.	100,000	0	100,000	
Year Total	100,000	0	100,000	
2020				
Re-roof control building.	25,000	0	25,000	
Resurface roadways, replace valves and install cut-off barriers in levees.	75,000	0	75,000	
Year Total	100,000	0	100,000	
2021				
Resurface roadways, replace valves and install cut-off barriers in levees.	100,000	0	100,000	
Year Total	100,000	0	100,000	
2022				
Resurface roadways, replace valves and install cut-off barriers in levees.	100,000	0	100,000	
Year Total	100,000	0	100,000	
2023				
Resurface roadways, replace valves and install cut-off barriers in levees.	100,000	0	100,000	
Year Total	100,000	0	100,000	
	500,000	0	500,000	
Year Identified	Start Date	Project Partner	Manager	Est. Completion Date
2012	Jul 1, 2018		Utilities Maintenance Specialist	Jun 30, 2019

EXHIBIT C - 3 pages

Description	Fixed Asset#	FA Type	FA Category	Accumulated Deprecia	Book Value	Cost	st. Useful life (yearg Useful l	In Use Date	Repairs and Maintenance	Under \$5,000
Utility Fund										
92/93 INSTALLATIONS	5164	Land	Land		141.40	141.40	0.00	10/31/1992		141.40
LAND & LAND RIGHTS	5538	Land	Land		134.00	134.00	0.00	07/31/1993		134.00
MAINTENANCE FACILITY GARAGE	6788	Water Buildings and Structures	Building & Renovations	25,285.04	17,065.56	42,350.60	40.00	16.10	12/31/1997	17,065.56
3" Compound Badger Meter - 861 Southwood Blvd. - High Sierra HOA	10844	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.87	10/06/2014	2,726.61
4" Compound Badger Meter - 111 Country Club - Hyatt Irrigation	10843	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/07/2014	2,726.61
3" Compound Badger - Meter 931 Southwood Blvd. - Incline Middle School	10842	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/08/2014	2,726.61
3" Compound Badger Meter - 964 Incline Way - Rec. Center Meter	10840	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/09/2014	2,726.61
3" Compound Badger Meter - 899 Southwood Blvd. - Lodgepole Parquet	10841	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.88	10/09/2014	2,726.61
3" Compound Badger Meter	10839	Water Service Distribution Infrastructure	Infrastructure	463.20	1,272.46	1,735.66	25.00	17.89	10/13/2014	1,272.46
4" Compound Badger Meter - 725 Golfer's Pass - Mountain Golf	10846	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.93	10/27/2014	2,726.61
4" Compound Badger Meter - 699 Birdy Court - Mountain Golf	10847	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.93	10/27/2014	2,726.61
6" Compound Badger Meter - 955 Fairway Blvd. - Champ Golf Off Country Cl	10849	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.94	10/29/2014	2,726.61
6" Compound Badger Meter - 950 Fairway Blvd. - Chateau	10850	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.94	10/29/2014	2,726.61
4" Compound Badger Meter - 665 Lakeshore Blvd. - Burnt Cedar Beach	10851	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.60	3,718.60	25.00	17.95	11/03/2014	2,726.60
6" Compound Badger Meter - 991 Driver Way - Champ Golf	10845	Water Service Distribution Infrastructure	Infrastructure	992.00	2,726.61	3,718.61	25.00	17.98	11/14/2014	2,726.61
6" Compound Badger Meter - 630 14th Green Dr. - Champ Golf	10848	Water Service Distribution Infrastructure	Infrastructure	967.20	2,751.41	3,718.61	25.00	18.40	04/15/2015	2,751.41
3" Turbo Badger Meter	10905	Water Service Distribution Infrastructure	Infrastructure	258.40	761.75	1,020.15	25.00	18.52	05/31/2015	761.75
4" Compound Badger Meter	10920	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.42	4,423.42	25.00	18.52	05/31/2015	3,302.42
3" Compound Badger Meter	10907	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
4" Compound Badger Meter	10908	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
6" Compound Badger Meter	10909	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
6" Compound Badger Meter	10910	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
3" Compound Badger Meter	10911	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
6" Compound Badger Meter	10912	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
6" Compound Badger Meter	10913	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
4" Compound Badger Meter	10914	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
3" Compound Badger Meter	10915	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
3" Compound Badger Meter	10916	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
4" Compound Badger Meter	10917	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
3" Compound Badger Meter	10918	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
3" Compound Badger Meter	10919	Water Service Distribution Infrastructure	Infrastructure	1,121.00	3,302.52	4,423.52	25.00	18.52	05/31/2015	3,302.52
WATER SYSTEM REPAIR	2812	Water Service Distribution Infrastructure	Infrastructure	164,985.33	754.17	165,739.50	40.00	0.09	01/01/1982	754.17
Pump Control Claval	5852	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Pump Control Claval	5853	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Pump Control Claval	5854	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Pump Control Claval	5855	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Pump Control Claval	5856	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Pump Control Claval	5857	Water Service Distribution Infrastructure	Infrastructure	1,211.00	0.00	1,211.00	20.00		11/30/1994	
Holloshaft Motor	5834	Water Service Distribution Infrastructure	Infrastructure	2,282.47	0.00	2,282.47	10.00		11/30/1994	
Holloshaft Motor	5835	Water Service Distribution Infrastructure	Infrastructure	2,282.48	0.00	2,282.48	10.00		11/30/1994	
Holloshaft Motor	5836	Water Service Distribution Infrastructure	Infrastructure	2,282.48	0.00	2,282.48	10.00		11/30/1994	
Holloshaft Motor	5837	Water Service Distribution Infrastructure	Infrastructure	2,282.48	0.00	2,282.48	10.00		11/30/1994	
Holloshaft Motor	5838	Water Service Distribution Infrastructure	Infrastructure	2,282.48	0.00	2,282.48	10.00		11/30/1994	
Holloshaft Motor	5839	Water Service Distribution Infrastructure	Infrastructure	2,282.48	0.00	2,282.48	10.00		11/30/1994	
#808 2019 buyers saltdog sander	11531-A	Water Service Equipment	Machinery & Equipment	1,370.04	2,544.62	3,914.66	5.00	3.20	01/31/2020	2,544.62
2017 Boss SNOWPLOW #763 (Water)	11210-A	Water Service Equipment	Machinery & Equipment	2,673.60	668.54	3,342.14	5.00	0.91	10/18/2017	668.54
MAINTENANCE FACILITY GARAGE	6789	Sewer Buildings and Structures	Building & Renovations	25,285.04	17,065.58	42,350.62	40.00	16.10	12/31/1997	17,065.58
Wetlands fence repairs and 2 gates	10977	Sewer Buildings and Structures	Building & Renovations	4,516.96	10,133.04	14,650.00	20.00	13.73	08/14/2015	
WASTE WATER TREATMENT PLANT	9603	Sewer Buildings and Structures	Building & Renovations	4,125.19	0.00	4,125.19	10.00		10/01/2005	
WASTE WATER TREATMENT PLANT	9604	Sewer Buildings and Structures	Building & Renovations	4,125.19	0.00	4,125.19	10.00		10/01/2005	
WASTE WATER TREATMENT PLANT	9601	Sewer Buildings and Structures	Building & Renovations	4,125.20	0.00	4,125.20	10.00		10/01/2005	
0	9602	Sewer Buildings and Structures	Building & Renovations	4,125.20	0.00	4,125.20	10.00		10/01/2005	
Levee Repairs	11400	Sewer Service Distribution Infrastructure	Infrastructure	7,006.98	21,987.31	28,994.29	10.00	7.53	05/31/2019	
WETLANDS - LEVEE REPAIR	10076	Sewer Service Distribution Infrastructure	Infrastructure	18,766.08	8,263.41	27,029.49	20.00	6.10	12/31/2007	
WETLANDS - LEVEE REPAIR 08/	10349	Sewer Service Distribution Infrastructure	Infrastructure	26,885.10	16,239.72	43,124.82	20.00	7.44	05/01/2009	
Manhole and sewer line repairs 1120 Lakeshore	11198	Sewer Service Distribution Infrastructure	Infrastructure	4,890.00	18,582.84	23,472.84	20.00	15.78	08/31/2017	18,582.84
Roadway repairs at wetlands	11335	Sewer Service Distribution Infrastructure	Infrastructure	9,422.80	32,980.25	42,403.05	15.00	11.61	06/30/2018	
Repairs at wetlands for Spring 2018 flood damage (Levees and roadways)	11355	Sewer Service Distribution Infrastructure	Infrastructure	6,269.20	31,345.26	37,614.46	20.00	16.61	07/01/2018	
Roadway Repairs at Wetlands	11442	Sewer Service Distribution Infrastructure	Infrastructure	9,833.88	53,383.78	63,217.66	15.00	12.57	06/15/2019	174,332.77 Wetlands
REPLACE/REPAIR SEWERLINES '	5596	Sewer Service Distribution Infrastructure	Infrastructure	96,542.18	0.00	96,542.18	20.00		11/30/1993	
AUTOMATIC TRANSFER SWITCH	9832	Sewer Service Distribution Infrastructure	Infrastructure	982.58	315.92	1,298.50	20.00	4.84	09/27/2006	315.92
AUTOMATIC TRANSFER SWITCH	9833	Sewer Service Distribution Infrastructure	Infrastructure	1,738.14	571.72	2,309.86	20.00	4.86	10/04/2006	571.72
AUTOMATIC TRANSFER SWITCH	9829	Sewer Service Distribution Infrastructure	Infrastructure	1,372.52	481.46	1,853.98	20.00	5.16	01/20/2007	481.46
#808 2019 buyers saltdog sander	11531-B	Sewer Service Equipment	Machinery & Equipment	1,370.04	2,544.61	3,914.65	5.00	3.20	01/31/2020	2,544.61
2017 Boss SNOWPLOW #763 (Sewer)	11210-B	Sewer Service Equipment	Machinery & Equipment	2,673.60	668.53	3,342.13	5.00	0.91	10/18/2017	668.53
				477,625.56	316,885.22	794,510.78				

Description	Fixed Asset#	FA Type	FA Category	Accumulated Deprecia	Book Value	Cost	Est. Useful life (years)	Useful I	In Use Date	Repairs and Maintenance	Under \$5,000
Golf Courses											
TREES - NO. 6 GREEN	7044	Land	Wetlands	82,701.00	174,332.77	257,033.77					
EXEC MAINTENANCE BLDG	2872	Recreation Buildings and Structures	Land		1,112.36	1,112.36	0.00		10/31/1997		1,112.36
CHAMP MAINTENANCE BLDG	2813	Recreation Buildings and Structures	Building & Renovations	71,614.35	0.00	71,614.35	25.00		05/01/1980		
Mountain Course Golf Cart Path Repairs	11248	Golf Course Improvements	Building & Renovations	770,147.50	0.00	770,147.50	25.00		05/15/1993		
Championship Course Golf Cart Path Repairs	11247	Golf Course Improvements	Venue Improvements	31,867.20	47,800.65	79,667.85	10.00	5.95	10/31/2017		
Mt. Course Cart Paths Paving Maintenance & Draining Repairs	11500	Golf Course Improvements	Venue Improvements	43,908.34	68,197.66	112,106.00	10.00	6.03	11/30/2017		
Champ Golf Cart Path Repairs	11491	Golf Course Improvements	Venue Improvements	10,362.35	26,210.65	36,573.00	5.00	3.53	05/31/2020		
Tables and Chairs for Deck	11268	Recreation Service Equipment	Venue Improvements	8,085.54	48,988.46	57,074.00	10.00	8.53	06/01/2020	194,471.22	Golf Course Repairs
F&B Shared POS - Mountain Course	10984	Recreation Office Equipment	Machinery & Equipment	1,346.85	2,594.70	3,941.55	10.00	6.48	05/15/2018		2,594.70
			Machinery & Equipment	2,804.90	2,003.70	4,808.60	10.00	4.03	12/01/2015		2,003.70
				940,137.03	196,908.18	1,137,045.21					
Facilities											
ASPEN GROVE IMPROVEMENTS	8605	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001		
ASPEN GROVE IMPROVEMENTS	8606	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001		
ASPEN GROVE IMPROVEMENTS	8607	Recreation Buildings and Structures	Building & Renovations	1,851.88	0.00	1,851.88	10.00		10/31/2001		
ASPEN GROVE IMPROVEMENTS	8608	Recreation Buildings and Structures	Building & Renovations	1,851.89	0.00	1,851.89	10.00		10/31/2001		
ASPEN GROVE IMPROVEMENTS	8609	Recreation Buildings and Structures	Building & Renovations	1,851.89	0.00	1,851.89	10.00		10/31/2001		
				9,259.42	0.00	9,259.42					
				94,223.43	191,197.42	285,420.85					
Ski											
NEW SLOPE ADDITION	3364	Land	Land		2,361.40	2,361.40	0.00		10/28/1986		2,361.40
CONTINGENCY	3885	Land	Land		338.58	338.58	0.00		08/31/1987		338.58
ENVIROMENTAL DESIGN WORK	3883	Land	Land		3,716.24	3,716.24	0.00		08/31/1987		3,716.24
EROSION CONTROL	3370	Land	Land		4,452.66	4,452.66	0.00		09/30/1987		4,452.66
UTILITY CORRIDOR	3373	Land	Land		549.60	549.60	0.00		10/31/1987		549.60
LAND APPRAISAL PLANNING	3886	Land	Land		3,500.00	3,500.00	0.00		05/10/1988		3,500.00
88/89 WATER QUALITY	3889	Land	Land		2,221.00	2,221.00	0.00		03/06/1989		2,221.00
EROSION CONTROL PKING LOT	3382	Land	Land		1,942.50	1,942.50	0.00		06/30/1989		1,942.50
007 - BASE AREA IMPROVEMENT	3384	Land	Land		2,268.16	2,268.16	0.00		01/31/1990		2,268.16
Site Improvements/BMPs '93	5909	Land	Land		2,425.13	2,425.13	0.00		09/30/1993		2,425.13
Site Improvements/BMPs '96	6482	Land	Land		4,914.27	4,914.27	0.00		10/31/1996		4,914.27
Site Improvements/BMPs '96	7183	Land	Land		1,936.00	1,936.00	0.00		09/30/1998		1,936.00
Site Improvements/BMPs 1999	8489	Land	Land		4,957.50	4,957.50	0.00		10/15/1999		4,957.50
Site Improvements/BMPs 2001	8785	Land	Land		2,900.00	2,900.00	0.00		05/06/2002		2,900.00
Site Improvements/BMPs 2002	9010	Land	Land		2,461.50	2,461.50	0.00		09/15/2002		2,461.50
Snowflake Roof Maintenance	11363	Recreation Buildings and Structures	Building & Renovations	2,600.36	14,266.64	16,867.00	20.00	16.86	09/30/2018	14,266.64	
SNOWMAKING MASTER PLAN	8989	Slope and Mountain Improvements	Venue Improvements	176,716.12	8,845.07	185,561.19	20.00	0.91	10/21/2002	8,845.07	
SNOW MAKING GUN	8620	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001		
SNOW MAKING GUN	8621	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001		
SNOW MAKING GUN	8622	Slope and Mountain Improvements	Venue Improvements	2,002.95	0.00	2,002.95	10.00		12/05/2001		
SNOW MAKING GUN	8618	Slope and Mountain Improvements	Venue Improvements	2,002.96	0.00	2,002.96	10.00		12/05/2001		
SNOW MAKING GUN	8619	Slope and Mountain Improvements	Venue Improvements	2,002.96	0.00	2,002.96	10.00		12/05/2001		
Snow Gun Mounting Pedestals Welding	11239	Slope and Mountain Improvements	Venue Improvements	1,200.00	1,800.00	3,000.00	10.00	5.95	10/31/2017		1,800.00
F&B Shared POS - Snowflake Lodge	10986	Recreation Office Equipment	Machinery & Equipment	2,844.97	1,963.63	4,808.60	10.00	4.03	12/01/2015		1,963.63
				193,376.22	67,819.88	261,196.10					
Rec Center											
Slurry Seal and paving repairs - Rec. Center Entry Road & parking lot	11521	Recreation Buildings and Structures	Building & Renovations	7,753.19	19,610.85	27,364.04	5.00	3.53	05/31/2020	19,610.85	Recration Center
LifeFitness Integrity SC Upright Bikes with Televisions	11577	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020		3,273.80
LifeFitness Integrity SC Upright Bikes with Televisions	11578	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020		3,273.80
LifeFitness Integrity SC Upright Bikes with Televisions	11579	Recreation Service Equipment	Machinery & Equipment	790.30	3,273.80	4,064.10	6.00	4.77	08/27/2020		3,273.80
Matrix Strength Leg Extension Machine	11152	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016		597.82
Matrix Strength Chest Press Machine	11153	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016		597.82
Matrix Strength Rear Delt/Fly Machine	11154	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016		597.82
Matrix Strength Biceps/Triceps Machine	11155	Recreation Service Equipment	Machinery & Equipment	2,477.18	597.82	3,075.00	6.00	1.10	12/27/2016		597.82
LifeFitness Group Exercise LifeCycle Bike	11125	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017		120.13
LifeFitness Group Exercise LifeCycle Bike	11126	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017		120.13
LifeFitness Group Exercise LifeCycle Bike	11127	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017		120.13
LifeFitness Group Exercise LifeCycle Bike	11128	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.13	1,802.37	5.00	0.22	02/07/2017		120.13
LifeFitness Group Exercise LifeCycle Bike	11121	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017		120.14
LifeFitness Group Exercise LifeCycle Bike	11122	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017		120.14
LifeFitness Group Exercise LifeCycle Bike	11123	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017		120.14
LifeFitness Group Exercise LifeCycle Bike	11124	Recreation Service Equipment	Machinery & Equipment	1,682.24	120.14	1,802.38	5.00	0.22	02/07/2017		120.14
Precor Recumbent Bike with TV	11576	Recreation Service Equipment	Machinery & Equipment	259.25	4,096.40	4,355.65	7.00	6.50	05/20/2021		4,096.40
Matrix Glute Machine	11305	Recreation Service Equipment	Machinery & Equipment	775.31	1,493.94	2,269.25	10.00	6.45	05/04/2018		1,493.94
Matrix Seated Row	11307	Recreation Service Equipment	Machinery & Equipment	781.46	1,505.79	2,287.25	10.00	6.45	05/04/2018		1,505.79
Matrix Shoulder Press	11306	Recreation Service Equipment	Machinery & Equipment	825.74	1,591.51	2,417.25	10.00	6.45	05/04/2018		1,591.51
Matrix Lat Pulldown	11309	Recreation Service Equipment	Machinery & Equipment	825.74	1,591.51	2,417.25	10.00	6.45	05/04/2018		1,591.51

Description	Fixed Asset#	FA Type	FA Category	Accumulated Deprecia	Book Value	Cost	Est. Useful life (year)	Useful I	In Use Date	Repairs and Maintenance	Under \$5,000
Matrix Leg Press	11308	Recreation Service Equipment	Machinery & Equipment	958.99	1,848.26	2,807.25	10.00	6.45	05/04/2018		1,848.26
Matrix Versa Seated Leg Curl Plus	11406	Recreation Service Equipment	Machinery & Equipment	798.95	1,515.30	2,314.25	7.00	4.45	05/05/2019		1,515.30
Matrix Versa AB/AD	11405	Recreation Service Equipment	Machinery & Equipment	895.81	1,699.19	2,595.00	7.00	4.45	05/05/2019		1,699.19
				39,611.98	48,126.51	87,738.49					
Recreation Administration											
Vermont Maintenance Trac Work Order Software	11446	Information Technology Communications	Machinery & Equipment	22,962.45	655.97	23,618.42	3.00	0.03	12/01/2018		655.97
Parks											
EROSION CONTROL - 3RD CREEK	4189	Land	Land		595.00	595.00	0.00		06/15/1988		595.00
Beaches											
Ski Beach Boat Ramp Repairs	10890	Field and Parks Improvements	Venue Improvements	5,868.72	12,664.76	18,533.48	20.00	13.52	05/31/2015	12,664.76	
Ski Beach Pavement Maintenance	11251	Field and Parks Improvements	Venue Improvements	15,525.00	24,975.00	40,500.00	10.00	6.11	12/31/2017	24,975.00	
DRINKING FOUNTAIN	9405	Field and Parks Improvements	Venue Improvements	1,839.59	0.00	1,839.59	10.00		10/01/2002		
DRINKING FOUNTAIN	9406	Field and Parks Improvements	Venue Improvements	1,839.59	0.00	1,839.59	10.00		10/01/2002		
DRINKING FOUNTAIN	9404	Field and Parks Improvements	Venue Improvements	1,839.60	0.00	1,839.60	10.00		10/01/2002		
Playground - Burnt Cedar	8966	Recreation Service Equipment	Machinery & Equipment	2,080.20	0.00	2,080.20	10.00		10/31/2002		
Playground - Burnt Cedar	8968	Recreation Service Equipment	Machinery & Equipment	3,608.80	0.00	3,608.80	10.00		10/31/2002		
Playground - Burnt Cedar	8967	Recreation Service Equipment	Machinery & Equipment	3,669.74	0.00	3,669.74	10.00		10/31/2002		
				36,271.24	37,639.76	73,911.00					
UNKNOWN											
.32 A/C NORTHWOOD EST	2005	Land	Land		285.00	285.00	0.00		08/28/1968		285.00
PARCEL A A I.V. UNIT 2	2017	Land	Land		715.00	715.00	0.00		02/17/1969		715.00
PARCEL G G I.V. UNIT 2	2018	Land	Land		715.00	715.00	0.00		02/17/1969		715.00
PARCEL C C I.V. UNIT 2	2016	Land	Land		3,800.00	3,800.00	0.00		02/17/1969		3,800.00
PARCEL C I.V. UNIT 1-A	2020	Land	Land		285.00	285.00	0.00		08/14/1969		285.00
PARCEL B I.V. UNIT 1-B	2013	Land	Land		715.00	715.00	0.00		10/07/1969		715.00
GENERAL USE PROPERTY	2002	Land	Land		285.00	285.00	0.00		05/14/1970		285.00
OFFICE BUILDING SITE	2001	Land	Land		2,000.00	2,000.00	0.00		05/14/1970		2,000.00
				0.00	8,800.00	8,800.00					

1,719,243.90 677,430.52 2,396,674.42

\$ 75,826	\$ 426,055	128,209	50,615
\$498,607		Less than \$5,000	\$178,824

Report \$ 500,017 177,414

Difference \$ 1,410 \$ (1,410)

MEMORANDUM

TO: Audit Committee

THROUGH: Chair Tulloch

FROM: Sara Schmitz

SUBJECT: Discuss and potentially request staff to provide more information related to Management's Responses to the 2020-21 Audit Committee recommendations

DATE: May 23, 2022

I. RECOMMENDATION

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

II. BACKGROUND

Management provided the attached memorandum in response to the Audit Committee's recommendations to the Board of Trustees. In subsequent discussions, the Audit Committee has indicated a need for further written clarification from Management.

At the request of the Audit Committee this is being brought forth for discussion to identify the items requesting management provide additional, documented clarification.

MEMORANDUM

TO: Board of Trustees

THROUGH: Paul Navazio
Director of Finance

FROM: Indra Winqest
District General Manager

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

DATE: April 13, 2022

I. RECOMMENDATION

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

II. BACKGROUND

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

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

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

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

Staff concurs with recommendations of the Audit Committee related to:

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

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

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

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

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

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

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

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

III. DISCUSSION

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

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

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

Management Response:

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

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

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

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

Management Response:

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

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

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

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

Management Response:

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

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

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

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

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

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

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

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

Management Response:

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

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

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

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

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

Management Response:

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

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

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

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

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

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

III. ALTERNATIVES

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

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

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

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tolloch

FROM: Clifford F. Dobler

SUBJECT: Note 22 - Prior Period Adjustment - Annual Comprehensive Financial Report. as of June 30, 2021 (ACFR)

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

DATE: 3-17-2022

I. RECOMMENDATION

That the Audit Committee make a recommendation to the Board of Trustees to retract the Prior Period Adjustment transferring \$1,637,400 from the Community Services Special Revenue Fund to the Capital Project Fund. In addition it is recommended that the required transfer of \$1,742,843 from the Community Services Special Revenue Fund to the Capital Project Fund be enacted and restated in the 2021 ACFR.. The proper transfer is required to fund the necessary resources necessary to pay for the actual expenditures incurred during fiscal year 2020-2021. In addition, disclosure of the transfer is required in Note 7 - Interfund Accounts and Transfers of the 2021 ACFR.

II. BACKGROUND and ANALYSIS

Annually the District Board of Trustees adopts a Facility Fee for Community Services which is allocated separately into operations (special revenue fund) capital projects and debt service. The total amount allocated to each fund was improperly recorded as revenues in the Special Revenue Fund and subsequent transfers were made to the Capital Project Fund and Debt Services. The transfers, however, exceeded that amount of facility fees allocated resulting in

additional transfers from the Special Revenue Fund. These excess transfers did not comply with requirements of GASB #54.

All expenditures from 2016 to 2021 were funded by resources from capital asset sales, grants and enough resources from the Special Revenue Fund. Exhibit A provides evidence that no additional resources were required from 2016 to 2021 to justify a prior period adjustment. It is unknown the rationale of the prior period adjustment of \$1,637,400.

However, in 2021, The Board of Trustees authorized only \$536,571 of Facility Fees for the Community Service Capital Project Fund which was far below the actual expenditures of \$2,907,254 recorded. Additional resources of \$90,005 from capital grants and sale of capital assets were obtained and for some unknown reason only \$537,835 was transferred from the Community Services Special Revenue Fund. As a result, the resources required to pay for the expenditures was short \$1,742,843. This shortage could only be obtained from the Community Services Special Revenue Fund or possibly the General Fund.

For some reason only \$537,835 was transferred from the Special Revenue Fund leaving another \$1,742,843 to be transferred.

The unsubstantiated prior period adjustment of \$1,637,400 was used to cover most of the 2021 expenditures but a remaining balance of \$105,443 was not covered. This shortage could possibly be considered non compliance with NRS 354.626 "Unlawful expenditures of money in excess of amounts appropriated". It is unclear why a transfer for the full amount of expenditures was not made since the budget for F/Y 2021 provided \$5,594,546 to be transferred from the Special Revenue Fund to the Capital Project Fund. Exhibit B & C).

Another matter which cannot be corrected is the \$3,131,381 transfers (other than transfers of facility Fees) from the Community Services Special Revenue Fund to the Community Services Capital Project Fund in violation of GASB #54 paragraph 30 Exhibit E. Including the AC recommendation the total transfers would be \$4,874,224 for the 6 year period (Exhibit D)

"Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects."

Exhibits

- A - Note 22 of the Annual Comprehensive Financial Report as of June 30, 2021
 - B - 2021 ACFR - Community Services Special Revenue Fund - Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
 - C - 2021 ACFR - Community Services Capital Project Fund - Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
 - D. History of Expenditures and Resources of the Community Services Capital Project Fund - FY 2016 to 2021.
 - E. GASB #54 Definition of Special Revenue Funds
- .

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET**V. ALTERNATIVES**

NONE

VI. COMMENTS

See above

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

Improper financial reporting

.

General Fund	\$ 66,947
Utility Fund	3,341,387
Community Services Fund	2,110,924
Beach Fund	453,019

Budgeting for the Fiscal Year Ending June 30, 2022:

The District’s budgeting for the fiscal year ending June 30, 2022 anticipates a reduction in Fund Balance and Net Position caused by completion of capital projects. The identified reductions include; General Fund by \$217,063 including implementation of a new Human Resources Management and Payroll System; Community Services reduction of \$3,757,491 (including \$550,000 for the Mountain Golf Course Path Replacement Project, \$800,000 for the Recreation Center Locker Room Improvement Project). The Beach Fund has a reduction of \$2,066,683 related to renovation of the Burnt Cedar Pool as well as Incline Beach Facility Improvements. The Utility Fund capital plan anticipates a draw-down in Net Position primarily due to advancing the Effluent Export Pipeline Project.

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

Contractor	Project	Contract Amount	Completed (6/30/21)	Remaining Amount
CORE West, Inc	Burnt Cedar Pool Imp	\$3,845,865	\$773,143	\$3,072,722
Avail Enterprises, LLC	Rec Center Lobby	159,832	-	159,832
Ward-Young Architects	Rec Center Lobby	39,724	16,237	20,487
Granit Construction	Effluent Pipeline	369,218	25,618	343,600

21. STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District’s estimated share of abatements for this fiscal year is \$41,360.

22. PRIOR PERIOD ADJUSTMENT

The Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance has three prior period adjustments. The first is a transfer between the Community Services Special Revenue Fund and the Community Services Capital Projects Fund that was reported in the prior year \$1,637,400 lower than the entry in the financial reports. The second adjustment is for the \$243,512 that was reported as unavailable revenue but should have been recorded as revenue when received in prior years. There were several assets capitalized in prior years that the auditors determined should not have been capitalized. The total affect to the financial reports was \$3,267,861. \$3,166,966 was in the Utilities fund, including \$3,100,110 of the Effluent Pipeline project that was written off. Governmental activities had \$100,895 in book value of assets written off as a prior period adjustment.

EXHIBIT B

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Championship Golf	\$ 3,391,290	\$ 3,391,291	\$ 3,214,950	\$ (176,341)
Mountain Golf	818,834	818,834	809,745	(9,089)
Facilities	1,440,299	1,440,299	790,683	(649,616)
Ski	10,148,735	10,148,734	10,206,918	58,184
Community Programming	1,007,900	1,007,900	1,014,837	6,937
Parks	38,700	26,600	22,350	(4,250)
Tennis	100,400	100,400	156,631	56,231
Recreation Administration	(317,830)	(317,830)	(123,602)	194,228
Facility Fee:				
Championship Golf	32,812	32,812	33,019	207
Mountain Golf	221,481	221,481	222,882	1,401
Facilities	41,015	41,015	41,275	\$1,735,612 260
Ski	(1,640,400)	(1,640,400)	(1,650,784)	(10,384)
Community Programming	1,222,098	1,222,098	1,229,835	7,737
Parks	729,978	729,978	734,600	4,622
Tennis	114,828	114,828	115,555	727
Recreation Administration	1,041,833	1,041,833	1,009,230	(32,603)
Operating Grants	17,000	17,000	17,000	-
Interfund Services	98,849	98,849	91,769	(7,080)
Intergovernmental Services	21,700	21,700	36,997	15,297
Investment Earnings	52,500	52,500	4,471	(48,029)
Miscellaneous	118,130	130,230	119,697	(10,533)
Total revenues	<u>18,700,152</u>	<u>18,700,152</u>	<u>18,098,058</u>	<u>(602,094)</u>
EXPENDITURES				
Culture and Recreation - All Functions:				
Function Summary (see next page)	18,149,871	18,149,869	15,289,187	2,860,682
Total expenditures	<u>18,149,871</u>	<u>18,149,869</u>	<u>15,289,187</u>	<u>2,860,682</u>
Excess (deficiency) of revenues over expenditures	<u>550,281</u>	<u>550,283</u>	<u>2,808,871</u>	<u>2,258,588</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	-	52,250	52,250
Transfers In	-	-	(537,835)	(537,835)
This should be a transfer out				
Transfers Out - Capital Projects	(5,594,546)	-	-	-
Net change in fund balance	<u>(5,044,265)</u>	<u>550,283</u>	<u>2,323,286</u>	<u>1,773,003</u>
Fund Balance, July 1, as reported	15,280,913	15,280,913	15,280,913	-
Prior period adjustment	(1,637,400)	(1,637,400)	(1,637,400)	-
Fund balance, July 1 as adjusted	<u>13,643,513</u>	<u>13,643,513</u>	<u>13,643,513</u>	<u>-</u>
Fund balance, June 30	<u>\$ 8,599,248</u>	<u>\$ 14,193,796</u>	<u>\$ 15,966,799</u>	<u>\$ 1,773,003</u>

Note: The State Budget Form 4404LGF recognized the Total Facility Fee revenue in the Community Services and Beach fund, while utilizing transfers to the Capital Projects and Debt Service Funds for expenditure by those Funds. **Incorrect Statement. The Facility Fee was allocated to individual funds and not transferred**

See notes to required supplementary information

EXHIBIT C

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 COMMUNITY SERVICES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Sales of Assets and Intangibles	\$ -	\$ -	\$ 1,500	\$ 1,500
Facility Fees	533,195	533,195	536,571	3,376
Capital Grants	-	-	88,505	88,505
Total revenues	533,195	533,195	626,576	93,381
EXPENDITURES				
Championship Golf	1,653,827	1,653,381	860,893	792,488
Mountain Golf	347,380	347,380	127,365	220,015
Facilities	100,000	100,000	23,762	76,238
Ski	2,263,864	2,262,504	439,610	1,822,894
Community Programming	455,000	531,756	340,112	191,644
Parks	172,440	215,503	236,472	(20,969)
Tennis	1,045,230	1,045,230	872,040	173,190
Comm. Serv. Administration	90,000	90,000	7,000	83,000
Total expenditures	6,127,741	6,245,754	2,907,254	3,338,500
Excess (deficiency) of revenues over expenditures	(5,594,546)	(5,712,559)	(2,280,678)	3,431,881
OTHER FINANCING SOURCES				
Transfers In	5,594,546	5,594,546	537,835	(5,056,711)
Transfers Out	-	-	-	-
Total other financing sources	5,594,546	5,594,546	537,835	(5,056,711)
Net change in fund balance	-	(118,013)	(1,742,843)	(1,624,830)
Fund Balance, July 1, as reported	-	-	-	-
Prior period adjustment	1,637,400	1,637,400	1,637,400	-
Fund balance, July 1 as adjusted	1,637,400	1,637,400	1,637,400	-
Fund balance, June 30	\$ 1,637,400	\$ 1,519,387	\$ (105,443)	\$ (1,624,830)

Note: The State Budget Form 4404LGF recognized Facility Fee revenue in the Community Services and Beach fund, while utilizing transfers to the Capital Projects and Debt Service Funds for expenditure. **Incorrect statement. The Facility Fee was allocated to individual funds and not transferred. See above**

EXHIBIT D

**Incline Village General Improvement District
Community Services Capital Projects fund
Fiscal Years 2016 to 2021
Source CAFR & 2016 to 2021**

	2016	2017	2018	2019	2020	2021
Expenditures	(2,344,198)	(3,633,210)	(3,905,926)	(6,043,500)	(5,059,031)	(2,907,254)
Resources						
Grants and Sale of Capital Assets	625,064	176,567	158,755	37,550	1,637,399	90,005
Facility Fee recored directly						536,571
Transfer in from Special Revenue Fund	3,780,675	3,818,908	3,650,842	3,678,473	3,421,632	537,835
Fund Balance	2,061,541	362,265	(96,329)	(2,327,477)	-	(1,742,843)
Cumulative Fund Balance	2,061,541	2,423,806	2,327,477	-	-	(1,742,843)

Prior period adjustment - There was no need to provide additional resources from 2016 to 2020 **1,637,400**

The \$1,637,400 is NOTHING MORE than a current year transfer from the Special Revenue Fund

Unfunded Expenditures - Possible violation of NRS 354.626 Unlawful expenditure of money in excess of amount appropriated **(105,443)**

**Transfers in from Special Revenue Fund
in excess of Facility Fees**

Transfers in from Special Rvenue Fund	3,780,675	3,818,908	3,650,842	3,678,473	3,421,632	537,835
Facility Fees Authorized by Board	(2,524,818)	(2,619,078)	(3,612,400)	(3,678,473)	(3,322,215)	in revenues
Transfers in excess of Facility Fees	1,255,857	1,199,830	38,442	-	99,417	537,835
Cumulated	1,255,857	2,455,687	2,494,129	2,494,129	2,593,546	3,131,381

Recommended Adjustment by AC

Special Revenue Fund resources cannot be used for Capital Projects. GASB #54

1,742,843

4,874,224

EXHIBIT E

Governmental Fund Type Definitions

28. Governmental fund types include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds, as discussed in paragraphs 29–35.

General Fund

29. The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

30. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

31. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund.² Other

²For revolving loan arrangements that are initially funded with restricted grant revenues, the consideration may be whether those restricted resources continue to comprise a substantial portion of the *fund balance* in the fund's balance sheet.

resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

32. Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund—identifying which revenues and other resources are reported in each of those funds.

Capital Projects Funds

33. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds

34. Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

MEMORANDUM

TO: Audit Committee

THROUGH: Ray Tolloch

FROM: Clifford F. Dobler

SUBJECT: Improper disclosure of a prior period adjustment of \$243,512 - Note 22 Prior Period Adjustments - 2021 Annual Comprehensive Financial Report (ACFR)

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

DATE: 3-18-2022

I. RECOMMENDATION

The Audit Committee recommends that the disclosure regarding the \$243,512 prior period adjustment indicated in Note 22 of the 2021 Annual Comprehensive Financial Report (Exhibit A) should be restated to reflect actual information.

Suggested revision

\$243,512 was received by IVGID in 2017 to satisfy a judgment against an individual. The payment was reported as a restricted deposit and a deferred inflow until all appeals by the individual were concluded. Appeals were finally resolved in 2020 wherein the restriction deposit and deferred inflow should have unwound and reported as General Fund revenue in fiscal year 2020.

II. BACKGROUND and ANALYSIS

For several years, a lawsuit involving an individual and IVGID resulted in a judgment in favor of IVGID for \$243,512. In 2017 the cash was received by IVGID and recorded as a Restricted Deposit and a Deferred Inflow of Resources until all appeals of the judgment were resolved. In 2020, a final order by the Nevada Supreme Court was rendered in favor of IVGID, and the cash

was no longer required to be a restricted deposit and a deferred inflow and should have been unwound and reported as General Fund Revenue.

The prior period adjustment stated "the second adjustment is for the \$243,512 that was reported as **unavailable revenue** but should have been recorded as revenue **when received in prior years.**"

The Audit Committee deems the description to be inaccurate.

- 1) The recording and reporting was a deferred inflow of revenue not an "unavailable resource". (Exhibit B)
- 2) When the money was received in 2017 it had to be restricted until all appeals were resolved so the statement that the amount "should have been recorded as revenue when received" is inaccurate. The cash was received in 2017 but did not become revenues until 2020.
- 3) There was no indication that the revenues were received in the General Fund

This amount included interest earned since 2017.

Exhibit A - Note 22. Prior Period Adjustment - 2021 ACFR

Exhibit B - Note 20 - 2020 CAFR

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

None

EXHIBIT A

General Fund	\$ 66,947
Utility Fund	3,341,387
Community Services Fund	2,110,924
Beach Fund	453,019

Budgeting for the Fiscal Year Ending June 30, 2022:

The District's budgeting for the fiscal year ending June 30, 2022 anticipates a reduction in Fund Balance and Net Position caused by completion of capital projects. The identified reductions include; General Fund by \$217,063 including implementation of a new Human Resources Management and Payroll System; Community Services reduction of \$3,757,491 (including \$550,000 for the Mountain Golf Course Path Replacement Project, \$800,000 for the Recreation Center Locker Room Improvement Project). The Beach Fund has a reduction of \$2,066,683 related to renovation of the Burnt Cedar Pool as well as Incline Beach Facility Improvements. The Utility Fund capital plan anticipates a draw-down in Net Position primarily due to advancing the Effluent Export Pipeline Project.

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

Contractor	Project	Contract Amount	Completed (6/30/21)	Remaining Amount
CORE West, Inc	Burnt Cedar Pool Imp	\$3,845,865	\$773,143	\$3,072,722
Avail Enterprises, LLC	Rec Center Lobby	159,832	-	159,832
Ward-Young Architects	Rec Center Lobby	39,724	16,237	20,487
Granit Construction	Effluent Pipeline	369,218	25,618	343,600

21. STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District's estimated share of abatements for this fiscal year is \$41,360.

22. PRIOR PERIOD ADJUSTMENT

The Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance has three prior period adjustments. The first is a transfer between the Community Services Special Revenue Fund and the Community Services Capital Projects Fund that was reported in the prior year \$1,637,400 lower than the entry in the financial reports. The second adjustment is for the \$243,512 that was reported as unavailable revenue but should have been recorded as revenue when received in prior years. There were several assets capitalized in prior years that the auditors determined should not have been capitalized. The total affect to the financial reports was \$3,267,861. \$3,166,966 was in the Utilities fund, including \$3,100,110 of the Effluent Pipeline project that was written off. Governmental activities had \$100,895 in book value of assets written off as a prior period adjustment.

Exhibit B

19. COMMITMENTS AFFECTING FUTURE PERIODS

General Fund:

The District entered into an unemployment insurance contract with First Nonprofit Companies for total premiums of \$185,000 for calendar year 2020 services. As of June 30, 2020, \$92,500 in quarterly deposits are remaining as a part of the subsequent year's budget.

Capital Improvement Project Budget Carryover:

The District budgets for capital improvement projects one year at a time for spending authority. The actual execution of construction or acquisition can span one or more fiscal years. The District identifies carryover and unspent budget authority for those projects. The amounts for governmental fund types are re-budgeted for the subsequent fiscal year. The unused Utility Fund resources become part of Unrestricted Net Position, and are budgeted under cash flow on the State of NV budget forms. Amounts carried over at year-end are:

General Fund	\$ 300,000
Utility Fund	2,533,786
Community Services Fund	2,502,701
Beach Fund	-

Budgeting for the Fiscal Year Ending June 30, 2021:

The District's budgeting for the fiscal year ending June 30, 2021 anticipates a reduction in Net Position caused by completion of capital projects. The identified reductions include; General Fund by \$650,150 including \$300,000 for a new Human Resources Management and Payroll System; Community Services reduction of \$6,127,741 including \$996,630 for the Tennis Center Renovation, \$700,000 for Championship Golf Course Maintenance Building improvements, \$520,000 for Ski Way and Diamond Peak Parking Lot Reconstruction, \$264,864 for Lakeview Ski Lift Improvements, and \$166,395 for the Mountain Golf Cart Path Replacement. The Beach Fund has a reduction of \$454,500 related to work on Burnt Cedar Pool and Incline Beach Facility Improvements.

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

		Contract Amount	Completed at June 30, 2020	Remaining Commitment
<i>Utility Fund:</i>				
Paso Robles Tank, Inc.	Water Reservoir Safety and Security Improvements	\$ 109,000	\$ -	\$ 109,000
<i>Community Services Capital Fund</i>				
Daniel Fraiman Construction	Tennis Center Renovation Project	709,000	9,680	699,320
Mission Controls, Inc.	Lakeview Charlift Control Panels	96,800	-	96,800
Cruz Construction	Maintenance Building Drainage & Washpad	475,433	-	475,433

20. RESTRICTED DEPOSIT HELD IN LAWSUIT

The District has been engaged in a lawsuit with an individual over many years. A District Court decision made an award to the District for the recovery of fees. Both the Court decision and the fees awarded are under an appeal. In order to reduce possible longer-term exposure to the individual, the District received \$241,646 on September 14, 2017. These refunds are in a separate money market account and classified as a Deferred Inflow until all appeals under the lawsuit are

resolved. An appeal was filed with Nevada Supreme Court, and a final order was issued in favor of the District in November 2020.

21. STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District’s estimated share of abatements for this fiscal year is \$21,199.

22. PRIOR YEAR ADJUSTMENTS

The District’s financial statements for the year ended June 30, 2020 reflect prior year adjustments related to (1) unearned revenues from Golf Passes recorded in the prior year (\$138,505), (2) to restate as expenses \$289,660 for selected Construction in Progress items that were reported as assets in the financial statements for the year ended June 30, 2019, as well as (3) restate as expense \$514,254 for selected items that were reported as capital assets in the financial statements for the year ended June 30, 2019.

Construction in Progress items restated as expense include \$212,044 related to development of a Parks Master Plan and \$77,216 related to improvements planned at Incline Village Ballfield. Management has determined that no future capital asset(s) are expected to be constructed as a result of the preliminary design work that had been included in prior year’s Construction in Progress.

Capital Asset items restated as expense include items determined to qualify as reporting as repairs and maintenance, consistent with established Board policy and practices. Examples include pavement maintenance, parking lot repairs, and painting projects. This determination should have been made in prior year(s).

As a result, a total of \$665,009 is recorded as a prior year adjustment in the governmental activities of the government-wide financial statements and a total of \$138,505, is recorded as a prior year adjustment in the Community Services Special Revenue Fund in the governmental funds financial statements.

	Government-wide	Community Services
	<u>Statement of Activities</u>	<u>Special Revenue Fund</u>
Net position / Fund Balance July 1, 2019, as previously reported	\$ 75,655,473	\$ 13,333,953
Prior Period Adjustment – Golf Passes	138,505	138,505
Prior Period Adjustment – Construction in Process	(289,260)	-
Prior Period Adjustment – Capital Assets	<u>(514,254)</u>	<u>-</u>
Net Position / Fund Balance, July 1, 2019, as adjusted	\$ 74,990,464	\$ 13,472,458

MEMORANDUM

TO: Audit Committee

FROM: Clifford F. Dobler and Sara Schmitz

SUBJECT: Inconsistency in the Accounting and Reporting of Facility Fees Revenues in the completed 2020/2021 and the planned 2021/2022 Annual Comprehensive Financial Reports.

STRATEGIC

PLAN REFERENCE(S): None

DATE: May 25, 2022

I. RECOMMENDATION

The Audit Committee makes a motion to request that the Board of Trustees direct IVGID Staff to employ the recommendations provided by Moss Adams as outlined in their report dated January 14, 2021 relating to accounting and reporting of Facility Fees in the Annual Comprehensive Financial Report for the year ended June 30, 2022. The four items to be addressed are:

- A. Disclosure of policy for the Facility Fee revenue in the notes to the financial statements. Currently there is no reference to Facility Fees in the Notes to Financial Statements.
- B. The District should "stick" to the non-exchange classification of the Facility Fee
- C. The Facility Fees should be reported within the **non operating** section in the Statement of Revenues and Expenses and the non-capital related financing activities section in the Statement of Cash Flows for the Community Services and Beach enterprise funds.
- D. The Facility Fees should be reported as program revenue in the government- wide Statement of Activities as opposed to general revenues of the District. Page 64 of Moss Adams report (GASB Cod Sec 2200. 136-140).

II. BACKGROUND AND ANALYSIS

Since 2015, an inconsistency has existed in the reporting of Facility Fees for Community Services and Beaches in the Comprehensive Annual Financial Reports based on the concept that the Facility Fees are non exchange transactions. On the one hand, the Facility Fees have been reported as a General Revenue in the Government Wide Statement of Activities and on the other hand the same Facility Fees have been reported as an Operating Revenues in the Statements of Revenues, Expenditures and Changes in Net Position.

Moss Adams LLP was engaged in 2020 to review Punch Card Accounting and provided a report on observations and recommendations. During the engagement, the review was extended to incorporate how the annual Facility Fees should be classified and reported in the financial statements. Attached is the Punch Card Accounting Section of the Moss Adams Report which incorporates a section titled ***Applicable revenue recognition guidance applicable to the Facility Fees***. This memorandum ONLY reflects the accounting and reporting of facility fees as determined in the observations and recommendations of item #3 of the Punch Card Accounting Section and DOES NOT ADDRESS ACCOUNTING FOR PUNCH CARDS. Specific paragraphs have been redlined for review.

The historic issue and disagreement between IVGID management and citizens has been whether the Facility Fees are exchange or non-exchange transactions. Moss Adams concludes that the Facility Fees are a non-exchange transaction under guidance provided in GASB Statement No 33 which generally provides for asset recognition when a resource is received or at the time a legal right to resources exist, and revenues recognized when all eligibility criteria are met securing the entity's (IVGID) right to the resource. Since the Facility Fee is collected by Washoe County, secured by liens on property and no requirement is placed on IVGID's right to use the Facility Fees then the Facility Fees are deemed to be non-exchange transactions.

Recommendations of Moss Adams LLP

"We find that the classification of the Facility Fees in the government-wide statement of activities since 2015 as a general revenue is inconsistent with GAAP in that the Fees are assessed specifically to finance the District's recreational activities. As such it meets the criteria to be reported as a program revenue in the statement of activities. (GASB Code Sec 22--.137)

"We recommend the District include its policy on the classification of Facility Fees in the footnotes to the financial statements."

"If the District reports the recreational activities in enterprise funds, we recommend the fee be reported as non-operating revenue."

Exhibit A - Moss Adams Report - Punch Card Accounting Section regarding accounting and reporting of Facility Fees

III. BID RESULTS

Not required

IV. FINANCIAL IMPACT AND BUDGET

Improper budgeting and reporting has occurred in the past 7 years.

V. ALTERNATIVES

None

VI. COMMENTS

IVGID Staff has concluded that reporting of Facility Fees as General Revenue in the Statement of Activities is proper because the Facility Fees are non exchange transaction. This conclusion has no bearing on how the Facility Fees should be reported. The key factor of reporting facility fees as program revenue in the Statement of Activities is based on the nature of the restricted use of the Fees. The Facility Fees are appropriated annually via a resolution by the Board of Trustees for the sole purpose of providing resources specifically for the Community Services and Beaches and not for use by the entire District.

VII. STRATEGIC PLAN REFERENCE(S)

None

VIII. BUSINESS IMPACT

Proper reporting to users of the ACFR.



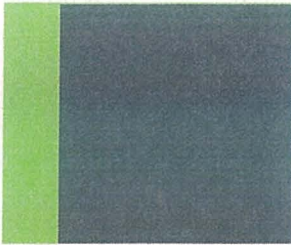
Punch Card Accounting

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

1	Observation	The District's current punch card accounting methodology attempts to recognize the value associated with the benefits of the Facility Fees within the activities by fund where the picture passes and punch cards are presented for use. Further, we found that the District estimates the usage of picture passes and punch cards and the budgeted revenues by fund are consistent with that estimate.
	Recommendation	While we find there is a reasonable purpose behind the contra revenue methodology that is not inconsistent with GAAP and the budget requirements of the State, we recommend ceasing the use of the current accounting methodology. This methodology complicates revenue estimates to use for budget purposes, is confusing to stakeholders, and requires a significant amount of staff time during the year to administer. The time, cost, and complexity involved appears to outweigh the benefits perceived to be achieved.

2	Observation	The Board has the authority to, or not to, assess Facility Fees in support of Beach and Community Service venues, as well as to determine the allocation of the Facility Fees to fund operations, capital asset acquisitions, and/or debt service of both Community Services and Beach. The allocation in any particular year can address the immediate needs of the District as determined by the Board.
	Recommendation	The District should record revenues from charges for services and Facility Fees within the different activities and funds according to the net cash collected from rates charged and the allocation of Facility Fees determined by the Board at the time of the budget adoption.

3	Observation	Management has been classifying Facility Fees as a non-program related general revenue and therefore resulting from a non-exchange transactions since 2015 but has not specifically disclosed its policy on its revenue classification in the notes to the financial statements.
	Recommendation	Whether the District continues to report its recreational activities within governmental funds or switches to enterprise funds, its policy on the



classification of the Facility Fee revenue should be disclosed in the notes to the financial statements. We recommend the District stick to the non-exchange classification of the Facility fees, and if the decision is to switch to enterprise fund reporting, to report the fees within the non-operating section in the statement of revenues and expenses and the non-capital related financing activities section in the statement of cash flows.

Observation of current punch card accounting.

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

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

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

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

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

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

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



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

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

Applicable revenue recognition guidance applicable to the Facility Fees.

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

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

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

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



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

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

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

Evaluation of the District's current Punch Card accounting methodology

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

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

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



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

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

Recommendations.

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

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

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



Accounting, Auditing, and Financial Reporting Audit Committee Charter Policy 15.1.0

The Incline Village General Improvement District is committed to be proactive, informed, and to provide the highest level of financial accountability and transparency to its parcel owners and other stakeholders (i.e., the State of Nevada).

The Government Finance Officers Association (GFOA) encourages the effective use of an audit committee in the public sector and considers such a committee an integral element of public accountability and governance. An Audit Committee plays a key role with respect to overseeing the integrity of the District's annual financial statements (the "ACFR") by ensuring those responsible for financial management (Management and the Board of Trustees) meet their responsibilities for maintaining an effective system of internal controls over financial reporting. An Audit Committee is a practical means for a governing body to provide much needed independent review and oversight of the District's financial reporting processes, internal controls, and independent auditors.

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

An Audit Committee should be formally established by the Board of Trustees, be adequately funded, and be subject to a formally approved Audit Committee Charter.

POLICY: The Audit Committee (the "Committee") is to assist the Board of Trustees fulfill its responsibilities in accordance with Nevada Revised Statutes (NRS), District Policies, Practices, Ordinances, and Resolutions by providing oversight over the District's financial reports, the system of internal controls including the internal audit plans and reports, and the independent auditor's reports within the ACFR.

The Committee shall have open communication with and maintain strong working relationships with the IVGID Board of Trustees, the General Manager, Director of Finance, and the independent auditor.

This Committee shall review the Charter annually with any recommended changes submitted to the Board of Trustees for consideration and possible approval.



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

ORGANIZATION: The Committee shall consist of five (5) voting members. This includes two Board members appointed annually by Trustees and three members appointed by the Trustees to serve as qualified At-Large Members. Any recommendations for expanding the number of voting members will be recommended by the Committee and submitted to the Board of Trustees for possible approval. The Committee may retain financial or other appropriate advisors to attend meetings, provide guidance and training, as needed, and as approved by the Board of Trustees for financial expenditures.

Members of the Committee should have or shall obtain an understanding of accounting, auditing, financial reporting, and internal controls to be able, with the assistance of an advisor if needed, to deliberate on issues for which the Committee is responsible. Therefore, the Board of Trustees may need to budget for periodic training of the Committee members and an outside advisor to assist the Committee with the independent conduct of its work with the approval of the Board of Trustees. Any advisor so engaged should possess the following qualifications:

- A thorough understanding and experience with Generally Accepted Accounting Principles (GAAP), Government Accounting Standard Board (GASB) statements, and financial reporting
- Experience either preparing or auditing financial statements
- Experience with internal controls
- An understanding of the function of an audit committee

At-large Committee members shall be independent. They shall not accept any consulting, advisory, or other compensatory fee from the District. All members shall not be an affiliated person with the District and at-large members suggested qualifications:

At-Large Committee members shall be expected to comply with all District policies that apply to volunteers. District staff shall be responsible for providing copies of all relevant policies to Committee members.

- Annually, the Board of Trustees will appoint two Trustees to be Committee members. Appointing Trustees to serve successive years increases continuity and allows for knowledge retention. In the event a Trustee is removed or resigns, the Board of Trustees shall appoint a new member to the Committee. In accordance with GFOA recommendations, Trustees considered for appointment to the Committee shall not be exercising



Accounting, Auditing, and Financial Reporting Audit Committee Charter Policy 15.1.0

managerial responsibilities that fall within the scope of the audit of the District.¹

- At-Large Members shall be appointed by the Board of Trustees from applicants with appropriate accounting, auditing, internal controls, and financial reporting expertise. This expertise could include:
 - Hold an active CPA license (preferably in Nevada) or have at least 15 years of progressive financial management experience as evidenced on a resume, CV, or LinkedIn
 - Experience on governing board, either as committee or board member
 - Experience either preparing or auditing financial statements
 - Experience with internal controls
 - An understanding of the function of an audit committee

- At-Large Members will serve staggered two-year terms:
 - For the first appointment, one member will serve a one-year term and the other two will serve a two-year term.
 - For each subsequent appointment the member will serve a two-year term.

One member of the Committee shall be appointed by the Committee to be the Chair. The Chair will schedule all Committee meetings and provide Committee members with a written agenda for each meeting. Committee Members may request agenda items for the Chair's consideration and approval.

The Committee members are limited to two 2-year terms, which may be extended with the Board of Trustees approval in the event there are no interested or qualified applicants to fill any future vacancies.

¹ “To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee” Source: GFOA Best Practices, Audit Committee



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

1.0 Independent auditor reports directly to the Audit Committee

The independent auditor will be engaged by and report directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor and District Staff. This communication may include periodic executive sessions with each of these parties. The independent auditor is to bring to the attention of the Committee any additional work required (and related fee impact), beyond the scope of work contained in the engagement letter and the audit plan, to fulfill their responsibilities before any such work is undertaken.

2.0 Scope of the Committee's Authority and Responsibilities

It is the responsibility of the Committee to provide independent review, oversight and feedback on:

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

To fulfill these responsibilities, the Committee shall:

- 2.1 Be independent, effectively communicate, and reinforce accountability.
- 2.2 Manage the external independent audit procurement process.
 - 2.2.1 Review and approve the Request for Proposal (RFP) for an independent auditor to be retained by the District. Such engagement should be for no more than five fiscal years in duration.
 - 2.2.2 Make recommendations on the scope of work.
 - 2.2.3 Make recommendations to the Board of Trustees and take subsequent action to engage an independent auditor.
 - 2.2.4 Review and approve the engagement letter (i.e., contract) between the District and the independent auditor
 - 2.2.5 If deemed necessary, identify and recommend additional audit services to be performed.
 - 2.2.6 By March 31st of each calendar year, the Board of Trustees is to formally designate an external independent auditor and



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

- inform the Nevada Department of Taxation. (NRS 354.624 item 3).
- 2.2.7 When appropriate recommend the replacement of the independent auditor and the initiation of the procurement process (2.2.1).
- 2.3 Facilitate the independent audit process.
- 2.3.1 Review and approve, in consultation with the independent auditor, the annual audit plan, the scope of audit activities and schedules by June of each year
- 2.3.2 Provide an independent forum for auditors to report findings or difficulties encountered during the audit
- 2.3.3 Review with the District management and the independent auditor all major issues identified by the independent auditor regarding:
- 2.3.3.1 Accounting Principles.
 - 2.3.3.2 ACFR presentation.
 - 2.3.3.3 Any significant changes in the selection or application of accounting principles.
 - 2.3.3.4 Significant judgments made in the preparation of the ACFR and basic financial statements.
 - 2.3.3.5 The effect of regulatory initiatives.
 - 2.3.3.6 Off-balance sheet structures.
 - 2.3.3.7 Changes to audit plan of independent auditor as a result of any additional issues identified by the auditor.
 - 2.3.3.8 Any restrictions on the scope of the auditor's activities or on access to requested information or managements responses.
- 2.3.4 To review with District management and the independent auditor any material conflicts or disagreements between District management and the independent auditor, whether or not resolved, regarding financial reporting, accounting practices or policies or other matters, that, individually or in the aggregate, could be significant to the District's financial statements or the independent auditors' report, and attempt to help resolve any conflicts or disagreements regarding financial reporting.



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

- 2.3.5 According to the approved work plan, conduct periodic meetings with the external auditor to review progress, issues identified, concerns and the audit timeline.
 - 2.3.6 Review the Management Representation letter by the District's management prior to submittal of the letter to the independent auditor.
 - 2.3.7 The Committee shall submit a written report to the District's Board of Trustees in conjunction with the presentation of the ACFR to the Board of Trustees by the end of December.
- 2.4 Post Independent Audit Follow up
- 2.4.1 Follow-up on any corrective action identified by the independent auditor, if any.
 - 2.4.2 Annually evaluate the work of the independent auditor and lead audit partner based on compliance with work plan and engagement letter.
- 2.5 The Committee may identify a need to engage an external resource to address a specific area of concern.
- 2.5.1 The Committee shall seek approval from Board of Trustees to obtain appropriate resources.
 - 2.5.2 The Committee shall agree the Scope of Work.
 - 2.5.3 The Committee is responsible for engaging the resource to perform the scope of work.
 - 2.5.4 The external resource shall report findings to the Committee.
 - 2.5.5 The Committee will provide findings to the Board of Trustees and recommend possible implementation of the findings, if any.
 - 2.5.6 Management will have the responsibility for implementation of identified changes or enhancements.
- 2.6 The Committee shall review and provide oversight of the internal controls ensuring management establishes, implements and reviews internal controls on a regular basis for functionality and effectiveness.



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

- 2.6.1 Management will provide an annual schedule for the review of District Financial Practices (internal control) documents. These documents will be provided to the Audit Committee for their review and oversight.
 - 2.6.2 Review the annual internal control audit plan(s).
 - 2.6.3 Review management's annual assessment of their internal controls for prior year audit plan.
 - 2.6.4 Review management's identification of fraud risks, review the implementation of anti-fraud measures.
- 2.7 Annually review the District's Code of Conduct that promotes honest and ethical conduct; full, fair, accurate, timely disclosures in periodic reports including the ACFR; and compliance with applicable policies and practices to ensure it is adequate and up-to-date.
- 2.8 To annually review and refine as necessary the whistleblower procedures for the receipt, retention, and treatment of complaints received by the District, from the public or anonymous submissions by employees of the District, regarding accounting, internal accounting controls, auditing matters, or suspected fraud for recommendation to the board of trustees for consideration and possible approval.
- 2.8.1 Review and refine as needed the procedures for educating employees on their individual role in ensuring the District's financial integrity.
 - 2.8.2 Ensure employees of the District have an anonymous method for concerns to be submitted.
- 2.9 Reports to Board of Trustees.
- 2.9.1 The Committee shall submit an annual report to the Board of Trustees assessing its fulfillment of its duties and responsibilities as described in the Charter

3.0 Meetings

- 3.1 Meetings are to be conducted in accordance with the state's Open Meeting Law NRS 241. The Board of Trustees will be emailed a copy



Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0

of the meeting minutes. Meeting minutes will be posted on the District website.

- 3.2 The committee will hold meetings up to twice per quarter, unless immediate action is needed and no less than four times per year. All members are expected to attend on a regular basis. Any member missing two consecutive meetings without due cause (i.e., illness) will be reviewed for continued membership on the Committee by the Chairs of the Committee and Board.
- 3.3 The committee Chair shall establish the agenda for meetings and provide all briefing materials to members and the public in advance.
- 3.4 The District's management is to provide to copies of all materials which are to be presented by management to a Committee's public meeting in compliance with NRS 241.
- 3.5 The Committee shall review correspondence to determine if any action is to be taken. If needed, assign the responsibility to investigate and resolve the concern/question to the appropriate organizational leader. Communicate with the submitter, if known, regarding their submitted concern.
- 3.6 The Committee shall review all past correspondence which contains outstanding action items. Ensure responses and/or corrective action is taken in a timely manner.
- 3.7 The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
- 3.8 An annual meeting is to be held with the independent auditor, the General Manager, the Director of Finance, legal counsel and anyone else as desired by the Committee to review the audited annual basic financial statements including the Comprehensive Annual Financial Report (ACFR) and the auditor's material written communications with the District.



**Accounting, Auditing, and Financial Reporting
Audit Committee Charter
Policy 15.1.0**

4.0 Annual Financial Risk Assessment and Risk Management.

The Committee shall review and discuss with District management and the independent auditor the District's major financial risk exposures, and the steps management has taken to monitor and control those exposures. It is the Board's responsibility to ensure the District has adequate controls and plans for risk mitigation for areas beyond finance.

MEMORANDUM

TO: Audit Committee

THROUGH: Audit Chairman Tulloch

FROM: Sara Schmitz

SUBJECT: Review, discuss and determine if any further action is necessary on implementation of agreed actions identified from 20-21 Audit Report

DATE: May 27, 2022

I. RECOMMENDATION

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

II. BACKGROUND

The 20-21 Audit Report identified areas where actions were required to address issues. In addition, the Audit Committee and the Director of Finance agreed to other follow-up actions. The Audit Committee seeks an update on the status of these actions.

DATE	DAY OF THE WEEK	TIME	LOCATION	COMPLETED MEMORANDUMS WITH ALL BACK UP MATERIALS FOR AGENDA ITEMS FROM AUDIT COMMITTEE MEMBERS DUE DATE	ITEMS SLATED FOR CONSIDERATION
6/16/22	Thursday	5.00 pm	Zoom		Internal controls <ol style="list-style-type: none"> 1. Review Code of Conduct (15.1 2.7) 2. Restricted funds versus committed funds 3. Moss Adams 1 deliverables 4. Dillon's Rule on DPSEF contract 5. Annual report to the Board of Trustees related to Policy 15.1.0 (Dobler)
					Whistleblower – Future date to be determined DavisFarr Work Plan review DavisFarr monthly meeting with the AC to update them on the audit process

MINUTES

AUDIT COMMITTEE MEETING OF MAY 10, 2022 Incline Village General Improvement District

The Audit Committee meeting of the Incline Village General Improvement District was called to order by Audit Committee Chairman Ray Tulloch on Tuesday, May 10, 2022 at 4:00 p.m. via Zoom.

A. ROLL CALL OF THE AUDIT COMMITTEE MEMBERS*

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

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

B. PUBLIC COMMENTS

There were no public comments made at this time.

C. APPROVAL OF AGENDA (for possible action)

Audit Committee Chairman Tulloch requested that General Business Items D.3., D.4, and D.5 be moved prior to General Business Item D.1. and D.2.; the agenda was approved as revised.

D. GENERAL BUSINESS ITEMS (for possible action)

- D.1. Review, discuss and determine if any further action is necessary on the Effluent Pipeline Capital Improvement Project charges to expense for FY 2020 and 2021 (*was General Business Item D.3.*)**
- D.2. Review, discuss and determine if any further action is necessary on the Golf Courses Irrigation, Greens, Tees, Bunkers and similar items as expenses rather than capital assets (*was General Business Item D.4.*)**
- D.3. Review, discuss and determine if any further action is necessary on the expensing net costs which were historically capitalized relating to 3 ongoing projects in the Utility Fund (*was General Business Item D.5.*)**

After a lengthy discussion of all three of the above General Business items, Trustee Schmitz made a motion that the Audit Committee requests that Management put together a formal report identifying the

reasons for not taking the input and recommendations of Mr. Dobler in the above 3 memorandums. Trustee Dent seconded the motion.

Audit Committee Chairman Tulloch said that the memorandums are very comprehensive and that we are looking for a response to all three items. Trustee Dent asked Staff how quickly can the Audit Committee get a response. Director of Finance Navazio said thank you for asking and that Staff does have a number of other pressing items that we are working on so it won't be June 1 but it could potentially be any meeting after that. Audit Committee Chairman Tulloch said June 16 is fine as he understands the pressure Staff is under. Director of Finance Navazio said that we can put it on the long range calendar and see where it falls. Trustee Dent said when Staff does respond, we are trying to understand why and that is the underlying question so if you can address that, it will be put to bed. Audit Committee Tulloch said that is what all of us want.

Audit Committee Chairman Tulloch, hearing no further comments, called the question and the motion was unanimously passed.

D.4. Review, discuss, amend as necessary and approve the DavisFarr draft engagement letter to include review discussion and approval of supplementing FY2021/22 Independent Audit to Include Additional Agreed-Upon Procedures Related to 1) Capitalization of Assets and 2) Purchasing/Contracts options for expanding annual audit by DavisFarr to include review of internal controls as integrated audit (*was General Business Item D.1.*)

Trustee Schmitz gave an overview of the submitted materials. Audit Committee Chairman Tulloch asked for some clarity on the capitalization policy regarding the effective dates. Director of Finance Navazio said Staff is using the old policy through the end of December 2021 and then starting in January 2022, we are using the new policy. The Audit Committee and Staff then had a lengthy discussion regarding the submitted materials.

Trustee Schmitz made a motion that the Audit Committee approve the engagement letter as submitted. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed unanimously.

Trustee Schmitz made a motion that the Audit Committee approve the additional services for capitalization of assets with the additional clarification for Item 7. Director of Finance Navazio reminded the Audit Committee that these two items will require Board approval. Trustee Dent seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed with Audit Committee members Tulloch, Dent, and Schmitz voting in favor of the motion and Audit Committee At-Large Member Dobler voting opposed.

Trustee Schmitz made a motion that the Audit Committee approve the Purchasing/Contracts options for expanding annual audit by DavisFarr to include review of internal controls as integrated audit. Audit Committee At-Large Member Dobler seconded the motion. Audit Committee Chairman Tulloch asked for further comments, receiving none, he called the question – the motion was passed unanimously.

Audit Committee Chairman Tulloch called for a break at 6:21 p.m.; the Audit Committee reconvened at 6:24 p.m.

Trustee Schmitz said that Director of Finance Navazio did the heavy lifting; Audit Committee At-Large Member Dobler said but the Director of Finance Navazio gets paid. Trustee Schmitz said sorry that she didn't say that before. Director of Finance Navazio said thanks.

D.5. Review, discuss and possibly update the Audit Committee Long Range calendar *(was General Business Item D.2.)*

Audit Committee Chairman Tulloch said he has scheduled the next two Audit Committee meetings for June 1 and June 16 as he is trying to wrap up things for the forthcoming new Audit Committee. Audit Committee At-Large Member Dobler said he would like to have on the June 1 meeting agenda, items 2 and 3 from today as they should possibly be expensed. Trustee Schmitz said when we put together our memo to the Board of Trustees, three items were included, these two items were included in that and where are we going and are we going to ask Management to do a report. Audit Committee At-Large Member Dobler said he knows more now and that he would like to have a discussion about being in agreement as we will never have agreement with the Board. Trustee Schmitz said we should add the other items for capitalization and request whatever we did tonight. Audit

Committee At-Large Member Dobler good point and it is over \$4 million, based on costs over \$4 million so it is probably \$8 million or \$9 million so it might be a good idea that we have it all assembled together and put it all to bed; it should be consolidated as we have 8 things. Trustee Schmitz said we need to make sure Staff is available on June 1. Audit Committee Chairman Tulloch said he would like to have it on the June 16 meeting. Director of Finance Navazio said he doesn't know if we can put it together in a week and a half. Trustee Schmitz said we should push off the whistleblower item until we have the new Audit Committee members; Audit Committee At-Large Member Dobler and Audit Committee Chairman Tulloch agreed. Trustee Dent said Policy 15.1.0 is going back to the Board for some minor administrative changes regarding vacancies. Trustee Schmitz said we should incorporate the DavisFarr audit work plan into our long range calendar and ask Ms. Farr if perhaps she could meet with us once a month to keep us up to date on the other engagements. Trustee Schmitz asked about the contract management item; Audit Committee Chairman Tulloch said he was hoping someone could educate him on that. Audit Committee At-Large Member Dobler said this goes back almost two years ago and it was about the investigation of the PICA contract and then the cart paths contract and that he really doesn't know if this falls within the Audit Committee purview. Trustee Schmitz said it is not the Audit Committee's responsibility and Audit Committee Chairman Tulloch agreed. Audit Committee At-Large Member Dobler said contracts come to the Board and they are not in very good shape. Trustee Schmitz said we have templates in place and so we can take that one off of the calendar. Audit Committee At-Large Member Dobler said he doesn't know if we should rehash restricted funds. Audit Committee Chairman Tulloch said he agrees and that is an action for District Legal Counsel. Audit Committee At-Large Member Dobler said he didn't know what the Moss Adams deliverables were? Trustee Schmitz said she has them at the end of the document and she can work on them with the Director of Finance. Audit Committee At-Large Member Dobler asked what is our input? Trustee Schmitz asked about internal controls procedures? Audit Committee Chairman Tulloch said those two items can be included on the June 1 agenda and then we can discuss them together. Director of Finance Navazio said there is a whole update on strengthening internal controls as well as a follow up from last August and that he can work with the Chair on agendizing an item. Staff would like to target June 16 for those issues and that he will work with the Chair on how to get that on the agenda. Audit Committee Chairman Tulloch said he will work with the Director of Finance to work through that. Audit Committee At-Large Member Dobler said regarding Policy 15.1.0, this was about the report

card on what the Audit Committee did and that it is not in the new policy so it can be removed. However, the new policy does have an annual financial risk assessment and that should be discussed as he is concerned about the Utility Division and we are going to be down to \$800,000 in the bank and that is tittering on the brink. The District has a capital plan of \$18 million and based on the cost increases, Jacobs, HDR, and financial risk assessment, he is concerned. Audit Committee Chairman Tulloch said the item is risk assessment. Audit Committee At-Large Member Dobler read the item from the policy and stated that this was scary stuff. He and Trustee Schmitz went over the budget and there is a huge risk here especially with the utility and that he would never run a company like this. Audit Committee Chairman Tulloch said that there is structural risk there so let's add it to the June 16 meeting in terms of the duties allocated to us to have a more generic discussion. Audit Committee At-Large Member Dobler said then there is unearned revenue and it has gone up from \$1 million to \$3 million and we need to have a better understanding of it and the handling of the accounting. What does the Director of Finance think about it? Director of Finance Navazio responding explaining what is revenue and at the end of the fiscal year we will have sold season passes which will be unearned revenue as are play passes and it starts with a discussion about how what is revenue. Audit Committee At-Large Member Dobler said we are doing the same thing year after year after year and he wants to understand why. Director of Finance Navazio said that is about the fiscal year and revenue. Audit Committee Chairman Tulloch asked Audit Committee At-Large Member Dobler to prepare the annual report to the Board of Trustees related to Policy 15.1.0 and that it will be included on the June 16 Audit Committee agenda for review.

D.6. Review, discuss and determine if any further action is necessary on any correspondence received by Audit Committee

Audit Committee Chairman Tulloch announced that he has received an e-mail raising some concerns, under the category of Whistleblower, and that he will take it off line with District General Counsel Nelson.

E. MEETING MINUTES (for possible action)

E.1. Meeting Minutes of April 13, 2022

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of April 13, 2022 were approved as submitted.

E.2. Meeting Minutes of April, 21, 2022

Audit Committee Chairman asked for any changes; none were received so the meeting minutes of April 13, 2022 were approved as submitted.

F. PUBLIC COMMENTS*

There were no public comments made at this time.

G. ADJOURNMENT (*for possible action*)

The meeting was adjourned at 7:04 p.m.

Respectfully submitted,

Susan A. Herron
District Clerk

Attachments*:

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