

MEMORANDUM

TO: Audit Committee Chair Dent
CC: Board Clerk Herron
FROM: Audit Committee Member Clifford F. Dobler
DATED: August 4, 2020
Re: Historical Memorandums/Letters from citizens on Punch Card Accounting

Please include in the next Audit Committee Board Packet and distribute to each Audit Committee member the 9 attached memorandums and/or letters sent to the IVGID Board of Trustees, IVGID Audit Committee and IVGID auditor during the years 2015 to 2017. These documents are all in reference to the accounting for Punch Cards.

It is appropriate that the newly formed Audit Committee have a comprehensive history of concerns by citizens regarding this matter.

Sincerely,

Clifford F. Dobler

PUNCH CARD ACCOUNTING
ATTACHMENT 1

To: Board of Trustees - Audit Committee(Wong, Hammerel & Callicrate)

September 30, 2015

From: Clifford F. Dobler

Re: **Misallocation of Parcel Owner Discounts at the Community Services Fund and the Beach Fund**

Dear Audit Committee,

In my recent review of the Beach Fund within the comprehensive annual financial reports for the past six years I discovered some disclosure deficiencies and a major violation of operational expectations. I am requesting that the audit committee instruct the auditor to investigate and remedy these problems, to include a required restatement of financial statements and reallocation of IVGID funds as necessary.

The disclosure problems are caused by an unexplained change in the accounting and reporting of parcel owner discounts (also known as punch card allowances) at beach and community services venues. Thus:

- There was a major (material) change to the methodology
- There was no disclosure and explanation of the change
- There was no reporting as to the effect of the change
- There is no (possible) logical explanation for the change as implemented

The operational problem caused by the change is worse: **parcel owners without beach access are secretly (and illegally) being made to pay into the Beach Fund.**

In other words, for the last several years, Community Services Fund dollars have been reallocated into the Beach Fund without the public knowing, especially the parcel owners without beach access. Now on to the details.

BACKGROUND AND INVESTIGATION

As way of background I am retired as a CPA. I have over 30 years of experience reviewing financial statements, both as an auditor and advisor to financial institutions and as a successful investor in distressed debt situations. My attention to tiny details and discrepancies have unearthed big problems or opportunities. I have lived in Incline Village for 20 years but only recently turned my attention to the IVGID financials.

I was looking through past audited financial reports to understand historical beach performance and usage. I started by assembling the historical parcel owners discounts in the Beach Fund into a table, using the data IVGID began reporting in 2010.

NOTE: The data below is sourced from page 26 of the comprehensive financial report for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014. For 2015 the data is from the unaudited operating income statement and for 2016 from the adopted annual budget.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts
2010 and prior	Not Available
2011	319,888
2012	448,003
2013	77,888
2014	71,625
2015	62,978
2016 (budget)	71,000

I noticed a gigantic drop off in the discounts for the beach usage from 2012 to 2013. Wow, did beach usage really plummet that much?

I gathered the historical Community Services Fund data also, to see if maybe the discounts there also dropped over that time period.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owner Discounts
2010 and prior	Not Available	Not Available
2011	319,888	0
2012	448,003	108,379
2013	77,888	564,550
2014	71,625	529,896
2015	62,978	470,402
2016 (budget)	71,000	519,000

Clearly not. In fact the numbers suggested that people had dramatically shifted discount usage away from the beaches to the other recreational facilities.

But the beaches and other facilities were open as usual during those years, so why would that happen? I looked at the total discounts next.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owner Discounts	Total
2010 and prior	Not Available	Not Available	Not Available
2011	319,888	0	319,888
2012	448,003	108,379	556,382
2013	77,888	564,550	642,438
2014	71,625	529,896	601,521
2015	62,978	470,402	533,380
2016 (budget)	71,000	519,000	590,000

So other than a failure to report discounts for 2011 in the Community Services Fund (that the auditor missed at that time and for which there was no footnote), the TOTAL parcel owner discounts looked to be in a consistent range before and after 2013.

This suggested some kind of major accounting change after 2012, so I dove into the text of the comprehensive financial reports and the notes to financial statements - summary of accounting policies parcel owners discounts.

In 2011 there was no explanatory text for the parcel owner discounts and then in 2012 this text was added in Note 1-Q:

“Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and a resident rate for certain types of recreational fees.”

This was brief but sufficient. Discounts are always allocated as a reduction in the revenues booked in the associated sale (by definition) so no need to elaborate on that. The Beach resident rate is "free" or zero dollars so the discount ("buy down") value for the guest rate would be the entire rate. Accounting for the use of a punch card for a typical adult guest transaction at the beach should look like this for the Beach Fund:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Allowance for Punch Card (Discount Amount)	-\$12.00
Net Sale at the Beach (Net Revenue Amount)	\$0.00

Community Services Fund facility discounts (golf, rec center, skiing, etc.) are much less than 100% of the full price, but each discount should still be recorded as the difference between the regular rate and the resident rate. This seems to be how all the discounts were recorded and reported in 2012.

But then something strange happened. Beginning in 2013 and subsequent years, in the same notes to the financial statements - summary of accounting policies (Note 1-R), two new sentences were inexplicably added:

“Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and a resident rate for certain types of recreational fees. *These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.*”
(emphasis added)

What? The first new sentence restated the obvious - of course discounts are contra revenue, they have to be. But then the following sentence conflicts with basic rules of discount and fund accounting. How can discounts from gross revenue be reported in a different and arbitrary way from how they were actually recorded? How could a beach discount be allocated to community services and vice versa?

If the discounts from the gross revenues for the Beach Fund or Community Services Fund were allocated differently from how they actually happened, there would no longer be accurate reporting of the net

revenue activity and discounts in either fund, which might explain the weird numbers I'd found. I did calculations of the reported Beach Fund discounts and Community Services Fund discounts as a percentage of the total discounts:

Year Ending	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owners Discounts	Total	Beach/CSD Discount Split
2010 and prior	Not Available	Not Available	Not Available	
2011	319,888	0	319,888	100.0/0.0
2012	448,003	108,379	556,382	80.5/19.5
2013	77,888	564,550	642,438	12.1/87.9
2014	71,625	529,896	601,521	13.5/86.5
2015	62,978	470,402	533,380	11.8/88.2
2016 (budget)	71,000	519,000	590,000	12.0/88.0

The reported discount split did change to something approximating the arbitrary 88%/12% split referred to in the financial statement notes, beginning in 2013. So even though the numbers did not match precisely as alleged, this had to be the explanation.

DISCLOSURE IMPLICATIONS

The first observation from a disclosure perspective is that there has definitely been a change in accounting in 2013 and thus a failure to adequately explain and disclose this change as required by accounting standards. Accounting guidelines state that for any material change in accounting methodology, there must be a clear disclosure and explanation of the change. This was not done.

The guidelines also imply that there must be a logical and justified explanation for the change as implemented. That doesn't appear possible in this case. The change creates a significant misrepresentation that fails basic accounting logic the way it was implemented. Actual discounts at point-of-sale must be reported as they are recorded, not as they are massaged after the fact into some arbitrary restatement. Revenues for one proprietary fund cannot be reported as revenues for another.

Disclosure guidelines aside, it is also clear that since 2013, records for "Parcel Owner discounts on entry fees" are no longer reporting the actual amount of Parcel Owner discounts on entry fees at the various venues. The accounting is not telling the public what is actually happening.

According to IVGID Staff, the vast majority of parcel owner discounts continue to be recorded at the beaches such that the annual beach discounts still amount to around \$450,000. This means that the fictional allocations of parcel owner discounts since 2013 (12% to the Beach Fund and 88% to the Community Services Fund) remain the opposite of the real ratios (about 80% to the Beach Fund).

This also means that the net revenues at the Community Service Fund are understated by about \$375,000 and the net revenues at the Beach Fund are overstated by the same amount. This overstatement is about 40% for the Beach Fund, which is obviously material by accounting standards.

OPERATIONAL ANALYSIS

While we cannot ascertain any justification for these accounting changes, we can explain their financial effects. A major operational problem emerges given the required separation of the Beach Fund Recreational Standby Fee payments from the Community Services Fund Recreational Standby Fee payments. IVGID's particular situation is that some parcel owners have beach access and pay beach facilities fees and some parcel owners do not have access and (by strict legal requirements) do not pay for beach operations. This accounting change has caused payments to the Community Services Fund to be redirected into the Beach Fund.

As explained above, an adult guest transaction at the beach happens like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Allowance for Punch Card (Discount Amount)	-\$12.00
Net Cash Sale at the Beach (Net Revenue Amount)	\$0.00

But since 2013, an adult guest transaction at the beach has apparently been recorded and reported like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Beach Fund Allowance for Punch Card (12% of Discount)	-\$1.44
Community Services Fund Allowance for Punch Card (88% of Discount)	-\$10.56
Net Cash Sale (Net Revenue Amount)	\$0.00

While this gives the illusion of balancing, the accounting now has most of the Allowance for Punch Card (parcel owner discount) being booked into a different fund, so **from the Beach Fund perspective** the transaction looks like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Beach Fund Allowance for Punch Card (12% of Discount)	-\$1.44
Net Sale at the Beach (Net Revenue Amount)	\$10.56

The Beach Fund now has significant net revenues which were not previously recorded, because each time a guest obtains access to the beach by use of a punch card, 88% of that sale's discount is recorded in the Community Services Fund.

For each adult beach guest we now have \$10.56 in net Beach Fund revenue that is being reported for each sale but without any cash being paid at the time of sale. If the Beach Fund is booking \$10.56 in revenue and receiving \$0.00, the \$10.56 value per sale has to be coming from somewhere else in the financials and operations.

In other words, since the Beach Fund does not receive any cash from these guest sales as they take place at the beach, it must be receiving cash from some backchannel. Working from this deduction, I wanted to find out where the missing revenue or cash might be coming from.

After further investigation that included several discussions with IVGID staff, an answer has emerged. Through a series of convoluted journal entries and the use of a "cash pool" that has not been disclosed to the public, **actual cash is being transferred from the Community Services Fund to the Beach Fund** through the "cash pool" to make up for the discount reallocation.

Specifically, during the three year period ending June 30, 2015 a **total of \$1,128,820 of cash was transferred through the cash pool from the Community Services Fund to the Beach Fund**. This corresponds to the missing amount of money needed to cover all of the revenue booked but not received into the Beach Fund due to the reallocation of parcel owner discounts. These transfers are continuing today.

OPERATIONAL IMPLICATIONS

The existence of this cash transfer means that the subset of parcel owners that pay into the Community Services Fund and do not have beach access - and therefore are **not supposed to be paying anything** into the Beach Fund – have had a portion of their \$730 Community Services Fund Recreational Standby Fee payments reallocated into the Beach Fund without their knowledge or permission.

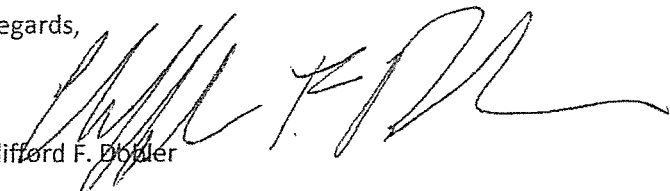
This is obviously an operational violation that needs to be stopped immediately and then fully reversed for previous years. In fact, anything short of a complete public acknowledgement, report and full remedy for all affected citizens will raise suspicions of bad intent.

I hope and trust that with the findings reported in this letter, the Audit Committee will now direct IVGID (and their Auditor) to acknowledge this mistake, undo it, investigate why it happened and report on the findings and the processes put in place to ensure that it never happens again.

Also please keep in mind that in light of the disclosures herein, any failure by the Audit Committee members to expedite an investigation and remediation of this problem would easily be considered aiding and abetting this malfeasance.

Thank you all for your prompt attention to this serious matter. If this letter raises any additional questions, I may be contacted by phone(775-722-4487) or email (cfdobler@aol.com).

Regards,


Clifford F. Dobler

PUNCH CARD ACCOUNTING
ATTACHMENT 2

November 25, 2015

To: Board of Trustees

From: Clifford F. Dobler

Re: Beach Analysis

As a result of the misallocation of the Parcel Owner Discounts between the Community Service Fund and the Beach Fund for the past three years and the current year, I decided to study the Beach activity for the past 7 years and the budget for the current year.

The study consist of a two page summary of the Revenue, Expenses, Adjustments, Debt payments, Capital projects and various data compiled from the audited financial statements and budgets and the study is attached hereto.

In looking at sales and fees (line 9) you can see beginning in year 2011 a large jump in amounts received without any real increase in visits (line 46). This was the year, the Staff decided to start grossing up the revenues to account for usage of the punch cards for resident's guests. Further increases in sales and fees then a leveling off occurred in years 2012 to 2015 which must have been a combination of a rate increase (line 42) and increase in visits (line 46). At the same time note the dramatic drop off of the Parcel Owner Discounts (line 13), which is further detailed in my letter to the BofT audit committee on September 30, 2015.

As a result of adjusting and faking the Parcel Owner Discounts (line 13) total revenues (line 18) exploded upwards beginning in years 2013 through 2015.

As this new found source of journal entry funding materialized notice the large increases in expenses (line 29) beginning in 2014, 2015 and the budget for 2016.

By adjusting the Parcel Owner discounts from what was reported to what actually occurred it is easy to see the yearly nosedive in Operating Income (line 33) beginning in 2013.

On page 2 of the analysis which includes the operations, required debt service and capital projects and adjusting for the parcel owner discounts to the proper amounts, the beaches have been operating in the RED (line 60) since the bogus accounting for punch card usage was concocted.

What are the ramifications:

1) The Staff and Board of Trustees in order to "smooth out" the annual Recreational Facility Fee and the Beach Fee has deceived the citizens on exactly how much of a citizen "subsidy" is actually required to support all of the costs and expenses of operating, maintaining and debt service for the beaches. The BofT would have to be honest and explain to the public that the Beach Facility Fee should have been \$150.00 per year rather than the \$100.00 since 2013. Of course, there would also be a corresponding reduction in the Community Service Recreational Facility Fee from \$730.00 down to \$680.00. This explanation would also require courage and admitting a mistake.

2) The estimated Beach Fund "reserves" AKA unrestricted assets of \$1,192,021 as of June 30, 2015 would be ZERO or negative if the \$1,200,000 of punch card usage not recorded at the beaches was recorded properly and the cash funds returned to the Community Service Fund.

3) The published five year capital project report would be incorrect as there would be no funds to accomplish any new capital projects. The existing five year capital project report indicates capital projects would be "Paid from Beach Fund Balance, as available" Since there is truly no reserves available nothing could be constructed. As a result, in order to fund planned capital projects the Beach Fee most probably would have to be increased above the \$150 per year mark or borrowings would be required.

4) There are different parcel owners who are charged different fees depending on which parcels have beach access rights. Again an admission of a mistake would be required.

I would suggest that this fiasco be corrected and above all reported and managed properly.

Clifford F. Dobler

A handwritten signature in black ink, appearing to read "C. Dobler". The signature is written in a cursive, somewhat stylized font.

	A	B	C	D	E	F	G	H	I	J	K	L
1	Incline Village General Improvement District											
2	Analysis of Actual Revenues and Expenses 2009 to 2015 and budget for 2016											
3	data obtained from audited financial statements and budgets											
4												
5	BEACHES											
6	ACTUALS										BUDGET	
7			2009	2010	2011	2012	2013	2014	2015	2016		
8	Operating Revenues											
9	Sales and Fees		533,603	501,128	672,581	838,017	866,215	871,540	871,379	855,200		
10	Food and Beverage		128,022	99,152	61,227	-	-					
11	Concessions				26,810	69,974	63,915	70,839	62,500	62,500		
12	Rents		88,451	110,536	4,573	108,288	127,999	161,867	118,700	120,000		
13	Parcel Owners Discounts		-		(319,888)	(448,003)	(77,888)	(71,625)	(62,978)	(70,500)		
14	Other Revenues		16,466	13,698		(6,000)	6,160	2,988		9,000		
15	User Fees and Other Revenues		766,542	724,514	445,303	562,276	986,401	1,035,609	989,601	976,200		
16												
17	Recreational Standby Fee		1,210,476	865,540	783,028	899,565	775,102	780,716	778,149	774,300		
18	Total Revenues		1,977,018	1,590,054	1,228,331	1,461,841	1,761,503	1,816,325	1,767,750	1,750,500		
19												
20	Operating Expenses (no depreciation)											
21	Wages and Benefits		640,061	592,445	627,406	528,625	554,750	690,594	771,640	909,410		
22	Cost of Goods Sold		34,628	30,038	13,030	-						
23	Services & Supplies		329,719	322,697	368,704	344,221	325,734	374,682	547,567	422,545		
24	Central Service cost					69,600	63,600	72,000	in service & supp	90,500		
25	Insurance		10,343	17,159	16,427				18,944	19,900		
26	Utilities		81,503	81,839	76,596	78,318	77,989	85,763	102,082	91,140		
27	Legal and Audit		15,918	7,634	4,798	7,369	4,683	3,246	2,746	15,000		
28												
29			1,112,172	1,051,812	1,106,961	1,028,133	1,026,756	1,226,285	1,442,979	1,548,495		
30												
31	Operating Income as Reported		864,846	538,242	121,370	433,708	734,747	590,040	324,771	202,005		
32	Adjust for Parcel Owner Discount (per EICK)						(371,956)	(380,073)	(376,792)	(375,000)		
33	Operating Income adjusted		864,846	538,242	121,370	433,708	362,791	209,967	(52,021)	(172,995)		
34												
35												
36	Sales and Fees to Users only		533,603	501,128	672,581	838,017	866,215	871,540	871,379	855,200		
37	Parcel Owners Discounts - as Reported				(319,088)	(448,003)	(77,888)	(71,625)	(62,978)	(70,500)		
38	Parcel Owners Discounts - Adjustments						(371,956)	(380,073)	(376,792)	(375,000)		
39	Adjusted Sales and Fees		533,603	501,128	353,493	390,014	416,371	419,842	431,609	409,700		
40	Percentage of Discounts to Sales not recorded						-43%	-44%	-43%	-44%		
41												
42	Rate Increase						\$10 to \$12					
43	FTE Personnel (Budget)		16.9	18.1	17.8	14.9	15.3	17.1	20.2	22.0		
44	Incremental Personal Expense							135,844	81,046	137,770		
45	Personal Expense per each FTE increase							\$ 75,469	\$ 26,144	\$ 76,539		
46	Visits		159,827	152,624	155,671	165,387	165,089	173,963	153,841	165,000		
47												
48												

	A	B	C	D	E	F	G	H	I	J	K	L
49	BEACHES											
50	ACTUALS											BUDGET
51					2009	2010	2011	2012	2013	2014	2015	2016
52	Operating Income as Reported				864,846	538,242	121,370	433,708	734,747	590,040	324,771	202,005
53												
54	Interest on Debt				(51,008)	(32,663)	(27,759)	(23,318)	(19,234)	(11,811)	(5,000)	(934)
55	Principal on Debt				(233,144)	(240,362)	(217,040)	(58,757)	(168,648)	(263,218)	(270,602)	(5,216)
56	Capital Projects				(80,587)	(122,173)	(138,173)	(17,544)	(550,397)	(127,176)	(695,822)	(203,000)
57												
58	Net Resources				500,107	143,044	(261,602)	334,089	(3,532)	187,835	(646,653)	(7,145)
59	Adjustment for Parcel owners discounts								(371,956)	(380,073)	(376,792)	(375,000)
60					500,107	143,044	(261,602)	334,089	(375,488)	(192,238)	(1,023,445)	(382,145)
61												
62	Combined Losses				\$ (1,257,678)							

PUNCH CARD ACCOUNTING
ATTACHMENT 3

To: IVGID Audit Committee: Trustees Hammerel, Wong and Callicrate

To: Dan Carter, Partner at Eide Bailly

From: Dick Warren

Dated: November 19, 2015

As most of you know, I am a CPA and a part-time Incline Village resident for almost 25 years. For the past year or so I have reviewed IVGID financial statements and have stated on the record, both in correspondence with the Board and the General Manager, as well as publicly, that IVGID accounting practices and financial statements are clearly lacking in clarity and substance. They are not only misleading and highly manipulative, but are probably fraudulent. An alarming example is the Beach Fund whereby IVGID deliberately inflated Beach Fund Revenues and Net Income by falsifying the actual usage of the Punch Cards. That, ladies and gentlemen, is fraud!

And who has been at the center of all these financial transactions? None other than your very own Director of Finance, Gerald W. Eick. Mr. Eick has been employed by IVGID since 2007 as Comptroller and was promoted to his current position in October of 2011. Through the years, Mr. Eick seems to be able to operate without proper supervision or oversight by the General Manager, the Board of Trustees and the independent auditor. How else does one explain the Beach Fund fiasco? In addition to violating Generally Accepted Accounting Principles and Nevada Revised Statutes by failing to disclose the accounting change in the footnotes to the financial statements, Mr. Eick recorded fictitious revenues at the Beach Fund to materially overstate net income and created a "cash pool" to funnel unlawful cash transfers from the Community Services Fund to the Beach Fund to facilitate his deception. As a result, the financial statements for both the Beach Fund and Community Services Fund are materially inaccurate. Even the independent auditor did not pick up on these deliberate improprieties, by either failing to exercise proper due diligence or relying upon the information provided by Senior Management and the IVGID audit committee.

Judging from the multi-year Beach Fund deception, one could challenge the veracity of all IVGID audited and unaudited financial statements for all the District's recreational venues.

The absence of internal controls allows Mr. Eick to do as he pleases. His latest scheme is to replace Enterprise Fund Accounting with Special Revenue Fund Accounting for the Community Services Fund and the Beach Fund. Although Mr. Eick's memorandums to the Board and the Community assert that this new format will promote greater financial transparency and comply with all regulatory guidelines, the reverse is true. A close examination of the Department of Taxation Guidance Letter clearly demonstrates that both of these funds are in fact Enterprise Funds and do not conform to the definition of Special Revenue Funds. As for ease of understanding and financial transparency, perhaps the Trustees that approved this change could validate Mr. Eick's claims. As a CPA with many years of experience, I cannot.

It is pretty clear that Mr. Eick is running amuck with no adult supervision. Through the deliberate misrepresentation, misstatements or omissions in the District's financial statements, newspaper articles and memorandums to the Board and the Community, Mr. Eick and the General

Manager have created a false impression of the District's financial strength. With each passing day, this house of cards comes closer to falling apart pretty quickly.

IVGID is a governmental entity that is losing money at all its community service venues and the deficit is being subsidized with the Recreation Facility Fee. Even with the mandatory Rec Fee it is barely breaking even. None of the Venues price their products to cover their costs, so the Rec Fee is needed to bolster the revenues. Also, note that the District continuously underperforms its own budgeted revenue projections and there is inadequate cash flow to meet its operating expenses. Yet, IVGID expends hundreds of thousands of dollars in IT and software upgrades that staff has been unable to implement, hires more consultants, increases its marketing and advertising, and adds services like publishing and transportation shuttles, which further increases operating expenditures. Capital Projects to maintain existing structures have been delayed or postponed to make way for the new projects that IVGID would love to do like the Diamond Peak Master Plan. To meet all these commitments IVGID will require the issuance of multi-millions of dollars of General Obligation Bonds and significantly increase the Recreation Facility Fees to service the debt and repay these bonds. Sooner or later even those who support or are indifferent to IVGID's operations will start to challenge its management.

So, I am wondering what your end game is going to be... You cannot plead ignorance because many people have already pointed out significant financial irregularities, half-truths and misstatements - from the former Chairman's concern about the District's collecting \$170 of the Rec Fee to service General Obligation Bonds that have sunset and the General Manager raiding the cash reserves to cover the District's overspending - to the report from a private citizen and CPA raising a red flag to Mr. Eick, Mr. Pinkerton and the IVGID audit committee on the Beach Fund accounting.

I have heard that the Board and the members of the Audit Committee have no personal liability. However, when you exhibit gross negligence in your fiduciary responsibilities or abet the malfeasance of those under your supervision, I think the attorneys will think otherwise. Taxpayers and investors will demand that all wrong-doers be held accountable. Certainly Dan Carter and his firm Eide Bailly will be held professionally accountable because they audit IVGID, but I think they will also focus on the Audit Committee and the Board for not demonstrating any kind of fiduciary oversight of the General Manager and his staff, particularly Mr. Eick. So, what will your defense be? We thought they were all good people doing the best they could? If I were on the Board or the Audit Committee I would be one concerned individual about my personal and professional integrity and my personal liability.

I am just one of many concerned and qualified individuals raising these issues, and so far I have seen no responses or actions taken by the Board or the Audit Committee to protect the taxpayers and the general public.

PUNCH CARD ACCOUNTING
ATTACHMENT 4

February 19, 2016

TO: Audit Committee - Trustees Callicrate, Wong and Hammerel

RE: Questions asked of Dan Carter of EideBailly at Audit Committee Meeting on 12/16/2015 regarding the accounting for punch cards.

Transcript of Question and Answer and my observations and comments

Question by Kendra Wong

First Sentence - "Something that's come up with a lot of different community members is how we account for our punch card usage and the fact that if we use a punch card at the beach that it stays within the beach fund essentially to make sure people who don't have beach access aren't necessarily paying for things related to the beaches."

Comments: If a punch card is used at the beach for admission of a guest then the fee collected must remain at the beach. So any discount obtained by the use of the punch card (which is 100% of the fee charged) should also remain at the beach. So are we accounting for that discount appropriately? As a matter of FACT 88% of the punch card discounts used at the beach is being reported as a discount in the Community Services Fund wherein no sale at all has taken place. The cash amount of the discounts is then transferred from the Community Services Fund to the Beach Fund. There are approximately 400 parcel owners who pay the Community Services Fund Recreation Facility Fees and don't have beach access but are required to fund their share of the punch card discounts transferred to the Beaches. These owners represent approximately 5% of the total parcel owners. As such, these owners from 2013 through 2016, have had to pay 5% of the \$1,500,000 transferred from the Community Services Fund to the Beach Fund. Please see calculation below.

So the simple answer to the question is: NO. The use of the punch card transaction is not staying at the beach and YES, people who don't have beach access are paying for things related to the beaches. The answer to the question by Dan Carter which is cited below can only be described as inept.

Second Sentence – "So can you talk about the audit procedures that you do over that process and how comfortable you are that our community services funds and our beach funds are separate?"

Comments: The questions which would be appropriate: Have you reviewed all of the punch card discounts used at the beach? Have you evaluated the process for allocating the discounts between two separate funds? Is the allocation process correct? Are all discounts recorded at the beach by use of the punch card (the process) been reviewed by you and found correct and in accordance with generally accepted accounting principles?

Answer by Dan Carter

First sentence - "It is our understanding that IVGID has a POLICY to account for basically the contra revenue of those beach cards against the people who are actually paying for them."

Comments: Is there a policy to account for basically the contra revenue for "those beach cards"? Since we have no idea what a "beach card" is or knowledge of its existence, how can anyone be paying for something that does not exist. As for a Board approved policy please be kind enough to present it to me for my examination.

Second sentence - "They are associated with fees or the taxes associated on a parcel by parcel basis."

Comments: I assume the "They" must mean those mysterious "beach cards." So Mr. Carter's second sentence has no meaning.

Third sentence - "So the policy of IVGID, as approved by the Board of Directors, is to offset those punch cards against the property holders versus the actual users."

Comments: There is no policy approved by the Board of Directors to "offset those punch cards." So this third sentence is untrue. If there were a Board approved policy, please explain what exactly is being "offset".

Fourth sentence - "And so we have, you know, our basic audit procedures covered that area."

Comments: What "area"? Are we to surmise the audit procedures were covering those "beach cards"? Or the "two IVGID policies"? Or the unknown "offsets"? Or the punch card? Please provide a detailed explanation.

Fifth sentence - "We were comfortable that we had done enough work over that and found basically the ratio of those contra revenues to be in line with the property taxes themselves, so yeah, we were able to gain comfort with that specifically, yeah."

Comments: "The contra revenues to be in line with the property taxes themselves." What does that even mean? We pay a Recreation Facility Fee and a Beach Facility Fee. Are these property taxes? Please clarify whether the Recreation Facility Fee and the Beach Facility Fee are property taxes or fees? And explain the ratio Mr. Carter has constructed.

Summary

Did Mr. Carter's answer to Trustee Wong's question resolve whether or not "IF WE USE A PUNCH CARD AT THE BEACH THAT IT STAYS WITHIN THE BEACH FUND?" As previously stated in my memorandum of September 30, 2015 and confirmed by Mr. Eick, there is approximately \$450,000 per year of **free** guest entry at the beach by using the punch card. The stated beach guest entry fee is recorded as gross revenues in the Beach Fund and the 100% contra revenue or discount by use of the punch card is **recorded as only 12% in the Beach Fund**. The remaining punch card discount of 88% is recorded as a contra revenue (parcel owner discount) in the **Community Services Fund**. There is no actual sale recorded in the Community Services Fund yet a discount of 88% of the stated beach entry fee is recorded in the Community Services Fund. According to Mr. Carter this bookkeeping activity is actually a policy adopted by the Board of Trustees. We all know this accounting does not conform to accounting standards and is factually incorrect. What we know to be factually accurate is the net

revenues for the past three years have been vastly overstated at the Beach Fund and understated at the Community Services Fund by over \$1,125,000 directly as a result of this fraudulent accounting scheme.

I am formally requesting this Audit Committee produce for my examination the Board approved policy that defines and permits the accounting for punch card discounts to be recorded at the Community Services Fund and the Beach Fund regarding the free entry of guests at the beaches. This is a Public Records Request.

This is Serious. Now is the time for you to take corrective action.

Below are some of my observations:

Beginning in 2011 it became obvious that the actual cash revenues collected at the beaches would not be adequate to cover the required expenses and costs. To cover these escalating costs the Beach Facility Fee would have to be increased beyond the \$100 per year assessed. Staff was also proposing beach facility expansions which would also require raising the Beach Facility Fee. Borrowings would be out of the question as most residents want the beaches to be left alone and not to be tinkered with.

So it was up to the Director of Finance to come up with a creative solution to cover these rising costs and expenses without raising the Beach Facility Fee. And the solution was implemented through the budgeting process. Actual historical data existed which indicated that punch card discounts were predominately used at the beach so there was only small cash revenues. Since the beaches are restricted to homeowners, residents and their guests the ability to find new revenue sources would be minimal. So Staff needed to develop an accounting process to transfer money from the other recreational venues to the beaches.

So here comes the accounting theory. Our combined Recreation Facility Fee and Beach Facility Fee works out that 88% is required for the Community Services Fund and 12% is required for the Beach Fund. So let's forget about where the punch card discounts have historically been used and simply allocate the punch card discount 88% and 12% to the respective funds no matter where the punch cards are actually used. Ignore the actual fact that most of the punch cards are used at the beaches. Thus, one part of the various undocumented and unapproved smoothing policy had been established. The District had found a way to get more net revenues in the Beach Fund by reporting the full entry fees but only reporting 12% of the actual 100% discount from using the punch cards. The remaining 88% discount provided at the beaches but recorded in the Community Services Fund could easily be disguised since the Fund's revenues are 10 times larger than the Beach Fund and the discounts could be absorbed without much notice.

Was this discussed with the Board and a policy approved? I think not. The Board of Trustees as 'rubber stamp actors' simply approved the budget and I guess would not question that the Budget did not have the punch card discounts allocated properly.

Mr. Eick was faced with the dilemma of how he would record the remaining 88% of the punch card discount from the beaches onto the Community Services Fund. There were no sales made wherein an

88% discount could be assessed. As a result all punch card discounts were hidden in the administration department of the Community Services Fund. All Beach Fund discounts absorbed by the Community Services Fund were paid in cash to the Beach Fund.

Now, the simple and proper thing to do would be to budget the necessary Beach Facility Fee for the Beach Fund at a higher amount and lower the Recreation Facility Fee for the Community Services Fund by the corresponding amount. Easy? Yes. But then the District would have to face the community and explain why they are raising the Beach Facility Fee. As for reducing the Community Services Fee, also known as the Recreation Facility Fee, the community would applaud. But the District's Staff does not like deviating from their unapproved and amorphous "smoothing" policy.

As shown below, Beach Fund expenses and costs (debt service and capital projects) less ACTUAL revenues collected (excluding the revenues which are 100% FREE by use of the punch card discounts) far exceed the Beach Facility Fee charged to beach access parcel owners. As a result, a huge shortfall began in 2013. In the prior four years from 2009 to 2012 the District was able to keep operating expenses at approximately \$1,100,000 per year. The budget for 2016 lists expenses at \$1,548,408. An explosion of over 40% within four years!

Year	Expenses & Costs	Actual Revenue	Required Beach Fee	Actual Beach Fee	Short Fall
2013	1,765,035	(614,445)	1,150,590	775,102	375,488
2014	1,628,490	(655,536)	972,954	780,716	192,238
2015	2,414,403	(612,809)	1,801,594	778,149	1,023,445
2016	1,757,645	(601,200)	1,156,445	774,300	382,145

The SHORTFALL noted above for the past three years together with the 2016 budgeted is almost \$2,000,000. Approximately \$375,000 per year since 2013 has been transferred to the Beach Fund from the Community Services Fund with another \$375,000 expected this current year. The total is \$1,500,000.

In conclusion, if the Board of Trustees wants to continue this nonexistent approved POLICY of punch card discount allocations then go right ahead with the knowledge that you are not in compliance with Nevada Revised Statutes and you are not allocating punch card discounts in conformity with generally accepted accounting principles.

Rest assured that I personally will continue to press upon all of the Trustees to stop this charade and act prudently, correct the mistake and move forward.

If any of you have any logical concept, justification or POLICY which would deem the Punch Card Discounts as reported in the last three years of audited financial statements as being in accordance with any generally accepted accounting principles, then please provide them to me.

If any Audit Committee member actually believes that the answers to the questions asked of Dan Carter was sufficient and as a result the matter was resolved, then I expect a letter signed by each of you attesting to that fact.

To proceed forward with approving the financial statements for the 2014-2015 fiscal year is beyond my understanding. It did, however, demonstrate your failure to exercise your fiduciary duty to Incline Village/Crystal Bay parcel owners.

It is apparent you need my help as you are being taken advantage of by IVGID Staff and the District's counsel. I plead that you do not abuse the public trust and sacrifice your professional integrity by surrendering to the will of senior management.

A handwritten signature in black ink, appearing to read "Clifford F. Doblér", with a long horizontal flourish extending to the right.

Clifford F. Doblér - Resident

cc: Eide Bailly

cc: Trustee Dent

cc: Trustee Horan

PUNCH CARD ACCOUNTING
ATTACHMENT 5

February 19, 2016

To: Jeff Strand
Eide Bailly

From: Clifford F. Dobler

Re: Incline Village General Improvement District (IVGID) 2015 CAFR

Last quarter, I sent to you and you acknowledged receipt of two memorandums regarding the misallocation of punch cards and the transition from Enterprise Fund Accounting and Reporting to Special Revenue Fund Accounting and Reporting for the District's Community Services Fund and Beach Fund. My two memorandums were also submitted to Mr. Dan Carter, the audit engagement partner on the account.

These two accounting treatments required the diligent attention of Eide Bailly's independent auditing team and needed to be corrected before the 2015 Certified Audited Financial Report was issued for the Incline Village General Improvement District (IVGID). An IVGID Audit Committee meeting was held on 12/16/15 wherein Dan Carter, the audit engagement partner on the account, was asked questions regarding the two accounting treatments.

A transcript of these questions and Mr. Carter's responses, are attached. You can view the December 16, 2015 meeting at: livestream.com/IVGID/events/4152386

I am attaching two additional memorandums with my comments regarding Mr. Carter's answers. It is quite apparent that Mr. Carter did little if any professional research on the subjects. So be it.

I expect Eide Bailly to implement the following remedial action:

- 1) Notice to IVGID that the accounting and reporting for punch cards (parcel owner discounts) are not in conformity with generally accepted accounting principles and the financial statements for the past three years will require restatement. This accounting is a material misstatement, violates Nevada Revised Statutes and is an affront to the public's trust. Although it was brought to your firm's attention, it was glossed over. Anything less than a notice will result in complaints filed with the Nevada State Board of Accountancy and the American

Institute of CPAs (AICPA). I will also consider litigation against IVGID and Eide Bailly. Your firm was afforded the opportunity to explain the mistake to the Board of Trustees and request a restatement of the financials. Instead, Mr. Carter contrived a story about a non-existent Board policy and told the Trustees that the Policy was acceptable and issued a "clean" audit opinion.

2) Notice to IVGID that the transition from Enterprise Fund Accounting and Reporting to Special Revenue Fund Accounting and Reporting should not occur as the activities and exchange transactions which take place conflict with the Department of Taxation Guidance Letter, GASB Statements, and Nevada Revised Statutes which dictate that the Community Services and Beach Funds remain Enterprise Funds.

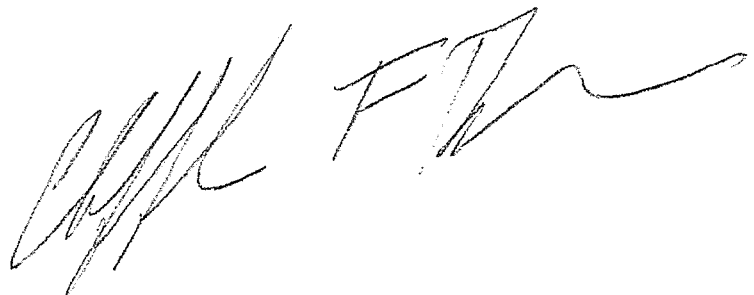
I would think the appropriate time period would be within 90 days which would allow adequate time to effectuate these remedial actions.

If you need any assistance in further understanding these two important issues, you are welcome to discuss them with me.

I can be reached by email at: cfdobler@aol.com or by letter: P.O. Box 3130, Incline Village, NV or by phone: 775-722-4487.

I will expect your professional attention and response to this letter.

I would hope you will comply with my request as it is the right thing to do.

A handwritten signature in black ink, appearing to read 'C. F. Dobler', is written across the bottom of the page.

PUNCH CARD ACCOUNTING
ATTACHMENT 6

March 3, 2016

**IVGID - Board Retreat Discussion
2016-2017 Operating Budget
March 3, 2016
Punch Cards - Pages 21 to 26**

**Comments on each page by Clifford F. Dobler
To be included in next Board Packet**

Page 21 - PUNCH CARD ADMINISTRATION

Using the need to change Ordinance 7 to reflect proper accounting of punch card discounts is utter nonsense and an improper statement. Ordinance 7 does not permit the 100% punch card discount used for free guest beach entry to be accounted for with 88% of the 100% discount allocated to the Community Services Fund and 12% of the 100% discount allocated to the Beach Fund.

In order to comply with Nevada Revised Statutes and Generally Accepted Accounting Principles the 100% punch card discount for free guest beach entry must be allocated to the Beach Fund. The Budget should accurately reflect the "actual" historical usage of punch card discounts at the Beaches and the Community Services venues to prepare the upcoming 2016/17 Budget.

Page 22 - PUNCH CARD CONTEXT THEN & NOW

This page has interesting facts but does not provide any context on Punch Cards.

Page 23 - PUNCH CARD ACCOUNTING EFFECTS

As the District has a system to track every punch card discount transaction, why is the District misrepresenting the venues where the punch card discounts are actually utilized? The discounts reported in the Community Services Fund and Beach Fund financial statements are most certainly an allocation that has not been properly applied against the actual revenue source.

Page 24 - PUNCH CARD BUDGETING

I would expect each venue to receive the actual revenue it receives from user fees regardless of payment types. I would expect that budget projections are based upon accurate historical data and that financial reporting of actual revenues are accurately reported. Apparently, the District has carved out a special exception for Punch Cards. When this "payment type" for free guest entry is used at the Beaches, the actual 100% discount and net revenue of ZERO is not properly reported in the Beach Fund.

ON WHAT BASIS SHOULD THE MAJORITY OF PUNCH CARD DISCOUNTS BE DUMPED INTO THE COMMUNITY SERVICES ADMINISTRATION WHEN THE MAJORITY OF THE PUNCH CARD DISCOUNTS ARE USED AT THE BEACH? There is no rational justification for this, only faulty logic. Apparently, the beaches needed more money to cover rising expenditures and Senior Management did not want to increase the Beach Facility Fee. The District's undefined and unapproved **SMOOTHING** policy was called into service to create an arbitrary allocation of punch card discounts to the Community Services Fund which capped the amount of punch card discounts that would be applied to the Beach Fund. The outcome of this sleight of hand would improve the appearance of Beach Fund net revenues to cover its expenditures and everyone paying the Recreation Facility Fee would in fact be paying for Beach Fund expenses! This is the "art of deception" in accounting. It inflates the budgeting demands of one Fund, the Community Services Fund which collects the Recreation Facility Fee to unlawfully provide and transfer the resources to the Beach Fund to meet its expenditures.

Page 25 - PUNCH CARD VALUES

Good information.

Page 26 - PUNCH CARD UTILIZATION

There is no historical summary of actual punch card usage at the District's recreational venues. Because Mr. Eick was kind enough to provide this information at my request, we can see that **THE MAJOR PORTION OF PUNCH CARD DISCOUNTS ARE UTILIZED AT THE BEACHES AND THIS AMOUNTS TO APPROXIMATELY \$450,000 ANNUALLY.** The District's Accounting Reports do not reflect this! Ask Mr. Eick to provide the very information I requested on the actual utilization of the punch card discounts and ask why they are reported in any other fashion. He will hide behind Ordinance 7 and have no plausible explanation.

MY CLOSING REMARKS:

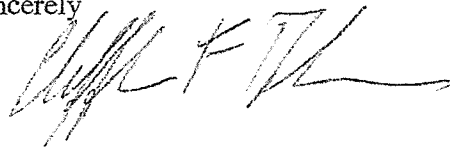
The change in the accounting for punch card discounts which occurred at the beginning of the 2012/13 fiscal year and continues today has created a massive fraudulent accounting scheme. Approximately \$1,500,000 will have been transferred from the Community Services Fund to the Beach Fund by the end of this fiscal year. Over 8,180 parcel owners, of which over 400 do not have beach access, have had to chip in to pay for this transfer.

This is an issue ripe for litigation. If Senior Staff and Trustees cannot correct this material misstatement and ensure proper financial accounting and reporting, this will be the most viable option for the community to pursue.

Mr. Eick's presentation is another snowball to confuse you and avoid the real problem.

6 pages of attachments included
cc: Eide Bailly

Sincerely



Board Retreat Discussion 2016-2017 Operating Budget March 3, 2016

Gerald W Eick, CPA CGMA Director of
Finance, Accounting, Risk Management
and Information Technology



Punch Card Administration

- Punch Cards, as a form of payment, is the single largest exception to our ease of use of off the shelf point of sales systems
- Until Ordinance 7 is changed, staff sees no other alternative to the present accounting
- Staff will work to make the message cleared about Punch Card accounting in the budget



Punch Card Context Then & Now

Budgeted 1998-1999

- Recreation & Beach Total Sources - \$12,130,257
- Facility Fee \$2,208,400
- Total Operating Uses \$9,174,285
- Capital Expenditures \$3,220,393
- Debt Service \$1,854,257
- Total Expend. \$14,248,935
- Facility Fees \$275/\$200

Budgeted 2015-2016

- Recreation & Beach Total Sources \$19,363,462
- Facility Fee \$6,746,430
- Total Operating Uses \$15,366,065
- Capital Expenditures \$2,802,296
- Debt Service \$1,289,196
- Total Expend. \$19,457,557
- Facility Fees \$830/\$730



Punch Card Accounting Affects

- Ordinance 7 establishes the privilege to obtain a “Punch Card” to buy down user fees to resident rates
- District has a system to track punch card use based on each transaction to measure the value allowed under Ordinance 7
- Punch Cards are not an allocation, they are entirely based on which individual privileges and cards a parcel holds and uses



Punch Card Budgeting

- Each venue budgets for and receives the revenue for user fees, regardless of payment type
- Since the Ordinance allows the use of the value of the punch cards to buy down user fees, there is an amount under Recreation Administration and in the Beach Fund to cover the use of the cards



Punch Card Values

- Cards are worth one fifth of the Facility Fee paid by the parcel for its privileges:
 - Parcel With Beach privileges, punch card value
 - $\$830 / 5 = \166
 - Parcel Without Beach privileges, punch card value
 - $\$730 / 5 = \146
- Punch Cards are an alternative to picture pass, decided upon by the parcel owner



Punch Card Utilization

- The three year average use through June 30, 2015 was \$605,000 and has been declining.
- Budget for 2015-2016 was set at \$588,000
- Current fiscal year is fairly close to budget even with increased use at the ski resort
- Currently plan to budget a similar amount for 2016-2017, approximately 20% of the Facility Fee for the operating components



PUNCH CARD ACCOUNTING
ATTACHMENT 7

Memorandum Presented at the 10-11-16 Board of Trustees Special Meeting: To be included in the next Board Packet

To: IVGID Board of Trustees Wong, Horan, Hammerel, Callicrate and Dent

From: Clifford F. Dobler

Re: An array of names with different meanings for a single Revenue Line Item in the Budgets for 2015-2016 and 2016-2017. These are "contra revenue" line items referred to as Sales Allowance; PPH Allowance, Punch Card Allowance and Punch Cards Utilized.

Exhibit A is a spreadsheet comparing contra revenue line items in the Annual Budget and Open Gov Budget for 2015-2016, and the Open Gov Budget for 2016-2017

This Discussion is limited to the Community Services Special Revenue Fund ONLY

2015-2016 BUDGET

The Annual Budget report for 2015-2016 in the Community Services Summary records a single Revenue line item called **Sales Allowances** in the amount of \$932,873.

The detail of each recreational venue which creates the summary records **Sales Allowances** of \$415,373 for 6 venues and **Punch Card Allowances** of \$517,500 for one department. Thus different names between the summary and the detail.

The Open Gov Budget for 2015-2016 in the Community Services summary and the detail of each recreational venue reports a different single Revenue line item called **PPH Allowances** amounting to \$1,242,073. This is significantly different from the \$932,873 reported in the Annual Budget Summary. The major difference was an increase in the Ski venue for PPH Allowances of \$300,000. **WHY?**

Last but not least, the monthly statement of operating sources and uses for the year ended June 30, 2016 refers to a line item as "Punch Cards Utilized" with a different number of \$517,500.

We have One Revenue Line Item with Four Different Descriptions and Three Different Amounts for the Same Budget in three different reports.

Not one of the descriptions is defined in the 5 page glossary of terms included in the annual budget.

2016-2017 BUDGET

The Open Gov Budget for the 2016- 2017 Community Services summary and the details of each recreational venue reports a single Revenue Line Item called PPH Allowances totaling \$739,100.

The new year's budget of \$739,100 is much lower than the average budget of \$1,087,000 for 2015-16.

The detail of PPH Allowances in the Ski venue is forecasting \$2,800 as compared to the 2015-2016 budget of \$460,000. This is a staggering decline. So what does the District expect to occur at the Ski venue to warrant such a large drop in PPH Allowances?

DEFINITIONS

Having one revenue line item reported with three different names: "Sales Allowance", "Punch Card Allowance", "PPH Allowance" or "Punch Cards Utilized" all of which have different meanings would suggest that any form of transparency does not exist and there is no consistency or accuracy in the descriptions or amounts presented.

To add to the confusion is the absence of any definition of these descriptions in the five-page Glossary of Terms included in the Annual Budget. A reader would have no idea what these Revenue Line Items represent.

I have compiled a few definitions left out of the Glossary:

The definition of a Sales Allowance: *Sales allowances are reductions in sales prices for merchandise with minor defects, the allowance agreed upon after the customer has purchased the merchandise.*

The definition of a Punch Card Allowance would have the same meaning as a Parcel Owner Discount described in the 2015 Comprehensive Annual Financial Report under Summary of Significant Accounting Policies Note S. " *Under District Ordinance 7 parcel owners may use punch cards to buy down the difference between a regular rate and the resident rate for certain types of recreational services.*"

However, this Parcel Owner Discount is not actually a discount but a straight buy down from prepaid Punch Cards. Therefore, using the term "Punch Card Allowance" summarized together with "Sales Allowance" and "PPH Allowance" would be inappropriate.

The identification of a PPH Allowance would suggest that the PPH might be "Picture Pass Holder". This term is not defined in Ordinance 7 but may be another name for a Recreation Pass as described on page 6 paragraph 24 of the Ordinance. To my knowledge, IVGID does not record any allowances or discounts relating to transactions created by the use of a Recreation Pass. As such, converting Sales Allowances and Punch Card Allowances into PPH Allowances is convoluted at best.

As documented in this memo, it is clear that any reader of any IVGID report cannot determine the true and correct nature of what is described on any line item presented. As such, the reports could not be considered transparent, accurate or consistent in any fashion whatsoever and are vastly misleading to all readers.

The names used in the various reports should be scrutinized and corrected to achieve consistency among the Budget Report to the State of Nevada, the Budget Report submitted to the citizens, the Comprehensive Annual Financial Reports and the Monthly Operating Reports. I would suggest that a Committee of two Board Members and two local CPAs be assembled to review the various reports, make the required changes and compel Director of Finance Eick to adopt the changes.

Approximately one year ago, I brought numerous reporting inconsistencies to the attention of General Manager Pinkerton, Trustee Wong, Director of Finance Eick and District Counsel Guinasso. I was told at that meeting that attention would be directed to report more accurately and consistently. Apparently nothing has happened.

MAYBE SOMETHING SHOULD HAPPEN

EXHIBIT "A"

Contra Revenue Line Items

Annual Budget for 2015-2016 and 2016-2017

	Annual Budget 2015-2016		Open Gov Budget 2015-2016		Open Gov Budget 2016-2017	
	Description	Amount	Description	Amount	Description	Amount
District Wide	Sales Allowance	(1,003,873)	PPH Allowance	(1,316,373)	PPH Allowance	(811,900)
Community Service Fund						
Championship Golf	Sales Allowance	(22,300)		-		-
Mountain Golf	Sales Allowance	(3,400)		-		-
Facilities	Sales Allowance	(50,340)	PPH Allowance	(50,340)		-
Ski	Sales Allowance	(116,000)	PPH Allowance	(460,000)	PPH Allowance	(2,800)
Parks and Recreation				-	PPH Allowance	(2,900)
Recreation Programs	Sales Allowance	(203,233)	PPH Allowance	(195,633)	PPH Allowance	(197,300)
Tennis	Sales Allowance	(20,100)	PPH Allowance	(18,600)	PPH Allowance	(18,600)
CS Administration	Punch Card Allowance	(517,500)	PPH Allowance	(517,500)	PPH Allowance	(517,500)
Other Recreation						
Total	Sales Allowance	(932,873)	PPH Allowance	(1,242,073)	PPH Allowance	(739,100)
Beach Fund	Punch Card Allowance	(70,500)	PPH Allowance	(74,300)	PPH Allowance	(72,800)
District Wide Total		(1,003,373)		(1,316,373)		(811,900)

PUNCH CARD ACCOUNTING
ATTACHMENT 8

Memorandum

To: IVGID Audit Committee: Trustee Chair Phil Horan, Trustees Wong and Hammerel

cc: IVGID Trustees Dent and Callicrate

From: Cliff Dobler and Linda Newman

Dated: December 7, 2016

To be included in the next Board packet

Subject: Sounding Another Alarm on IVGID's Deceptive and Fraudulent Accounting Practices:

- Re:
1. Fictional Parcel Owner Discounts on Entry Fees Reported in the 2011, 2012, 2013, 2014, and 2015 Comprehensive Annual Financial Reports (CAFRs) as stated in the Basic Financials for Proprietary Funds Statement of Revenues and Expenditures and Changes in Net Position and the Notes to Financial Statements 1(Q) for 2012; 1(R) for 2013; 1(S) for 2014; and 1(S) for 2015
 2. Contrived Misallocation of the Fictional Parcel Owner Discounts to Inflate Beach Fund Operating Revenues and Distort Community Services Fund Operating Revenues
 3. Unlawful Cash Transfers from the Community Services Fund to the Beach Fund totaling approximately \$1.5 Million through June 30, 2016
 4. Defrauding an entire community through the Improper Financial Mismanagement of the Community Services Fund and the Beach Fund

BACKGROUND OF PREVIOUS MEMORANDUMS

Over the past fourteen months we have provided four memorandums to the IVGID Board of Trustees documenting the District's improper accounting and reporting of parcel owner discounts on entry fees through the use of Recreation Punch Cards as reported in the above referenced CAFRs which resulted in the following:

- 1) Unlawful and Undisclosed cash transfers between two major funds;
- 2) Theft of a portion of parcel owner Community Services Fund Standby and Service Charges (Rec Fee) used to pay Beach Fund operating and capital expenditures;
- 3) Theft of a portion of Rec Fees paid by parcel owners legally denied access to the beaches;
- 4) Material overstatement of Beach Fund Operating Revenues;
- 5) Material understatement of Community Services Fund Operating Revenues;

All of the above has translated into defrauding an entire community through the financial mismanagement of the Community Services and Beach Funds. As a further consequence, this erroneous accounting has materially distorted the District's Annual Budget and the audited and unaudited financial statements to deliberately mislead taxpayers, investors, creditors and Federal, State and Local Regulatory Agencies on the District's operating performance, financial health and fiscal integrity.

On September 30, 2015, an extensive memorandum titled "Misallocation of Parcel Owner Discounts at the Community Services Fund and the Beach Fund" was submitted to the IVGID Trustee Audit Committee. This memo documented five years of major changes in reporting Parcel Owner Discounts ("Discounts") through the use of punch cards and an arbitrary allocation of 88% of these "Discounts" to the Community Services Fund and 12% of these "Discounts" to the Beach Fund. In addition to inaccurately reporting Community Services and Beach Fund revenues, this scheme involved unlawful and undisclosed cash transfers from the Community Services Fund to the Beach Fund. In stark defiance of Nevada law and the public trust, the District "repurposed" to the Beach Fund a portion of the Community Services Rec Fee paid by 8181 parcel owners, including approximately 438 parcel owners legally precluded from accessing IVGID beaches. At the end of June 30, 2015 the misallocation of these Discounts amounted to \$1,128,820 and is now estimated to be \$1,500,000 as of June 30, 2016. (Exhibit "A")

On November 25, 2015 we prepared a follow-up memorandum titled "Beach Analysis" which reported the effect of the misallocation of the "Parcel Owner Discounts" and the profound negative impact on Beach Fund operations. In addition to providing all the details, we requested that this fiasco be corrected with the required repayments made to the Community Services Fund. Above all, we requested these Funds be reported and managed properly. (Exhibit "B")

At the December 16, 2015 IVGID Trustee Audit Committee meeting convened to approve the District's 2015 CAFR, Board Chair Kendra Wong posed the following question to Mr. Dan Carter, Eide Bailly audit engagement partner: *"Something that's come up with a lot of different community members is how we account for our punch card usage and the fact that if we use a punch card at the beach that it stays within the beach fund essentially to make sure people who don't have beach access aren't necessarily paying for things related to the beaches. So can you talk about the audit procedures that you do over that process and how comfortable you are that our community services funds and our beach funds stay separate?"*

Mr. Carter answered: *"It is our understanding that IVGID has a policy to account for basically the contra revenue of those beach cards against the people who are actually paying for them. They are associated with fees or the taxes associated on a parcel by parcel basis. So the policy of IVGID, as approved by the Board of Directors, is to offset those punch cards against the property holders versus the actual users. And so we have, you know, our basic audit procedures covered that area. We were comfortable that we had done enough work over that and found basically the ratio of those contra revenues to be in line with the property taxes themselves, so yeah, we were able to gain comfort with that specifically, yeah."* (Exhibit "C")

Chair Wong's question and Mr. Carter's response did not address our concerns about the improper accounting and reporting. This interchange raised serious doubts about whether Trustee Chair Wong, a licensed California CPA, had reviewed the serious allegations cited in the memorandums and understood the gravity of unlawful and unreported cash transfers between Enterprise Funds. Mr. Carter's response added to our discomfort as it was apparent that he had not read the memorandums and had referenced non-existent "beach cards" and "policies" as well as rendering other statements that we found incomprehensible.

Despite this, two of the three Trustee Audit Committee members recommended approval of the 2015 CAFR. At the Board of Trustee meeting that followed, the CAFR was approved on a 4 to 1 vote without any changes to the improper accounting and reporting documented in our memorandums.

Shocked as we were, on February 19, 2016 we prepared another memorandum with commentary and analysis of Chair Wong's question and Mr. Carter's response of December 16, 2015 alerting the Board to the fact that they did not address, rebut or provide a remedy for our concerns (Exhibit "D").

As we were unaware of any "policy" approved by the Board of Trustees which would clarify Mr. Carter's remarks, we generated a Public Records Request on March 1, 2016. We were provided IVGID Ordinance No. 7 and IVGID Board Policy 16.1.1. Neither provided clarification nor support for Mr. Carter's statements on the accounting policies for contra revenues for "Parcel Owner Discounts". With this in mind, we have no understanding of exactly what constituted Eide Bailly's basic audit procedures.

On March 3, 2016 IVGID Board of Trustees held a Board Retreat to discuss the 2016-2017 Operating Budget as presented by Director of Finance Eick. Pages 21-26 of the power point presentation was dedicated to Recreation Punch Cards. On that day, Mr. Dobler presented a memo annotating each of the Punch Card pages to highlight the fallacies Mr. Eick stated on each page. (Exhibit E)

TO DATE, WE HAVE NOT RECEIVED ANY RESPONSE TO OUR PUBLIC COMMENTS, MEMORANDUMS AND FOLLOW-UP CORRESPONDENCE. WE HAVE NEVER RECEIVED ANY REPORTS EVIDENCING ANY INVESTIGATIONS INTO OUR ALLEGATIONS.

THE PROLIFERATION OF IMPROPER ACCOUNTING AND REPORTING IS UNACCEPTABLE AND BEYOND CONTEMPT FOR THE LAW. IT IS A BETRAYAL OF THE PUBLIC INTEREST YOU ARE ELECTED TO SERVE.

It is important to understand that "Parcel Owner Discounts on Entry Fees" created through the use of Prepaid Punch Cards are FICTIONAL. After reviewing IVGID Ordinance No. 7, the District's website on Recreation Privileges and five years of the District's CAFRs and the related Footnotes, we recently discovered that there are ACTUALLY no "parcel owner discounts on entry fees" using prepaid punch cards. These "discounts" as reported, were payments of the difference between the resident rate and the retail, non-resident or guest rate using the value of the prepaid punch cards to pay the full cost. No discounts were ever intended or provided.

In accordance with the District's chronic fabrications and unchecked misrepresentations, the District created FICTIONAL Parcel Owner Discounts as the foundation for an elaborate accounting scheme to record additional operating revenues from the use of Recreation Punch Cards. As the punch cards had already been paid for by the annual Rec and Beach Fees and recorded as revenues in the Community Services and Beach Funds when originally issued, the District double booked these revenues when these punch cards were utilized at the District's recreational venues. In order to balance the books on these prepaid punch card transactions, the District established a fallacious 88%/12% allocation of these "contra revenues of Parcel Owner Discounts." This formula enabled the District to record manufactured Beach Fund Revenues to pay for a portion of budgeted Beach Fund Expenditures. It also enabled the District to create unlawful and unreported cash transfers from the Community Services Fund to the Beach Fund to provide these manufactured revenues. In addition, the District devised different accounting procedures to record the use of prepaid punch cards at the Beaches and the Community Services recreational venues. At the Beaches, sales are recorded with corresponding contra revenue discounts; at the Community Services venues sales are recorded at each venue and the contra revenue discount is recorded in the Administration Sub-Account, rather than at each venue. These inventions have circumvented generally accepted accounting principles and Nevada law to manipulate the proper accounting and reporting for the Community Services and Beach Funds.

At the time our original memorandums were written, we had not questioned the District's characterization of parcel owner discounts utilizing punch cards as actual "discounts". Our concentration was on the misallocation of the discounts between two funds and the lack of proper disclosure. These additional layers of deception cause us deep concern and complete distrust of the District's entire financial accounting and reporting practices.

The Evidence Follows:

PUNCH CARD OVERVIEW

The nature of what IVGID characterizes as "parcel owner discounts" derives from the District's assessment of the annual Recreation and Beach Standby and Service Charges. The payment of these Charges, known as the Rec and Beach Fees entitle parcel owners to specific recreation privileges as defined in District Ordinance No. 7. This Ordinance **last amended on March 25, 1998 establishes rates, rules, and regulations for Recreation Passes and Recreation Punch Cards by the Incline Village General Improvement District.**

In exchange for the payment of these Rec and Beach Fees, each parcel owner has the right to obtain any combination of five Recreation Passes or prepaid Recreation Punch Cards. (Ordinance No. 7, page 6, paragraph 30).

The Recreation Pass, often referred to as a Picture Pass, is a non-transferable photo identification pass. For holders with Beach access it provides FREE access to the Beaches and resident rates for hourly, daily and seasonal use of District owned recreational facilities. For holders without Beach access, with the exception of Beach access, the privileges are the same. (Ordinance No. 7, page 6, paragraph 24). The

Recreation Pass, whether it is used once or a thousand times retains its intrinsic value as essentially “identification” for the holder to pay the established resident rate and receive all resident recreation privileges. The Recreation Pass can only be issued to certain family members and can also be assigned by a parcel owner to another person such as a renter.

The Recreation Punch Card ("Punch Card") is transferrable and can be used to PAY THE DIFFERENCE between the resident rate and the guest rate, retail or non-resident rate for access to various District recreation facilities. The Punch Card bears a face value established by the Board. (Ordinance No. 7, page 6, paragraph 22).

As the current Rec Fee is \$730 and the Beach Fee is \$100, and payers of these “Fees” are entitled to any combination of five Recreation Passes or Punch Cards, the Board has determined that for holders with beach access the Punch Card has a stated value of \$166 per card. This is one-fifth of the combined Rec and Beach fees totaling \$830. Punch Cards for holders without Beach access are valued at \$146. This is one-fifth of the \$730 Rec Fee. Additional Punch Cards for parcels with beach access can be purchased for \$166. Additional Punch Cards for parcels without beach access can be purchased for \$146.

Article VII of Ordinance No. 7 titled Recreation Punch Card states:

A Recreation Punch Card provides the cardholder with a face value of recreation privileges, determined by the Board, which may be applied toward:

- a) the difference between the resident rate and the guest rate for daily beach access, daily boat and jet ski launching; and
- b) the difference between the resident rate and the retail or non-resident rate for daily access to the District-owned golf, ski, recreation center and tennis facilities; and
- c) the difference between the resident rate and the retail or non-resident rate for any other recreation use fee or rental fee as may be determined by the Board.

It is quite clear that Punch Cards are prepaid with the payment of the Rec and Beach Fees and can only be used to PAY THE DIFFERENCE between the resident rate and the guest, retail or non-resident rate depending upon the venue. As a discount is defined as “a reduction from the full or standard amount of a price” the amount of a prepaid punch card used to pay the full value for recreation venues, would not qualify as a discount. It is also clear that only the Picture Pass enables the holder to pay the “discounted” resident rate.

Further validation of our assessment can be found on the IVGID website at:

www.yourtahoepace.com/parks-recreation/about-recreation/ivgid-passholder-information

“The Recreation Punch Card can be used to pay for any of the following privileges:

For beach access parcels only - the full cost of guest access to the beaches, pool and daily boat launching fees.

For all parcels - the difference between the regular rate and the IVGID Pass daily or hourly rates at the Recreation Center, Tennis Center, golf courses and Diamond Peak. The discounted rate must still be paid.

The card may be used at both golf facilities, but the difference between the standard and IVGID Pass rate will consume either most or all of the value of the card.”

According to the March 3, 2016 power point presentation by Director of Finance Eick at the Board of Trustees Retreat, the value of the prepaid Punch Cards WHICH WERE USED to pay the difference between resident rates and guest, retail, or non-resident rates have averaged approximately \$600,000 for each of the fiscal years 2013-2016. Of this amount, approximately \$450,000 is used annually at the Beaches. These punch card transactions are what IVGID considers to be a Parcel Owner Discount.

In addition to the District’s opaque and improper accounting, we have no way to validate this amount as our Public Records Requests for the number of punch cards issued in previous years have been denied.

FALSE REPORTING IN THE COMPREHENSIVE ANNUAL FINANCIAL REPORTS

"Parcel Owner Discounts on entry fees" reported as contra revenues in the 2011 through 2015 CAFRs are **NOT DISCOUNTS AT ALL** and have been erroneously reported as “discounts” without any basis in fact or accounting theory. The District’s explanation of the transactions creating these "discounts" is contained in the Financial Statement Footnotes (the “Notes”).

Financial Statement Footnotes, required under GASB 34, are an integral part of the financial statements. They are extremely valuable in discerning how various accounting policies, including revenue recognition and significant transactions, are impacting the government’s reported results and financial condition. They provide information that is essential to a user’s understanding of the basic financial statements. In accordance with Government Auditing Standards issued by the Comptroller General of the United States the Auditor’s Responsibility to obtain reasonable assurances about whether the financial statements are free from material misstatement includes a review of the Financial Statement Footnotes.

Parcel Owner Discounts on entry fees were first reported in the 2011 CAFR Basic Financials for Proprietary Funds Statement of Revenues and Expenditures and Changes in Net Position without any disclosure in the Notes.

2011 marks the first year of IVGID double booking a portion of Beach Fund Standby and Service Charges (Beach Fee) revenues and creating corresponding contra revenues through the accounting and reporting of fictional parcel owner discounts on entry fees through prepaid punch card transactions at the Beach Fund’s recreational venues. This fraudulent accounting which violates generally accepted accounting principles and Nevada law inflated the Beach Fund’s total Sales and Fees by 47%. This new accounting policy and the nature and justification for this change were not disclosed in the Footnotes.

For the years 2012 through 2015, the CAFR Notes titled **Parcel Owner Discounts** reference and misquote Ordinance 7, contain four differently worded disclosures and multiple inaccuracies.

These Notes are presented below with our analysis as well as attached to this memo without commentary as Exhibit F.

COMPREHENSIVE ANNUAL FINANCIAL REPORTS – Summary of Significant Accounting Policies - Footnotes on Parcel Owner Discounts

Year ending June 30, 2012 - page 33:

1Q. Parcel Owner Discount

Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of fees.

Analysis: This Note referencing Ordinance 7 is false and misleading. It introduces the new term “buy down” which does not appear in Ordinance 7; confuses Recreation Passes with Recreation Punch Cards as defined under Ordinance 7; and fails to specify that the only types of fees under Ordinance 7 are “recreational”.

According to Wikipedia, the standardized definition of a BUY DOWN *"is a mortgage financing technique where the buyer of a property attempts to obtain a lower interest rate for at least the first years of the mortgage. The seller of the property usually provides payments to the mortgage lending institution, which, in turn lowers the buyers monthly interest rate and therefore monthly payments."*

Apparently, a “buy down” is an inappropriate term and has no meaning in the context of Ordinance 7. In addition, paying the difference between a resident rate and a guest, retail or non-resident rate at the recreational venues does not create or result in a discount. If there is NO DISCOUNT, there are no Parcel Owner Discounts on entry fees to present as Contra Revenue in the Community Services and Beach Fund Financial Statements.

If you review the definitions of Recreation Passes and Recreation Punch Cards under Ordinance 7, it is clear that the Note mischaracterizes Recreation Passes with the characteristics of Punch Cards.

Recreation Passes as defined in Ordinance 7 have no actual value assigned and are used only as photo identification to obtain resident rates and privileges. To our knowledge no discounts have ever been recorded by using a portion of a value that does not exist to “buy down” anything. To state this simply, the use of Recreation Passes are non-monetary transactions.

Recreation Punch Cards as defined in Ordinance 7 may be used to pay the difference between the resident rate and the guest, retail or non-resident rate at the District’s recreational venues. As annual Parcel Owner Rec and Beach Fees are recorded as Revenues in the Community Services and Beach Funds and Recreation Punch Cards are prepaid with the payment of the Rec and/or Beach Fee –there

are no additional revenues generated at the recreational venues when these punch cards are used to pay entry fees.

Despite this, \$448,000 of Parcel Owner Discounts through the use of prepaid punch cards are reported at the Beach Fund artificially increasing the sales and fees by more than 50%. At Community Services, this improper accounting was also implemented. It increased the sales and fees by a nominal \$108,370. At both the Community Services and Beach Funds, these sales and fees were offset by a corresponding "discount". Director of Finance Eick has represented that the utilization of punch cards to pay the difference between resident rates and guest or non-resident rates constitutes a "discount".

Year ending June 30, 2013 - page 35:

1R. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of recreational fees. These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.

Analysis: This Note maintains the false and misleading references to Ordinance 7 but clarifies the fees only pertain to "recreational." It erroneously states that the "buy down" are discounts which are presented as "contra revenue" in the Proprietary Fund statements. It also adds: "Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees." As Ordinance 7 does not provide a definition of "facility fees" the Notes do not provide the necessary clarity to determine what the allocations actually mean. An external user of the District's financial statements would have to be familiar with the District's operations to know that the Note reference to an 88%/12% allocation of the "contra revenue" is based on the ratio of the District's Rec Fee of \$730 and Beach Fees of \$100 to their total of \$830.

As written, the District is stating that irrespective of the recreational venue where punch cards are actually utilized, the District will apply 88% of the fictional discounts as Contra Revenue to the Community Services venues and 12% to the Beach venues. The Community Services and Beach Funds are separate Funds. The Standby Service Charges (the Rec and Beach Fee) assessed for the availability of use for the facilities and services of each Fund must, by law, be collected for the express use of each Fund. As the punch cards are prepaid with the payment of the Rec Fee and Beach Fee and these Fees are already recorded as revenues in the respective funds, they cannot be properly recorded as additional revenues or contra revenues when the punch cards are utilized at recreational venues irrespective of any new ratio the District devises.

To distill this down to its essence, as prepaid punch card transactions do not generate actual gross revenues at the recreational venues there are no contra revenues to deduct or net revenues to record at the Community Services or Beach Funds. This did not deter the District from contriving a new device for the creation of fictional revenues to derive corresponding non-existent contra revenues which can then be allocated and manipulated between two separate and distinct funds. This 88%/12% ratio signals the

beginning of unlawful and undisclosed cash transfers from the Community Services Fund to the Beach Fund.

This is best illustrated by historic information provided by Director of Finance Eick. Beginning on July 1, 2011, almost \$320,000 in full price entry fees at the Beaches were paid by the use of prepaid punch cards. The full sales price was recorded as Sales and Fees revenues at the Beaches. Since no actual cash was exchanged, a credit for the same amount was recorded as “contra revenue” in a revenue sub-account titled **PARCEL OWNER DISCOUNTS**. For fiscal year ended 2012, \$448,000 of full price entry fees at the Beaches paid by the use of prepaid punch cards received the same accounting treatment. Then, as stated in the referenced Notes for 2013, 2014 and 2015 CAFRs, 88% of the fictitious Parcel Owner Discounts were recorded in the Community Services Fund, not in the Beach Fund. The resulting \$375,000 per year (88% of \$450,000) for each of the following years required CASH TRANSFERS from the Community Services Fund to the Beach Fund in order to reflect that only 12% of the 100% Parcel Owner Discount was for beach entries. As a result, Revenues at the Beach Fund have been overstated by approximately \$375,000 per year.

Keep in mind that there were never any discounts ever provided by using a prepaid Punch Card to pay the difference between a resident rate and the guest, retail or non-resident rate.

Year ending June 30, 2014 - page 36:

1S. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of recreational fees. These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.

Analysis: This Note replicates 2013 without any corrections or additions.

Year ending June 30, 2015 - page 36:

1S. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use punch cards to buy down the difference between a regular rate and the resident rate for certain types of recreational services. The punch card utilization is presented as contra revenue in the Proprietary Fund statements. Utilization is allocated based on the card value relationship to one fifth of the per parcel total facility fee. Typically for a full privilege parcel this is 88% to Community Services Fund and 12% to the Beach Fund.

Analysis: The Note reflects the use of punch cards to generate so called “buy downs” rather than recreation passes. The inaccurate references to recreation passes in previous years are not acknowledged. The buy down of the difference between a regular rate and the resident rate is changed from certain types of “recreational fees” to certain types of “recreational services”. It eliminates the characterization of a “buy down” as a “discount” and states that “punch card utilization is presented as contra revenue in the Proprietary Fund statements.” New information is added: “Utilization is allocated

based on the card value relationship to one fifth of the per parcel total facility fee. Typically for a full privilege parcel this is 88% to Community Services Fund and 12% to the Beach Fund.”

As written, this statement does not define “utilization” and is subject to multiple interpretations. It does not disclose any useful or understandable information to provide clarity nor justification for the presentation of contra revenue in the Proprietary Fund statements for transactions involving prepaid punch cards. The new language is another fabricated construct to validate unlawful accounting practices and a contrived 88%/12% ratio to create and conceal illegal cash transfers between two major funds.

This collection of Notes and their respective errors, omissions and false statements appear to have been overlooked by the IVGID Audit Committee, the Board of Trustees approving the Audits and the Independent Auditor responsible for auditing the District’s annual financials.

CONCLUSION

Over five years, the invention of Fictional Parcel Owner Discounts and the 88%/12% Fictional contra revenue allocation has manipulated and distorted the Beach Fund and Community Services Fund financial statements. It has created a device to unlawfully transfer and conceal \$1.5 million over four years from the Community Services Fund to the Beach Fund. This scheme has materially corrupted a fair representation of the District’s overall operational and financial management. It has become the foundation for inflating the Community Services Fund Rec Fee, what Director of Finance Eick and General Manager Pinkerton refer to as “smoothing” to provide the cash the District is unlawfully transferring to the Beach Fund to provide the necessary revenues to support the Beach Fund’s Operating and Capital Expenditures. This improper accounting and reporting materially misstates the District’s Comprehensive Annual Financial Reports for the past 5 years through the creation of non-existent DISCOUNTS.

Due to the format of state and local government financial statements under GAAP, the AICPA Audit Guide for State and Local Governments requires auditors to consider MATERIALITY by "opinion unit" rather than for the financial statements taken as a whole. A major fund is an opinion unit. The IVGID Beach Fund is a major fund.

Major misstatements which have a material effect on the presentation of financial information require a restatement of prior year financial statements. During the past years the overstatement of Revenues from Sales and Fees at the Beach Fund has averaged 47% which would be considered a material misstatement.

Deceptive accounting practices defraud parcel owners. They also deliberately mislead all users of the District’s financial statements on the District’s operating performance, financial health and fiscal integrity. Those who rely upon the District’s financial reporting include taxpayers, investors, current and future creditors of the District’s General Obligation and Revenue Bonds, Federal, State and Local Regulatory agencies.

Your responsibility as Chairman of the IVGID Board of Trustee Audit Committee, and as a fiduciary, is to put an end to this false accounting, notify the auditors, require the past 5 years of CAFR Financial Reports be restated and ensure that the inappropriate cash transfers be returned to the Community Services Fund from the Beach Fund.

cc: Jeff Strand, Eide Bailly Risk Management

cc: Dan Carter, Eide Bailly Audit Engagement Partner

cc: Kelly Langley, Supervisor, Local Government and Finance, DOT

cc: Committee on Local Government Finance (CLGF)

Attachments:

Exhibit A: Misallocation of Parcel Owner Discounts at the Community Services Fund and the Beach Fund Memorandum

Exhibit B: Beach Analysis Memorandum

Exhibit C: 12-16-15 Audit Committee Transcript

Exhibit D: 2/19/16 Memorandum on comments by Dan Carter at the 12/16/2015 Trustee Audit Committee meeting

Exhibit E: 3/3/16 Memorandum on Recreation Punch Cards

Exhibit F: Comprehensive Annual Financial Report Footnotes on Parcel Owner Discounts for years 2012 to 2015

Exhibit A

To: Board of Trustees - Audit Committee(Wong, Hammerel & Callicrate)

September 30, 2015

From: Clifford F. Dobler

Re: **Misallocation of Parcel Owner Discounts at the Community Services Fund and the Beach Fund**

Dear Audit Committee,

In my recent review of the Beach Fund within the comprehensive annual financial reports for the past six years I discovered some disclosure deficiencies and a major violation of operational expectations. I am requesting that the audit committee instruct the auditor to investigate and remedy these problems, to include a required restatement of financial statements and reallocation of IVGID funds as necessary.

The disclosure problems are caused by an unexplained change in the accounting and reporting of parcel owner discounts (also known as punch card allowances) at beach and community services venues. Thus:

- There was a major (material) change to the methodology
- There was no disclosure and explanation of the change
- There was no reporting as to the effect of the change
- There is no (possible) logical explanation for the change as implemented

The operational problem caused by the change is worse: **parcel owners without beach access are secretly (and illegally) being made to pay into the Beach Fund.**

In other words, for the last several years, Community Services Fund dollars have been reallocated into the Beach Fund without the public knowing, especially the parcel owners without beach access. Now on to the details.

BACKGROUND AND INVESTIGATION

As way of background I am retired as a CPA. I have over 30 years of experience reviewing financial statements, both as an auditor and advisor to financial institutions and as a successful investor in distressed debt situations. My attention to tiny details and discrepancies have unearthed big problems or opportunities. I have lived in Incline Village for 20 years but only recently turned my attention to the IVGID financials.

I was looking through past audited financial reports to understand historical beach performance and usage. I started by assembling the historical parcel owners discounts in the Beach Fund into a table, using the data IVGID began reporting in 2010.

NOTE: The data below is sourced from page 26 of the comprehensive financial report for fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014. For 2015 the data is from the unaudited operating income statement and for 2016 from the adopted annual budget.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts
2010 and prior	Not Available
2011	319,888
2012	448,003
2013	77,888
2014	71,625
2015	62,978
2016 (budget)	71,000

I noticed a gigantic drop off in the discounts for the beach usage from 2012 to 2013. Wow, did beach usage really plummet that much?

I gathered the historical Community Services Fund data also, to see if maybe the discounts there also dropped over that time period.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owner Discounts
2010 and prior	Not Available	Not Available
2011	319,888	0
2012	448,003	108,379
2013	77,888	564,550
2014	71,625	529,896
2015	62,978	470,402
2016 (budget)	71,000	519,000

Clearly not. In fact the numbers suggested that people had dramatically shifted discount usage away from the beaches to the other recreational facilities.

But the beaches and other facilities were open as usual during those years, so why would that happen? I looked at the total discounts next.

Year Ending (June 30)	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owner Discounts	Total
2010 and prior	Not Available	Not Available	Not Available
2011	319,888	0	319,888
2012	448,003	108,379	556,382
2013	77,888	564,550	642,438
2014	71,625	529,896	601,521
2015	62,978	470,402	533,380
2016 (budget)	71,000	519,000	590,000

So other than a failure to report discounts for 2011 in the Community Services Fund (that the auditor missed at that time and for which there was no footnote), the TOTAL parcel owner discounts looked to be in a consistent range before and after 2013.

This suggested some kind of major accounting change after 2012, so I dove into the text of the comprehensive financial reports and the notes to financial statements - summary of accounting policies parcel owners discounts.

In 2011 there was no explanatory text for the parcel owner discounts and then in 2012 this text was added in Note 1-Q:

“Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and a resident rate for certain types of recreational fees.”

This was brief but sufficient. Discounts are always allocated as a reduction in the revenues booked in the associated sale (by definition) so no need to elaborate on that. The Beach resident rate is "free" or zero dollars so the discount ("buy down") value for the guest rate would be the entire rate. Accounting for the use of a punch card for a typical adult guest transaction at the beach should look like this for the Beach Fund:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Allowance for Punch Card (Discount Amount)	-\$12.00
Net Sale at the Beach (Net Revenue Amount)	\$0.00

Community Services Fund facility discounts (golf, rec center, skiing, etc.) are much less than 100% of the full price, but each discount should still be recorded as the difference between the regular rate and the resident rate. This seems to be how all the discounts were recorded and reported in 2012.

But then something strange happened. Beginning in 2013 and subsequent years, in the same notes to the financial statements - summary of accounting policies (Note 1-R), two new sentences were inexplicably added:

“Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and a resident rate for certain types of recreational fees. *These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.*”
(emphasis added)

What? The first new sentence restated the obvious - of course discounts are contra revenue, they have to be. But then the following sentence conflicts with basic rules of discount and fund accounting. How can discounts from gross revenue be reported in a different and arbitrary way from how they were actually recorded? How could a beach discount be allocated to community services and vice versa?

If the discounts from the gross revenues for the Beach Fund or Community Services Fund were allocated differently from how they actually happened, there would no longer be accurate reporting of the net

revenue activity and discounts in either fund, which might explain the weird numbers I'd found. I did calculations of the reported Beach Fund discounts and Community Services Fund discounts as a percentage of the total discounts:

Year Ending	Beach Fund Parcel Owner Discounts	Community Services Fund Parcel Owners Discounts	Total	Beach/CSD Discount Split
2010 and prior	Not Available	Not Available	Not Available	
2011	319,888	0	319,888	100.0/0.0
2012	448,003	108,379	556,382	80.5/19.5
2013	77,888	564,550	642,438	12.1/87.9
2014	71,625	529,896	601,521	13.5/86.5
2015	62,978	470,402	533,380	11.8/88.2
2016 (budget)	71,000	519,000	590,000	12.0/88.0

The reported discount split did change to something approximating the arbitrary 88%/12% split referred to in the financial statement notes, beginning in 2013. So even though the numbers did not match precisely as alleged, this had to be the explanation.

DISCLOSURE IMPLICATIONS

The first observation from a disclosure perspective is that there has definitely been a change in accounting in 2013 and thus a failure to adequately explain and disclose this change as required by accounting standards. Accounting guidelines state that for any material change in accounting methodology, there must be a clear disclosure and explanation of the change. This was not done.

The guidelines also imply that there must be a logical and justified explanation for the change as implemented. That doesn't appear possible in this case. The change creates a significant misrepresentation that fails basic accounting logic the way it was implemented. Actual discounts at point-of-sale must be reported as they are recorded, not as they are massaged after the fact into some arbitrary restatement. Revenues for one proprietary fund cannot be reported as revenues for another.

Disclosure guidelines aside, it is also clear that since 2013, records for "Parcel Owner discounts on entry fees" are no longer reporting the actual amount of Parcel Owner discounts on entry fees at the various venues. The accounting is not telling the public what is actually happening.

According to IVGID Staff, the vast majority of parcel owner discounts continue to be recorded at the beaches such that the annual beach discounts still amount to around \$450,000. This means that the fictional allocations of parcel owner discounts since 2013 (12% to the Beach Fund and 88% to the Community Services Fund) remain the opposite of the real ratios (about 80% to the Beach Fund).

This also means that the net revenues at the Community Service Fund are understated by about \$375,000 and the net revenues at the Beach Fund are overstated by the same amount. This overstatement is about 40% for the Beach Fund, which is obviously material by accounting standards.

OPERATIONAL ANALYSIS

While we cannot ascertain any justification for these accounting changes, we can explain their financial effects. A major operational problem emerges given the required separation of the Beach Fund Recreational Standby Fee payments from the Community Services Fund Recreational Standby Fee payments. IVGID's particular situation is that some parcel owners have beach access and pay beach facilities fees and some parcel owners do not have access and (by strict legal requirements) do not pay for beach operations. This accounting change has caused payments to the Community Services Fund to be redirected into the Beach Fund.

As explained above, an adult guest transaction at the beach happens like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Allowance for Punch Card (Discount Amount)	-\$12.00
Net Cash Sale at the Beach (Net Revenue Amount)	\$0.00

But since 2013, an adult guest transaction at the beach has apparently been recorded and reported like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Beach Fund Allowance for Punch Card (12% of Discount)	-\$1.44
Community Services Fund Allowance for Punch Card (88% of Discount)	-\$10.56
Net Cash Sale (Net Revenue Amount)	\$0.00

While this gives the illusion of balancing, the accounting now has most of the Allowance for Punch Card (parcel owner discount) being booked into a different fund, so **from the Beach Fund perspective** the transaction looks like this:

Sale of visit to a Resident Guest (Gross Revenue Amount)	\$12.00
Beach Fund Allowance for Punch Card (12% of Discount)	-\$1.44
Net Sale at the Beach (Net Revenue Amount)	\$10.56

The Beach Fund now has significant net revenues which were not previously recorded, because each time a guest obtains access to the beach by use of a punch card, 88% of that sale's discount is recorded in the Community Services Fund.

For each adult beach guest we now have \$10.56 in net Beach Fund revenue that is being reported for each sale but without any cash being paid at the time of sale. If the Beach Fund is booking \$10.56 in revenue and receiving \$0.00, the \$10.56 value per sale has to be coming from somewhere else in the financials and operations.

In other words, since the Beach Fund does not receive any cash from these guest sales as they take place at the beach, it must be receiving cash from some backchannel. Working from this deduction, I wanted to find out where the missing revenue or cash might be coming from.

After further investigation that included several discussions with IVGID staff, an answer has emerged. Through a series of convoluted journal entries and the use of a "cash pool" that has not been disclosed to the public, **actual cash is being transferred from the Community Services Fund to the Beach Fund** through the "cash pool" to make up for the discount reallocation.

Specifically, during the three year period ending June 30, 2015 a **total of \$1,128,820 of cash was transferred through the cash pool from the Community Services Fund to the Beach Fund**. This corresponds to the missing amount of money needed to cover all of the revenue booked but not received into the Beach Fund due to the reallocation of parcel owner discounts. These transfers are continuing today.

OPERATIONAL IMPLICATIONS

The existence of this cash transfer means that the subset of parcel owners that pay into the Community Services Fund and do not have beach access - and therefore are **not supposed to be paying anything** into the Beach Fund – have had a portion of their \$730 Community Services Fund Recreational Standby Fee payments reallocated into the Beach Fund without their knowledge or permission.

This is obviously an operational violation that needs to be stopped immediately and then fully reversed for previous years. In fact, anything short of a complete public acknowledgement, report and full remedy for all affected citizens will raise suspicions of bad intent.

I hope and trust that with the findings reported in this letter, the Audit Committee will now direct IVGID (and their Auditor) to acknowledge this mistake, undo it, investigate why it happened and report on the findings and the processes put in place to ensure that it never happens again.

Also please keep in mind that in light of the disclosures herein, any failure by the Audit Committee members to expedite an investigation and remediation of this problem would easily be considered aiding and abetting this malfeasance.

Thank you all for your prompt attention to this serious matter. If this letter raises any additional questions, I may be contacted by phone(775-722-4487) or email (cfdobler@aol.com).

Regards,

Clifford F. Dobler

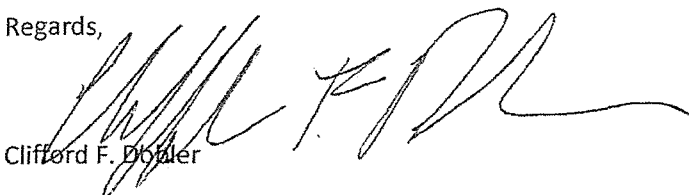


EXHIBIT B

November 25, 2015

To: Board of Trustees

From: Clifford F. Dobler

Re: Beach Analysis

As a result of the misallocation of the Parcel Owner Discounts between the Community Service Fund and the Beach Fund for the past three years and the current year, I decided to study the Beach activity for the past 7 years and the budget for the current year.

The study consist of a two page summary of the Revenue, Expenses, Adjustments, Debt payments, Capital projects and various data compiled from the audited financial statements and budgets and the study is attached hereto.

In looking at sales and fees (line 9) you can see beginning in year 2011 a large jump in amounts received without any real increase in visits (line 46). This was the year, the Staff decided to start grossing up the revenues to account for usage of the punch cards for resident's guests. Further increases in sales and fees then a leveling off occurred in years 2012 to 2015 which must have been a combination of a rate increase (line 42) and increase in visits (line 46). At the same time note the dramatic drop off of the Parcel Owner Discounts (line 13), which is further detailed in my letter to the BofT audit committee on September 30, 2015.

As a result of adjusting and faking the Parcel Owner Discounts (line 13) total revenues (line 18) exploded upwards beginning in years 2013 through 2015.

As this new found source of journal entry funding materialized notice the large increases in expenses (line 29) beginning in 2014, 2015 and the budget for 2016.

By adjusting the Parcel Owner discounts from what was reported to what actually occurred it is easy to see the yearly nosedive in Operating Income (line 33) beginning in 2013.

On page 2 of the analysis which includes the operations, required debt service and capital projects and adjusting for the parcel owner discounts to the proper amounts, the beaches have been operating in the RED (line 60) since the bogus accounting for punch card usage was concocted.

What are the ramifications:

1) The Staff and Board of Trustees in order to "smooth out" the annual Recreational Facility Fee and the Beach Fee has deceived the citizens on exactly how much of a citizen "subsidy" is actually required to support all of the costs and expenses of operating, maintaining and debt service for the beaches. The BofT would have to be honest and explain to the public that the Beach Facility Fee should have been \$150.00 per year rather than the \$100.00 since 2013. Of course, there would also be a corresponding reduction in the Community Service Recreational Facility Fee from \$730.00 down to \$680.00. This explanation would also require courage and admitting a mistake.

2) The estimated Beach Fund "reserves" AKA unrestricted assets of \$1,192,021 as of June 30, 2015 would be ZERO or negative if the \$1,200,000 of punch card usage not recorded at the beaches was recorded properly and the cash funds returned to the Community Service Fund.

3) The published five year capital project report would be incorrect as there would be no funds to accomplish any new capital projects. The existing five year capital project report indicates capital projects would be "Paid from Beach Fund Balance, as available" Since there is truly no reserves available nothing could be constructed. As a result, in order to fund planned capital projects the Beach Fee most probably would have to be increased above the \$150 per year mark or borrowings would be required.

4) There are different parcel owners who are charged different fees depending on which parcels have beach access rights. Again an admission of a mistake would be required.

I would suggest that this fiasco be corrected and above all reported and managed properly.

Clifford F. Dobler

A handwritten signature in black ink, appearing to read "C. DOBLER". The signature is written in a cursive, somewhat stylized font.

	A	B	C	D	E	F	G	H	I	J	K	L
1	Incline Village General Improvement District											
2	Analysis of Actual Revenues and Expenses 2009 to 2015 and budget for 2016											
3	data obtained from audited financial statements and budgets											
4												
5	BEACHES											
6	ACTUALS										BUDGET	
7			2009	2010	2011	2012	2013	2014	2015	2016		
8	Operating Revenues											
9	Sales and Fees		533,603	501,128	672,581	838,017	866,215	871,540	871,379	855,200		
10	Food and Beverage		128,022	99,152	61,227	-	-					
11	Concessions				26,810	69,974	63,915	70,839	62,500	62,500		
12	Rents		88,451	110,536	4,573	108,288	127,999	161,867	118,700	120,000		
13	Parcel Owners Discounts		-		(319,888)	(448,003)	(77,888)	(71,625)	(62,978)	(70,500)		
14	Other Revenues		16,466	13,698		(6,000)	6,160	2,988		9,000		
15	User Fees and Other Revenues		766,542	724,514	445,303	562,276	986,404	1,035,609	989,601	976,200		
16												
17	Recreational Standby Fee		1,210,476	865,540	783,028	899,565	775,102	780,716	778,149	774,300		
18	Total Revenues		1,977,018	1,590,054	1,228,331	1,461,841	1,761,503	1,816,325	1,767,750	1,750,500		
19												
20	Operating Expenses (no depreciation)											
21	Wages and Benefits		640,061	592,445	627,406	528,625	554,750	690,594	771,640	909,410		
22	Cost of Goods Sold		34,628	30,038	13,030	-						
23	Services & Supplies		329,719	322,697	368,704	344,221	325,734	374,682	547,567	422,545		
24	Central Service cost					69,600	63,600	72,000	in service & supp	90,500		
25	Insurance		10,343	17,159	16,427				18,944	19,900		
26	Utilities		81,503	81,839	76,596	78,318	77,989	85,763	102,082	91,140		
27	Legal and Audit		15,918	7,634	4,798	7,369	4,683	3,246	2,746	15,000		
28												
29			1,112,172	1,051,812	1,106,961	1,028,133	1,026,756	1,226,285	1,442,979	1,548,495		
30												
31	Operating Income as Reported		864,846	538,242	121,370	433,708	734,747	590,040	324,771	202,005		
32	Adjust for Parcel Owner Discount (per EICK)						(371,956)	(380,073)	(376,792)	(375,000)		
33	Operating Income adjusted		864,846	538,242	121,370	433,708	362,791	209,967	(52,021)	(172,995)		
34												
35												
36	Sales and Fees to Users only		533,603	501,128	672,581	838,017	866,215	871,540	871,379	855,200		
37	Parcel Owners Discounts - as Reported				(319,088)	(448,003)	(77,888)	(71,625)	(62,978)	(70,500)		
38	Parcel Owners Discounts - Adjustments						(371,956)	(380,073)	(376,792)	(375,000)		
39	Adjusted Sales and Fees		533,603	501,128	353,493	390,014	416,371	419,842	431,609	409,700		
40	Percentage of Discounts to Sales not recorded						-43%	-44%	-43%	-44%		
41												
42	Rate Increase						\$10 to \$12					
43	FTE Personnel (Budget)		16.9	18.1	17.8	14.9	15.3	17.1	20.2	22.0		
44	Incremental Personnel Expense							135,844	81,046	137,770		
45	Personel Expense per each FTE increase							\$ 75,469	\$ 26,144	\$ 76,539		
46	Visits		159,827	152,624	155,671	165,387	165,089	173,963	153,841	165,000		
47												

	A	B	C	D	E	F	G	H	I	J	K	L
49	BEACHES											
50					ACTUALS							BUDGET
51					2009	2010	2011	2012	2013	2014	2015	2016
52	Operating Income as Reported				864,846	538,242	121,370	433,708	734,747	590,040	324,771	202,005
53												
54	Interest on Debt				(51,008)	(32,663)	(27,759)	(23,318)	(19,234)	(11,811)	(5,000)	(934)
55	Principal on Debt				(233,144)	(240,362)	(217,040)	(58,757)	(168,648)	(263,218)	(270,602)	(5,216)
56	Capital Projects				(80,587)	(122,173)	(138,173)	(17,544)	(550,397)	(127,176)	(695,822)	(203,000)
57												
58	Net Resources				500,107	143,044	(261,602)	334,089	(3,532)	187,835	(646,653)	(7,145)
59	Adjustment for Parcel owners discounts								(371,956)	(380,073)	(376,292)	(375,000)
60					500,107	143,044	(261,602)	334,089	(375,488)	(192,238)	(1,023,445)	(382,145)
61												
62	Combined Losses				\$ (1,257,678)							

Exhibit C

Transcription of Relevant Comments – Verbatim in “quotes”.
of Dan Carter of EideBailly to the IVGID Audit Committee
On 12/16/15 – as viewed on Livestream (starting at about 9 minutes into the session)
by Linda Newman
Subject: IVGID 2015 CAFR

Present: Audit Committee Trustees Callicrate, Wong and Hammerel
Dan Carter, EideBailly - Audit Partner that led engagement
GM Pinkerton
Director of Finance Eick
IVGID Counsel Jason Guinasso
IVGID Executive Ass't Susan Herron

Community members –including Trustee Phil Horan

Question by Chairperson Kendra Wong:

“Something that’s come up with a lot of different community members is how we account for our punch card usage and the fact that if we use a punch card at the beach that it stays within the beach fund essentially to make sure people who don’t have beach access aren’t necessarily paying for things related to the beaches. So can you talk about the audit procedures that you do over that process and how comfortable you are that our communityservices funds and our beach funds stay separate?”

Answer by Dan Carter:

“It is our understanding that IVGID has a policy to account for basically the contra revenue of those beach cards against the people who are actually paying for them. They are associated with fees or the taxes associated on a parcel by parcel basis. So the policy of IVGID, as approved by the Board of Directors, is to offset those punch cards against the property holders versus the actual users. And so we have, you know, our basic audit procedures covered that area. We were comfortable that we had done enough work over that and found basically the ratio of those contra revenues to be in line with the property taxes themselves, so yeah, we were able to gain comfort with that specifically, yeah.”

Chairperson Wong:

“Thank you.”

Dan Carter:

“Of course.”

Trustee Callicrate:

Presents an apology to the other trustees and the accounting firm explaining that he had a series of work emergencies -- and as he could not thoroughly review this matter, he could not move forward. He also complimented and thanked Mr. Carter for his firm's services.

Trustee Hammerel:

Noted that Mr. Carter would be leaving after the Audit Committee Meeting and that Mr. Carter would not be present at the regular Board of Trustees meeting. Stated that questions from other community members as well as Trustees not on the audit committee might come up relative to the review and approval of the District's transition to Enterprise Fund Accounting from Special Revenue Fund Accounting and whether it was appropriate or not appropriate. Asked Mr. Carter to comment on the District's transition to Enterprise Fund Accounting.

Dan Carter:

Corrected Trustee Hammerel politely noting that it was the reverse transition -- from Enterprise to Special Revenue Fund Accounting.

Then answered Trustee Hammerel's Question:

"I guess I'll caveat the discussion with the fact that you know again that's a management decision and a board approved decision. We can't be in anyway seen as approving those functions because we have to keep our independence with management what goes on up here. We really will come in on the back end and audit those funds to make sure they are being used properly and all the accounting with the transfers and the transitions all happened properly. So, I certainly can't guarantee that we won't have issues on the back end. And you know if there's adjustments that need to be made for us to be able to issue our opinion on them we will definitely present those to this group. So, I would say we had specific conversations with the Department of Taxation but it was more about the use of Special Revenue Funds. There are specific guidance in GASB about what can and can't be accounted for with a Special Revenue Fund and it kind of came out of -- it's not really an issue up here but we have a lot of governments with just dozens and dozens of Special Revenue Funds. Any time something new came up they would just create a new fund to account for it. So GASB was trying to clean that up. And put in some pretty strict guidance as far as what when a Special Revenue Fund can be used. It is unusual up here when we use the word *fee* like the Community Services *fee* or the Beach *fee* *because it's actually technically a tax*. It's collected by the Washoe County Assessor's Office and remitted to you guys along with regular property taxes so the fact that there's a restriction on the use of that tax money is exactly what a special revenue fund is used for. You know, it's a change in the funds, but I think it's the utilities funds being enterprise funds makes sense to me and not that using enterprise fund accounting for the beach and community services hasn't been okay in the past but if you really think of it more like a parks and rec type function within the government and splitting those up to be able to show funds that need to be accumulated for you know future capital improvements and maintenance, you know the debt associated with each of those separate functions and then obviously the special revenue fund to account for the receipt of taxes and the operations of them. It seems like it will be a benefit to the organization to be able to break those out and show them separately. But again, you know, I can't guarantee that there won't be issues,

you know, in the accounting for it. It is a complicated process and it seems like there's been a lot of due diligence going into it. It is disclosed as a subsequent event in the current year CAFR. But I think on a go forward basis once we can get through the transitional period I would hope that it would be, you know, a clear way to report the activities of everything that runs through those two funds. You know, right now, you know if you want to save up money for a capital project it's just building a fund balance which isn't necessarily what you should be doing in an enterprise fund. Getting that out and doing it in a capital projects fund is typically what we see. So, does that answer your question?"

Trustee Hammerel:

"Yeah, it does. Thank you very much."

Trustee Hammerel then addressed Trustee Horan, who was seated with the community, and gave him the opportunity to pose a question as Mr. Carter would not be available to speak at the Board Meeting.

Trustee Horan declined.

Audit Committee Trustees Wong and Hammerel then approved the 2015 CAFR. Audit Committee Trustee Callicrate voted against approving the 2015 CAFR.

Exhibit D

February 19, 2016

TO: Audit Committee - Trustees Callicrate, Wong and Hammerel

RE: Questions asked of Dan Carter of EideBailly at Audit Committee Meeting on 12/16/2015 regarding the accounting for punch cards.

Transcript of Question and Answer and my observations and comments

Question by Kendra Wong

First Sentence - "Something that's come up with a lot of different community members is how we account for our punch card usage and the fact that if we use a punch card at the beach that it stays within the beach fund essentially to make sure people who don't have beach access aren't necessarily paying for things related to the beaches."

Comments: If a punch card is used at the beach for admission of a guest then the fee collected must remain at the beach. So any discount obtained by the use of the punch card (which is 100% of the fee charged) should also remain at the beach. So are we accounting for that discount appropriately? As a matter of FACT 88% of the punch card discounts used at the beach is being reported as a discount in the Community Services Fund wherein no sale at all has taken place. The cash amount of the discounts is then transferred from the Community Services Fund to the Beach Fund. There are approximately 400 parcel owners who pay the Community Services Fund Recreation Facility Fees and don't have beach access but are required to fund their share of the punch card discounts transferred to the Beaches. These owners represent approximately 5% of the total parcel owners. As such, these owners from 2013 through 2016, have had to pay 5% of the \$1,500,000 transferred from the Community Services Fund to the Beach Fund. Please see calculation below.

So the simple answer to the question is: NO. The use of the punch card transaction is not staying at the beach and YES, people who don't have beach access are paying for things related to the beaches. The answer to the question by Dan Carter which is cited below can only be described as inept.

Second Sentence – "So can you talk about the audit procedures that you do over that process and how comfortable you are that our community services funds and our beach funds are separate?"

Comments: The questions which would be appropriate: Have you reviewed all of the punch card discounts used at the beach? Have you evaluated the process for allocating the discounts between two separate funds? Is the allocation process correct? Are all discounts recorded at the beach by use of the punch card (the process) been reviewed by you and found correct and in accordance with generally accepted accounting principles?

Answer by Dan Carter

First sentence - "It is our understanding that IVGID has a POLICY to account for basically the contra revenue of those beach cards against the people who are actually paying for them."

Comments: Is there a policy to account for basically the contra revenue for "those beach cards"? Since we have no idea what a "beach card" is or knowledge of its existence, how can anyone be paying for something that does not exist. As for a Board approved policy please be kind enough to present it to me for my examination.

Second sentence - "They are associated with fees or the taxes associated on a parcel by parcel basis."

Comments: I assume the "They" must mean those mysterious "beach cards." So Mr. Carter's second sentence has no meaning.

Third sentence - "So the policy of IVGID, as approved by the Board of Directors, is to offset those punch cards against the property holders versus the actual users."

Comments: There is no policy approved by the Board of Directors to "offset those punch cards." So this third sentence is untrue. If there were a Board approved policy, please explain what exactly is being "offset".

Fourth sentence - "And so we have, you know, our basic audit procedures covered that area."

Comments: What "area"? Are we to surmise the audit procedures were covering those "beach cards"? Or the "two IVGID policies"? Or the unknown "offsets"? Or the punch card? Please provide a detailed explanation.

Fifth sentence - "We were comfortable that we had done enough work over that and found basically the ratio of those contra revenues to be in line with the property taxes themselves, so yeah, we were able to gain comfort with that specifically, yeah."

Comments: "The contra revenues to be in line with the property taxes themselves." What does that even mean? We pay a Recreation Facility Fee and a Beach Facility Fee. Are these property taxes? Please clarify whether the Recreation Facility Fee and the Beach Facility Fee are property taxes or fees? And explain the ratio Mr. Carter has constructed.

Summary

Did Mr. Carter's answer to Trustee Wong's question resolve whether or not "IF WE USE A PUNCH CARD AT THE BEACH THAT IT STAYS WITHIN THE BEACH FUND?" As previously stated in my memorandum of September 30, 2015 and confirmed by Mr. Eick, there is approximately \$450,000 per year of **free** guest entry at the beach by using the punch card. The stated beach guest entry fee is recorded as gross revenues in the Beach Fund and the 100% contra revenue or discount by use of the punch card is **recorded as only 12% in the Beach Fund**. The remaining punch card discount of 88% is recorded as a contra revenue (parcel owner discount) in the **Community Services Fund**. There is no actual sale recorded in the Community Services Fund yet a discount of 88% of the stated beach entry fee is recorded in the Community Services Fund. According to Mr. Carter this bookkeeping activity is actually a policy adopted by the Board of Trustees. We all know this accounting does not conform to accounting standards and is factually incorrect. What we know to be factually accurate is the net

revenues for the past three years have been vastly overstated at the Beach Fund and understated at the Community Services Fund by over \$1,125,000 directly as a result of this fraudulent accounting scheme.

I am formally requesting this Audit Committee produce for my examination the Board approved policy that defines and permits the accounting for punch card discounts to be recorded at the Community Services Fund and the Beach Fund regarding the free entry of guests at the beaches. This is a Public Records Request.

This is Serious. Now is the time for you to take corrective action.

Below are some of my observations:

Beginning in 2011 it became obvious that the actual cash revenues collected at the beaches would not be adequate to cover the required expenses and costs. To cover these escalating costs the Beach Facility Fee would have to be increased beyond the \$100 per year assessed. Staff was also proposing beach facility expansions which would also require raising the Beach Facility Fee. Borrowings would be out of the question as most residents want the beaches to be left alone and not to be tinkered with.

So it was up to the Director of Finance to come up with a creative solution to cover these rising costs and expenses without raising the Beach Facility Fee. And the solution was implemented through the budgeting process. Actual historical data existed which indicated that punch card discounts were predominately used at the beach so there was only small cash revenues. Since the beaches are restricted to homeowners, residents and their guests the ability to find new revenue sources would be minimal. So Staff needed to develop an accounting process to transfer money from the other recreational venues to the beaches.

So here comes the accounting theory. Our combined Recreation Facility Fee and Beach Facility Fee works out that 88% is required for the Community Services Fund and 12% is required for the Beach Fund. So let's forget about where the punch card discounts have historically been used and simply allocate the punch card discount 88% and 12% to the respective funds no matter where the punch cards are actually used. Ignore the actual fact that most of the punch cards are used at the beaches. Thus, one part of the various undocumented and unapproved smoothing policy had been established. The District had found a way to get more net revenues in the Beach Fund by reporting the full entry fees but only reporting 12% of the actual 100% discount from using the punch cards. The remaining 88% discount provided at the beaches but recorded in the Community Services Fund could easily be disguised since the Fund's revenues are 10 times larger than the Beach Fund and the discounts could be absorbed without much notice.

Was this discussed with the Board and a policy approved? I think not. The Board of Trustees as 'rubber stamp actors' simply approved the budget and I guess would not question that the Budget did not have the punch card discounts allocated properly.

Mr. Eick was faced with the dilemma of how he would record the remaining 88% of the punch card discount from the beaches onto the Community Services Fund. There were no sales made wherein an

88% discount could be assessed. As a result all punch card discounts were hidden in the administration department of the Community Services Fund. All Beach Fund discounts absorbed by the Community Services Fund were paid in cash to the Beach Fund.

Now, the simple and proper thing to do would be to budget the necessary Beach Facility Fee for the Beach Fund at a higher amount and lower the Recreation Facility Fee for the Community Services Fund by the corresponding amount. Easy? Yes. But then the District would have to face the community and explain why they are raising the Beach Facility Fee. As for reducing the Community Services Fee, also known as the Recreation Facility Fee, the community would applaud. But the District's Staff does not like deviating from their unapproved and amorphous "smoothing" policy.

As shown below, Beach Fund expenses and costs (debt service and capital projects) less ACTUAL revenues collected (excluding the revenues which are 100% FREE by use of the punch card discounts) far exceed the Beach Facility Fee charged to beach access parcel owners. As a result, a huge shortfall began in 2013. In the prior four years from 2009 to 2012 the District was able to keep operating expenses at approximately \$1,100,000 per year. The budget for 2016 lists expenses at \$1,548,408. An explosion of over 40% within four years!

Year	Expenses & Costs	Actual Revenue	Required Beach Fee	Actual Beach Fee	Short Fall
2013	1,765,035	(614,445)	1,150,590	775,102	375,488
2014	1,628,490	(655,536)	972,954	780,716	192,238
2015	2,414,403	(612,809)	1,801,594	778,149	1,023,445
2016	1,757,645	(601,200)	1,156,445	774,300	382,145

The SHORTFALL noted above for the past three years together with the 2016 budgeted is almost \$2,000,000. Approximately \$375,000 per year since 2013 has been transferred to the Beach Fund from the Community Services Fund with another \$375,000 expected this current year. The total is \$1,500,000.

In conclusion, if the Board of Trustees wants to continue this nonexistent approved POLICY of punch card discount allocations then go right ahead with the knowledge that you are not in compliance with Nevada Revised Statutes and you are not allocating punch card discounts in conformity with generally accepted accounting principles.

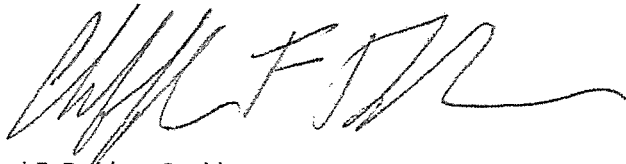
Rest assured that I personally will continue to press upon all of the Trustees to stop this charade and act prudently, correct the mistake and move forward.

If any of you have any logical concept, justification or POLICY which would deem the Punch Card Discounts as reported in the last three years of audited financial statements as being in accordance with any generally accepted accounting principles, then please provide them to me.

If any Audit Committee member actually believes that the answers to the questions asked of Dan Carter was sufficient and as a result the matter was resolved, then I expect a letter signed by each of you attesting to that fact.

To proceed forward with approving the financial statements for the 2014-2015 fiscal year is beyond my understanding. It did, however, demonstrate your failure to exercise your fiduciary duty to Incline Village/Crystal Bay parcel owners.

It is apparent you need my help as you are being taken advantage of by IVGID Staff and the District's counsel. I plead that you do not abuse the public trust and sacrifice your professional integrity by surrendering to the will of senior management.

A handwritten signature in black ink, appearing to read 'Cliff F. Dobler', written in a cursive style.

Clifford F. Dobler - Resident

cc: Eide Bailly

cc: Trustee Dent

cc: Trustee Horan

Exhibit E

March 3, 2016

**IVGID - Board Retreat Discussion
2016-2017 Operating Budget
March 3, 2016
Punch Cards - Pages 21 to 26**

**Comments on each page by Clifford F. Dobler
To be included in next Board Packet**

Page 21 - PUNCH CARD ADMINISTRATION

Using the need to change Ordinance 7 to reflect proper accounting of punch card discounts is utter nonsense and an improper statement. Ordinance 7 does not permit the 100% punch card discount used for free guest beach entry to be accounted for with 88% of the 100% discount allocated to the Community Services Fund and 12% of the 100% discount allocated to the Beach Fund.

In order to comply with Nevada Revised Statutes and Generally Accepted Accounting Principles the 100% punch card discount for free guest beach entry must be allocated to the Beach Fund. The Budget should accurately reflect the "actual" historical usage of punch card discounts at the Beaches and the Community Services venues to prepare the upcoming 2016/17 Budget.

Page 22 - PUNCH CARD CONTEXT THEN & NOW

This page has interesting facts but does not provide any context on Punch Cards.

Page 23 - PUNCH CARD ACCOUNTING EFFECTS

As the District has a system to track every punch card discount transaction, why is the District misrepresenting the venues where the punch card discounts are actually utilized? The discounts reported in the Community Services Fund and Beach Fund financial statements are most certainly an allocation that has not been properly applied against the actual revenue source.

Page 24 - PUNCH CARD BUDGETING

I would expect each venue to receive the actual revenue it receives from user fees regardless of payment types. I would expect that budget projections are based upon accurate historical data and that financial reporting of actual revenues are accurately reported. Apparently, the District has carved out a special exception for Punch Cards. When this "payment type" for free guest entry is used at the Beaches, the actual 100% discount and net revenue of ZERO is not properly reported in the Beach Fund.

ON WHAT BASIS SHOULD THE MAJORITY OF PUNCH CARD DISCOUNTS BE DUMPED INTO THE COMMUNITY SERVICES ADMINISTRATION WHEN THE MAJORITY OF THE PUNCH CARD DISCOUNTS ARE USED AT THE BEACH? There is no rational justification for this, only faulty logic. Apparently, the beaches needed more money to cover rising expenditures and Senior Management did not want to increase the Beach Facility Fee. The District's undefined and unapproved **SMOOTHING** policy was called into service to create an arbitrary allocation of punch card discounts to the Community Services Fund which capped the amount of punch card discounts that would be applied to the Beach Fund. The outcome of this sleight of hand would improve the appearance of Beach Fund net revenues to cover its expenditures and everyone paying the Recreation Facility Fee would in fact be paying for Beach Fund expenses! This is the "art of deception" in accounting. It inflates the budgeting demands of one Fund, the Community Services Fund which collects the Recreation Facility Fee to unlawfully provide and transfer the resources to the Beach Fund to meet its expenditures.

Page 25 - PUNCH CARD VALUES

Good information.

Page 26 - PUNCH CARD UTILIZATION

There is no historical summary of actual punch card usage at the District's recreational venues. Because Mr. Eick was kind enough to provide this information at my request, we can see that **THE MAJOR PORTION OF PUNCH CARD DISCOUNTS ARE UTILIZED AT THE BEACHES AND THIS AMOUNTS TO APPROXIMATELY \$450,000 ANNUALLY.** The District's Accounting Reports do not reflect this! Ask Mr. Eick to provide the very information I requested on the actual utilization of the punch card discounts and ask why they are reported in any other fashion. He will hide behind Ordinance 7 and have no plausible explanation.

MY CLOSING REMARKS:

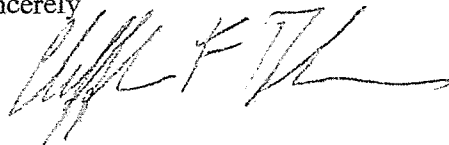
The change in the accounting for punch card discounts which occurred at the beginning of the 2012/13 fiscal year and continues today has created a massive fraudulent accounting scheme. Approximately \$1,500,000 will have been transferred from the Community Services Fund to the Beach Fund by the end of this fiscal year. Over 8,180 parcel owners, of which over 400 do not have beach access, have had to chip in to pay for this transfer.

This is an issue ripe for litigation. If Senior Staff and Trustees cannot correct this material misstatement and ensure proper financial accounting and reporting, this will be the most viable option for the community to pursue.

Mr. Eick's presentation is another snowball to confuse you and avoid the real problem.

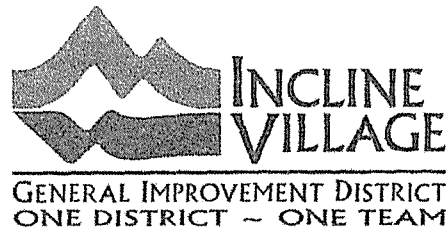
6 pages of attachments included
cc: Eide Bailly

Sincerely



Board Retreat Discussion 2016-2017 Operating Budget March 3, 2016

Gerald W Eick, CPA CGMA Director of
Finance, Accounting, Risk Management
and Information Technology



Punch Card Administration

- Punch Cards, as a form of payment, is the single largest exception to our ease of use of off the shelf point of sales systems
- Until Ordinance 7 is changed, staff sees no other alternative to the present accounting
- Staff will work to make the message cleared about Punch Card accounting in the budget

Punch Card Context Then & Now

Budgeted 1998-1999

- Recreation & Beach Total Sources - \$12,130,257
- Facility Fee \$2,208,400
- Total Operating Uses \$9,174,285
- Capital Expenditures \$3,220,393
- Debt Service \$1,854,257
- Total Expend. \$14,248,935
- Facility Fees \$275/\$200

Budgeted 2015-2016

- Recreation & Beach Total Sources \$19,363,462
- Facility Fee \$6,746,430
- Total Operating Uses \$15,366,065
- Capital Expenditures \$2,802,296
- Debt Service \$1,289,196
- Total Expend. \$19,457,557
- Facility Fees \$830/\$730



Punch Card Accounting Affects

- Ordinance 7 establishes the privilege to obtain a “Punch Card” to buy down user fees to resident rates
- District has a system to track punch card use based on each transaction to measure the value allowed under Ordinance 7
- Punch Cards are not an allocation, they are entirely based on which individual privileges and cards a parcel holds and uses



Punch Card Budgeting

- Each venue budgets for and receives the revenue for user fees, regardless of payment type
- Since the Ordinance allows the use of the value of the punch cards to buy down user fees, there is an amount under Recreation Administration and in the Beach Fund to cover the use of the cards



Punch Card Values

- Cards are worth one fifth of the Facility Fee paid by the parcel for its privileges:
 - Parcel With Beach privileges, punch card value
 - $\$830 / 5 = \166
 - Parcel Without Beach privileges, punch card value
 - $\$730 / 5 = \146
- Punch Cards are an alternative to picture pass, decided upon by the parcel owner



Punch Card Utilization

- The three year average use through June 30, 2015 was \$605,000 and has been declining.
- Budget for 2015-2016 was set at \$588,000
- Current fiscal year is fairly close to budget even with increased use at the ski resort
- Currently plan to budget a similar amount for 2016-2017, approximately 20% of the Facility Fee for the operating components



Exhibit F

Comprehensive Annual Financial Report Footnotes for Parcel Owner Discounts

Year ending June 30, 2012 - page 33:

Q. Parcel Owner Discount

Under Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of fees.

Year ending June 30, 2013 - page 35:

R. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of recreational fees. These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.

Year ending June 30, 2014 - page 36:

S. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use a portion of the value of the recreation passes to buy down the difference between a regular rate and the resident rate for certain types of recreational fees. These discounts are presented as contra revenue in the Proprietary Fund statements. Discounts are allocated 88% to Community Services and 12% to the Beach Fund based on their relationship to total facility fees.

Year ending June 30, 2015 - page 36:

S. Parcel Owner Discount

Under District Ordinance 7 parcel owners may use punch cards to buy down the difference between a regular rate and the resident rate for certain types of recreational services. The punch card utilization is presented as contra revenue in the Proprietary Fund statements. **Utilization is allocated based on the card value relationship to one fifth of the per parcel total facility fee.** Typically for a full privilege parcel this is 88% to Community Services Fund and 12% to the Beach Fund.

PUNCH CARD ACCOUNTING
ATTACHMENT 9

MEMORANDUM

Dated: January 27, 2017

To: IVGID Trustee Audit Committee Chair Horan, IVGID Trustee Chair Wong and Trustees Callicrate, Dent and Morris

cc: Susan Herron for Distribution and Inclusion in the Next Board of Trustee Meeting Packet and the next Audit Committee Meeting Packet

From: Clifford F. Dobler and Linda S. Newman

Subject: Financial Statement Fraud and the Misappropriation of Parcel Owner Community Services Standby and Service Charges ("Recreation Facility Fees")

Re: The Continuation of Deceptive and Fraudulent Accounting and Reporting of Recreation Punch Card Transactions for the Community Services and Beach Funds in the IVGID 2016 Certified Audited Financial Report ("CAFR")

Our December 7th, 2016 Memorandum entitled "Sounding the Alarm on IVGID's Deceptive and Fraudulent Accounting Practices" was submitted to the IVGID Trustee Audit Committee and the IVGID Board of Trustees, the Independent Auditor, Eide Bailly, the Department of Taxation and the Committee on Local Government Finance.

The Memorandum consisted of 11 pages of explanation and substantive documentation highlighting:

*Fictional Parcel Owner Discounts on Entry Fees Reported for Fiscal Years 2011 through 2015 and the false and misleading statements in the corresponding Footnotes to the Financial Statements;

*The Contrived Misallocation of the Fictional Parcel Owner Discounts to inflate Beach Fund operating revenues and distort Community Services Fund operating

revenues –all of which translates into materially impacting the fair presentation of the District’s overall financial statements;

*The Unlawful and Unreported Cash Transfers from the Community Services Fund to the Beach Fund approximating \$1.355 million through June 30, 2016. This misappropriation of Community Services Fund assets, also known as theft of property from 8181 parcel owners assessed the Community Services Recreation Facility Fee repurposed to pay a portion of Beach Fund expenditures includes more than 400 parcel owners legally precluded from accessing the beaches.

*Defrauding an entire Community through the improper financial and operational mismanagement of the Community Services and Beach Funds.

To date we have not received a response from any of the recipients of our Memorandum. This creates great concern as these abusive activities and practices continue unabated in the District’s 2016 CAFR along with the District’s attempt to disguise this Fraudulent Scheme by omitting any mention of “Parcel Owner Discounts” and substituting the new term “Punch Cards Utilized”. **Headings, text and explanations have changed from previous years documented in our 12-7-16 Memorandum, but the Fraudulent Misappropriation of Assets and the Fraudulent Financial Statement Reporting Game remains the same.**

To place this in concrete terms with two blatant examples of the District’s intentional errors and misstatements, we draw your attention to the 2016 CAFR Financial Footnote 1.T titled “Punch Cards Utilized” on page 43 and Note 17 “Segment Information for Community Services and Beach Special Revenue Funds” on page 54.

1T. Punch Cards Utilized

Analysis: The new heading “Punch Cards Utilized” replaces five years of Footnotes titled “Parcel Owner Discount” and the explanatory text that follows omits any mention of “Punch Cards”.

Under District Ordinance 7, parcel owners may use a portion of the value of their recreation passes to pay down the difference between a regular rate and the resident rate for certain types of recreational fees.

Analysis: This explanation is factually incorrect. Recreation Passes as defined under Ordinance 7 have no actual value assigned and are used only as photo identification for the holder to obtain resident rates and privileges. As Recreation Passes have no monetary value, their use does not provide any “pay downs” of the difference between a regular rate and the resident rate for certain types of recreational fees.

These forms of payment are presented as contra revenue in the Fund statements.

Analysis: Not only are there no “payments” derived from the use of Recreation Passes, there are no “contra revenue” line items “presented” in the Basic Financial Statements or Supplemental Financial Statements. We are referencing:

Page 26: Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance

Page 29: Community Services Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Page 30: Beach Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Pages 64/65: Community Services Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Page 66: Beach Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Utilization is recognized based on the relationship of privileges used to total facility fee paid by the parcel. Under the current fee structure, this is generally 88% to Community Services Special Revenue Fund and 12% to the Beach Special Revenue Fund.

Analysis: These two sentences are devoid of meaning. Rather than provide clarity they exemplify deliberate obfuscation. Since the Note states that Recreation Passes are the source of these transactions and Recreation Passes are simply photo identification what “utilization” is being accounted, recorded and recognized? This undefined “utilization” we are told is based on the “relationship of privileges used to total facility fee paid by the parcel.” What is the relationship of Recreation Pass privileges used to total facility fees paid? And how is this formula derived and fractionalized to a general 88% to

Community Services Special Revenue Fund and 1.2% to the Beach Special Revenue Fund?

Note 17. SEGMENT INFORMATION FOR COMMUNITY SERVICES AND BEACH SPECIAL REVENUE FUNDS

The District provides recreation functions through two individual special revenue funds. Each serves a different set of venues and customer base. A significant source of revenue for these functions for operations, capital expenditures and debt service comes directly from a facility fee assessed by parcel for each function and expenditure type.

Analysis: This is stated accurately with the exception that the District does not assess a singular facility fee for both special revenue funds. The District annually and uniformly assesses 8181 parcels a Community Services Standby and Service Charge which the District characterizes as a Rec Facility Fee. Of these 8181 parcels, 7,743 are also assessed a Beach Standby and Service Charge for the Beach Fund which the District characterizes as a Beach Facility Fee.

Facility Fees have been listed separately by fund and function. The operating portion of the facility fee is combined with charges for services to provide the resources for providing services. Charges for services are aggregated, while expenditures are provided by function.

Analysis: This is subject to interpretation as the District's presentation of facility fees is inconsistent and the accuracy of this explanation depends upon which page of the CAFR Financial Statements one is viewing. The final sentence is confusing as it also fails to clarify the definition of function. It is unclear whether these "expenditures" are categorized by the individual venues and/or by operations, capital projects and debt service.

As stated in Note 1. T, part of the facility fee can be used to pay for charges for services in lieu of other forms of privileges. These are referred to as Punch Cards.

Analysis: This is patently false. Note 1. T makes no such statement and aside from the footnote heading there is no explanation of Punch Cards. Note 17 also fails to mention that payment of the Recreation Facility Fee and/or the Beach

Facility Fee entitles each parcel owner any combination of five Picture Passes and/or Punch Cards. The Punch Cards are prepaid by the Facility Fees. The Facility Fees are recorded as Revenues in the Community Services and Beach Funds. When a prepaid Punch Card is utilized at a recreational venue and its value is reduced to pay the difference between the resident rate and the general public rate, the transaction DOES NOT generate any additional revenues to the recreational venue.

The following are major functions included in Charges for Services and the approximate amounts of punch cards activity that is included:

		<u>Amounts included in Charges for</u> <u>Services</u>	
	<i>Charges for</i> <i>Services</i>	<i>Paid with</i> <i>Punch Cards</i>	<i>Punch Cards</i> <i>Value Utilized</i>
Golf	\$ 4,133,355	\$ 47,000	\$ -
Facilities	275,156	-	-
Ski	10,202,972	114,000	-
Community			
Programming	1,264,177	149,000	-
Parks	59,421	-	-
Tennis	166,533	-	-
Recreation			
Administration	<u>(521,179)</u>	-	<u>(540,000)</u>
Total	<u>\$15,580,435</u>	<u>\$310,000</u>	<u>\$(540,000)</u>
Beach	<u>\$ 1,002,518</u>	<u>\$303,000</u>	<u>\$(73,000)</u>
District Total		<u>\$613,000</u>	<u>\$(613,000)</u>

Analysis: First, in the Chart above, please take notice that contrary to what the Note states, the portion of the Facility Fees allocated for operations are not included in the Charges for Services. More importantly, be extremely alarmed that the District is recognizing and recording \$613,000 of Punch Card Charges for Services revenues when in fact No Revenues were actually received at the venues. As No Cash was exchanged and fictitious Charges for Services were recorded, a contra revenue amount of \$613,000 was required to balance the books. To compound this fraud, the District decided not to apply 100% of the contra revenue to the venues where the fictitious punch card transactions were actually recorded. They devised a fractionalized formula to accomplish their objectives.

According to the Chart, for the Community Services venues the contra revenue Punch Cards Value Utilized recorded in Recreation Administration was \$540,000 but the reported Paid with Punch Cards Charges for Services was only \$310,000. The difference between these two entries is \$230,000. WHY? For the Beach venues the contra revenue recorded was \$73,000 yet, the Charges for Services Paid with Punch Cards amounts to \$303,000. The difference is \$230,000. WHY?

The simple explanation has remained the same for the past four years. This accounting and recording of non-existent revenues generated by the use of Punch Cards and the invention of an 88% allocation of the contra revenues to the Community Services Fund and 12% to the Beach Fund is the District's mechanism to unlawfully transfer \$230,000 from the Community Services Fund to the Beach Fund for 2016 alone. Over the past four fiscal years more than \$1,355,000 has been misappropriated from 8181 Parcel Owners paying the Community Services Recreation Facility Fee and unlawfully transferred to the Beach Fund. Of the 8181 more than 400 parcel owners are legally precluded from beach access, yet, they are in fact paying for beach fund expenditures.

This Chart is your Road Map to the Fourth Year of the District's Fraudulent double booking of Revenues in Community Services and Beach Venues along with the path of unlawful transfers through the invention of fictitious Paid with Punch Cards Charges for Services and the invented formula for allocating Punch Cards Value Utilized.

Trustee Audit Committee Chair Horan and Board of Trustee Chair Wong, a licensed California CPA continue to ignore this fraudulent accounting and the unlawful cash transfers and at the same time refuse to provide any explanation of why they believe these transactions are in accordance with generally accepted accounting principles and in compliance with Nevada Law.

Trustee failure to investigate and remedy these abuses does not dismiss their fiduciary responsibility for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and compliance with Nevada Law. Nor does the Independent Audit of the financial statements relieve Management and those charged with governance of their responsibilities. These responsibilities include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. These Responsibilities are made clear in the Independent Auditor Engagement Letter and the Independent Auditor Report in the 2016 CAFR.

It should be apparent that the District's Fraudulent Punch Card Transaction Scheme commands the intentional corruption of the District's Financial Reporting across all reporting platforms. In order to conceal or disguise this Fraud, the District improperly prepares and reports the District's Annual Budget and loads the Certified Audited Reports with intentional errors and material misstatements impacting the basic and supplemental financial statements and footnote disclosures. These reports have a corrosive effect on the District's credibility as well as public confidence because they are designed to deceive all those who rely upon IVGID financial statements.

We request you review our December 7, 2016 Memorandum together with this Memorandum and the 2016 CAFR and take the appropriate action to end this Fraudulent Accounting and Reporting.

cc: Jeff Strand, Eide Bailly Risk Management
cc: Dan Carter, Eide Bailly Audit Engagement Partner
cc: Kelly Langley, Supervisor, Local Government and Finance, DOT
cc: Committee on Local Government Finance (CLGF)

Attachments:

2016 CAFR Page 43 – Footnote 1.T Punch Cards Utilized

2016 CAFR Page 54 - Footnote 17 Segment Information for Community Services and Beach Special Revenue Funds

2016 CAFR Page 26 - Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance

2016 CAFR Page 29 - Community Services Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

2016 CAFR Page 30 - Beach Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

2016 CAFR Pages 64/65 – Community Services Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

2016 CAFR Page 66 – Beach Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

of revenues and expenses during the reporting period. Actual results may differ from those estimates.

S. Central Services Cost Allocation

The District allocates the shared costs of Accounting and Human Resources based under a plan which considers wages, benefits, full time equivalents and certain services and supplies as a basis for determining charges. The charges are based on budgeted expenses. The revenue generated by the allocation is recorded as a separate line item with the expense category to reflect District-wide expenses at net.

T. Punch Cards Utilized

Under District Ordinance 7, parcel owners may use a portion of the value of their recreation passes to pay down the difference between a regular rate and the resident rate for certain types of recreational fees. These forms of payment are presented as contra revenue in the Fund statements. Utilization is recognized based on the relationship of privileges used to total facility fee paid by the parcel. Under the current fee structure, this is generally 88% to Community Services Special Revenue Fund and 12% to the Beach Special Revenue Fund.

U. Implementation of GASB Statement No. 72

As of July 1, 2015, the District adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this statement are included in Note 2.

DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

At year end the carrying amount of the District's checking deposits was \$5,132,526, while the bank balance was \$5,445,892. Of the bank balance, \$250,000 was covered by Federal Depository Insurance Coverage and the balance was covered by pledged collateral under an arrangement with the State of Nevada on behalf of all local units of government.

Cash and Cash Equivalents at June 30, 2016 consist of:	
Operating Checking Accounts	\$5,132,526
Petty cash and change funds	66,407
US Government Money Market	<u>449,012</u>
Total	<u>\$5,647,945</u>

A portion of the District's investments are placed with Wells Fargo Bank as custodian in the US Government Money Market, where fair value is determined by multiplying the number of trading units held, by the quoted market value on that date.

The District categorizes its fair value measurements for investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs.

The District is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The District's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The District's investment in the LGIP is reported at fair value. Fair value is determined on a daily basis.

necessary, to recover the costs. The District's Construction in Progress for the Community Services Fund carried \$236,616 as the cost of this claim. The claim was settled October 22, 2015 in an amount to cover those costs. This recovery of capital costs is part of the increase to unrestricted fund balance in the Community Services Special Revenue Fund.

17. SEGMENT INFORMATION FOR COMMUNITY SERVICES AND BEACH SPECIAL REVENUE FUNDS

The District provides recreation functions through two individual special revenue funds. Each serves a different set of venues and customer base. A significant source of revenue for these functions for operations, capital expenditure and debt service comes directly from a facility fee assessed by parcel for each function and expenditure type. Facility Fees have been listed separately by fund and function. The operating portion of the facility fee is combined with charges for services to provide the resources for providing services. Charges for services are aggregated, while expenditures are provided by function. As stated in Note 1 T, part of the facility fee can be used to pay for charges for services in lieu of other forms of privileges. These are referred to as Punch Cards. The following are major functions included in Charges for Services and the approximate amounts of punch cards activity that is included:

	Charges for Services	Amounts included in Charges for Services	
		Paid with Punch Cards	Punch Cards Value Utilized
Golf	\$ 4,133,355	\$ 47,000	\$ -
Facilities	275,156	-	-
Ski	10,202,972	114,000	-
Community Programming	1,264,177	149,000	-
Parks	59,421	-	-
Tennis	166,533	-	-
Recreation Administration	(521,179)	-	(540,000)
Total	<u>\$ 15,580,435</u>	<u>\$310,000</u>	<u>\$(540,000)</u>
Beach	<u>\$ 1,002,518</u>	<u>\$303,000</u>	<u>\$(73,000)</u>
District Total		<u>\$613,000</u>	<u>\$(613,000)</u>

18. COMMITMENTS

General Fund:

The District entered into an unemployment insurance contract with First Nonprofit Companies for total premiums of \$200,000 for calendar year 2016 services. As of June 30, 2016 \$100,000 in quarterly deposits are remaining to be paid as a part of the subsequent year's budget.

Capital Project Carryover:

The District budgets for capital projects one year at a time for capital improvement project spending authority. However, the actual execution of construction or acquisition can span one or more fiscal years. The District has identified carryover and unspent budget authority for those projects. The amounts for governmental fund types are re-budgeted for the subsequent fiscal year. The unused resources become part of Unrestricted Net Position in its Enterprise Funds.

Utility Fund:

As of June 30, 2016 there is \$10,967,144 of identified projects included in the carryover. The most significant portion is \$7,942,937 for the Effluent Export Line and \$1,119,693 for the Public Works Equipment Storage Building.

On March 30, 2016, the Board of Trustees authorized the purchase for \$185,000 of a 2.08 acres parcel of land adjacent to the District Waste Water Treatment Plant. On September 1, 2016 the transaction reached a point where a definitive purchase agreement could be executed, pending further action to complete a land boundary adjustment. Closing is expected prior to June 30, 2017.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL	COMMUNITY SERVICES SPECIAL REV.	BEACH SPECIAL REVENUE	COMMUNITY SERVICES CAP. PROJECTS	BEACH CAPITAL PROJECTS	COMMUNITY SERVICES DEBT SERV.	BEACH DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Ad valorem taxes	\$ 1,497,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,497,006
Intergovernmental:								
Consolidated and other taxes	1,487,986	-	-	-	-	-	-	1,487,986
Services	-	15,787	-	-	-	-	-	15,787
Charges for Services	-	15,580,435	1,002,518	-	-	-	-	16,582,953
Facility Fees - Operations	-	2,180,524	582,058	-	-	-	-	2,762,582
Facility Fees - Capital Expenditure	-	2,524,818	186,259	-	-	-	-	2,711,077
Facility Fees - Debt Service	-	1,278,804	7,761	-	-	-	-	1,286,565
Operating Grants	1,140	18,440	-	-	-	-	-	19,880
Capital Grants	-	-	-	586,361	-	-	-	586,361
Investment Income	45,989	58,438	11,263	-	-	-	-	115,690
Sale of Capital Assets	-	34,409	-	38,793	2,607	-	-	75,719
Miscellaneous	2,863	474,853	344	-	-	-	-	478,060
Total revenues	<u>3,035,284</u>	<u>22,166,508</u>	<u>1,790,203</u>	<u>625,064</u>	<u>2,607</u>	<u>-</u>	<u>-</u>	<u>27,619,666</u>
EXPENDITURES								
GENERAL GOVERNMENT								
Current:								
Manager	322,337	-	-	-	-	-	-	322,337
Treasurer	173,671	-	-	-	-	-	-	173,671
Accounting	915,338	-	-	-	-	-	-	915,338
Information Services	700,124	-	-	-	-	-	-	700,124
Risk Management	127,565	-	-	-	-	-	-	127,565
Human Resources	513,369	-	-	-	-	-	-	513,369
Health & Wellness	23,125	-	-	-	-	-	-	23,125
Community & Employee Relations	159,260	-	-	-	-	-	-	159,260
Administration	575,458	-	-	-	-	-	-	575,458
Central Services Cost Allocation Income	(1,123,000)	-	-	-	-	-	-	(1,123,000)
Capital Outlay	79,331	-	-	-	-	-	-	79,331
RECREATION								
Championship Golf	-	3,526,103	-	-	-	-	-	3,526,103
Mountain Golf	-	937,694	-	-	-	-	-	937,694
Facilities	-	432,187	-	-	-	-	-	432,187
Ski	-	6,441,024	-	-	-	-	-	6,441,024
Community Programming and Recreation Center	-	2,228,727	-	-	-	-	-	2,228,727
Parts	-	715,538	-	-	-	-	-	715,538
Tennis	-	256,359	-	-	-	-	-	256,359
Recreation Administration	-	315,943	-	-	-	-	-	315,943
Beach	-	-	1,493,554	-	-	-	-	1,493,554
Capital Outlay	-	-	-	2,344,198	319,152	-	-	2,663,350
Debt Service:								
Principal	-	-	-	-	-	1,078,781	3,216	1,084,600
Interest	-	-	-	-	-	204,299	973	205,263
Total expenditures	<u>2,466,578</u>	<u>14,853,575</u>	<u>1,493,554</u>	<u>2,344,198</u>	<u>319,152</u>	<u>1,283,074</u>	<u>6,189</u>	<u>22,766,320</u>
Excess of revenues over expenditures	<u>568,706</u>	<u>7,312,933</u>	<u>296,649</u>	<u>(1,719,134)</u>	<u>(316,545)</u>	<u>(1,283,074)</u>	<u>(6,189)</u>	<u>-853,346</u>
OTHER FINANCING SOURCES:								
Transfers In (Out) - Facility Fees for Capital Expenditure	-	(2,524,818)	(186,259)	2,524,818	186,259	-	-	-
Transfers In (Out) - Facility Fees for Debt Service	-	(1,278,804)	(7,761)	-	-	1,278,804	7,761	-
Transfer In (Out) - From Other Sources	(250,000)	(1,012,238)	(150,665)	1,255,857	150,665	6,381	-	-
Net change in fund balance	318,706	2,497,073	(46,016)	2,061,541	20,379	2,111	1,572	4,853,346
Fund balance, July 1	<u>1,501,287</u>	<u>5,357,755</u>	<u>1,107,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,966,828</u>
Fund balance, June 30	<u>\$ 1,819,993</u>	<u>\$ 7,854,828</u>	<u>\$ 1,059,750</u>	<u>\$ 2,061,541</u>	<u>\$ 20,379</u>	<u>\$ 2,111</u>	<u>\$ 1,572</u>	<u>\$ 12,820,174</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Championship Golf	\$ 3,014,400	\$ 3,014,400	\$ 3,488,229	\$ 473,829
Mountain Golf	654,450	654,450	645,126	(9,324)
Facilities	301,280	301,280	275,156	(26,124)
Ski	6,498,000	9,898,000	10,202,972	304,972
Community Programming and Recreation Center	1,206,502	1,206,502	1,264,177	57,675
Parks	55,900	55,900	59,421	3,521
Tennis	177,300	177,300	166,533	(10,767)
Recreation Administration	(517,500)	(517,500)	(521,179)	(3,679)
Subtotal Charges for Services	11,390,332	14,790,332	15,580,435	790,103
Facility Fees - Operations	2,176,146	2,176,146	2,180,524	4,378
Facility Fees - Capital Projects	2,519,748	2,519,748	2,524,818	5,070
Facility Fees - Debt service	1,276,236	1,276,236	1,278,804	2,568
Intergovernmental Services	19,400	19,400	15,787	(3,613)
Operating Grants	17,000	17,000	18,440	1,440
Investment income	30,000	30,000	58,438	28,438
Sale of assets	-	-	34,409	34,409
Miscellaneous - recovery of capital costs	-	-	236,615	236,615
Miscellaneous - other	184,100	184,100	238,238	54,138
Total revenues	<u>17,612,962</u>	<u>21,012,962</u>	<u>22,166,508</u>	<u>1,153,546</u>
EXPENDITURES				
CURRENT:				
COMMUNITY SERVICES RECREATION:				
Championship Golf	3,214,726	3,214,726	3,526,103	(311,377)
Mountain Golf	966,386	966,386	937,694	28,692
Facilities	435,308	435,308	432,187	3,121
Ski	5,602,106	6,652,106	6,441,024	211,082
Community Programming and Recreation Center	2,227,819	2,227,819	2,228,727	(908)
Parks	772,894	772,894	715,538	57,356
Tennis	273,055	273,055	256,359	16,696
Recreation Administration	325,226	325,226	315,943	9,283
Total expenditures	<u>13,817,520</u>	<u>14,867,520</u>	<u>14,853,575</u>	<u>13,945</u>
Excess (deficiency) of revenues over expenditures	<u>3,795,442</u>	<u>6,145,442</u>	<u>7,312,933</u>	<u>1,167,491</u>
OTHER FINANCING SOURCES (USES)				
Contingency	(200,000)	(200,000)	-	200,000
Operating Transfers (Out) - Capital Projects	(3,433,212)	(3,433,212)	(3,530,675)	(97,463)
Operating Transfers (Out) - Debt Service	(1,284,091)	(1,284,091)	(1,285,185)	(1,094)
Total other financing sources (uses)	<u>(4,917,303)</u>	<u>(4,917,303)</u>	<u>(4,815,860)</u>	<u>101,443</u>
Net changes in fund balance	(1,121,861)	1,228,139	2,497,073	1,268,934
Fund Balance, July 1	<u>5,294,138</u>	<u>5,294,138</u>	<u>5,357,755</u>	<u>63,617</u>
Fund balance, June 30	<u>\$ 4,172,277</u>	<u>\$ 6,522,277</u>	<u>\$ 7,854,828</u>	<u>\$ 1,332,551</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 BEACH SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Beach	\$ 967,200	\$ 988,000	\$ 1,002,518	\$ 14,518
Facility Fees - Operations	580,725	580,725	582,058	1,333
Facility Fees - Capital Projects	185,832	185,832	186,259	427
Facility Fees - Debt service	7,743	7,743	7,761	18
Investment earnings	9,000	9,000	11,263	2,263
Miscellaneous	-	-	344	344
Total revenues	<u>1,750,500</u>	<u>1,771,300</u>	<u>1,790,203</u>	<u>18,903</u>
EXPENDITURES				
CURRENT:				
BEACH RECREATION:				
Beach	<u>1,548,495</u>	<u>1,548,495</u>	<u>1,493,554</u>	<u>54,941</u>
Excess (deficiency) of revenues over expenditures	<u>202,005</u>	<u>222,805</u>	<u>296,649</u>	<u>73,844</u>
OTHER FINANCING SOURCES (USES)				
Contingency	(45,000)	-	-	-
Operating Transfers (Out) - Capital Projects	(234,660)	(291,660)	(336,924)	(45,264)
Operating Transfers (Out) - Debt Service	(6,200)	(6,200)	(7,761)	(1,561)
Total other financing sources (uses)	<u>(285,860)</u>	<u>(297,860)</u>	<u>(344,685)</u>	<u>(46,825)</u>
Net changes in fund balance	(83,855)	(75,055)	(48,036)	27,019
Fund Balance, July 1	<u>1,302,486</u>	<u>1,302,486</u>	<u>1,107,786</u>	<u>(194,700)</u>
Fund balance, June 30	<u>\$ 1,218,631</u>	<u>\$ 1,227,431</u>	<u>\$ 1,059,750</u>	<u>\$ (167,681)</u>

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

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	(Form 4404LGF) Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Culture and Recreation:				
Championship Golf	\$ 4,045,206	\$ 4,045,206	\$ 4,521,108	\$ 475,902
Mountain Golf	1,250,139	1,250,139	1,210,751	(39,388)
Facilities	685,787	685,787	660,437	(25,350)
Ski	7,579,263	10,979,263	11,212,699	233,436
Community Programming	2,303,394	2,303,394	2,363,242	59,848
Parks	946,757	946,757	870,362	(76,395)
Tennis	308,196	308,196	297,693	(10,503)
Recreation Administration	464,220	464,220	462,516	(1,704)
Investment Earnings	30,000	30,000	58,438	28,438
Sale of Assets	-	-	34,409	34,409
Miscellaneous	-	-	474,853	474,853
Total revenues - (Form 9)	<u>17,612,962</u>	<u>21,012,962</u>	<u>22,166,508</u>	<u>1,153,546</u>
EXPENDITURES				
Current:				
Culture and Recreation - All Functions:				
Function Summary - (Form 11)	13,817,520	14,867,520	14,853,575	13,945
Total expenditures	<u>13,817,520</u>	<u>14,867,520</u>	<u>14,853,575</u>	<u>13,945</u>
Excess (deficiency) of revenues over expenditures	<u>3,795,442</u>	<u>6,145,442</u>	<u>7,312,933</u>	<u>1,167,491</u>
Other Financing Sources (Uses)				
Contingency	(200,000)	(200,000)	-	200,000
Operating Transfers Out - Capital Projects	(3,433,212)	(3,433,212)	(3,530,675)	(97,463)
Operating Transfers Out - Debt Service	(1,284,091)	(1,284,091)	(1,285,185)	(1,094)
Net changes in fund balance	<u>(1,121,861)</u>	<u>1,228,139</u>	<u>2,497,073</u>	<u>1,268,934</u>
Fund balance, July 1	<u>5,294,138</u>	<u>5,294,138</u>	<u>5,357,755</u>	<u>63,617</u>
Fund balance, June 30 - (Form 11)	<u>\$ 4,172,277</u>	<u>\$ 6,522,277</u>	<u>\$ 7,854,828</u>	<u>\$ 1,332,551</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
COMMUNITY SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	(Form 4404LGF)			
	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES				
Current:				
Community Services:				
Championship Golf				
Salaries and Wages	\$ 1,061,511	\$ 1,061,511	\$ 1,201,286	\$ (139,775)
Employee Benefits	330,954	330,954	327,158	3,796
Services and Supplies	1,822,261	1,822,261	1,997,659	(175,398)
Subtotal Championship Golf	<u>3,214,726</u>	<u>3,214,726</u>	<u>3,526,103</u>	<u>(311,377)</u>
Mountain Golf				
Salaries and Wages	346,395	346,395	330,347	16,048
Employee Benefits	103,303	103,303	87,943	15,360
Services and Supplies	516,688	516,688	519,404	(2,716)
Subtotal Mountain Golf	<u>966,386</u>	<u>966,386</u>	<u>937,694</u>	<u>28,692</u>
Facilities				
Salaries and Wages	103,082	103,082	83,752	19,330
Employee Benefits	65,159	65,159	40,672	24,487
Services and Supplies	267,067	267,067	307,763	(40,696)
Subtotal Facilities	<u>435,308</u>	<u>435,308</u>	<u>432,187</u>	<u>3,121</u>
Ski				
Salaries and Wages	2,077,530	2,602,530	2,484,346	118,184
Employee Benefits	780,556	780,556	784,639	(4,083)
Services and Supplies	2,744,020	3,269,020	3,172,039	96,981
Subtotal Ski	<u>5,602,106</u>	<u>6,652,106</u>	<u>6,441,024</u>	<u>211,082</u>
Community Programming				
Salaries and Wages	982,948	982,948	1,041,817	(58,869)
Employee Benefits	360,995	360,995	303,739	57,256
Services and Supplies	883,876	883,876	883,171	705
Subtotal Community Programming	<u>2,227,819</u>	<u>2,227,819</u>	<u>2,228,727</u>	<u>(908)</u>
Parks				
Salaries and Wages	284,328	284,328	289,079	(4,751)
Employee Benefits	73,125	73,125	75,242	(2,117)
Services and Supplies	415,441	415,441	351,217	64,224
Subtotal Parks	<u>772,894</u>	<u>772,894</u>	<u>715,538</u>	<u>57,356</u>
Tennis				
Salaries and Wages	147,427	147,427	135,631	11,796
Employee Benefits	30,241	30,241	26,030	4,211
Services and Supplies	95,387	95,387	94,698	689
Subtotal Tennis	<u>273,055</u>	<u>273,055</u>	<u>256,359</u>	<u>16,696</u>
Recreation Administration				
Salaries and Wages	109,729	109,729	146,947	(37,218)
Employee Benefits	46,597	46,597	50,267	(3,670)
Services and Supplies	168,900	168,900	118,729	50,171
Subtotal Recreation Administration	<u>325,226</u>	<u>325,226</u>	<u>315,943</u>	<u>9,283</u>
Function Subtotal - (Form 10)	<u>\$ 13,817,520</u>	<u>\$ 14,867,520</u>	<u>\$ 14,853,575</u>	<u>\$ 13,945</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 BEACH SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2016

	(Form 4404LGF) Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for Services				
Culture and Recreation:				
Beach	\$ 1,741,500	\$ 1,762,300	\$ 1,778,596	\$ 16,296
Investment Earnings	9,000	9,000	11,263	2,263
Fund liabilities paid by other funds	-	-	344	344
Total revenues - (Form 9)	<u>1,750,500</u>	<u>1,771,300</u>	<u>1,790,203</u>	<u>18,903</u>
EXPENDITURES				
Current:				
Beach:				
Salaries and Wages	701,430	701,430	680,845	20,585
Employee Benefits	207,980	207,980	182,539	25,441
Services and Supplies	639,085	639,085	630,170	8,915
Total expenditures - (Form 10)	<u>1,548,495</u>	<u>1,548,495</u>	<u>1,493,554</u>	<u>54,941</u>
Excess (deficiency) of revenues over expenditures	202,005	222,805	296,649	73,844
Other Financing Sources (Uses)				
Contingency	(45,000)	-	-	-
Operating Transfers Out - Capital Projects	(234,660)	(291,660)	(336,924)	(45,264)
Operating Transfers Out - Debt Service	(6,200)	(6,200)	(7,761)	(1,561)
Net changes in fund balance	<u>(83,855)</u>	<u>(75,055)</u>	<u>(48,036)</u>	<u>27,019</u>
Fund balance, July 1	<u>1,302,486</u>	<u>1,302,486</u>	<u>1,107,786</u>	<u>(194,700)</u>
Fund balance, June 30 - (Form 11)	<u>\$ 1,218,631</u>	<u>\$ 1,227,431</u>	<u>\$ 1,059,750</u>	<u>\$ (167,681)</u>