

**M E M O R A N D U M**

**TO:** Audit Committee

**FROM:** Audit Committee Chair Raymond Tulloch

**SUBJECT:** Review the status of Look Back project that was conducted by prior AC Chair and discuss how to proceed

**DATE:** October 15, 2024

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**I. RECOMMENDATION**  
N/A

**II. BACKGROUND**

A community member and former Audit Committee at Large member has previously provided the AC with 30 memos detailing issues he had identified and researched in connection with reporting in prior ACFRs. A major proportion of these involved potential incorrect capitalization of expense items.

The previous AC Chair, Chris Nolet, proposed to the Board of Trustees and the Director of Finance (“DoF”) in March of 2023 that a comprehensive “look back” project be undertaken to investigate and resolve (in whatever ways appropriate) **ALL** of the open matters before the Fiscal 2023 audit of the ACFR was completed. The project was approved, and a team of Navazio, Cliff Dobler (the source of most of the assertions of incomplete/incorrect accounting or reporting), Mick Homan (At-Large AC Member) and Chris Nolet was assembled.

This team met several times as a working group from mid-March through early June 2023. The project was “paused” as the extended BoT golf analysis and Fiscal ‘23/’24 budgeting process consumed the DoF’s time for the whole of June. While the team made very good progress in closing out a majority of the matters (19 of 28), it was agreed that Staff would do more work to better understand the possible impact of the remaining open items on various fiscal years financial statements. However with the departure of Mr. Navazio at the end of June 2023 no further work was done on this.

Additional details of this process are contained in the memo written by Chris Nolet (attached) on January 23, 2024. Mr. Nolet also prepared a full binder describing the work carried out and the findings of the team . This was provided

to then DoF, Bobby Magee. It has been reported that the binder and details of the issues were provided to Rubin Brown as part of the Due Diligence Audit. To date however this binder has not been found either by IVGID staff or by Rubin Brown.

Rubin Brown considered the issues identified and reported on them in their final report as shown in the Rubin Brown email and files included with this item.

### **III. DISCUSSION**

The memos under review identify important potential issues in IVGID financial reporting and should not be left in limbo. The AC should review the current status of the Look Back project and discuss and agree whether additional work is necessary to progress the project and if so the scope, timing and resourcing of the effort.

### **III. FINANCIAL IMPACT AND BUDGET**

Unknown at this stage

### **IV. ALTERNATIVES**

The AC may decide no further work is necessary

### **V. BUSINESS IMPACT**

This item is not a "rule" within the meaning of Nevada Revised Statutes, Chapter 237, and does not require a Business Impact Statement.

**From:** [Nathan Croll](#)  
**To:** [Keith Oexeman](#); [Thomas Zetlmeisl](#); [Mackenzie Roth](#)  
**Subject:** FW: [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task  
**Date:** Tuesday, October 1, 2024 10:27:27 AM

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Related to Ray 10/1/24 request. Email 1 of 3

**Nathan Croll, CPA, CGMA, CCA**

Partner, Consulting Services



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**From:** Mackenzie Roth <[Mackenzie.Roth@RubinBrown.Com](mailto:Mackenzie.Roth@RubinBrown.Com)>  
**Sent:** Tuesday, March 5, 2024 10:15 AM  
**To:** Thomas Zetlmeisl <[Thomas.Zetlmeisl@RubinBrown.Com](mailto:Thomas.Zetlmeisl@RubinBrown.Com)>; Nathan Croll <[Nathan.Croll@RubinBrown.Com](mailto:Nathan.Croll@RubinBrown.Com)>; Keith Oexeman <[Keith.Oexeman@RubinBrown.Com](mailto:Keith.Oexeman@RubinBrown.Com)>  
**Subject:** FW: [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task

FYI.

**Kenzie Roth, CPA**

Consultant, Business Advisory Services

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**From:** Heather R. Potts <[hrp@ivgid.org](mailto:hrp@ivgid.org)>

**Sent:** Tuesday, March 5, 2024 10:13 AM

**To:** Mackenzie Roth <[Mackenzie.Roth@RubinBrown.Com](mailto:Mackenzie.Roth@RubinBrown.Com)>

**Subject:** [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task

Hi Mackenzie,

I'm forwarding this string, so that you have it and will also forward the original in just a second with the spreadsheets in case Bobby forgets to bring it up in his meeting today. The issue here, as I understand it, is that this resident (and former audit committee member) believes we have been capitalizing/expenses items incorrectly going back over 10 years. They may have been and we are currently re-writing a capitalization policy for the BOT to look at, at the end of the month. I would have thought something would have come up during an audit if that were the case and I'm not exactly sure what he wants us to do other than fix going forward, but I think this is his proof of fraud and wants it addressed.

Thanks,

Heather

---

**From:** Bobby Magee <[bma@ivgid.org](mailto:bma@ivgid.org)>

**Sent:** Monday, March 4, 2024 5:14 PM

**To:** Heather R. Potts <[hrp@ivgid.org](mailto:hrp@ivgid.org)>

**Subject:** RE: Probable Capital Asset Charge offs - Completing the task

Good idea – let's do that. I like where you are going with this.

---

**From:** Heather R. Potts <[hrp@ivgid.org](mailto:hrp@ivgid.org)>

**Sent:** Monday, March 4, 2024 3:07 PM

**To:** Bobby Magee <[bma@ivgid.org](mailto:bma@ivgid.org)>

**Subject:** RE: Probable Capital Asset Charge offs - Completing the task

Hi Bobby,

I think we should just send this to the FA and at least see what they say. To me, if we expensed something and he believes it should've been capitalized, or if we capitalized and he believes it should've been expensed, okay. The only thing we can do now is get a policy in place to correct

going forward and possible fully expense anything that may be left from those years that we may still be capitalizing. I'm not sure what else he wants to happen, but if they take a look and say yes, agreed, maybe that will help? Looks like you have a meeting with Keith tomorrow, do you want to bring it up?

Thanks,

Heather

---

**From:** Bobby Magee <[bma@ivgid.org](mailto:bma@ivgid.org)>  
**Sent:** Monday, March 4, 2024 2:09 PM  
**To:** Heather R. Potts <[hrp@ivgid.org](mailto:hrp@ivgid.org)>  
**Subject:** FW: Probable Capital Asset Charge offs - Completing the task

**From:** [cfdobler@aol.com](mailto:cfdobler@aol.com) <[cfdobler@aol.com](mailto:cfdobler@aol.com)>  
**Sent:** Friday, February 2, 2024 3:01 PM  
**To:** Chris Nolet <[nolet\\_audit@ivgid.org](mailto:nolet_audit@ivgid.org)>; Bobby Magee <[bma@ivgid.org](mailto:bma@ivgid.org)>  
**Subject:** Probable Capital Asset Charge offs - Completing the task

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

As you are aware I spent a considerable amount of time in 2023 reviewing other capital accounts wherein charges offs were made in some years and not in other years.

I assembled the attached worksheet which are all of the funds and an extra spreadsheet on just the Beach Fund.

Several items are easy since Navazio did not have any continuity from one year to the next.

I delivered a memo to you as Audit Committee leader sometime in mid 2023 and asked for a review by the audit committee. You indicated that since most of the finance department had left, there was no one to study the claims of charge offs.

I believe my work may have been overlooked and not provided to the Forensic Auditor. You indicated that the work was to be provided to the auditor but I would like you to confirm it.

I did a cover letter to you with the spreadsheets but I cannot seem to locate it. You can probably put your hands on it.

Attached are two spreadsheets. All funds on one and then a detail of the beach fund.

So there is no misunderstanding, the source documents were not from the general ledger but from the annual CIP reports. The columns are the items charged off in each year and then what was not charged off.

Cliff Dobler

**From:** [Nathan Croll](#)  
**To:** [Keith Oexeman](#); [Thomas Zetlmeisl](#); [Mackenzie Roth](#)  
**Subject:** FW: [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task  
**Date:** Tuesday, October 1, 2024 10:27:49 AM  
**Attachments:** [Costs Capitalized which should have been expensed 2015 to 2022 #1.xlsx](#)  
[Charge offs -from Capital Projects Report - Actuals for Beaches - 2014-2022.xlsx](#)

---

Related to Ray 10/1/24 request. Email 2 of 3

**Nathan Croll, CPA, CGMA, CCA**

Partner, Consulting Services



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**From:** Mackenzie Roth <[Mackenzie.Roth@RubinBrown.Com](mailto:Mackenzie.Roth@RubinBrown.Com)>  
**Sent:** Tuesday, March 5, 2024 10:53 AM  
**To:** Nathan Croll <[Nathan.Croll@RubinBrown.Com](mailto:Nathan.Croll@RubinBrown.Com)>; Thomas Zetlmeisl <[Thomas.Zetlmeisl@RubinBrown.Com](mailto:Thomas.Zetlmeisl@RubinBrown.Com)>; Keith Oexeman <[Keith.Oexeman@RubinBrown.Com](mailto:Keith.Oexeman@RubinBrown.Com)>  
**Subject:** FW: [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task

Files associated with last email.

**Kenzie Roth, CPA**

Consultant, Business Advisory Services

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**Subject:** [EXTERNAL] FW: Probable Capital Asset Charge offs - Completing the task

Here are his spreadsheets....

---

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**To:** Heather R. Potts <[hrp@ivgid.org](mailto:hrp@ivgid.org)>  
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Cliff Dobler

**Incline Village General Improvement District**  
**Summary of Costs Capitalized which should have been expensed**  
**2015 to 2022**

**IN RED**

Project Description	Account #	CHARGED OFF				Gross Costs
		2019	2020	2021	2022	before Dep 2015 to 2021
<b>GENERAL FUND</b>						
Printer Copier	1099OE1401				8,870	
Phone System upgrade	1213CE1901				(5,641)	
Power Infrastructure Improvements	1213CE2101				12,670	
Fiber Installation/replacement	1213CE2104				3,895	
Server Storage & Computing Hardware	1213CO1505				11,282	
Laptops, Peripheral Equipment & Desk Top Printers	1213CO1703				11,756	59,869
Human Resources Management and Payroll	1315CO1801				3,840	
IT Infrastructure ? ??	1213CO1505					201,357
Unknown			100,895		-	
<b>UTILITY FUND</b>						
Arc Flash Study					6,709	
Adjust facilities in NDOT/Washoe County Right Away	2097DI1401			21,861		347,885 began charge off in 2021
Water Pumping Station Improvements	2299DI1102				77,716	426,049
Replace Commercial Water Meters , vaults, and lids	2299DI1103				6,788	416,996
Water Reservoir Coatings and Improvements	2299DI1204				140,651	327,290
Burnt Cedar Water Disaffection Plans Improvements	2299DI1401					548,004
Effluent Export Line - Phase II	2524SS1010		3,100,110		-	182,023 2020-2021
<i>Effluent Export Line - Questionable capitalization through 2019</i>	These items were moved from CIP to Fixed Assets					
repairs to 13 locations - Granite will be abandoned	All were under 2524SS1010.					1,236,400
Air pressure relief valves - will be abandoned						643,400
meters and valves - will be abandoned						86,500
Effluent Pond Lining	2599SS2010				413,207	
Water Resources Recovery Facility	2599BD1105				48,275	363,931
Wetlands Effluent Disposal Facility Improvements	2599SS1103					174,333 Disagreement with Man
Sewer Pumping Stations Improvements	2299DI1104				63,740	687,233
Replace & Reline Sewer Mains, Manholes, Appurtenances	2599SS2107				58,473	404,349

	Account #	CHARGED OFF				Gross Costs before Dep 2015 to 2021
		2019	2020	2021	2022	
<b>UTILITY FUND Continued</b>						
Leak Study	2299WS1801			78,506		
Pump Station roofing (assume all stations)						255,413
Paving Maintenance						75,998
Unknown			66,856			6,175,804
<b>COMMUNITY SERVICES FUND</b>						
<b>Champ and Mountain Golf Courses</b>						
Irrigation	3141GC1103					208,976 Only Charged off 2021
Greens, Tees and Bunkers	3141GC1202					364,226 Only Charged off 2021
Hole 17 rebuild						25,531 Only Charged off 2021
Drainage enhancements						7,982 Only Charged off 2021
Cart Path retaining walls	3241LI1704			9,650		13,481
Maintenance Bldg	3141GC1502				373	
3 Club Car Carryall 50% to expenses and 50% to capital					36,504	
Ice Maker					7,601	
Cart Paths					493,813	
<b>Facilities</b>						
Replace Carpet	3350BD1103			41,745		
Replace Air Walls	3350BD1704			4,350	80,510	
<b>Diamond Peak</b>						
Master Plan Summer Activities	3499BD1399			156,030		
Master Plan Phase I	3653BD1501			95,624		
Lift Maintenance - Crystal Express	3462HE1502				47,739	113,921
Lift Maintenance - Lakeview	3462HE1702				73,387	287,985
Lift Maintenance - Lodge pole	3462HE1711				203,689	
Lift Maintenance - School House						111,905
Lift Maintenance - Red Fox	3462HE1712					64,535
Lift Maintenance - Ridge						128,923
2014 Yamaha ATV 50% to expenses and 50% to capital					20,167	
Arc Flash Study	3499BD2002				6,000	
Staff Uniforms	3499OE1205				92,460	115,739
Ski Rental Equipment	3468RE0002					466,104
Paving Maintenance	3469LI1805					306,504 Left out in 2019
Snow making evaluation	3464SI1104					33,500
BMP revegetation						34,967
Signage Evaluation	3469RS1709					38,450

	Account #	CHARGED OFF				Gross Costs before Dep 2015 to 2021
		2019	2020	2021	2022	
<b>COMMUNITY SERVICES CONTINUED</b>						
<b>Parks</b>						
I.P Path - upgrade lights	43788DI713				26,896	
Pavement Maintenance - Preston Field et all				4,920	4,354	
Pump Track	4378LI1802					
Dog Park	4378LI2104					
Village Green Restroom Drainage	4378BD1901			5,886		
Community Services Master Plan		212,044				
High School Ball Fields Study		77,216				
<b>Tennis Center</b>						
Tennis Center Renovation	4588BDI604				43,615	
Tennis Center Courts 1 & 2	4588RS1501			15,650		
Facility Study	4588RS1605			40,142		
<b>Recreation Center</b>						
Lobby Restrooms	4884BD1902				10,242	
Fitness Equipment	4886LE0001				50,541	
Locker Rooms	4899FF1202				1,653	
<b>Administration</b>						
ARC Flash Study	4999BD2001				3,000	
<b>BEACH FUND</b>						
Burnt Cedar Pool (includes prior year)	3970BD2601				681,393	\$207,012 was in 2019 & 2021
Incline Beach Study	3973LI1302			216,132		
Incline Beach Shade Structure	3999BD1507			6,000		
VARIOUS - See Detail of various items						809,132
<b>OTHER</b>						
Paving Repairs and Painting		514,254	See detail			
<i>DOES NOT INCLUDE DP AND UTILITIES</i>						
		\$ 807,552	\$ 3,271,901	\$ 700,538	\$ 2,750,212	\$ 9,624,229
						\$ 14,404,220
	<b>Prior Period Adjustment</b>	<b>Prior Period Adjustment</b>	<b>Prior year buried in expenses</b>	<b>current year expensed in 2022</b>	<b>NOT CHARGED OFF</b>	

**IVGID Capital Projects Reports**

Beaches - Actual Capital Expenditures

2015-2022

Source - Capital Project Reports

	ACTUALS								Type of Investment							
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	Total	Equipment	Repair & Main	Abandoned	Expendibles	Studies	Projects	Total
<b>Beaches - Ski</b>																
Bathroom Remodel ADA Compliant	339,282								339,282						339,282	339,282
Dumpster Enclosure	6,470								6,470						6,470	6,470
Boat Ramp Repairs	18,533								18,533		18,533					18,533
Driveway Gate		5,100	16,240						21,340						21,340	21,340
Security Surveillance Cameras			13,831						13,831	13,831						13,831
Pavement Maintenance			1,650	38,850	21,737	11,497	1,200		74,934		74,934					74,934
Kayak Rack Enhancements			24,771	15,386	23,032				63,189	63,189						63,189
<b>Beaches - Burnt Cedar</b>																
Replace Baby Pool Boiler	-	24,167							24,167			24,167				24,167
Retaining Wall	-	80,404							80,404						80,404	80,404
Floor Coating Eastside Restrooms	8,575								8,575		8,575					8,575
Slide Replacement	36,265								36,265			36,265				36,265
Parking Lot Paving	26,251			12,500	12,407				51,158		51,158					51,158
Replace Pool Skimmer		13,328							13,328			13,328				13,328
Replace Pool House Shower Tile		105,164							105,164		105,164					105,164
Replace Pool Boiler		31,859							31,859			31,859				31,859
Resurface Pool Patio Deck			15,853						15,853		15,853					15,853
Replace UV & Pump				17,935					17,935			17,935				17,935
Replace Freezer				5,869					5,869	5,869						5,869
Summer Pool Cover				6,355					6,355			6,355				6,355
Pool Deck, Fencing and Facilities Miscellaneous	55,218								55,218			55,218				55,218
Swimming Pool Repair at Baby Pool					119,497	30,496			149,993			149,993				149,993
F& B Customer Improvements					1,750	(1,750)										
Dumpster Enclosure						1,300	6,535		7,835		7,835					7,835
New Pool							1,226,710	3,890,687	5,117,397						5,117,397	5,117,397
New Pool - Charge Offs								(681,393)	(681,393)						(681,393)	(681,393)
<b>Beaches - Incline</b>																
Pavement Maintenance	-	2,975		4,000	1,550		200		8,725		8,725					8,725
F&B Window Replacement	20,800								20,800		20,800					20,800
Picnic Tables	37,158		9,723						46,881			46,881				46,881
Lounge Chairs	23,813						4,700		28,513			28,513				28,513
Bear Boxes	15,928								15,928			15,928				15,928
Rake walk behind model			14,040						14,040	14,040						14,040
Shade Structure Design	6,000								6,000					6,000		6,000
<b>Beaches - General</b>																
Facility Study	51,636	56,154	72,784	29,458	600	5,500			216,132				216,132			216,132
Flatscape and Retaining Wall Enhancement			81,968	73,279	55,520	16,925	5,860		233,552					233,552		233,552
Furnishings				12,516	36,505	18,041			67,062			67,062				67,062
Fall protection for Beach Venues					11,700				11,700			11,700				11,700
1999 John Deere 5310 Tractor #355	49,893								49,893	49,893						49,893
EMV Credit Card Processing Compliance			5,301	5,100					10,401		10,401					10,401
<b>Total Beaches</b>	<b>695,822</b>	<b>319,151</b>	<b>256,161</b>	<b>221,248</b>	<b>284,298</b>	<b>82,009</b>	<b>1,245,205</b>	<b>3,209,294</b>	<b>6,313,188</b>	<b>146,822</b>	<b>321,978</b>	<b>335,120</b>	<b>170,084</b>	<b>222,132</b>	<b>5,117,052</b>	<b>6,313,188</b>

Total column M,N,O,P **1,049,314**  
 Less  
 Paving charge off in 2020 (18,050)  
 Assessment charge off in 2021 (222,132)  
 Remaining Charge Offs **\$ 809,132**

**From:** [Nathan Croll](#)  
**To:** [Keith Oexeman](#); [Thomas Zetlmeisl](#); [Mackenzie Roth](#)  
**Subject:** FW: [EXTERNAL] FW: 2023 Accounting and Reporting Look Back Project  
**Date:** Tuesday, October 1, 2024 10:28:12 AM  
**Attachments:** [Look Back Project Memo V4 Jan 24.docx](#)  
[scan - 2024-01-26T130347.888.pdf](#)

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Related to Ray 10/1/24 request. Email 3 of 3

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Partner, Consulting Services



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**Sent:** Monday, March 18, 2024 10:44 AM  
**To:** Thomas Zetlmeisl <[Thomas.Zetlmeisl@RubinBrown.Com](mailto:Thomas.Zetlmeisl@RubinBrown.Com)>; Keith Oexeman <[Keith.Oexeman@RubinBrown.Com](mailto:Keith.Oexeman@RubinBrown.Com)>; Nathan Croll <[Nathan.Croll@RubinBrown.Com](mailto:Nathan.Croll@RubinBrown.Com)>  
**Cc:** Victoria L. Nye <[vln@ivgid.org](mailto:vln@ivgid.org)>  
**Subject:** [EXTERNAL] FW: 2023 Accounting and Reporting Look Back Project

RB team – FYI, see Mr. Nolet’s message below and the attachments he sent over. Vicky will have the binder for you when you arrive in two weeks. Thanks.

Bobby

---

**From:** Chris Nolet <[nolet\\_audit@ivgid.org](mailto:nolet_audit@ivgid.org)>  
**Sent:** Thursday, February 1, 2024 11:42 AM  
**To:** Sara Schmitz <[trustee\\_schmitz@ivgid.org](mailto:trustee_schmitz@ivgid.org)>; Matthew Dent <[dent\\_trustee@ivgid.org](mailto:dent_trustee@ivgid.org)>; Michaela Tonking <[tonking\\_trustee@ivgid.org](mailto:tonking_trustee@ivgid.org)>; Ray Tulloch <[tulloch\\_trustee@ivgid.org](mailto:tulloch_trustee@ivgid.org)>; Mike L. Bandelin <[MLB@ivgid.org](mailto:MLB@ivgid.org)>; Bobby Magee <[bma@ivgid.org](mailto:bma@ivgid.org)>; Vito Brandle <[brandle\\_audit@ivgid.org](mailto:brandle_audit@ivgid.org)>; [vitobrandle@gmail.com](mailto:vitobrandle@gmail.com); [cdobler@aol.com](mailto:cdobler@aol.com); Dave Noble <[noble\\_trustee@ivgid.org](mailto:noble_trustee@ivgid.org)>  
**Subject:** 2023 Accounting and Reporting Look Back Project

All - I know that most of you are familiar with a Accounting/Reporting Look Back project that we started in March of 2023. I won't be redundant with the attached memo, but I have

compiled the Project materials to the best of my ability, as summarized in the attached memo.

I believe that the "open" matters noted herein will need to be addressed by Staff in some manner before both the 1) forensic due diligence audit, and 2) the 2023 ACFR audit, can be completed.

I hand delivered the Project materials to Lori Parsons at the IVGID office today.

Happy to answer any questions you may have.

Best

To: IVGID Board of Trustees, Acting GM Mike Bandelin, Acting DoF Bobby Magee, Vito Brandle (At-Large Audit Committee Member) & Cliff Dobler (Attachment only)

From: Chris Nolet – IVGID Audit Committee Chair & CPA (Retired)

Subject: Project to Review Outstanding Accounting and Financial Reporting Matters. Follow-Up from Audit Committee Meeting of February 7, 2023. (Refer to Memo from Paul Navazio dated March 30, 2023, included in the Project Binder).

Date: January 23, 2024

## Background

The Audit Committee (“AC”) that was in place at the time and reviewed the audited CAFR for the year ended June 20, 2021, did NOT approve the CAFR for filing with the State of Nevada, as they could not satisfy themselves that the financial statements and related footnotes therein were presented fairly, in all material respects. The IVGID Board of Trustees at the time overrode the AC and approved the CAFR, which was subsequently filed with the State of Nevada. It should also be noted that the 2020 and 2021 CAFR, and the 2022 ACFR, were all restated for material prior year(s) errors.

As noted in Paul Navazio’s (“Navazio”) memo (referred to above), and the almost 30 supporting memos, there were several unresolved matters that were not adequately addressed by District Staff in the 2020 and 2021 CAFR, nor in the 2022 ACFR. Further, other concerns were raised by community members that possibly impacted the 2020 and 2021 CAFR, as well as the 2022 ACFR. The AC noted in its final report on Fiscal 2021 that four material weaknesses in internal controls over financial reporting were identified for that year, but no major remediation steps were known to have been taken by Staff during Fiscal 2022 or Fiscal 2023, nor were any apparent material scope modifications made during the course of the Fiscal 2022 audit to compensate for the MWS. The District’s independent auditor also noted three Significant Deficiencies in connection with the Fiscal 2022 audit, but it is not clear how those observations are being dealt with during the 2023 ACFR audit.

Considering the problems noted above, I proposed to the Board and Trustees and the Director of Finance (“DoF”) in March of 2023 that a comprehensive “look back” project be undertaken to investigate and resolve (in whatever ways appropriate) ALL of the open matters before the Fiscal 2023 audit of the ACFR was completed. The project was approved, and I assembled a team of Navazio, Cliff Dobler (the source of most of the assertions of incomplete/incorrect accounting or reporting), Mick Homan (At-Large AC Member) and me.

We met several times as a working group from mid-March through early June. The project was “paused” as the extended BoT golf analysis and Fiscal ‘23/’24 budgeting process



consumed the DoF's time for the whole of June. While we had made very good progress in closing out a majority of the matters (19 of 28), we all agreed that Staff would do more work to better understand the possible impact of the remaining open items on various fiscal years financial statements. Upon Paul Navazio's sudden resignation, he committed to finish this work, as evidenced in an email from him dated June 17 (copy attached). However, to the best of my knowledge and that of District Staff, he did not do so.

This Project has sat largely untouched since June 2023. While it has been discussed at several AC meetings, and with District Staff, no work has been done for many reasons, the most likely of which is the massive Staff/Contractor effort being required to remediate the incomplete bank reconciliations, other supporting ledgers, and the unaudited interim financial statements for the twelve months of Fiscal 2023, none of which according to Staff were closed properly, notwithstanding having the majority of those months (11) posted on the IVGID website.

### Recommendation

I have been told that the District does not currently have the resources to look for the remaining necessary records supporting completion this Project, which Navazio represented he had left in good order upon his departure. That said, I believe that the most complete set of Project records was maintained by me, rather than by Dobler or Homan. I have transferred to the Acting DoF ALL my records related to this project. The hard copy files are hand marked with various notes taken during the meetings between March and June 2023. I believe that the District has clean, soft copies of all these files, some of which are likely more updated than the versions in the Project Binder.

I believe the matters raised in this Project, and several related questions posed to the District by Dobler later in 2023, should be studied and resolved. Without this work being completed, and 1) recognizing that the AC did not approve the 2021 CAFR, 2) that it is not clear how the 2022 or 2023 Independent financial statement audits were tailored to compensate for the 4 MWs and 3 SDs, and 3) any remaining open matters identified by Moss Adams for these periods, I personally can't speak to the fair presentation (or not) of the audited Fiscal 2020 or 2021 CAFR, or the audited Fiscal 2022 ACFR.

Below I have listed the matters (numbered in the left-hand column) in the "Summary of Previously Identified Matters" (included in the blue Project Binder with a supporting memo for each matter, all of which I provided to IVGID during the last week of January '24), that were open as of Navazio's departure date:

7, 8, 9, 11, 15, 19, 24, 25 and 28.

A "C" designation in the Summary of Previously Identified Matters indicates that the Project team was reasonably confident that no further work was required to understand the matter. That said, certain of the remaining "C" matters (that is closed) may yet require

some adjustment to current or prior year financial statement, as noted therein. TBD by Staff. The “O” matters (that is Open) were discussed by the Project team, but it was determined that Staff needed to undertake more work to fully understand the concern and propose a resolution of the matter.

I also strongly suggest that the District consider certain other items noted in the following Supplemental Materials:

“Summary of Costs Capitalized Which Should Have Been Expensed” hand dated 3/28/23. (See Folder 1). There may be (TBD) some duplicates with matters noted therein and the Summary of Previously Identified Matters described above. Source – Dobler

A folder I received late in 2023, and a related memo from Josh Nelson, with respect to concerns over certain District grant activity. (See Folder 2). To my knowledge no work has been undertaken concerning this information. Source – Dobler

When the District decides to address the matters discussed in this memo, I will commit to a meeting not to exceed 4 hours (no later than May 31) in order to provide as much insight and guidance to help resolve these matters as is possible.

Lastly, while not relating to any historical financial statements, a matter raised at several Audit Committee and BoT meetings early in Fiscal '23 relates to the Fiscal '23/'24 Budget. On Form 4404LGF, page 10, as submitted to the State of Nevada during the first week of June '23, revenues for the Proprietary Fund are overstated by approximately 55%, or \$22,760,852. This error has been corroborated by Ray Tulloch, Mick Homan, Paul Navazio, Bobby Magee and me. This same type of error was also reflected in an earlier version of the Budget approved by the BoT on May 25, 2023. However, in that Budget the error was approximately \$50,889,877, as at that time the entire multi-year proceeds from the State loan were included. The largest portion of the error reflects reporting debt proceeds from the State of Nevada related to the Effluent Pipeline as “Other Non-Operating Revenues.” Debt proceeds, which must be repaid, generally are not reported as Revenues in the historical financial statements, or in the budget, which is prepared on the same basis as the annual financial statements (per the footnotes to the ACFR). The remaining balance of the error relates to monies from an ACE grant that will not be recognized as Revenue in Fiscal '23/'24, but rather in the latter years of the project. These two matters should be validated with our independent auditor as they will affect the Fiscal '24 ACFR.

Attachment – 1

Supplemental Materials – 3 (Bobby Magee only)



# AC Open Issues Follow-up

**Paul C. Navazio**

Sat 6/17/2023 10:57 AM

To: Chris Nolet <nolet\_audit@ivgid.org>;

Cc: Mick Homan <homan\_audit@ivgid.org>; Indra Winquest <ISW@ivgid.org>;

Chris - I have not forgotten about the write-up to help bring the "open matters" project to closure (at least the first batch).

I still have a few items to complete, but I am also now needing to prioritize two agenda reports requested by the Board for the meeting of 6/28.

I have reached out to both DavisFarr (re reporting format issue) and Josh Nelson (re parcels acquired from Washoe County) and am awaiting some information to include in my write-up.

I will keep you posted...

Thanks,

**Paul Navazio**

Director of Finance

Incline Village General Improvement District

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Incline Village, NV 89451

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