

MEMORANDUM

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

cc: Kelly Langley, Department of Taxation

cc: Dan Carter, Eide Bailly Audit Engagement Partner

cc: Jeff Strand, Eide Bailly Risk Manager

From: Dick Warren

Date: September 20, 2016

Re: Financial Reporting of the 2015-2016 Budget

To be included in the next Board packet

Back in July, to be precise July 27<sup>th</sup>, I spoke at the Board Meeting and stated that "...We have a variety of financial reports with inconsistent terms, facts, and figures..." I completed my public comments and provided a written statement substantiating my concerns.

On August 15<sup>th</sup>, I followed up with another memorandum to the IVGID Trustee Audit Committee. Once again, I referred to the variety of inconsistent Budget information provided to the Department of Taxation and Incline Village/Crystal Bay citizens in Board packets and the Budget Report, OpenGov.org and Monthly Financials on the District's website.

To date, I have not been favored with a direct response from IVGID Audit Committee Chair Horan or IVGID Chair Wong addressing my questions and concerns.

To place the significance of these financial reporting inconsistencies in sharper terms, several community members with financial expertise spent a considerable amount of time examining more than 18 pages of the District's representations of the 2015/16 Budget. The spreadsheet of budgetary comparisons for the Community Services Funds and the Beach Funds across all these formats is attached. The Notes on Page 2 of the attached spreadsheet provide important supplementary information.

Column 1 in the attachment shows State Budget Form 4404LGF submitted to the Department of Taxation as approved by the Board on May 21, 2015 and an Augmented Revenue and Expense Schedule approved by the Board on April 18, 2016. For the purpose of analysis and comparison, Column 1 does not include beginning fund balances.

Column 2 presents the information provided on OpenGov.org on the IVGID website.

Column 3 provides the information on the Statement of Operating Sources and Uses on the Monthly Financials on the IVGID website. The Monthly Financials only report operations and do not reflect any capital projects or debt service.

Column 4 provides the pre-audit 2015/16 financial information worksheet with only totals for each Fund. This was presented by General Manager Pinkerton to the Board of Trustees on August 4<sup>th</sup>, 2016.

**As can be seen, each Report has a different set of numbers. The totals of each Report are not even close! These discrepancies are alarming and require your immediate attention and investigation!**

The Legislature under NRS 354 states that one of the Purposes of the Local Government Budget and Finance Act is "to provide for the control of revenues, expenditures and expenses in order to promote prudence and efficiency in the expenditure of public money." It further requires "...specific methods enabling the public, taxpayers and investors to be apprised of the financial preparations, plans, policies and administration of all local governments."

As Trustees you have a fiduciary responsibility to ensure the preparation of clear, reliable and fair financial statements. The evidence presented points to confusing, unreliable and misleading financial information.

How do you plan to rectify this?

Enclosures: Budget Comparison 2015-2016

DW July 27, 2016 Written Statement

DW August 15, 2016 Memo on 8-4-16 BOT Workshop

## IVGID REPORTING

We have a variety of financial reports with inconsistent terms, facts and figures.

Last year, the State Budget Forms combined the entire Recreation and Beach Facility Fee Revenues with all other user fees and charges and recorded them as "Charges for Services" in the Community Services and Beach Special Revenue Funds. This year, the entire Revenue from the \$730 Rec Fee and the \$100 Beach Fee are reported as "Community Support" and isolated from the "Charges for Services" in this year's State Budget Form for the Community Services and the Beach Special Revenue Funds. The Special Revenue Funds are established to report Operations.

OpenGov.org and the Monthly District financials on the IVGID website do not call the Rec and Beach Fees "Community Support", nor do they allocate all components of these Fees as revenues to the Special Revenue Funds. Instead, the Rec Fee and Beach Fee are listed as facility fees, and each component allocated by the Board for operations, capital projects and debt service are reported as revenues in the Special Revenue, Capital Projects and Debt Service funds. The State Forms reflects a different set of facts as the Revenues from the Rec and Beach Fee allocated by the Board for the Capital Project and Debt Service Funds are reported as "other financing sources", which are funded by transfers from the Special Revenue Funds.

Confused? So am I. When did the Rec and Beach Fee lose their identity as "Charges for Services" and become "Community Support" on the State Forms? And what does that mean? And why are the entire Rec and Beach Fees reported as Revenues to the State in the Special Revenue Funds? When we switched from Enterprise Fund Accounting to Governmental Accounting Special Revenue, Capital Project and Debt Service Funds, we were told that the Rec Fee would be committed to the right buckets: Operating, Capital and Debt Service. This would promote clarity, financial transparency and accountability. This has not been accomplished. What we have is a mess.

If you viewed the District's 2016 Pre-Audit Report on the IVGID website you would find more reporting discrepancies. For Diamond Peak, the operating sources for the full year reflect a total of \$9,279,132. For the State Forms, Diamond Peak did even better reporting \$10,979,263, a difference of \$1,700,131. How is that? For the State, all of the Rec Fee for Ski has been recorded as Revenues in the Special Revenue Fund. The \$1,700,131 differential was the resources from the Rec Fee allocated for capital projects and debt service as reported as revenues in the appropriate funds on the website. These discrepancies between State Reporting and Reporting to the Citizens reverberate throughout the recreational venues. Without consistency there is no transparency.

To further confound a reader of the District's financials take a look at 2016-17 Operating and Capital Budgets. Each Budget is distinct with separate covers and separate locations on the website.

However, the Operating Budget contains the Carryover Capital Projects from the prior year Capital Projects budget. These projects are omitted from the Capital Projects Budget. Why? Is this the result of sloppiness or is it intentional? An intelligent observer can only conclude that IVGID financials can be misleading and taken as a whole, completely unreliable.

**WAGDOUGHSIDE COMMUNITY SERVICES**

**COMMUNITY SERVICES**

Notes on page 2 are an integral part

	State Report	OpenGov	Monthly Financials	August 4, 2016 Pre-Audit
<b>Special Revenue Fund</b>				
<b>Revenues/Sources</b>				
Charges for Services/Sales and Fees	17,582,962	15,963,105	15,238,532	
Concessions		69,300	69,300	
PPH Allowance		(1,242,073)	(517,500)	
Interfund		101,500	101,500	
Facility Fee		2,176,146	2,176,146	
Operating Grants		17,000		
Intergovernmental		19,400	36,400	
Non-Operating Leases		82,600		
Investment Income		30,000		
Capital Grants		1,133,000		
<i>Augmentation April 18, 2016</i>	3,400,000	-		
	<b>20,982,962</b>	<b>18,349,978</b>	<b>17,104,378</b>	<b>-</b>
<b>Other Financing Sources</b>				
Investment earnings	30,000			
	<b>21,012,962</b>	<b>18,349,978</b>	<b>17,104,378</b>	<b>17,948,000</b>
<b>Expenditures (for state) Expenses (for others)</b>				
Wages	5,112,950	5,639,127	5,639,127	
Benefits	1,790,930	1,789,753	1,789,753	
Professional Services		73,600	73,600	
Services & Supplies	6,913,640	3,950,193	3,950,193	
Insurance		294,710	294,710	
Utilities		1,128,342	1,128,342	
Cost of Goods Sold		1,163,694	1,163,694	
Central Services Cost		728,100	728,100	
Fuels Management		100,000		
Defensible Space			100,000	
Transfers		(250,000)		
<i>Augmentation April 18, 2016</i>	1,050,000			
	<b>14,867,520</b>	<b>14,617,519</b>	<b>14,867,519</b>	<b>-</b>
<b>Other Uses</b>				
Contingency	200,000			
Operating Transfers out				
To Capital Projects	3,433,212			
To Debt Service	1,284,091			
	<b>4,917,303</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>19,784,823</b>	<b>14,617,519</b>	<b>14,867,519</b>	<b>16,720,000</b>
<b>Revenues less Expenditures</b>	<b>1,228,139</b>	<b>3,732,459</b>	<b>2,236,859</b>	<b>1,228,000</b>

	State Report	OpenGov	Monthly Financials	August 4, 2016 Pre-Audit
<b>Capital Projects Fund ( includes the beaches on State Report)</b>				
<b>Revenues</b>				
Facility Fee		2,519,748		
Federal Grants	1,133,000			
<b>Other Financing Sources</b>				
From General Government	250,000			
From Community Services	3,433,212			
From Beaches	234,660			
<b>Total Revenues and other Sources</b>	<b>5,050,872</b>	<b>2,519,748</b>	<b>NONE REPORTED</b>	<b>4,816,000</b>
<b>Expenditures/ Expenses</b>				
Capital Improvements		3,732,296		
Community Service	4,816,212			
Beaches	234,660			
<b>Total Expenditures/Expenses</b>	<b>5,050,872</b>	<b>3,732,296</b>	<b>NONE REPORTED</b>	<b>4,816,000</b>
<b>Revenues less Expenditures</b>	-	(1,212,548)		

	State Report	OpenGov	Monthly Financials	August 4, 2016 Pre-Audit
<b>Debt Service Fund (includes the beaches on State Report)</b>				
<b>Revenues</b>				
Unnamed		1,276,236		
<b>Other Financing Sources</b>				
from community Services SRF	1,284,091			
from Beach SRF	6,200			
<b>Total Revenues and other Sources</b>	<b>1,290,291</b>	<b>1,276,236</b>	<b>NONE REPORTED</b>	<b>1,284,000</b>
<b>Expenditures/ Expenses</b>				
Principal	1,083,999	1,078,783		
Interest	205,197	204,263		
Fiscal Agent Fees	1,095	1,045		
<b>Total Expenditures/Expenses</b>	<b>1,290,291</b>	<b>1,284,091</b>	<b>NONE REPORTED</b>	<b>1,284,000</b>
<b>Revenues less Expenditures</b>	-	(7,855)		

**NOTES**

- 1 This analysis does not include beginning fund balances
- 2 The State report includes original budget filed on May 21, 2015 and the augmentation presented in Board Packet on April 18, 2016
- 3 Expenditures on State Report has been consolidated from the backup data which is listed by venues or department
- 4 State report backup data lists Charges for Services and Other Financing Sources as Revenues
- 5 Open/Gov backup data reports Revenues and Expenses
- 6 Monthly Financials backup data reports Operating Sources and Operating Uses but no Capital Projects or Debt Service
- 7 August 4, 2016 preaudit backup provides only total amounts and reports Sources and Uses

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

**CC:** IVGID Board of Trustees

**CC:** Dan Carter, Eide Bailly Audit Engagement Partner

**FROM:** Dick Warren  
947 Incline Way

**RE:** August 4, 2016 Board of Trustees Retreat Meeting  
Verbal Review of Pre-Audit Budget Results for Fiscal Year 2015-  
2016 by District General Manager Steve Pinkerton

**DATED:** August 15, 2016

As stated in my oral and written comments at the July 27, 2016 Board Meeting, the District has a variety of financial reports with inconsistent terms, facts and figures.

At the above referenced Retreat 3 pages of the pre-audit handout released appear to reflect an attempt at reconciliation to the District's 2015-16 "Proposed All Community Services Sources and Uses-Object Level" and the "Budgeted Sources and Uses – Functional" included in the May 21, 2015 Budget packet presented to the Board and included in the 2015/16 Budget Report on the District's website.

As you are aware, the Budget Forms for the Community Services and Beach Funds submitted to the State reflect completely different financial information than that presented to the Citizens in Board packets and the Budget Report, OpenGov.org and Monthly financials on the District's website.

As a consequence, the pre-audit handout does not appear to demonstrate any relationship or compliance with the District's legally accepted Budget reported to the State.

Will the independent auditor be auditing the financial accounting and reporting information presented on the State Budget Forms, or will the auditor be auditing the financial information presented to the Citizens?

Additionally, can you prepare a reconciliation between the financial information submitted on the State Budget Forms to the financial information presented to the Citizens?