

**INCLINE  
VILLAGE  
GENERAL  
IMPROVEMENT  
DISTRICT**



February 19, 2025

State of Nevada  
Nevada Department of Taxation  
Local Government Finance  
Attention: Kelly Langley and Kellie Grahmann  
3850 Arrowhead Dr, 2<sup>nd</sup> Floor  
Carson City, NV 89706

**Subject: Request for 30-Day Extension to File FY2023-24 Annual Audit Report Pursuant to NAC 354.735 - Fourth Extension Request**

Dear Kelly Langley and Kellie Grahmann,

In accordance with NAC 354.735, the Incline Village General Improvement District (IVGID) requests a third time extension to file IVGID's FY2023-24 Audit Report required by NRS 354.624. The following information is provided regarding IVGID's request in compliance with NAC 354.735:

- a) Name of Local Government: **Incline Village General Improvement District**
- b) Name of Auditor and Firm: **Jennifer Farr, Davis Farr, LLP**
- c) Date the Report will be Filed with the Governing Body: **March 25, 2025**
- d) Date the Report will be Filed with the Department of Taxation: **March 26, 2025**
- e) Reason for Application for Time Extension to File Report:  
IVGID Finance Department is in the process of completing FY24 audit and providing required materials to the auditors. Additional time is needed to contract outside resources to cover support staff deficiencies and absenteeism, and finalize-Cash reconciliation, Capital Assets, Deferred Revenue, and Accounts Payable.  
Name of Person Making Application: **Jessica O'Connell, Director of Finance**
- f) Date of Application: **February 18, 2025**

Respectfully Submitted,

Jessica O'Connell  
Director of Finance

cc: IVGID Board of Trustees & Audit Committee  
Auditor Jennifer Farr, Davis Farr, LLP



STATE OF NEVADA  
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>

Call Center: (866) 962-3707

LAS VEGAS OFFICE  
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JOE LOMBARDO  
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GEORGE KELESIS  
*Chair, Nevada Tax Commission*  
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*Executive Director*

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March 4, 2025

Incline Village General Improvement District  
Jessica O'Connell, Director of Finance  
893 Southwood Boulevard  
Incline Village, NV 89451

Re: Request for 4th Extension for Annual Audit Report

Dear Ms. O'Connell,

The Department of Taxation is in receipt of your request for an extension of the filing requirements for the above referenced annual audit report. Pursuant to NRS 354.624, it is the Department's policy to grant extensions only where unforeseen and uncontrollable conditions exist, and where due care and adequate planning by both the entity and the auditor make the five-month statutory audit preparation period insufficient.

Pursuant to your letter dated February 19, 2025, and the Department's policy on granting extensions, IVGID is hereby granted a 4th extension until March 25, 2025, for the submission to its governing body the audit report for the fiscal year ending June 30, 2024.

The extension is contingent on the submission of two copies of the audit report to the Department of Taxation no later than March 26, 2025.

If you should have any questions, do not hesitate to call me at (775) 684-2065 or e-mail me at [kgrahmann@tax.state.nv.us](mailto:kgrahmann@tax.state.nv.us).

Sincerely,

A handwritten signature in blue ink that reads "Kellie Grahmann".

Kellie Grahmann  
Budget Analyst  
Local Government Finance  
Department of Taxation

**MEMORANDUM**

**TO:** Audit Committee

**THROUGH:** Robert Harrison  
District General Manager

**FROM:** Jessica O'Connell  
Director of Finance

**SUBJECT:** Review, discuss and recommend an auditor for the 2024/2025 Fiscal Year District Audit

**DATE:** March 26, 2025

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DavisFarr has informed the District that they will not be our auditors for the upcoming fiscal year. The Audit Committee should discuss alternatives, and Staff will provide an update on their ability to find a new auditing firm. There is a Nevada Revised Statute that requires the District to designate its auditor no later than March 30, 2025.

**WRITTEN  
PUBLIC  
COMMENTS**

**From:** [s4s@ix.netcom.com](mailto:s4s@ix.netcom.com)  
**To:** [Chali Spurlock](#)  
**Cc:** [Kelly S. Langley](#)  
**Subject:** CLGF's IVGID Sub-Committee's April 4, 2025 Meeting - Agenda Item 3 - Additional Circumstances Involving IVGID  
**Date:** Monday, March 31, 2025 3:57:38 PM  
**Attachments:** [2024-25.Central.Services.Cost.Allocation.Plan.pdf](#)

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Ms. Spurlock and Langley -

Will you please share this e-mail and attachment with the CLGF? And include these comments in the packet of materials prepared in anticipation of the sub-committee's April 4, 2025 meeting?

Thank you for your cooperation.

Chairperson Rackley and Other Honorable Members of the subject sub-committee:

I am writing to the sub-committee because I have examined its agenda for the meeting referenced in the subject line above, and I see it's broad enough to include ALL "FISCAL CIRCUMSTANCES INVOLVING INCLINE VILLAGE IMPROVEMENT DISTRICT, INCLUDING, WITHOUT LIMITATION..." including impermissible loans from its General Fund to its Internal Services Fund which is the subject of this e-mail.

Let me preface this discussion by making a couple of observations:

1. The more IVGID tries to correct past errors, the more actions come to light that are wrongful and detrimental to the local parcel owners for whose benefit GIDs supposedly were created. By quick example, consider the following:

a) The District's failure to prepare and present to the Dep't of Taxation, a 2023 ACFR in accordance with the requirements of NRS 354.624(1), even after multiple extensions beyond the time limitations specified in NRS 354.626(1);

b) The District's failure to include findings of the many examples of non-compliance with statutes and regulations I and others have brought to the CLGF's attention;

c) The District's failure to prepare, approve and present to the Dep't of Taxation, a

2024 ACFR;

d) The District's failure to designate and notify the Dep't of Taxation of an auditor or firm designated for the District's 2025 ACFR, within the time limits prescribed in NRS 354.624(3);

e) The District's violation of NRS 354.613 insofar as transfers from its enterprise funds to its General Fund are concerned (see discussion below);

f) The District's violation of NRS 354.6118 insofar as the making of loans from its General Fund and to its Internal Services Fund in 2022, 2023 as well as 2024 are concerned (see discussion below);

g) The District's violation of NRS 354.675(1) in "that one or more of the conditions identified in paragraphs (a) to (aa), inclusive, of subsection 2 of [NRS 354.685](#) exist;"

h) The District's violation of NRS 354.685(2)(i) in that it "has borrowed money...without following the provisions of NRS or regulations adopted pursuant thereto" (see discussion below);

i) The District's violation of NRS 354.685(2)(a) in that "required financial reports have not been filed or are consistently late;"

j) The District's violation of NRS 354.685(2)(b) in that its 2022 and 2023 ACFRs "reflect...the unlawful expenditure of money in excess of the amount(s) appropriated in violation of the provisions of [NRS 354.626](#);"

**j) Do I really need to list more?**

2. Because the Legislature has not provided for the proper financing of GIDs' activities, they're forced to seek more creative sources. And IVGID is a prime example. Rather than living within its financial means, i.e. ad valorem and other taxes, in addition to user fees for the facilities and services it provides, IVGID has for decades intentionally budgeted to overspend, and covering the shortfall with an invalid special tax assessed against all non-exempt (GIDs have no power to exempt anyone or any parcel from the fees/taxes it is authorized to assess) parcels/dwelling units within its boundaries.

4. For example. Look at the District's Community Services enterprise fund. Intentional overspending plugged by its disingenuous Recreation Facility Fee ("RFF"). Look at its Beach enterprise fund. Intentional overspending plugged by its disingenuous Beach Facility Fee ("BFF"). Look at its General Fund. Intentional overspending plugged by central services cost transfers from its enterprise funds. Deemed by IVGID's consultants to be disingenuous, simplistic and inequitable since they do not align with the actual services provided. And since overspending in its Community Services and Beach Funds is subsidized by the RFF and BFF, respectively, central services cost transfers from these funds are in essence paid for by the RFF and BFF.

5. Insofar as alleged central services cost transfers from IVGID's Utility Fund are concerned, they too are the product of budgeted overspending. According to the

District's water, sewer and trash ordinances, all improved parcels are compelled to contract for those services with IVGID. In other words, it has a monopoly. And the rates and charges the IVGID Board regularly approves, are intentionally higher than what is just and reasonable. Why? Because it assumes less than equitable and reasonable central services costs which end up resulting in greater utility rates and charges being transferred to the District's General Fund, in part, to cover intentional overspending. So realistically, the District's utility rates and charges are the same type of subsidy the RFF is to its Community Services Fund, and the BFF is to its Beach Fund.

6. And although I'm not going to make the District's improper transfers from its enterprise funds to its General Fund the topic of this e-mail, let me point to some simple facts:

a) NAC 354.8668(7)(a) mandates that a local government's central services cost allocation plan "**must** be updated annually **before** the date on which the local government submits its tentative budget to the Department." The District Board has never updated its central services cost allocation plan before this date. **NEVER**;

b) NAC 354.867(1) instructs that "the costs which may be allocated to an enterprise fund of a local government pursuant to paragraph (c) of subsection 1 of [NRS 354.613](#) [in other words, "the central service cost allocation plan of a local government {NAC 354.8668(5)}] must be Reasonable...(and) also (must) be:

(a) Necessary and reasonable for the proper and efficient administration and performance of the enterprise fund(s from which transfers are to be made);

(b) Consistent with policies, regulations and procedures that apply uniformly to the enterprise fund and other activities of the local government;

(c) Determined in accordance with generally accepted accounting principles; and

(d) Documented adequately for independent verification."

And "in determining whether a cost is a reasonable cost for the purposes of subsection 1, [NAC 354.867(2) instructs that] consideration **must** be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the enterprise fund(s from which transfers are to be made);

(b) Whether the cost is consistent with sound business practices, the indicia of...arm's length transaction(s), and the requirements and restraints imposed by state laws and regulations;



(c) The market prices for comparable services or property;

(d) Whether the persons incurring the cost(s) have acted with prudence under the circumstances considering their responsibilities to each pertinent governmental unit and its employees, **and to the general public**; and

(e) Any significant deviations from the established practices of the local government that may have unjustifiably increased the cost."

IVGID staff have never prepared such a plan for approval by the District Board, and the Board itself has never adhered to the above-requirements in its updated central services cost allocation plans. **NEVER**;

c) NAC 354.8668(8) mandates that a local government's central services cost allocation plan "include an attestation, signed by the chief financial officer of the local government or his or her designee, that the central service cost allocation plan complies with the provisions of [NAC 354.865](#) to [354.867](#), inclusive." I haven't been able to examine every "so called" central services cost allocation plan past IVGID Boards have approved, but I **have** been able to examine at least the last five. And I can report that none include the mandated attestation. **NONE OF THEM**;

d) Take a look at the District's last "so called" central services cost allocation plan (a copy is attached to this e-mail). The "Plan" reveals \$3,742,044 of alleged central services costs which are allocated amongst various departments.

Look at the \$1,471,647 of alleged central services costs assigned to the District's Utility Fund. A whopping 39.3% of all alleged central services costs! Out of a total of nearly 1,000 IVGID employees, there are only 39 or so assigned to the District's Utility Fund. And this would include 3-4 employees who run the Public Works' business offices in Public Works' separate admin bldg. When water/sewer utility bills are outsourced. Public Works could outsource payroll for a fraction of the cost it is assigned therefore by the General Fund. But it doesn't. And Public Works employees rarely leave the District. They are unionized, and most of the District's longest employed employees are those assigned to Public Works. Nor is the District's HR Department equipped to responsibly hire the handful of Public Works employees who have been hired in the last five (5) years. They're lacking the technical skills.

So in reality, how can anyone conclude that it is equitable, reasonable or proper to assign nearly 40% of all alleged District central services costs to the Utility Fund? Rather, what we see is that the Utility Fund is the one which is capable of generating the greatest amount of revenues and thus the easiest to "tap" for alleged central services costs.

e) Thus just for these very few reasons, we see that the District's alleged central

services cost transfers violate NRS 354.613(1)'s prohibitions. And for this reason, they're **illegal** [see NRS 354.626(1)]!

7. Next I address the real reason for this e-mail: impermissible loans from the District's General Fund to its Internal Services Fund. In other words, the District's violation of NRS 354.685(2)(i) in that it "has borrowed money...without following the provisions of NRS or regulations adopted pursuant thereto." Consider the following for FY 2022-23:

a) Page 19 of the District's ACFR (go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/2023\\_Annual\\_Comprehensive\\_Financial\\_Report.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/2023_Annual_Comprehensive_Financial_Report.pdf)) represents a General Fund balance sheet. Under assets, the sub-committee will see \$585,843 is "due from other funds;"

b) Page 23 of the District's ACFR represents a Statement of Net Position for the District's proprietary (i.e., enterprise) funds. Under liabilities of the District's Internal Services Fund, the sub-committee will see \$585,843 is "due to other funds;"

c) Pages 39-40 of the District's ACFR, under note 8, in part represents INTERFUND ACCOUNTS AND TRANSFERS. Thereunder it states that "All interfund receivables and payables resulted from **short-term borrowing** to cover negative cash balances. Interfund receivable and payable balances at June 30, 2023 are as follows: **Due to Internal Services Fund...From General Fund...\$585,843;**"

d) This note 8 conflicts with the descriptions in a) and b) above. Was this merely an error or intentional?

e) Regardless, NRS 354.6118: instructs that "*before* making an(y) interfund loan...the governing body of the local government that wishes to make the loan **must**:

1. Determine **at a public hearing that**:

(a) A sufficient amount of money is available for the loan and that money is not restricted as to its use; and,

(b) The loan of...money will not compromise the economic viability of the fund from which the money is loaned; and

2. Establish at the public hearing conducted pursuant to subsection 1:

(a) The amount of time the money will be on loan from the fund;

(b) The terms and conditions for repaying the loan; and,

(c) The rate of interest, if any, to be charged for the loan."

f) And NAC 354.290(1) instructs that a "governing body of a local government may make a temporary interfund loan if:

(a) The governing body complies with the provisions of NRS 354.6118 (which here it hasn't)...

(e) It is agreed in writing that the loan must be repaid within 1 year after the date on which the loan was made;

(f) A copy of the resolution authorizing the loan (**must be**) filed with the **Department (of Taxation)**; and,

(g) The governing body agrees to **notify the Department (of Taxation) when the loan has been repaid.**"

g) The IVGID Board never conducted the public hearing required by NRS 354.6118 insofar as the 2023 \$585,843 loan to Internal Service is concerned. It has never adopted a resolution which authorizes the loan and designates its repayment, let alone within one year. And it hasn't notified the Dep't of this loan, nor its repayment;

h) Accordingly, on August 28, 2024 I sent the IVGID Board an e-mail wherein I outlined the deficiencies above and asked that it notice the public hearing and take the actions required by NRS 354.6118 and NAC 354.290. In response the IVGID Board did nothing. And as aforesaid, the Internal Services Fund has never repaid this "loan." Meaning IVGID staff are guilty of theft.

8. I thought this practice was unique to FY 2022-23. Until I started researching further. And here's what I found for FY 2021-22:

a) Page 20 of the District's ACFR (go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/2022\\_ACFR\\_Final.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/2022_ACFR_Final.pdf)) represents a General Fund balance sheet. Under assets, the sub-committee will see **\$192,287 "due from other funds;"**

b) Page 24 of the District's ACFR represents a Statement of Net Position for the District's proprietary (i.e., enterprise) funds. Under liabilities of the District's Internal Services Fund, the sub-committee will see **\$192,287 "due to other funds;"**

c) In other words, another interfund loan that fails to comply with the requirements of NRS 354.6118 and NAC 354.290. And now **we're up to \$778,130 in undocumented and unpaid interfund loans** owed by the Internal Services Fund.

9. But wait. There's more. I researched further and consider the following for FY 2023-24:

a) Although until October of 2024 the District used to publish YTD financials for its various funds, including its Internal Services Fund, that practice has come to an abrupt halt;

b) And given our 2024 ACFR is long overdue, and the particulars not published elsewhere, how can members of the public determine whether there is overspending in the Internal Services Fund which has resulted in yet another interfund loan?

c) An answer may appear in a supplemental spreadsheet [page 15 of Item E.2 (Budget Workshop #3)] to the IVGID Board's March 19, 2025 meeting (go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/20250319\\_BOT\\_Supplemental\\_ItemE2\\_FY25-26-Budget\\_Workshop3-MASTER-Revised\\_\(Replaces\\_Previous\\_Version\).pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/20250319_BOT_Supplemental_ItemE2_FY25-26-Budget_Workshop3-MASTER-Revised_(Replaces_Previous_Version).pdf));

d) For FY 2024's Internal Services Fund's **actuals**, staff discloses **\$470,176 of overspending**. And since there is no fund balance nor net position to rely upon, this overspending had to be covered by **something from somewhere**. And where exactly would that be?

e) I say it had to be another undocumented interfund loan from the General Fund. In other words, another interfund loan that fails to to comply with the requirements of NRS 354.6118 and NAC 354.290;

f) Which means **we're now up to \$1,248,306 in undocumented and unpaid interfund loans** owed by the Internal Services Fund.

10. ...and more. Next I researched further and consider the following for FY 2024-25:

a) Since FY 2024-25 isn't quite yet over, where can we find YTD financials?

b) An answer again appears in a supplemental spreadsheet [page 15 of Item E.2 (Budget Workshop #3)] to the IVGID Board's March 19, 2025 meeting (go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/20250319\\_BOT\\_Supplemental\\_ItemE2\\_FY25-26-Budget\\_Workshop3-MASTER-Revised\\_\(Replaces\\_Previous\\_Version\).pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/20250319_BOT_Supplemental_ItemE2_FY25-26-Budget_Workshop3-MASTER-Revised_(Replaces_Previous_Version).pdf));

c) For FY 2025's Internal Services Fund, YTD, staff discloses another **\$637,220 of overspending**. And since there is no fund balance nor net position to rely upon, this overspending had to be covered by **something from somewhere**. And where exactly would that be?

d) Again I say it had to be another undocumented interfund loan from the General Fund. In other words, another interfund loan that fails to to comply with the requirements of NRS 354.6118 and NAC 354.290;

f) Which means **we're now up to \$1,885,526 in undocumented and unpaid interfund loans** owed by the Internal Services Fund.

11. Then I suprisingly learned that the CLGF already knows about all of this. **Does it?** On March 26, 2025 one of our Board Trustees (Mick Homan) sent an e-mail to a local

citizen (Cliff Dobler) admitting the following:

"With respect to (the state of affairs with)...internal services...I've...had discussions with staff on this issue. **They are well aware of the issue.** Unfortunately, **staff** (both former and current) **dropped the ball**...Current staff is diving into the history going back to 2023 and will take corrective action to resolve the issue - that may involve prior period adjustments to correct the ending balances in the 2023 ACFR that was unfortunately never fully completed...Once that work is corrected and (staff) determine the net amount under or overbilled from internal services, they can determine if in fact there are net losses or income in the internal services fund that need to be further addressed. **Staff has also discussed this issue and their plans with state officials.**"

Is Trustee Homan telling the truth? Because local Incline Village/Crystal Bay property owners are clueless!

12. The facts I bring to the sub-committee's attention are not recent. Nor can Trustee Homan and other recent invitees to this party simply blame things on their immediate predecessors. These wrongs have been going on for decades. They explain the IVGID culture. And Chairman Leavitt has even commented on them in his recent comments about IVGID going back the nearly 50 years he has been CLGF chairperson.

13. Doesn't the sub-committee see that the District is going deeper and deeper into debt? And that this overspending, **in excess of appropriations**, has been going on for years in the District's Internal Services Fund? And that for the last three plus years there have been another three violations of NRS 354.626? And yet the sub-committee doesn't think grounds exist to place IVGID on fiscal watch?

14. If the sub-committee is not going to recommend fiscal watch under NRS 354.675, nor "that the Committee conduct one or more hearings to determine whether a severe financial emergency exists" as provided for in NRS 354.685, and thus "issue an order requiring the local government to follow a remedial course of action and requiring the Department to take over the management of the local government as soon as practicable," will it not at least recommend Washoe County "notification" pursuant to NRS 318.515(1)?

Continuing to do nothing is simply not an option. The local parcel owners of Incline Village/Crystal Bay deserve more.

Thank you for your consideration and hopeful positive action. Aaron Katz

**Incline Village General Improvement District  
Central Services Cost Allocation Plan  
For the Fiscal Year Ending June 30, 2025**

	General	Utility	Championship Golf	Mountain Golf	Facilities	Ski	Recreation Center	Tennis	Comm. Services Admin	Beach	Internal Services	Total District
Base Cost												
Budgeted Information Technology	\$ 1,462,079											
Percentage of Costs Allocated	80%											
Allocation based on Services & Supplies	114,419	440,363	112,310	39,699	36,624	253,645	55,772	7,571	4,220	51,731	53,308	1,169,663
Budgeted Accounting - Invest. Int.	\$ 2,273,984											
Percentage of Costs Allocated	80%											
Allocation based on Services & Supplies	177,957	684,900	174,677	61,745	56,962	394,496	86,742	11,775	6,564	80,457	82,911	\$ 1,819,187
Blended Allocation	13%	23%	10%	3%	4%	24%	7%	1%	1%	6%	9%	100%
Budgeted Human Resources	\$ 1,068,652											
HR + 20% Accounting	\$ 1,523,449											
Based on Wages, Benefits & FTE	198,841	346,385	146,388	45,312	53,426	358,327	109,137	11,608	18,971	92,236	142,819	\$ 1,523,449
<b>Central Services Cost Allocation</b>	<b>\$ 770,256</b>	<b>\$ 1,471,647</b>	<b>\$ 433,374</b>	<b>\$ 146,757</b>	<b>\$ 147,012</b>	<b>\$ 1,006,468</b>	<b>\$ 251,651</b>	<b>\$ 30,954</b>	<b>\$ 29,756</b>	<b>\$ 224,424</b>		<b>\$ 4,512,299</b>
<b>Annual Billing for Adopted Budget</b>		<b>\$ 1,471,647</b>	<b>\$ 433,374</b>	<b>\$ 146,757</b>	<b>\$ 147,012</b>	<b>\$ 1,006,468</b>	<b>\$ 251,651</b>	<b>\$ 30,954</b>	<b>\$ 29,756</b>	<b>\$ 224,424</b>		<b>\$ 3,742,044</b>
Baseline budget												\$ 46,193,707
<b>Overhead Rate for Charging vs Actuals</b>		<b>10.7%</b>	<b>10.2%</b>	<b>11.3%</b>	<b>10.1%</b>	<b>10.0%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>8.0%</b>	<b>10.4%</b>		<b>10.6%</b>

**From:** [Judith Miller](#)  
**To:** [Chali Spurlock](#)  
**Subject:** Communication to the CLGF Subcommittee re IVGID.  
**Date:** Tuesday, April 1, 2025 3:56:54 PM

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**WARNING** - This email originated from outside the State of Nevada. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Ms. Spurlock, please share this communication with the members of the subcommittee, if possible prior to their Meeting on April 4, 2025 and include it in the packet for this meeting.

Thank you.

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Chairperson Rackley and other honorable members of the subcommittee,

I don't think anyone can deny the seriousness of the fiscal shortcomings of our GID. Nor do we discount the extraordinary efforts of the subcommittee and Department staff to provide guidance, and those of IVGID staff to produce the still incomplete 2024 ACFR. Unfortunately, in the process of trying to complete the still unfinished Tyler system implementation, more underlying problems have come to light.

Many of us have lived in the District for more than a decade. We have a variety of backgrounds, some legal, some in business and accounting some, like me, in government and IT; but we all have seen this public agency operate like no other. Rather than repeating specific violations of NRS already provided by myself and others, I would like to share some observations that may give you additional perspective as to why we find ourselves in this regrettable situation.

Unlike other agencies that provide public recreation, for years IVGID has annually been collecting roughly \$7M in its so-called facility fee, a flat per parcel or dwelling unit fee set by a 5-member board. The stated purpose was to fund projects, many that were never begun, let alone completed, maintain assets, and provide huge subsidies for programs that only the wealthier members of the community could afford.

Most government agencies fund capital projects with ad valorem taxes and/or bond measures approved by voters. Programs are subsidized by property taxes. But here in Income Village, no need to worry about passing a bond measure, or ever cutting staff or services when revenues decline: we have the unlimited facility fee.

I think you now understand that this unusual "tax in fee's clothing" has allowed the district to

acquire some very costly amenities. So how has the District managed to seemingly operate successfully all these years? I believe past IVGID staff used many deceptive practices to convince the public they were operating efficiently.

- 1) **Improper reporting of operating expenses as capital projects.** IVGID collected the fee on property tax bills so owners would just assume this was another tax set by the state. Around 2001, IVGID's general manager sold his EBITDA theory, the idea that the owners should pay capital costs as long as venues covered operating costs less depreciation and debt service. In an effort to make the property owners think the venues were reaching that goal, it deliberately understated operating expenses, pushing things like maintenance and repairs into capital expenses.
- 2) **Using "facility" fees to subsidize operations.** Frequently the venues couldn't even cover operating costs, so the facility fee had to be used to cover operating losses, as well as capital and debt service.
- 3) **Failing to reduce the fees when bonds were paid off.** IVGID sold bonds (with no bond election) to buy and build more assets, assuring owners the increased fee would be reduced when the bonds were paid off. Those reductions never happened.
- 4) **Collecting fees in excess of the amount needed.** Next, its Finance Director tried advancing the concept of "smoothing", collecting the same amount year after year, whether or not the funds were needed that year. No actual reserves, no restricted funds, just a slush fund that could be used for the project du jour, subsidize operational expenses or just to keep building millions of dollars of fund balance/net position.
- 5) **Failing to distribute all central services costs to its business-like operations.** Furthermore, since IVGID receives over \$4M in property taxes/c-taxes in its General Fund, it did not charge receiving funds for all the central services provided by General Fund divisions. The result was to make operations look "profitable". It only began charging for central IT about a year ago to lessen the impact of moving the non-revenue producing parks into the General Fund. The current Board has moved Parks back to the Community Services Enterprise Fund, where it will increase the need for Facility Fee subsidy for an operation that serves the general public, and provides no special benefit to the local property owners.
- 6) **Seasonal wrap-up presentations for the beaches, golf, recreation and ski were devoid of financial results.** The public only received information on revenues, visits, golf rounds, etc. with no corresponding report of expenses.

We are now at a turning point because the fee increases required to operate and maintain our aging facilities will be too much for the "captive market" to bear. Yet the Board knows it would be political suicide to cut staff or services, outsource operations, or take any of the other actions required to maintain its myriad of aging facilities. It continues to spend money planning new facilities that it cannot afford, like a \$755,000 contract just for



design/construction documents for a \$12M+ facility for which only about \$3M in funding has been identified.

We are coming to the CLGF and the Department of Taxation for some tough love for IVGID. We have seen the disastrous results of allowing a public agency to assess a fee only limited by what their captive market would bear. There was no need to keep track of expenses or concern they were outpacing revenues. There were no internal controls due to lax or naive boards and special interests who benefitted from the loose controls.

A primary duty of the Department of Taxation is to protect the taxpayer. The District has repeatedly failed to produce timely reports; I and others have already presented significant evidence that there are a number of conditions from the list in NRS354.685 that constitute a severe financial emergency. After a year of failed attempts to get its finances in order, the District is still incapable of properly managing itself. By their own admission, IVGID is still years away from integrating multiple point of sales systems with the ERP, and reliably reporting financial results of its expansive array of business ventures. We ask that you confer with the Executive Director. Based on your observations and the evidence we have provided, we ask that she make a recommendation to the Committee at their April 29, 2025 meeting to hold a hearing to determine that, in fact, a severe financial emergency exists.

Thank you for your consideration of this request.

Respectfully submitted,

Judith Miller