APPENDIX A

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, NEVADA
AUDITED FINANCIAL STATEMENTS
FISCAL YEAR ENDED
June 30, 1992

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## INDEPENDENT AUDITORS REPORT

Board of Trustees
Incline Village General
Improvement District

We have audited the combined financial statements of Incline Village General Improvement District as of June 30, 1992, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1992 financial statements referred to above present fairly, in all material respects, the financial position of Incline Village General Improvement District as of June 30, 1992 and the results of its operations and the changes in cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

William J. Crandall Chartered

Incline Village, Nevada
October 15, 1992

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1992

| | Governmental Fund Types | | Proprietary Fund Types | | Fiduciary Fund Type | Account Group | | Totals (Memorandum Only) | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Debt Service | Enterprise | Internal Service | Agency | General Fixed Assets | General Long Term Debt | 1992 | 1991 |
| Assets | | | | | | | | | |
| Cash and temporary investments (notes 1 & 2) | $ 301,899 | $ 292,805 | $ 9,496,921 | $ 798,274 | $ - | $ - | $ - | $10,889,899 | $16,307,545 |
| Receivables | | | | | | | | | |
| Taxes | 347,121 | - | - | - | - | - | - | 347,121 | 289,563 |
| Assessments | - | 445,539 | - | - | - | - | - | 445,539 | 515,073 |
| Interest & penalties | - | 2,500 | 95,596 | 1671,511 | - | - | - | 103,607 | 166,062 |
| Accounts receivable (note 1) | 77,426 | - | 385,486 | 13,412 | - | - | - | 476,324 | 525,090 |
| Interest on investments | 23,997 | | - | | - | | - | 23,997 | 11,050 |
| Recreation charges | - | - | 2,033,327 | - | - | - | - | 2,033,327 | 2,068,546 |
| Due from other government entities | - | - | 3,772,271 | - | - | - | - | 3,772,271 | 280,958 |
| Due from/to other funds | 9,305 | - | - | - | - | - | - | 9,305 | 24,774 |
| Prepaid expenses | 76,789 | - | 91,044 | 18,262 | - | - | - | 186,095 | 124,876 |
| Deposits | 70,549 | - | 832,184 | 28,860 | - | - | - | 931,593 | 330,364 |
| Inventory of supplies (note 1) | - | - | 169,047 | 46,688 | - | - | - | 215,735 | 270,238 |
| Restricted assets-temporary investments | | | | | | | | | |
| Cash restricted for construction | - | - | 263,012 | - | - | - | - | 263,012 | 251,349 |
| Debt service reserve | - | - | 197,238 | - | - | - | - | 197,238 | 242,238 |
| Revenue bond debt service | - | - | 27,931 | - | - | - | - | 27,931 | 27,931 |
| Revenue bond reserve | - | - | 562,983 | - | - | - | - | 562,983 | 562,745 |
| Fixed assets, net of accumulated depreciation (note 4) | - | - | 44,563,457 | 458,818 | - | 4,141,374 | - | 49,163,649 | 42,033,872 |
| Deferred compensation plan investment accounts | - | - | - | - | 258,225 | - | - | 258,225 | 272,979 |
| Unamortized bond issue and discount costs | - | 2,307 | 224,114 | - | - | - | - | 226,421 | 270,479 |
| Amount available in Debt Service Funds (note 1) | - | - | - | - | - | - | 409,000 | 409,000 | 473,000 |
| Total assets | $ 907,086 | $ 743,151 | $62,714,611 | $1,369,825 | $258,225 | $4,141,374 | $409,000 | $70,543,272 | $65,048,732 |

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1992

| | Governmental Fund Types | | Proprietary Fund Types | | Fiduciary Fund Type | Account Group | | Totals (Memorandum Only) | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Debt Service | Enterprise | Internal Service | Agency | General Fixed Assets | General Long Term Debt | 1992 | 1991 |
| Liabilities | | | | | | | | | |
| Accounts payable | $ 91,346 | $ 60,789 | $ 1,451,440 | $ - | $ - | $ - | $ - | $ 1,603,575 | $ 476,648 |
| Accrued liabilities | 152,304 | - | 746,404 | 88,862 | - | - | - | 987,570 | 700,109 |
| Deferred revenue | 313,021 | 283,097 | 2,088,371 | - | - | - | - | 2,684,489 | 2,691,204 |
| Due to other funds | - | 9,091 | 213 | - | - | - | - | 9,304 | 24,772 |
| Refundable deposits | 20,656 | - | 137,555 | - | - | - | - | 158,211 | 171,615 |
| Unclaimed bonds and interests | - | 814 | 27,931 | - | - | - | - | 28,745 | 73,745 |
| Accrued interest payable | - | - | 151,105 | - | - | - | - | 151,105 | 107,082 |
| Current maturities of long-term debt (note 6) | - | - | 1,029,053 | - | - | - | - | 1,029,053 | 707,139 |
| Deferred compensation plan benefits payable | - | - | - | - | 258,225 | - | - | 258,225 | 272,979 |
| Long-term debt and serial bonds (note 6) | - | - | 7,861,924 | - | - | - | 409,000 | 8,270,924 | 9,361,019 |
| Total liabilities | 577,327 | 353,791 | 13,493,996 | 88,862 | 258,225 | - | 409,000 | 15,181,201 | 14,586,312 |
| Fund equity | | | | | | | | | |
| Contributed capital (note 8) | - | - | 23,887,953 | 800,000 | - | - | - | 24,687,953 | 21,886,105 |
| Investment in general fixed assets | - | - | - | - | - | 4,141,374 | - | 4,141,374 | 3,799,239 |
| Unreserved retained earnings | - | - | - | - | - | - | - | - | 23,739,571 |
| Fund balance | | | | | | | | | |
| Reserved for debt service | - | 409,000 | - | - | - | - | - | 409,000 | 473,000 |
| Reserved for special assessment bond security | - | - | - | - | - | - | - | - | 613,000 |
| Unreserved | 329,759 | (19,640) | 25,332,662 | 480,963 | - | - | - | 26,123,744 | (48,495) |
| Total fund equity | 329,759 | 389,360 | 49,220,615 | 1,280,963 | - | 4,141,374 | - | 55,362,071 | 50,462,420 |
| Total liabilities and fund equity | $ 907,086 | $ 743,151 | $62,714,611 | $1,369,825 | $258,225 | $4,141,374 | $ 409,000 | $70,543,272 | $65,048,732 |

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Revenue, Expenditures and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 1992

| | Governmental Fund Types | | Totals (Memorandum Only) | |
|---|---|---|---|---|
| | General | Debt Service | 1992 | 1991 |
| **Revenue** | | | | |
| Taxes and special assessments (note 1) | $ 233,228 | $ 59,634 | $ 292,862 | $ 267,609 |
| Interest earned | 42,529 | 43,488 | 86,017 | 87,886 |
| Intergovernmental | | | | |
| Supplemental CCRT | 505,814 | - | 505,814 | 502,624 |
| Motor vehicle privilege tax | 68,487 | - | 68,487 | 62,368 |
| Miscellaneous | 2,900 | - | 2,900 | 18,602 |
| Total revenues | 852,958 | 103,122 | 956,080 | 939,089 |
| **Expenditures** | | | | |
| Wages and benefits (note 10) | 944,754 | - | 944,754 | 896,627 |
| Services and supplies (note 1) | 296,738 | - | 296,738 | 290,333 |
| Legal and audit | 56,998 | - | 56,998 | 84,797 |
| Utilities | 30,737 | - | 30,737 | 28,784 |
| Bond principal retirement | - | 64,000 | 64,000 | 64,000 |
| Bond discount and issue costs | - | 1,310 | 1,310 | 2,659 |
| Interest | - | 34,665 | 34,665 | 39,464 |
| Fiscal agent fees | - | (2,524) | (2,524) | 5,510 |
| Capital outlay | 336,692 | - | 336,692 | 20,408 |
| Total expenditures | 1,665,919 | 97,451 | 1,763,370 | 1,432,582 |
| Excess of revenue (under) expenditures | (812,961) | 5,671 | (807,290) | (493,493) |
| **Other financing sources (uses)** | | | | |
| Gain on sale of assets | 325 | - | 325 | - |
| Operating transfers in (out) | 496,871 | (8,292) | 488,579 | 493,307 |
| Excess of expenditures and other uses over revenues and other financing sources | (315,765) | (2,621) | (318,386) | (186) |
| **Fund balance - July 1** | | | | |
| Reserved | - | 473,000 | 473,000 | 537,000 |
| Unreserved | 645,524 | (81,019) | 564,505 | 500,691 |
| Total | 645,524 | 391,981 | 1,037,505 | 1,037,691 |
| **Fund balance - June 30** | | | | |
| Reserved | - | 409,000 | 409,000 | 473,000 |
| Unreserved | 329,759 | (19,640) | 310,119 | 564,505 |
| Total fund balance | $ 329,759 | $389,360 | $ 719,119 | $1,037,505 |

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Revenue, Expenses and
Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 1992

| | Proprietary Fund Types | | Totals (Memorandum Only) | |
|---|---|---|---|---|
| | Enterprise | Internal Service | 1992 | 1991 |
| Operating revenue | | | | |
| Sales and fees (note 1) | $10,164,769 | $1,694,520 | $11,859,289 | $10,877,102 |
| Recreation charge assessments | 1,835,356 | - | 1,835,356 | 1,852,748 |
| Capital improvement fee | 417,350 | - | 417,350 | 405,633 |
| Total operating revenue | 12,417,475 | 1,694,520 | 14,111,995 | 13,135,483 |
| Operating expense | | | | |
| Wages and benefits | 4,282,417 | 789,630 | 5,072,047 | 4,228,125 |
| Services and supplies | 3,146,001 | 584,319 | 3,730,320 | 3,545,479 |
| Legal and audit | 53,368 | - | 53,368 | 62,685 |
| Utilities | 1,396,686 | 37,686 | 1,434,372 | 1,277,234 |
| Depreciation | 2,059,986 | 100,812 | 2,160,798 | 2,083,665 |
| Total operating expenses | 10,938,458 | 1,512,447 | 12,450,905 | 11,197,188 |
| Operating profit | 1,479,017 | 182,073 | 1,661,090 | 1,938,295 |
| Non-operating revenue (expenses) | | | | |
| Gain on sale of assets | 3,569 | - | 3,569 | (30,815) |
| Interest earned on investments | 747,390 | 28,462 | 775,852 | 1,260,962 |
| Amortization of deferred credits | - | - | - | 9,998 |
| Amortization of bond discount and issue cost | (37,029) | - | (37,029) | (41,516) |
| Interest expense | (585,776) | - | (585,776) | (794,941) |
| Miscellaneous revenue | 68,440 | 1,441 | 69,881 | 88,990 |
| Miscellaneous expenses | (27,259) | - | (27,259) | (10,561) |
| Refunding expenses | - | - | - | (111,609) |
| Fiscal agent fees | (22,633) | - | (22,633) | (77,703) |
| Capital improvements | - | - | - | (7,686) |
| Golf lease buyout | - | - | - | (150,000) |
| Total non-operating revenue | 146,702 | 29,903 | 176,605 | 135,119 |
| Income before operating transfers | 1,625,719 | 211,976 | 1,837,695 | 2,073,414 |
| Operating transfers in (out) | (286,760) | (210,111) | (496,871) | (493,306) |
| Net earnings | 1,338,959 | 1,865 | 1,340,824 | 1,580,108 |
| Depreciation on fixed assets acquired with grants | 733,230 | - | 733,230 | 789,005 |
| Increase in retained earnings | 2,072,189 | 1,865 | 2,074,054 | 2,369,113 |
| Retained earnings - July 1 | 23,260,473 | 479,098 | 23,739,571 | 21,370,458 |
| Retained earnings - June 30 | $25,332,662 | $ 480,963 | $25,813,625 | $23,739,571 |

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 1992

| | Proprietary Fund Types | | Totals (Memorandum Only) | |
|---|---|---|---|---|
| | Enterprise | Internal Service | 1992 | 1991 |
| Cash flow from operating activities | | | | |
| Net earnings | $ 2,072,189 | $ 1,865 | $ 2,074,054 | $ 2,369,113 |
| Non-cash expenses, revenues, losses, and gains | | | | |
| Depreciation | 2,059,986 | 100,812 | 2,160,798 | 2,083,665 |
| Amortization of bond discount and issue costs | 37,029 | - | 37,029 | 35,445 |
| Amortization of contributed capital | (733,230) | - | (733,230) | (789,005) |
| Amortization of refunding gain | - | - | - | (65,612) |
| (Increase) in accounts receivable, net | (166,807) | (7,803) | (174,610) | (156,010) |
| (Increase)/decrease in due from/to other funds | 16,223 | (959) | 15,264 | (15,051) |
| Decrease in recreation charges receivable | 35,219 | - | 35,219 | 62,647 |
| (Increase) in penalty and interest receivable | 58,232 | 3,351 | 61,583 | (151,003) |
| Increase in refundable deposits | - | (28,860) | (28,860) | - |
| (Increase)/decrease in inventory | 43,598 | 10,905 | 54,503 | (9,333) |
| (Increase)/decrease in prepaid expenses | 123 | (6,001) | (5,878) | 49,359 |
| Increase/(decrease) in accounts payable | 1,080,010 | (6,702) | 1,073,308 | (123,196) |
| Increase in accrued liabilities | 222,385 | 17,193 | 239,578 | 274,740 |
| Decrease in matured interest payable | (45,000) | - | (45,000) | - |
| Increase/(decrease) in accrued interest | 44,023 | - | 44,023 | (88,954) |
| (Decrease) in deferred revenue | 4,358 | - | 4,358 | (28,348) |
| (Decrease) in customer deposits | (18,740) | - | (18,740) | (12,023) |
| (Gain) loss on sales of assets | (3,569) | - | (3,569) | 30,815 |
| Net cash flow from operating activities (note 12) | 4,706,029 | 83,801 | 4,789,830 | 3,467,249 |
| Cash flows from investing activities | | | | |
| (Increase) in cash restricted for construction | (11,663) | - | (11,663) | (16,633) |
| (Increase) in debt service reserve | 45,000 | - | 45,000 | (38,870) |
| (Increase) in accounts receivable Recreation Center | (3,276,393) | - | (3,276,393) | - |
| Addition to revenue bond reserve | (238) | - | (238) | 213,565 |
| Addition to land and improvements | (86,201) | - | (86,201) | (1,171,514) |
| Addition to water system plant and lines | (870,778) | - | (870,778) | (1,053,624) |
| Addition to sewer system plant and lines | (46,631) | - | (46,631) | (579,327) |
| Decrease/(increase) in purchase inventories | 3,392 | - | 3,392 | 15,567 |

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Cash Flows (Continued)
All Proprietary Fund Types
For Year Ended June 30, 1992

| | Proprietary Fund Types | | Totals (Memorandum Only) | |
|---|---|---|---|---|
| | Enterprise | Internal Service | 1992 | 1991 |
| Cash flows from investing activities (continued) | | | | |
| Addition to buildings and structures | $ (126,675) | - | $ (126,675) | $ (254,926) |
| Addition to equipment, furniture, and fixtures | (1,425,946) | (16,265) | (1,442,211) | (522,437) |
| Addition to vehicles | - | (42,611) | (42,611) | (37,377) |
| (Increase) in construction in progress | (6,336,727) | - | (6,336,727) | (18,221) |
| (Increase) in other deposits | (380,040) | - | (380,040) | - |
| Sale of assets | - | - | - | (43,972) |
| Proceeds on sale of vehicles | 3,569 | - | 3,569 | 17,338 |
| Decrease in other deposits | (156,579) | - | (156,579) | 49,334 |
| Net cash used by investing activities | (12,665,910) | (58,876) | (12,724,786) | (3,441,097) |
| Cash flows from non-capital financing activities | | | | |
| Proceeds from bonds issued | - | - | - | 5,280,000 |
| Bond principal payments | (704,181) | - | (704,181) | (4,184,842) |
| Reduction of bond issuance cost | 5,719 | - | 5,719 | - |
| Net cash (used) provided by non-capital financing activities | (698,462) | - | (698,462) | 1,095,158 |
| Cash flows from capital and related financing activities | | | | |
| Contributed capital | 28,688 | - | 28,688 | 142,950 |
| Contribution - other governments | 3,506,392 | - | 3,506,392 | 1,265,725 |
| Net cash provided by capital and related financing activities | 3,535,080 | - | 3,535,080 | 1,408,675 |
| Net increase in cash and cash equivalents | (5,123,263) | 24,925 | (5,098,338) | 2,529,985 |
| Cash and cash equivalents, July 1 | 14,620,184 | 773,349 | 15,393,533 | 12,863,548 |
| Cash and cash equivalents, June 30 | $ 9,496,921 | $798,274 | $10,295,195 | $15,393,533 |

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

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## 1. Summary of Accounting Policies

The Incline Village General Improvement District operates under provisions of the Nevada Revised Statutes Chapter 318. Under the law, the District has been granted authority to provide water, sewer and refuse collection services and recreational facilities for the benefit of individuals residing within its geographical boundaries.

The accounting policies of Incline Village General Improvement District conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies.

### A. Reporting Entity

Incline Village General Improvement District is located in Washoe County, Nevada, however, it is not included in the financial statements of Washoe County. For financial reporting purposes, the District includes all funds, account groups and agencies that are controlled by the District's board of trustees. Control by the District was determined on the basis of budget adoption, outstanding debt secured by revenues, or obligation of the District to finance any deficits that may occur.

### B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five fund types, a fiduciary fund, and two account groups as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest for which the District is either primarily or secondarily liable.

PROPRIETARY FUNDS

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 1 (Continued)

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND

Agency Fund - The Agency Fund is used to account for assets held by the District in a fiduciary capacity relating to the deferred compensation plans offered to employees.

ACCOUNT GROUPS

General Fixed Assets Group - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The fixed asset account group is not a "fund". It is concerned only with the reporting of financial position. It is not involved with the reporting of results of operations.

Fixed assets used in proprietary fund type operations are accounted for in their respective proprietary funds rather than in a separate account group like governmental fund types. Depreciation of all exhaustible fixed assets by proprietary funds is charged as an expense against their operations.

Depreciation has been provided over the estimated useful lives of the various assets using the straight-line method.

General Long-Term Debt - This is not a fund but rather an account group used to account for the outstanding principal balances of serial bonds for which the District is liable and which are not reported in proprietary funds.

C. Reclassification of Item

Some items presented in the current year's financial reports have been reclassified from prior year's presentation to allow for comparative presentation.

D. Basis of Accounting

Basis of accounting refers to when revenues, expenses and expenditures are recognized in the accounts and reported in the financial statements.

Note 1 (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are reported in the financial statements when the amount is determinable and available to finance operations of the current period being reported or within a short period thereafter. The following primary sources of revenue are considered susceptible to accrual under the modified accrual method of accounting:

- Ad valorem taxes
- Supplemental city/county relief taxes
- Interest earned on investments

Ad valorem taxes are recorded as a receivable and deferred revenue when budgeted and are considered "reportable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally reported under the modified accrual basis of accounting when the obligation has been incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The District records recreational charges receivable and deferred revenues when budgeted and recognizes reportable income during the current fiscal year. The recreational charges receivable represents current amount of $1,797,000 and delinquent receivable of $236,327. Subsequent to June 30, 1992, one land owner has filed bankruptcy and petitioned the court to reduce the land from commercial zoning to single family rating which would create a release of $190,000 of charges. The bankruptcy judges has issued an adverse determination against the District. An appeal has been filed by the District and the District's council is fairly confident that the District will prevail.

The District records quarterly utility billings in advance. The revenues are recorded as deferred income and are recognized over the next quarter as they are earned.

E. Budgets and Budgetary Accounting

Budgets are adopted for all governmental and proprietary fund types, except debt service funds. All budgets are adopted in a modified accrual basis. The District can amend or augment the budget after following public hearing procedures.

F. Investments

The investments, totaling $10,029,978 consist of $9,879,978 in State Investment Pool funds and $150,000 in Money Market funds at June 30, 1992. All investments are stated at cost, which approximates market value.

Note 1 (Continued)

G. Inventory of Supplies

Inventories of the proprietary funds are stated at the lower of cost (first-in, first-out) or market.

H. Allowance for Doubtful Receivables

Utility accounts receivable are shown net of allowance for doubtful accounts of $17,395.

I. Amortization of Deferred Charges

The discounts on bonds sold and bond issuance costs are being amortized to expense over the term of the bonds.

J. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

K. Total Columns on Combined Statements

Total columns on the combined comparative statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. Accounting Changes

A. Beginning with the fiscal year ended June 30, 1990, the District has reclassified Engineering from a cost center in Utility Fund to the Internal Service Fund. Also, all cost centers in the Recreation Fund, which incurred food and beverage and marketing costs, have been reclassified to Internal Service Fund. Management decided to reclassify these cost centers for tracking purposes.

B. To conform to Statement 6 of the Governmental Accounting Standards Board regarding Special Assessment Funds, the District has adopted the use of Debt Service Funds to account for the accumulation of special assessment receipts and related bond and interest payments. Accordingly, bond liabilities are recorded in the General Long-Term Debt Account Group and a fund balance reserve established in the Debt Service Funds for the same amounts.

C. Statement of Cash Flows - The Governmental Accounting Standard Board (GASB) issued a statement "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Fund Accounting" that requires a statement of cash flows instead of a statement of changes in financial position.

Note 1 (Continued)

The new standard requires that cash flows be presented under the following four categories:

1. Operating
2. Investing
3. Non-capital financing
4. Capital and related financing

Though the change is not effective for this general purpose financial statement, the District has chosen to implement the new cash flow statement standard, which is normally encouraged.

2. Investments

At year end, investments consisted of $9,879,978 in the state treasurer's investment pool, $150,000 insured by FDIC.

Statutes authorize the District to invest in obligations of the U.S. Government or U.S. Treasury, providing maturities are ten years or less from the date of purchase; the local government pooled investment fund; negotiable certificates of deposit issued by commercial banks or insured savings and loans; short-term negotiable notes or bonds issued by local governments of the State of Nevada; and bankers' acceptances eligible by law for rediscount with the Federal Reserve Banks not to exceed 180 days.

3. Restricted Assets

Recreation Facilities Revenue Fund - The assets of the revenue bond debt service account and the revenue bond reserve account are held in trust by the fiscal agent, Security Pacific National Bank, and may be used only to service the Special Obligation Bonds of 1989 in accordance with the bond indenture. These restricted assets are required to provide a measure of security for the bond holders. The District covenants to maintain Net Revenues, including the Recreation Availability of Use Charge together with other revenues available therefore, in an amount which will at all times be at least equal to 1.30 times the amount of principal and interest due on the 1989 Bonds in the next succeeding fiscal year. In the event the amount in the revenue bond reserve account is at any time less than the amount required by the bond indenture, the District must cure such deficiency by transferring funds from operating revenues. The market value of the restricted assets was approximately $590,914 at June 30, 1992.

Utility Fund - The Debt Service Reserve Fund account is held in trust by the fiscal agent, Security Pacific National Bank, and may be used only to service the Utility Revenue Bonds of 1984, in accordance with the bond indenture. These restricted assets are required to provide a measure of security for the bond holders. The bond indenture requires that the District maintain (1) gross revenues in an amount at least sufficient to pay the annual costs of operating and maintaining the utility facilities, and (2) net revenues at least equal to 1.30 times the amount of principal and interest due on the bonds during the next succeeding fiscal year. In the event the amount in the debt service reserve fund is at any time less than the amount required by the bond indenture, the District must cure such deficiency by transferring funds from operating revenues.

Note 3 (Continued)

There are a number of limitations and restrictions contained in the various bond indentures. The District is in compliance with all significant limitations and restrictions.

4. Fixed Assets

A summary of changes in general fixed assets follows:

| | Balance July 1, 1991 | Additions | Reductions and Deletions | Balance June 30, 1992 |
|---|---|---|---|---|
| Land | $2,558,039 | $ - | $ - | $2,558,039 |
| Land improvements | 68,201 | 55,615 | - | 123,816 |
| Buildings and improvements | 580,418 | 2,852 | - | 583,270 |
| Furniture and fixtures | 516,950 | 283,668 | - | 800,618 |
| Tools and equipment | 22,817 | - | - | 22,817 |
| Communication equipment | 52,814 | - | - | 52,814 |
| | $3,799,239 | $342,135 | $ - | $4,141,374 |

A summary of proprietary fund type property, plant and equipment as of June 30, 1992 follows:

| | Enterprise | | |
|---|---|---|---|
| | Utility Operations | Recreation Facilities | Internal Service |
| Land and improvements | $ 1,222,113 | $11,632,770 | $ - |
| Water system plant and lines | 16,101,725 | - | - |
| Sewer system plant and lines | 23,871,314 | - | - |
| Inventory of materials and supplies | 211,425 | - | - |
| Machinery and equipment, furniture and fixtures | - | 5,960,100 | 569,149 |
| Vehicles | - | - | 759,961 |
| Buildings and structures | - | 6,535,982 | - |
| Construction in progress | 2,248,149 | 4,106,799 | - |
| | 43,654,726 | 28,235,651 | 1,329,110 |
| Accumulated depreciation | (18,924,892) | (8,402,028) | (870,292) |
| | $24,729,834 | $19,833,623 | $ 458,818 |

5. Deferred Compensation Plan

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all District employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plans are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the legal counsel that the District has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

# INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

## Notes to Financial Statements (Continued)
## June 30, 1992

6. Long-Term Debt

Bonds and notes outstanding as of June 30, 1992 are as follows:

| General Obligation Bonds | Issue Date | Interest Rate | Final Maturity Date | Authorized and Issued | Outstanding | 1992/1993 Principal |
|---|---|---|---|---|---|---|
| Recreation Refunding Bonds of 1991 | 05/01/91 | 5.5% - 6.7% | 09/01/06 | $ 5,280,000 | $ 5,280,000 | $ 430,000 |
| **Special Assessment Bonds** | | | | | | |
| Improvement Bonds, Series 78-2 | 07/06/78 | 6-1/4% - 7-3/4% | 07/01/93 | $ 164,159 | $ 20,000 | $ 9,000 |
| Improvement Bonds, Series 78-3 | 07/06/78 | 6 - 8% | 07/01/98 | 1,856,430 | 389,000 | 55,000 |
| Total Special Assessment Bonds | | | | $ 2,020,589 | $ 409,000 | $ 64,000 |
| **Special Obligation Bonds** | | | | | | |
| Utility Revenue Bonds of 1984 | 05/10/84 | 5-3/4 - 11% | 05/01/94 | 1,300,000 | 355,000 | 170,000 |
| Recreation Refunding Bonds of 1989 | 06/29/89 | 6.3% - 6-3/4% | 09/01/99 | 2,120,000 | 1,970,000 | 170,000 |
| Total Special Obligation Bonds | | | | $ 3,420,000 | $ 2,325,000 | $ 340,000 |
| **Notes Payable** | | | | | | |
| Valley Bank of Nevada | 06/28/91 | 6.6% | 06/28/95 | $ 420,000 | $ 325,290 | $ 101,326 |
| Valley Bank of Nevada | 06/28/91 | 6.6% | 06/28/00 | 2,725,000 | 883,012 | 86,810 |
| Security Pacific Bank | 08/28/90 | 7.16% | 08/28/93 | 200,000 | 77,676 | 65,406 |
| Total Notes Payable | | | | $ 3,345,000 | $ 1,285,978 | $ 253,542 |

The following schedule reflects debt service requirements to maturity on bond and note debt as of June 30, 1992:

| | Notes Payable | | Bond Debt Supported By Special Assessment | | Bond Debt Supported By Utility Fund Revenues | | Bond Debt Supported By Recreation Fund Revenues | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year June 30, | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 1993 | $ 253,542 | $ 77,956 | $ 64,000 | $ 29,800 | $ 170,000 | $ 26,363 | $ 600,000 | $ 417,428 |
| 1994 | 213,173 | 61,730 | 66,000 | 24,795 | 185,000 | 10,638 | 630,000 | 381,618 |
| 1995 | 214,698 | 48,077 | 55,000 | 20,079 | - | - | 670,000 | 343,267 |
| 1996 | 105,545 | 37,425 | 55,000 | 15,720 | - | - | 705,000 | 302,727 |
| 1997 and later | 499,020 | 72,870 | 169,000 | 20,600 | - | - | 4,645,000 | 994,521 |
| | $1,285,978 | $298,058 | $ 409,000 | $110,994 | $ 355,000 | $ 37,001 | $7,250,000 | $2,439,561 |

7. Recreation Fund Long-Term Debt

On April 25, 1991, the District issued $5,280,000 in General Obligation, Recreational Facilities Refunding Bonds with interest rates from 5.5% to 6.7% to advance and refund $3,405,000 of outstanding 1976 Series Bonds and $1,765,000 of outstanding 1987 Series Bonds as described in note 3. The net bond proceeds was $5,113,282 after issuance costs that total $203,834. Debt Service Reserve Funds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1976 and 1987 Series Bonds.

The Bond Debt of 1976 and 1987 will be called and retired within the next three years using the funds held in escrow. The District has elected to present their financial statements with the Bond Debt of 1976 and 1987 and the funds held in escrow to retire the debt not presented as outstanding debt and cash deposit held with escrow agent. All funds held with the escrow agent is insured.

The Bond Issue of April 25, 1991 provides the following sources and uses of funds required for the refunding process.

| | |
|---|---|
| Sources | |
| Bond principal | $5,280,000 |
| Less underwriter's discount | (52,800) |
| Plus accrued interest on new debt - May 1 to May 14 | 11,189 |
| Available from reserve fund for old debt | 203,834 |
| | $5,442,223 |
| Uses | |
| Deposit to escrow fund | $5,317,116 |
| Bond insurance premium | 55,617 |
| Other bond issuance expenses | 58,301 |
| Contributed to Recreation Fund cash | 11,189 |
| | $5,442,223 |

8. Changes in Contributed Capital

| | Proprietary Fund Types | | |
|---|---|---|---|
| | Enterprise | Internal Service | Total |
| Balance, July 1, 1992 | $21,086,105 | $800,000 | $21,886,105 |
| Add contributions | 3,535,080 | - | 3,535,080 |
| Less depreciation of contributed capital | (733,230) | - | (733,230) |
| Balance, June 30, 1992 | $23,887,955 | $800,000 | $24,687,955 |

9. Debt Service Fund Balances

Certain Debt Service Funds (Debt Service Funds 78-2 and 78-3) have a deficit in unreserved fund balance which arose because of the application of generally accepted accounting principles to the financial reporting for such funds. These funds are used to account for the accumulation of special assessment receipts to service related long-term serial bonds. Instead of recording special assessments on a year-by-year basis, the District has opted to record all future assessments receivable at once. However, special assessments are recognized as revenue only to the extent that individual installments are considered current assets. The deficit in these fund balances will be reduced and eliminated as deferred revenue (special assessment installments) become current assets.

10. Pension Plans

The District has two pension plans covering substantially all of their employees. Those not covered under the union pension trust fund are covered by the District's Deposit Administration Fund. The amount of the employer contribution to each fund for any month equals up to ten percent (10%) of the participant employee's monthly gross compensation. The accumulated contribution from all funds for fiscal year ending June 30, 1992 was $55,007.

11. Operating Lease

On January 28, 1992, the District entered into a lease agreement with Xerox Corporation through the State of Nevada Purchasing Agreement with Xerox Corporation. The agreement provides for a 36-month rental of the Xerox copier and accessories in the District's main office, for a monthly rental fee of $254.77,and a monthly high service contract of $585.00 for a total of $839.77 monthly.

OPERATING LEASE
SCHEDULE OF MINIMUM FUTURE RENTAL PAYMENTS

| | |
|---|---|
| Year Ended, June 30, 1993 | $3,057 |
| Total minimum future rental payments | $5,350 |

On March 9, 1992, the District entered into a lease agreement with the State of Nevada on behalf of the Employment Security Department. The agreement provides for a one year rental of real property located at 894 Southwood Boulevard, Incline Village for the engineering department for $769.44 per month, commencing on May 1, 1992. The terms of the lease restricts the District from assigning or sub-leasing the real property. The terms of the agreement also provide an option to renew the lease for one additional one-year lease.

12. Cash Flows

In addition to classifying interest paid and interest and dividends received as cash flows from operating activities, Financial Accounting Standards Board (FASB) Statement No. 95 requires that disclosure be made regarding actual interest payments.

Interest paid during the fiscal years ended June 30, 1992 and 1991 for the Proprietary Funds is as follows:

| | 1992 | 1991 |
|---|---|---|
| Enterprise Funds | | |
| Utility | $ 40,313 | $ 52,562 |
| Recreation | 487,877 | 848,402 |
| Total Enterprise Funds | $ 528,190 | $ 900,964 |

13. Subsequent Events

At and subsequent to June 30, 1992, Incline Village General Improvements District has entered into $484,307 of contracts. Estimated cost to complete projects under construction on June 30, 1992 is $12,379,290.

The District has entered into capital projects during the fiscal year ended June 30, 1992. Construction in progress at June 30, 1992 in the enterprise funds was $6,354,948. Additional costs to complete these projects in the next fiscal year are:

| | |
|---|---|
| General Fixed Assets | $ 291,943 |
| Utility Fund | 7,474,970 |
| Recreation Fund | 4,612,377 |
| | $12,379,290 |

In addition, the District has entered into new contracts totaling $484,307 which are to begin after July 1, 1992.

14. Schedule of Insurance Coverage

The District's insurance coverage on July 1, 1992 consists of the following:

| Type | Carrier/Provider | Amount |
|---|---|---|
| Property liability | Insurance Pool | $51,000,000 (1) |
| Auto liability | Insurance Pool | 1,500,000 |
| Ski resort liability | Transamerica | 7,000,000 |
| Boiler & machinery | Hartford Steamer | 50,000,000 |
| Public Officials & Employees | U. S. Risk | 1,000,000 |
| General liability | Insurance Pool | 1,500,000 (2) |
| Martial arts | Evanston | 500,000 |

(1) On buildings and contents
(2) $3.5 Million in the Aggregate

Note 14 (Continued)

The District has elected to participate in the Nevada Public Agency Insurance Pool. The Pool secures insurance coverages for all its members. A list of insurers follows:

Lloyd's of London (70%)
Northfield Insurance Company (30%)
Twin City Fire Insurance Company
St. Paul Surplus Lines Insurance Company

A portion of each members contributions to the Pool goes into the Loss Fund and the remainder pays for the insurance premiums and administrative expenses. The amount of the Loss Fund contribution is determined by the underwriters on each member's average annual losses over the prior five years. This amount may vary each year as the Pool matures.

The Pool maintains for its own account aggregate excess insurance of $1,000,000 to assure the integrity of the loss fund for the Pool as a whole. Should the contribution of members to the Loss Fund be inadequate to pay claims for a given year, the aggregate excess insurance will be triggered. If in the event both the Loss Fund and the aggregate excess insurance are exhausted, additional Loss Fund contributions cannot be assessed without a two-thirds majority approval of the Board of Directors, in accordance with the Pool agreement, and is not to exceed two times their annual contribution.

The Pool pays all losses from the Loss Fund up to $100,000 per occurrence, less the member's maintenance deductible. Excess insurance, above the Pool's self-funded amount, is provided by insurers including Lloyd's of London, St. Paul Excess and Surplus and Hartford.

The District has elected to self insure for all property damages to the operating ski lifts.

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