


William J. Crandall  Chartered
Certified Public Accountants

William J. Crandall, CPA
Michael C. Sommers, CPA

761 Northwood Blvd.
Incline Village, NV 89451
Telephone 702-831-1787
FAX 702-831-3357

1885 So. Arlington Ave.
Suite 105
Reno, NV 89509
Telephone 702-324-1787
FAX 702-324-1791

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, 1994, 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 1994 financial statements referred to above present fairly, in all material respects, the financial position of Incline Village General Improvement District as of June 30, 1994 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.



September 16, 1994
Incline Village, Nevada

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 1994

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Type Agency	Account Group		Totals	
	General	Debt	Enterprise	Internal		Fixed Assets	General Long Term Debt	(Memorandum Only)	
		Service		Service				1994	1993
Assets									
Cash and temporary investments (notes 1 & 2)	\$1,734,881	\$ 245,963	\$ 8,504,727	\$ 630,532	\$ -	\$ -	\$ -	\$11,116,103	\$14,336,528
Receivables									
Taxes	537,819	-	-	-	-	-	-	537,819	468,902
Assessments	-	255,888	-	-	-	-	-	255,888	364,468
Interest & penalties	-	16,027	-	-	-	-	-	16,027	43,801
Accounts receivable (note 1)	416	-	349,564	-	-	-	-	349,980	309,055
Interest on investments	1,315	2,842	223,747	14,687	-	-	-	242,591	123,452
Recreation charges	-	-	1,964,244	-	-	-	-	1,964,244	1,906,410
Due from other government entities	-	-	75,000	-	-	-	-	75,000	2,030,000
Due from other funds	6,645	213	-	-	-	-	-	6,858	56,209
Prepaid expenses	127,585	-	-	-	-	-	-	127,585	98,792
Deposits	39,843	-	920,142	41,331	-	-	-	1,001,316	974,699
Inventories and supplies (note 1)	-	-	404,832	49,602	-	-	-	454,434	293,708
Restricted assets									
Cash restricted for construction	-	-	-	-	-	-	-	-	270,770
Debt service reserve	-	-	276,483	-	-	-	-	276,483	476,846
Revenue bond reserve	-	-	314,142	-	-	-	-	314,142	304,238
Fixed assets, net of accumulated depreciation (note 4)	-	-	51,074,682	477,723	-	4,246,578	-	55,798,983	54,448,096
Long-term investments (note 2)	-	-	5,069,387	375,840	-	-	-	5,445,227	-
Deferred compensation plan investment accounts	-	-	-	-	391,236	-	-	391,236	322,357
Unamortized bond discount and issuance costs	-	860	321,672	-	-	-	-	322,532	323,793
Amount available in Debt Service Funds (note 1)	-	-	-	-	-	-	279,000	279,000	345,000
Total assets	\$2,448,504	\$ 521,793	\$69,498,622	\$1,589,715	\$391,236	\$4,246,578	\$279,000	\$78,975,448	\$77,497,124

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups
June 30, 1994

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Type Agency	Account Group		Totals	
	General	Debt	Enterprise	Internal		General Fixed Assets	General Long Term Debt	(Memorandum Only)	
		Service		Service				1994	1993
Liabilities									
Accounts payable	\$1,196,812	\$ -	\$ 49,152	\$ -	\$ -	\$ -	\$ -	\$ 1,245,964	\$ 1,267,775
Accrued liabilities	498,675	-	-	2,657	-	-	-	501,332	449,972
Deferred revenue	416,069	169,821	1,987,843	-	-	-	-	2,573,733	2,706,222
Due to other funds	-	6,645	213	-	-	-	-	6,858	56,209
Refundable deposits	7,189	-	55,248	-	-	-	-	62,437	71,070
Unclaimed bonds and interests	-	-	-	-	-	-	-	-	814
Accrued interest payable	-	-	220,909	-	-	-	-	220,909	167,923
Current maturities of long-term debt (note 6)	-	-	1,290,464	-	-	-	-	1,290,464	1,221,648
Deferred compensation plan benefits payable	-	-	-	-	391,236	-	-	391,236	322,357
Deferred credits	-	-	-	-	-	-	-	-	6,544
Long-term debt and serial bonds (note 6)	-	-	13,585,542	-	-	-	279,000	13,864,542	13,787,702
Total liabilities	<u>2,118,745</u>	<u>176,466</u>	<u>17,189,371</u>	<u>2,657</u>	<u>391,236</u>	<u>-</u>	<u>279,000</u>	<u>20,157,475</u>	<u>20,058,236</u>
Fund equity									
Contributed capital (note 8)	-	-	23,063,283	800,000	-	-	-	23,863,283	24,627,124
Investment in general fixed assets	-	-	-	-	-	4,246,578	-	4,246,578	4,450,213
Fund balance									
Reserved for debt service	-	279,000	-	-	-	-	-	279,000	345,000
Designated for risk management (note 12)	-	-	-	298,539	-	-	-	298,539	184,173
Unreserved	329,759	66,327	29,245,968	488,519	-	-	-	30,130,573	27,832,378
Total fund equity	<u>329,759</u>	<u>345,327</u>	<u>52,309,251</u>	<u>1,587,058</u>	<u>-</u>	<u>4,246,578</u>	<u>-</u>	<u>58,817,973</u>	<u>57,438,888</u>
Total liabilities and fund equity	<u>\$2,448,504</u>	<u>\$ 521,793</u>	<u>\$69,498,622</u>	<u>\$1,589,715</u>	<u>\$391,236</u>	<u>\$4,246,578</u>	<u>\$279,000</u>	<u>\$78,975,448</u>	<u>\$77,497,124</u>

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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, 1994

	Governmental Fund Types		Totals	
	General	Debt Service	(Memorandum Only)	
			1994	1993
Revenue				
Taxes and special assessments (note 1)	\$ 317,396	\$ 56,607	\$ 374,003	\$ 337,551
Intergovernmental				
Supplemental CCRT	667,571	-	667,571	554,278
Motor vehicle privilege tax	73,523	-	73,523	62,399
Interest earned	10,002	30,176	40,178	59,037
Miscellaneous	842	-	842	704
Total revenues	<u>1,069,334</u>	<u>86,783</u>	<u>1,156,117</u>	<u>1,013,969</u>
Expenditures				
Wages and benefits (note 9)	1,117,515	-	1,117,515	1,116,510
Services and supplies (note 1)	196,471	-	196,471	303,533
Legal and audit	54,699	-	54,699	58,157
Utilities	30,353	-	30,353	38,196
Bond principal retirement	-	66,000	66,000	64,000
Bond discount and issue costs	-	430	430	1,018
Interest	-	24,810	24,810	29,801
Fiscal agent fees	1,400	595	1,995	-
Capital outlay	61,082	-	61,082	308,840
Total expenditures	<u>1,461,520</u>	<u>91,835</u>	<u>1,553,355</u>	<u>1,920,055</u>
Excess of revenue (under) expenditures	(392,186)	(5,052)	(397,238)	(906,086)
Other financing sources (uses)				
Proceeds from sale of assets	2,800	-	2,800	-
Release of unreserved funds	-	(37,072)	(37,072)	-
Operating transfers in (out)	389,386	370	389,756	903,807
Excess of expenditures and other uses over revenues and other financing sources	<u>-</u>	<u>(41,754)</u>	<u>(41,754)</u>	<u>(2,279)</u>
Fund balance - July 1				
Reserved	-	345,000	345,000	409,000
Unreserved	329,759	42,081	371,840	310,119
Total	<u>329,759</u>	<u>387,081</u>	<u>716,840</u>	<u>719,119</u>
Fund balance - June 30				
Reserved	-	279,000	279,000	345,000
Unreserved	329,759	66,327	396,086	371,840
Total fund balance	<u>\$ 329,759</u>	<u>\$345,327</u>	<u>\$ 675,086</u>	<u>\$ 716,840</u>
	=====	=====	=====	=====

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, 1994**

	<u>Proprietary Fund Types</u>		<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>	
			<u>1994</u>	<u>1993</u>
Operating revenue				
Sales and fees (note 1)	\$11,786,277	\$2,040,507	\$13,826,784	\$13,733,113
Recreation charge assessments	1,767,490	-	1,767,490	1,705,543
Capital improvement fee	1,219,344	-	1,219,344	523,648
Total operating revenue	<u>14,773,111</u>	<u>2,040,507</u>	<u>16,813,618</u>	<u>15,962,304</u>
Operating expense				
Wages and benefits	5,183,718	769,942	5,953,660	5,675,635
Cost of goods sold	498,113	334,083	832,196	770,311
Services and supplies	3,240,729	547,950	3,788,679	3,596,440
Legal and audit	60,671	1,660	62,331	103,624
Utilities	1,633,747	48,200	1,681,947	1,324,855
Depreciation	2,549,398	109,247	2,658,645	2,327,885
Total operating expenses	<u>13,166,376</u>	<u>1,811,082</u>	<u>14,977,458</u>	<u>13,798,750</u>
Operating profit	<u>1,606,735</u>	<u>229,425</u>	<u>1,836,160</u>	<u>2,163,554</u>
Non-operating revenue (expenses)				
Gain (loss) on sale of assets	-	8,725	8,725	(21,781)
Interest earned on investments	581,580	40,409	621,989	446,504
Amortization of bond discount and issue cost	(45,176)	-	(45,176)	(31,775)
Interest expense	(624,375)	-	(624,375)	(489,808)
Miscellaneous revenue	49,651	6,390	56,041	90,525
Miscellaneous expenses	(537)	-	(537)	(60,059)
Bad debt	-	-	-	(114,920)
Fiscal agent fees	(47,926)	(3,076)	(51,002)	(8,733)
Total non-operating revenue (expenses)	<u>(86,783)</u>	<u>52,448</u>	<u>(34,335)</u>	<u>(190,047)</u>
Income before operating transfers	1,519,952	281,873	1,801,825	1,973,507
Operating transfers (out)	<u>(239,226)</u>	<u>(150,530)</u>	<u>(389,756)</u>	<u>(903,807)</u>
Net earnings	1,280,726	131,343	1,412,069	1,069,700
Depreciation on fixed assets acquired with grants	<u>976,246</u>	<u>-</u>	<u>976,246</u>	<u>761,386</u>
Increase in retained earnings	2,256,972	131,343	2,388,315	1,831,086
Retained earnings - July 1	<u>26,988,996</u>	<u>655,715</u>	<u>27,644,711</u>	<u>25,813,625</u>
Retained earnings - June 30	<u>\$29,245,968</u>	<u>\$ 787,058</u>	<u>\$30,033,026</u>	<u>\$27,644,711</u>

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal</u>	<u>(Memorandum Only)</u>	
		<u>Service</u>	<u>1994</u>	<u>1993</u>
Cash flow from operating activities				
Net earnings	\$ 2,256,972	\$ 131,343	\$ 2,388,315	\$ 1,831,086
Non-cash expenses, revenues, losses, and gains				
Depreciation	2,549,398	109,247	2,658,645	2,327,885
Amortization of bond discount and issue costs	45,176	-	45,176	34,886
Amortization of contributed capital	(976,246)	-	(976,246)	(761,386)
Increase (decrease) from changes in:				
Accounts receivable, net	(42,652)	220	(42,432)	91,765
Due from/to other funds	(48,894)	23,640	(25,254)	25,254
Recreation charges receivable	(57,834)	-	(57,834)	126,917
Penalty and interest receivable	(112,615)	(8,617)	(121,232)	(16,095)
Refundable deposits	-	(1,136)	(1,136)	(11,335)
Inventory	(149,079)	(11,647)	(160,726)	(77,973)
Prepaid expenses	-	3,472	3,472	105,834
Accounts payable	9,046	-	9,046	(1,411,334)
Accrued liabilities	(206,555)	(48,608)	(255,163)	(577,446)
Accrued interest	52,986	-	52,986	16,818
Deferred revenue	(110,194)	-	(110,194)	9,666
Deferred credits	(6,544)	-	(6,544)	-
Customer deposits	(8,633)	-	(8,633)	(73,674)
Sales of assets	-	725	725	21,781
Net cash flow provided by operating activities (note 10)	<u>3,194,332</u>	<u>198,639</u>	<u>3,392,971</u>	<u>1,662,649</u>
Cash flows from investing activities				
Increase (decrease) from changes in:				
Cash restricted for construction	270,770	-	270,770	(7,757)
Debt service reserve	200,363	-	200,363	(279,608)
Accounts receivable- Recreation Center	1,955,000	-	1,955,000	1,742,271
Revenue bond reserve	(9,904)	-	(9,904)	258,745
Land and improvements	(181,490)	-	(181,490)	(566,202)
Water system plant and lines	(901,996)	-	(901,996)	(1,005,110)
Sewer system plant and lines	(4,120,025)	-	(4,120,025)	(42,712)
Purchase inventories	(4,479)	-	(4,479)	23,505
Buildings and structures	(628,641)	-	(628,641)	(3,138,082)
Equipment, furniture, and fixtures	(1,054,591)	(35,464)	(1,090,055)	(2,960,347)
Vehicles	-	(148,843)	(148,843)	-
Construction in progress	2,862,790	-	2,862,790	378,256
Other deposits	(25,257)	-	(25,257)	(62,701)
Long-term investments	(5,069,387)	(375,840)	(5,445,227)	-
Net cash used by investing activities	<u>(6,706,847)</u>	<u>(560,147)</u>	<u>(7,266,994)</u>	<u>(5,659,742)</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Combined Statement of Cash Flows (Continued)
 All Proprietary Fund Types
 Year Ended June 30, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>1994</u>	<u>1993</u>
Cash flows from capital and related financing activities				
Proceeds from bonds issued	\$ 3,380,629	\$ -	\$ 3,380,629	\$ 6,765,405
Bond principal payments	(3,187,971)	-	(3,187,971)	(992,032)
Reduction of bond issuance cost	(25,347)	-	(25,347)	(142,466)
Contributed capital	65,710	-	65,710	29,061
Contribution - other governments	<u>145,542</u>	<u>-</u>	<u>145,542</u>	<u>672,649</u>
Net cash provided by non-capital financing activities	<u>378,563</u>	<u>-</u>	<u>378,563</u>	<u>6,332,617</u>
Net increase (decrease) in cash and cash equivalents	(3,133,952)	(361,508)	(3,495,460)	2,335,524
Cash and cash equivalents, July 1	<u>11,638,679</u>	<u>992,040</u>	<u>12,630,719</u>	<u>10,295,195</u>
Cash and cash equivalents, June 30	<u>\$ 8,504,727</u>	<u>\$ 630,532</u>	<u>\$ 9,135,259</u>	<u>\$12,630,719</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements
June 30, 1994

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.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

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.

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 1 (continued)

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 \$1,755,000 and delinquent receivable of \$209,244.

E. Budgets and Budgetary Accounting

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

F. Investments

All investments are stated at amortized cost.

G. Inventory and 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 \$20,091.

I. Amortization of Deferred Charges

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

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 1 (continued)

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. 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.

B. 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.

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

2. Investments

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.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 2 (continued)

The District has elected to classify and report it's investments in debt securities at amortized cost with the intent to hold all securities to maturity. Consequently, investments with a maturity greater than one year from June 30, 1994, totaling \$5,445,227 have been classified as long-term investments.

It is management's intent to use \$750,000 of the Recreation Fund investment balance for ski expansion.

Following is a schedule of the District's investments at June 30, 1994:

<u>Investment Description</u>	<u>Maturity Date</u>	<u>Amortized Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
State Treasurer's Investment Pool		\$ 4,351,562	\$ 4,351,562	\$ -
Pacific Horizons Treasury Fund		901,623	901,623	-
4.885MM Treasury Bills	<1 Year	4,732,071	4,722,026	(10,045)
1MM FNMA Mortgage Note-3.79%	2/24/95	992,697	990,990	(1,707)
Bank Certificate of Deposit-3.5%	4/15/95	104,643	104,643	-
750M Treasury Note-4.25%	7/31/95	750,077	739,688	(10,389)
2MM Treasury Note-8%	1/15/97	2,144,363	2,074,380	(69,983)
500M Treasury Note-6.75%	5/31/97	523,732	503,125	(20,607)
2MM Treasury Note-6%	10/15/99	<u>2,027,055</u>	<u>1,914,060</u>	<u>(112,995)</u>
		\$16,527,823	\$16,302,097	\$(225,726)
		=====	=====	=====

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, Bank of America, 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 \$330,034 at June 30, 1994.

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:

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 4 (continued)

	<u>Balance</u> July 1, 1993	<u>Additions</u>	<u>Reductions</u> and <u>Deletions</u>	<u>Balance</u> June 30, 1994
Land	\$2,558,039	\$ -	\$ -	\$2,558,039
Land improvements	123,816	-	-	123,816
Buildings and improvements	580,418	55,333	-	635,751
Furniture, fixtures and equipment	1,110,933	5,749	264,717	851,965
Tools	22,817	-	-	22,817
Communication equipment	54,190	-	-	54,190
	<u>\$4,450,213</u>	<u>\$ 61,082</u>	<u>\$264,717</u>	<u>\$4,246,578</u>
	=====	=====	=====	=====

A summary of proprietary fund type property, plant and equipment as of June 30, 1994 follows:

	<u>Enterprise</u>		
	<u>Utility</u> <u>Operations</u>	<u>Recreation</u> <u>Facilities</u>	<u>Internal</u> <u>Service</u>
Land and improvements	\$ 1,553,045	\$12,049,539	\$ -
Water system plant and lines	18,008,831	-	-
Sewer system plant and lines	28,024,434	-	-
Inventory of materials and supplies	192,399	-	-
Machinery and equipment, furniture and fixtures	230,152	9,684,203	646,639
Vehicles	-	-	880,012
Buildings and structures	-	10,302,244	-
Construction in progress	2,485,105	628,797	-
	<u>50,493,966</u>	<u>32,664,783</u>	<u>1,526,651</u>
Accumulated depreciation	<u>(21,290,234)</u>	<u>(10,793,833)</u>	<u>(1,048,928)</u>
	<u>\$29,203,732</u>	<u>\$21,870,950</u>	<u>\$ 477,723</u>
	=====	=====	=====

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, 1994

6. Long-Term Debt

Bonds and notes outstanding as of June 30, 1994 are as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>	<u>1994/1995 Principal</u>
<u>General Obligation Bonds</u>						
Recreation Refunding Bonds of 1993	08/01/93	3.875% - 4.2%	06/01/00	\$ 1,900,000	\$ 1,645,000	\$ 250,000
Recreation Refunding Bonds of 1991	05/01/91	5.5% - 6.7%	09/01/06	5,280,000	4,400,000	475,000
Utility Water Bonds of 1993	06/16/93	4.3% - 5.75%	06/01/13	3,340,000	3,230,000	110,000
Total General Obligation Bonds				<u>\$10,520,000</u>	<u>\$ 9,275,000</u>	<u>\$ 835,000</u>
<u>Special Assessment Bonds</u>						
Improvement Bonds, Series 78-3	07/06/78	6 - 8%	07/01/98	\$ 1,856,430	\$ 279,000	\$ 55,000
Total Special Assessment Bonds				<u>\$ 1,856,430</u>	<u>\$ 279,000</u>	<u>\$ 55,000</u>
<u>Special Obligation Bonds</u>						
Recreation Refunding Bonds of 1989	06/29/89	6.3% - 6-3/4%	09/01/99	\$ 2,120,000	\$ 1,620,000	\$ 195,000
Total Special Obligation Bonds				<u>\$ 2,120,000</u>	<u>\$ 1,620,000</u>	<u>\$ 195,000</u>
<u>Note and Contract Payable</u>						
Bank of America	06/28/91	6.6%	06/28/95	\$ 420,000	\$ 115,974	\$ 115,974
State of Nevada	10/29/92	4.0%	07/01/12	4,400,000	3,865,032	144,490
Total Note and Contract Payable				<u>\$ 4,820,000</u>	<u>\$ 3,981,006</u>	<u>\$ 260,464</u>

The following schedule reflects debt service requirements to maturity as of June 30, 1994:

<u>Fiscal Year June 30,</u>	<u>Debt Supported By Special Assessment</u>		<u>Debt Supported By Utility Fund Revenues</u>		<u>Debt Supported By Recreation Fund Revenues</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
1995	\$ 55,000	\$ 20,079	\$ 254,490	\$ 319,653	\$1,035,974	\$ 427,922
1996	55,000	15,720	265,326	309,086	960,000	372,808
1997	55,000	11,320	276,400	298,068	1,010,000	320,262
1998	55,000	6,920	287,719	286,589	1,065,000	264,128
1999 and later	59,000	2,360	6,011,097	2,427,196	3,710,000	612,624
	<u>\$ 279,000</u>	<u>\$ 56,399</u>	<u>\$7,095,032</u>	<u>\$3,640,592</u>	<u>\$7,780,974</u>	<u>\$1,997,744</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

7. Enterprise Fund Long-Term Debt

Recreation Fund Long-Term Debt

On August 1, 1993, the District issued \$1,900,000 of General Obligation Short-Term Refunding Bonds. The proceeds of the bonds were used to pay-off the Bank of America note payable in the Enterprise Recreation Fund. The balance of the note at June 30, 1993 was \$883,012, additional draws for the purpose of recreation capital improvements were made on the note during July and August, 1993 bringing the total note to \$1,856,261 at the time of pay-off in August, 1993.

The bonds mature each June 1, beginning in 1994 with final maturity on June 1, 2000.

Utility Fund Long-Term Debt

The District has entered into an agreement with the State of Nevada to obtain long-term financing not to exceed \$4,400,000 for the purpose of improving the District's sewer system. The indebtedness requires semi-annual payments including interest at 4%. As of June 30, 1994, the District has received \$3,865,032 of loan proceeds. The District is required to dedicate a source of revenue from Utility operations sufficient to provide reasonable assurance of repayment of the debt obligation.

8. Changes in Contributed Capital

	<u>Proprietary Fund Types</u>		<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Balance, July 1, 1993	\$23,827,124	\$800,000	\$24,627,124
Add contributions	211,252	-	211,252
Less depreciation of contributed capital	<u>(975,093)</u>	<u>-</u>	<u>(975,093)</u>
Balance, June 30, 1994	<u>\$23,063,283</u>	<u>\$800,000</u>	<u>\$23,863,283</u>

9. Pension Plans

The District has two pension plans covering substantially all of the their full-time employees. Those not covered under the Union Pension Trust Fund are covered by the District's Deposit Administration Fund.

The Union Pension Trust Fund is a defined benefit plan contract between the District's employees and the union. Incline Village General Improvement District's liability under the contract is limited to making monthly contributions based on union employee's hours worked.

The District's Deposit Administration Fund is a defined contribution plan. In a defined contribution plan benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. The District's policy is to contribute 10% of the employees salary each month. The District's contributions for each employee are fully vested after seven years continuous service. District contributions for, and interest forfeited by, employees who leave employment before fully vesting are used to reduce the District's current-period contribution requirement.

The District's total payroll in fiscal year 1994 was \$5,494,769. The District's contributions of \$228,871 were calculated using the base salary amount.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

10. 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, 1994 and 1993 for the Proprietary Funds is as follows:

	1994	1993
Enterprise Funds		
Utility	\$ 257,148	\$ 118,468
Recreation	484,588	486,150
Total Enterprise Funds	\$ 741,736	\$ 604,618

11. Subsequent Events

At June 30, 1994, the District has undertaken \$7,800,000 of construction type contracts. Estimated cost to complete projects under construction on June 30, 1994 is \$4,360,000.

On August 25, 1994, the District's Board adopted Resolution No. 1652 merging the Crystal Bay General Improvement District (CBGID) into Incline Village General Improvement District (IVGID). The primary purpose of CBGID is to provide water and sewer services to the residents. Beginning December 1994, IVGID will provide all water, sewer and trash services to the residents of Crystal Bay and initiate all billings and collections for services provided.

The cost to connect the two utility systems and upgrade CBGID's system is estimated at \$1.4 million. These costs are expected to be paid by a \$900,000 grant from the State of Nevada, issued to CBGID as administered by IVGID, and \$500,000 in assessments and/or fees which the residents of CBGID will be responsible for.

For the year ended June 30, 1994, CBGID had total assets of \$1,753,376 comprised mostly of land, water and sewer systems, liabilities of \$14,083 and combined total revenues of \$110,056.

12. Schedule of Insurance Coverage

The District's insurance coverage on July 1, 1994 consists of the following:

Type	Carrier/Provider	Amount
Property liability	Insurance Pool	\$51,000,000 (1)
Auto liability	Insurance Pool	2,000,000
Ski resort liability	Genesis Insurance Co.	7,000,000
Boiler & machinery	Hartford Steamer	50,000,000
Public Officials & Employees	U. S. Risk	2,000,000
General liability	Insurance Pool	200,000 (2)
Martial arts	Gerber	500,000

- (1) On buildings and contents
- (2) \$5 Million in the Aggregate

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 12 (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
Northfield 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.

During fiscal year 1993, the District established a Risk Management Program (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Program provides coverage for up to \$300,000 for each worker's compensation claim. The District purchases commercial insurance for claims in excess of \$300,000 per claim limited to \$1,000,000 per claim. Any claim cost over \$1,000,000 is paid by the District.

All funds of the District participate in the program and make payments to the Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

For fiscal year 1994, the Risk Management Program billed other District funds a total of \$285,880. The total claims cost incurred, including estimates of future payments for claims existing on June 30, 1994, totalled \$78,199.

Following is a reconciliation of total claims liability as of June 30, 1994:

Beginning Liability Balance <u>07/01/93</u>	Current Year Claims <u>Claims</u>	Claim Payments <u>Payments</u>	Ending Liability Balance <u>06/30/94</u>
\$ 23,576 =====	\$78,199 =====	\$43,923 =====	\$57,852 =====

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

Notes to Financial Statements (Continued)
June 30, 1994

Note 12 (continued)

The District has designated \$298,539 of the remaining billing to cover possible catastrophic claims that could exceed the \$1,000,000 coverage. Retained earnings for the Internal Service Fund is as follows:

Designated for future claims	\$298,539
Undesignated funds	<u>488,519</u>
Total retained earnings, June 30, 1994	\$787,058 =====