

APPENDIX A

**INCLINE VILLAGE GENERAL
IMPROVEMENT DISTRICT, NEVADA
AUDITED FINANCIAL STATEMENTS
June 30, 1998**

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Incline Village General Improvement District

We have audited the accompanying general purpose financial statements of Incline Village General Improvement District, as of June 30, 1998 and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of Incline Village General Improvement District. Our responsibility is to express an opinion on these general purpose 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of Incline Village General Improvement District as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 7 to the financial statements, in 1998 Incline Village General Improvement District changed its method of accounting for deferred compensation plans to conform with Statement of Governmental Accounting Standard No. 32 and, retroactively, restated the 1997 financial statements for the change.

Deloitte & Touche LLP

October 2, 1998

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1998
 WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

	Governmental Fund Types			Proprietary Fund Types	
	General	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS AND OTHER DEBITS:					
Cash and temporary investments	\$1,259,611	\$ 44,609	\$14,195	\$ 8,770,663	\$ 547,755
Receivables:					
Taxes	665,069				
Assessments		237,424			
Accounts receivable, net	1,916			926,478	161,173
Interest on investments	7,885	9,363	102	72,818	4,547
Recreation charges				2,351,331	
Due from other governments		12,001		271,885	
Prepaid items	6,733			18,020	
Deposits	132,110			322,193	222,440
Inventories and supplies				503,932	14,926
Restricted assets -					
Revenue bond reserve				277,733	
Fixed assets, net of accumulated depreciation				59,990,433	508,494
Long term investments	300,075	28,820	9,170	5,653,190	353,883
Unamortized bond discounts and issuance costs		19,160		278,698	
Amount available and to be provided in debt service funds					
Total assets and other debits	<u>\$2,373,399</u>	<u>\$351,377</u>	<u>\$23,467</u>	<u>\$79,437,374</u>	<u>\$1,813,218</u>
LIABILITIES:					
Accounts payable	\$ 862,001			\$ 107,772	\$ 104,908
Accrued personnel costs	579,051				
Deferred revenue	516,573	\$246,848		2,581,084	
Refundable deposits				47,674	
Accrued interest payable				219,432	
Current maturities of long term debt				1,797,650	
Long term debt and serial bonds				12,240,307	
Total liabilities	<u>1,957,625</u>	<u>246,848</u>	<u> </u>	<u>16,993,919</u>	<u>104,908</u>
EQUITY AND OTHER CREDITS:					
Contributed capital				21,951,608	800,000
Retained earnings				40,491,847	908,310
Investment in general fixed assets					
Fund balance:					
Reserved for debt service		104,529			
Reserved for extraordinary maintenance			\$23,467		
Unreserved	415,774				
Total equity and other credits	<u>415,774</u>	<u>104,529</u>	<u>23,467</u>	<u>62,443,455</u>	<u>1,708,310</u>
Total liabilities, equity and other credits	<u>\$2,373,399</u>	<u>\$351,377</u>	<u>\$23,467</u>	<u>\$79,437,374</u>	<u>\$1,813,218</u>

See notes to financial statements

Account Groups		Totals (Memorandum Only)	
General Fixed Assets	General Long Term Debt	1998	1997
		\$ 10,636,833	\$ 10,064,655
		665,069	670,603
		237,424	332,227
		1,089,567	597,108
		94,715	103,961
		2,351,331	2,300,614
		283,886	378,019
		24,753	49,899
		676,743	681,277
		518,858	489,670
		277,733	277,733
\$ 4,232,385		64,731,312	63,089,905
		6,345,138	7,680,000
		297,858	334,505
	\$ 288,958	288,958	318,948
<u>\$ 4,232,385</u>	<u>\$ 288,958</u>	<u>\$ 88,520,178</u>	<u>\$ 87,369,124</u>
		\$ 1,074,681	\$ 1,053,831
		579,051	531,023
		3,344,505	3,277,059
		47,674	47,674
		219,432	155,028
		1,797,650	1,636,226
	\$ 288,958	12,529,265	14,358,013
	<u>288,958</u>	<u>19,592,258</u>	<u>21,058,854</u>
		22,751,608	23,012,804
\$ 4,232,385		41,400,157	38,514,757
		4,232,385	4,095,214
		104,529	98,588
		23,467	22,035
		415,774	566,872
<u>4,232,385</u>		<u>68,927,920</u>	<u>66,310,270</u>
<u>\$ 4,232,385</u>	<u>\$ 288,958</u>	<u>\$ 88,520,178</u>	<u>\$ 87,369,124</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997**

	Governmental Fund Types			Totals	
	General	Debt Service	Capital Projects	(Memorandum Only)	
				1998	1997
REVENUES:					
Taxes and special assessments	\$ 386,939	\$ 139,631		\$ 526,570	\$ 489,393
Intergovernmental:					
Supplemental CCRT	851,877			851,877	841,467
Motor vehicle privilege tax	119,126			119,126	89,966
Interest earned	41,079	66,365	\$ 1,462	108,906	77,447
Miscellaneous	5,013			5,013	13,515
Total revenues	1,404,034	205,996	1,462	1,611,492	1,511,788
EXPENDITURES:					
Wages and benefits	1,261,925			1,261,925	1,170,559
Services and supplies	457,920			457,920	278,640
Legal and audit	36,534			36,534	63,321
Utilities	41,735			41,735	33,569
Bond principal retirement		29,990		29,990	142,323
Bond discount and issue costs		2,560		2,560	2,409
Interest		18,108		18,108	30,006
Fiscal agent fees		360	30	390	969
Capital outlay	137,171			137,171	109,436
Total expenditures	1,935,285	51,018	30	1,986,333	1,831,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(531,251)	154,978	1,432	(374,841)	(319,444)
OTHER FINANCING SOURCES:					
Operating transfers in	531,251			531,251	290,520
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	_____	154,978	1,432	156,410	(28,924)
FUND BALANCE - JULY 1:					
Reserved		98,588	22,035	120,623	200,214
Unreserved	415,774	151,098		566,872	516,205
Total	415,774	249,686	22,035	687,495	716,419
EQUITY TRANSFER TO UTILITY FUND		(300,135)		(300,135)	
FUND BALANCE - JUNE 30:					
Reserved		104,529	23,467	127,996	120,623
Unreserved	415,774			415,774	566,872
Total fund balance	\$ 415,774	\$ 104,529	\$ 23,467	\$ 543,770	\$ 687,495

See notes to financial statements

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND AND CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 1998

	General Fund		
	Augmented Budget	Actual	Variance Favorable Unfavorable)
REVENUES:			
Ad valorem taxes	\$ 426,410	\$ 386,939	\$ (39,471)
Intergovernmental:			
Supplemental SCCRT	895,922	851,877	(44,045)
Motor vehicles privilege tax	103,447	119,126	15,679
Interest earned	24,000	41,079	17,079
Miscellaneous	12,700	5,013	(7,687)
Total revenues	1,462,479	1,404,034	(58,445)
EXPENDITURES:			
Salaries and wages	962,824	986,690	(23,866)
Taxes and benefits	284,632	275,235	9,397
Services and supplies	445,733	457,920	(12,187)
Utilities	38,400	41,735	(3,335)
Capital outlay	157,140	137,171	19,969
Legal and audit	65,000	36,534	28,466
Fiscal agent fee			
Total expenditures	1,953,729	1,935,285	18,444
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(491,250)	(531,251)	(40,001)
OTHER FINANCING SOURCES:			
Operating transfers in	491,250	531,251	40,001
Total other financing sources	491,250	531,251	40,001
Excess of revenues and other sources over expenditures			
FUND BALANCE - JULY 1	415,774	415,774	
FUND BALANCE - JUNE 30	\$ 415,774	\$ 415,774	\$

See notes to financial statements

Capital Projects Fund			Totals (Memorandum Only)		
Augmented Budget	Actual	Variance Favorable Unfavorable)	Augmented Budget	Actual	Variance Favorable Unfavorable)
			\$ 426,410	\$ 386,939	\$ (39,471)
			895,922	851,877	(44,045)
			103,447	119,126	15,679
\$ 700	\$ 1,462	\$ 762	24,700	42,541	17,841
			12,700	5,013	(7,687)
<u>700</u>	<u>1,462</u>	<u>762</u>	<u>1,463,179</u>	<u>1,405,496</u>	<u>(57,683)</u>
			962,824	986,690	(23,866)
			284,632	275,235	9,397
			445,733	457,920	(12,187)
			38,400	41,735	(3,335)
			157,140	137,171	19,969
			65,000	36,534	28,466
	30	(30)		30	(30)
	<u>30</u>	<u>(30)</u>	<u>1,953,729</u>	<u>1,935,315</u>	<u>18,414</u>
700	1,432	732	(490,550)	(529,819)	(39,269)
			491,250	531,251	40,001
			491,250	531,251	40,001
700	1,432	732	700	1,432	732
<u>22,035</u>	<u>22,035</u>		<u>437,809</u>	<u>437,809</u>	
<u>\$ 22,735</u>	<u>\$ 23,467</u>	<u>\$ 732</u>	<u>\$ 438,509</u>	<u>\$ 439,241</u>	<u>\$ 732</u>

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997**

	Proprietary Fund Types		Totals	
	Enterprise	Internal Service	(Memorandum Only)	
			1998	1997
OPERATING REVENUES:				
Sales and fees	\$ 14,041,175	\$ 742,385	\$ 14,783,560	\$ 13,555,557
Recreation charge assessments	2,108,908		2,108,908	2,163,025
Capital improvement fee	1,449,682		1,449,682	1,503,850
Total operating revenues	17,599,765	742,385	18,342,150	17,222,432
OPERATING EXPENSES:				
Wages and benefits	6,294,871	402,534	6,697,405	6,385,942
Cost of goods sold	920,885		920,885	941,447
Services and supplies	3,188,098	218,626	3,406,724	3,391,308
Legal and audit	48,899	2,140	51,039	63,591
Utilities	1,479,704	10,802	1,490,506	1,527,483
Depreciation	3,533,437	86,719	3,620,156	3,451,746
Total operating expenses	15,465,894	720,821	16,186,715	15,761,517
OPERATING INCOME	2,133,871	21,564	2,155,435	1,460,915
NON-OPERATING REVENUES (EXPENSES):				
Gain on sale of assets		5,549	5,549	56,666
Interest earned on investments	1,057,736	71,484	1,129,220	1,115,780
Amortization of bond discount and issue cost	(34,087)		(34,087)	(34,086)
Interest expense	(727,259)		(727,259)	(804,231)
Miscellaneous revenue	9,348		9,348	1,895
Miscellaneous expenses	(5,000)		(5,000)	(10,591)
Fiscal agent fees	(27,214)	(1,947)	(29,161)	(71,629)
Total non-operating revenues	273,524	75,086	348,610	253,804
INCOME BEFORE OPERATING TRANSFERS	2,407,395	96,650	2,504,045	1,714,719
OPERATING TRANSFERS OUT	(531,251)		(531,251)	(290,520)
NET INCOME	1,876,144	96,650	1,972,794	1,424,199
DEPRECIATION ON FIXED ASSETS ACQUIRED WITH GRANTS				
	912,606		912,606	920,633
Increase in retained earnings	2,788,750	96,650	2,885,400	2,344,832
RETAINED EARNINGS - JULY 1	37,703,097	811,660	38,514,757	36,169,925
RETAINED EARNINGS - JUNE 30	\$ 40,491,847	\$ 908,310	\$ 41,400,157	\$ 38,514,757

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997**

	Proprietary Fund Types		Totals	
	Enterprise	Internal Service	(Memorandum Only)	
			1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 2,133,871	\$ 21,564	\$ 2,155,435	\$ 1,460,915
Non-cash expenses -				
Depreciation	3,533,437	86,719	3,620,156	3,451,746
Increase (decrease) in cash from changes in:				
Accounts receivable	(334,978)	(94,260)	(429,238)	(67,091)
Prepaid expenses	8,009		8,009	(26,029)
Recreation charges receivable	(50,717)		(50,717)	60,640
Due from other governments	12,675		12,675	(114,179)
Inventories	(30,510)	1,322	(29,188)	1,655
Accounts payable	(66,626)	104,908	38,282	77,688
Deferred revenue	149,909		149,909	(18,633)
Net cash provided by operating activities	5,355,070	120,253	5,475,323	4,826,712
CASH USED IN NON-CAPITAL FINANCING ACTIVITIES:				
Equity transfer in	300,135		300,135	
Operating transfer out	(531,251)		(531,251)	(290,520)
Miscellaneous expense	(6,634)		(6,634)	(8,696)
Net cash used in non-capital financing activities	(237,750)		(237,750)	(299,216)
CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of assets	13,412	5,767	19,179	56,666
Acquisition and construction of capital assets	(5,003,046)	(123,994)	(5,127,040)	(4,807,069)
Payments on debt	(1,637,334)		(1,637,334)	(1,641,026)
Increase in bond issuance costs				(5,483)
Contributed capital	154,497		154,497	383,576
Contribution by other government	196,778		196,778	20,325
Interest expense	(727,259)		(727,259)	(804,231)
Accrued interest payable	87,699		87,699	(18,091)
Net cash used in capital and related financing activities	(6,915,253)	(118,227)	(7,033,480)	(6,815,333)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Other deposits	144,712	(192,688)	(47,976)	356,225
Long-term investments	1,566,810	106,117	1,672,927	(2,462,298)
Interest earnings	1,050,522	71,484	1,102,006	1,048,760
Interest receivable	16,770	1,477	18,247	118,606
Fiscal agent fees		(1,947)	(1,947)	(4,609)
Net cash provided by (used in) investing activities	2,758,814	(15,557)	2,743,257	(943,316)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	960,881	(13,531)	947,350	(3,231,153)
CASH AND CASH EQUIVALENTS, JULY 1	7,809,782	561,286	8,371,068	11,602,221
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 8,770,663	\$ 547,755	\$ 9,318,418	\$ 8,371,068

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 owning property or 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

In June 1992, the Governmental Accounting Standards Board issued Statement No. 14, "The Financial Reporting Entity". In accordance with this Statement, the District has presented those entities which comprise the primary government in the fiscal year 1998 general purpose financial statements.

The District is a Special District governed by a Board of Trustees. As required by Generally Accepted Accounting Principles, the general purpose financial statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the District's general purpose financial statements to be misleading or incomplete.

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 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.

Capital Projects Fund - The Capital Projects Fund is used to account for extraordinary maintenance of capital projects financed with bonded indebtedness as required by Nevada Revised Statutes.

Proprietary Funds -

Enterprise Fund - The Enterprise Fund is used to account for operations of the Recreation and Utility Departments (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.

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.

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. Estimated lives of major classes of depreciable assets are as follows:

Equipment	3 - 20 years
Vehicles	10 years
Buildings and structures	30 - 40 years
Wetlands	50 years

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 Items**

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

D. **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 \$2,223,675 and delinquent receivable of \$127,656.

The governmental fund types (General Fund, Debt Service Fund, and Capital Projects Fund) use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. The Proprietary Fund Type (Enterprise and Internal Service Fund) are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

E. Budgets and Budgetary Accounting

Budgets are adopted for all governmental and proprietary fund types. 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 state statutes and public hearing procedures. The District does not employ the use of appropriations in the management and control of governmental expenditures.

F. Investments

All investments are stated at fair market value.

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.

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 and 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. Compensated Absences

Full-time, regular employees are provided vacation benefits that specifically relate to tenure with the District. After one year of service, employees are entitled to their vested vacation leave upon termination. The liability for vacation benefits is recognized in the General Fund with an appropriate expenditure or charge to the appropriate fund.

The District also provides a policy for accruing sick leave. Employees may sell back up to one-half of their accrued sick leave balance, up to a maximum of 48 hours, at the end of each year. Any sick leave balances remaining at termination are not vested and are forfeited.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

N. Implementation of Accounting Principles

During fiscal year 1997, the District adopted provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31). GASB 31 required that governmental entities should report investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, should be reported as revenue in the operating statement (or other statement of activities).

In October 1997, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement rescinds GASB Statement No. 2, *Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457*, and establishes accounting and financial reporting standards for IRC Section 457 deferred compensation plans of state and local governmental employers. The provisions of this statement are effective for financial statements for periods beginning after December 31, 1998, or when plan assets are held in trust under the requirements of IRC Section 457, subsection (g), if sooner. Because the District's IRC Section 457 plan does meet these requirements, GASB 32 was adopted for fiscal year 1998.

2. CASH AND 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; and bankers' acceptances eligible by law for rediscount with the Federal Reserve Banks not to exceed 180 days.

In accordance with GASB 31, the investments of the District are accounted for and reported at their fair value as of June 30, 1998. The majority of the District's investments are managed by two investment managers, where fair value is determined by multiplying the number of trading units held, by the quoted market value on that date. The remaining investments are maintained in an external investment pool administered by the State of Nevada. Fair value for investments maintained by this pool are also calculated by the number of trading units quoted market value at June 30, 1998. The District has no investments that qualify for reporting at amortized cost under GASB 31.

At June 30, 1998, the District's cash accounts on deposit with financial institutions were covered by federal depository insurance or secured by collateral held by the District's agent in the District's name. All direct investments of the District in U. S. Government Obligations are uninsured and registered in the name of the custodian, Bank of New York, for the benefit of the District.

3. RESTRICTED ASSETS

Utility Revenue Bond Reserve - the assets of the revenue bond reserve account may be used only to service the Utility Bonds of 1993. These restricted assets are required to provide a measure of security for the bond holders.

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, 1997	Additions	Balance June 30, 1998
Land	\$ 2,558,039		\$ 2,558,039
Land improvements	123,128		123,128
Buildings and improvements	669,382	\$ 27,078	696,460
Furniture, fixtures and equipment	716,968	110,093	827,061
Tool	2,353		2,353
Communication equipment	25,344		25,344
	<u>\$ 4,095,214</u>	<u>\$ 137,171</u>	<u>\$ 4,232,385</u>

A summary of proprietary fund type property, plant and equipment as of June 30, 1998 follows:

	Enterprise		Internal Service
	Utility Operations	Recreation Facilities	
Land and improvements	\$ 1,794,387	\$ 13,457,881	
Water system plant and lines	27,648,109		
Sewer system plant and lines	31,347,015		
Inventory of materials and supplies	214,573		
Machinery and equipment, furniture and fixtures	1,583,393	13,866,984	\$ 544,538
Vehicles		185,954	1,016,068
Buildings and structures		12,735,108	
Construction in progress	1,126,948	538,821	
	<u>63,714,425</u>	<u>40,784,748</u>	<u>1,560,606</u>
Accumulated depreciation	<u>(28,679,610)</u>	<u>(15,829,130)</u>	<u>(1,052,112)</u>
	<u>\$ 35,034,815</u>	<u>\$ 24,955,618</u>	<u>\$ 508,494</u>

5. LONG-TERM DEBT

Bonds and notes outstanding as of June 30, 1998 are as follows:

General Obligation Bond	Issue Date	Interest Rate	Final Maturity Date	Authorized and Issued	Outstanding	1998/1999 Principal
Recreation Refunding Bonds of 1995	10/01/95	4.25% - 5.5%	09/01/10	\$ 5,400,000	\$ 4,530,000	\$ 460,000
Recreation Refunding Bonds of 1993	08/01/93	3.875% - 4.2%	06/01/00	1,900,000	595,000	290,000
Recreation Refunding Bonds of 1991	05/14/91	5.5% - 6.7%	09/14/06	5,280,000	2,330,000	595,000
Utility Water Bonds of 1993	06/01/93	4.3% - 5.75%	06/01/13	<u>3,340,000</u>	<u>2,760,000</u>	<u>125,000</u>
Total General Obligation Bonds				<u>\$15,920,000</u>	<u>\$10,215,000</u>	<u>\$1,470,000</u>
Special Assessment Note						
Improvement Note, Series 95-1	08/15/95	5.8 %	08/15/05	<u>\$ 360,838</u>	<u>\$ 288,957</u>	<u>\$ 31,755</u>
Note and Contract Payable						
U.S. Bank (Recreation)	06/16/96	5.36 %	06/16/01	\$ 350,000	\$ 218,736	\$ 69,864
Sierra Bank of Nevada (Recreation)	11/10/94	5.99 %	11/10/99	345,000	103,680	75,506
State of Nevada (Utility)	10/29/92	4.0 %	07/01/12	<u>4,400,000</u>	<u>3,500,541</u>	<u>182,280</u>
Total Note and Contract Payable				<u>\$ 5,095,000</u>	<u>\$ 3,822,957</u>	<u>\$ 327,650</u>

The following schedule reflects debt service requirements as of June 30, 1998:

Fiscal Year Ending June 30,	Debt Supported By Special Assessment		Debt Supported By Utility Fund Revenues		Debt Supported By Recreation Fund Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$ 31,755	\$ 16,306	\$ 307,280	\$ 284,490	\$ 1,490,370	\$ 372,252
2000	33,623	14,437	324,644	271,750	1,816,877	289,755
2001	35,602	12,459	337,356	258,014	440,169	227,719
2002	37,695	9,784	350,277	227,280	385,000	117,895
2003 and later	150,283	18,511	4,940,984	1,612,193	3,645,000	945,781
	<u>\$288,958</u>	<u>\$71,497</u>	<u>\$6,260,541</u>	<u>\$2,653,727</u>	<u>\$ 7,777,416</u>	<u>\$1,953,402</u>

Because all funding requirements related to Debt Service Fund 78-3 had been fulfilled and repaid, the District transferred all remaining equity in that fund to the Utility Fund at the end of fiscal year 1998.

6. CHANGES IN CONTRIBUTED CAPITAL

	Proprietary Fund Types		
	Enterprise	Internal Service	Total
Balance, July 1, 1997	\$ 22,212,804	\$ 800,000	\$ 23,012,804
Add contributions	351,275		351,275
Equity transfer in from Debt Service Fund	300,135		300,135
Less depreciation of contributed capital	(912,606)		(912,606)
Balance, June 30, 1998	<u>\$ 21,951,608</u>	<u>\$ 800,000</u>	<u>\$ 22,751,608</u>

7. 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.

Revisions to the accounting for this plan established by GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, no longer treat the investments of the plan as assets owned by the District. Accordingly, the Fiduciary Fund established in prior accounting periods, which accounted for the assets of the plan and the related liability to the employees of the District, has been closed and is no longer a reporting entity of the District.

8. PENSION PLANS

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

The Pension Trust Fund for Operating Engineers is a cost sharing, multiple employer, defined benefit plan contract between the District's employees and the Operating Engineers Union and is administered by Associated Third Party Administrators (ATPA). The Incline Village General Improvement District's liability under the contract is limited to making monthly contributions based on union employees' hours worked. The Pension Trust Fund for Operating Engineers issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Pension Trust Fund for Operating Engineers, 1640 South Loop Road, Alameda, California 94502 or by calling 800/251-5014.

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 employee's salary each month. The District's contributions for each employee are fully vested after seven years 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 1998 was \$6,507,894. The District's contributions of \$313,438 were calculated using total eligible salaries and wages.

9. CASH FLOWS

In addition to classifying interest paid and interest and dividends received as cash flows from operating activities. Governmental Accounting Standards Board (GASB) Statement No. 9 requires that disclosure be made regarding actual interest payments.

Interest paid during the fiscal years ended June 30, 1998 for the Proprietary Funds is as follows:

Enterprise Funds:	
Utility	\$ 223,428
Recreation	416,132
Total Enterprise Funds	<u>\$ 639,560</u>

10. SUBSEQUENT EVENTS

At June 30, 1998, the District has undertaken \$2.7 million of construction type contracts. Estimated cost to complete projects under construction on June 30, 1998 is \$2 million.

11. SCHEDULE OF INSURANCE COVERAGE AND RISK MANAGEMENT

The District's insurance coverage on June 30, 1998 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	American Home	7,000,000
Boiler & machinery	Hartford Steamboiler	50,000,000
Public Officials & Employees	Insurance Pool	2,000,000
General liability	Insurance Pool	2,000,000 (2)

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

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

- Northfield/Lloyds
- St. Paul
- Royal Indemnity
- Firemans Fund
- Hartford Steam Boiler

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 based 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 \$150,000 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 ski lifts and auto fleet.

The District has 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 1998, the Risk Management Program billed other District funds a total of \$169,821. The total claims cost incurred, including estimates of future payments for claims existing on June 30, 1998, totaled \$55,348.

Following is a reconciliation of total claims liability as of June 30, 1998:

Beginning Liability Balance 7/1/97	Current Year Claims	Claim Payments	Ending Liability Balance 6/30/98
<u>\$ 125,802</u>	<u>\$ 55,348</u>	<u>\$ 76,247</u>	<u>\$ 104,903</u>

The District has designated \$247,246 of the excess accumulated billings 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	\$ 247,276
Undesignated funds	661,034
Total retained earnings, June 30, 1998	<u>\$ 908,310</u>

12. SEGMENT INFORMATION OF ENTERPRISE FUNDS

The District maintains two Enterprise Funds which provide utility services of water, sewer and trash, and recreational facility including skiing, golf, beach, tennis, sports facilities, and other athletic recreation. The segment information defining utility and recreation services at June 30, 1998 and for the year ended is as follows:

	Utility	Recreation	Total Enterprise
Current assets	\$ 7,040,753	\$ 5,874,374	\$ 12,915,127
Current liabilities payable from current assets	645,554	4,060,384	4,705,938
Working capital	<u>\$ 6,395,199</u>	<u>\$ 1,813,990</u>	<u>\$ 8,209,189</u>
Restricted assets	<u>\$ 277,733</u>	<u>\$</u>	<u>\$ 277,733</u>
Other assets	<u>\$ 4,280,966</u>	<u>\$ 1,973,115</u>	<u>\$ 6,254,081</u>
Property, plant and equipment	<u>\$ 35,034,815</u>	<u>\$ 24,955,618</u>	<u>\$ 59,990,433</u>
Total assets	<u>\$ 46,634,267</u>	<u>\$ 32,803,107</u>	<u>\$ 79,437,374</u>
Bonds payable after one year	<u>\$ 5,953,261</u>	<u>\$ 6,287,046</u>	<u>\$ 12,240,307</u>
Contributed capital	\$ 14,031,713	\$ 7,919,895	\$ 21,951,608
Retained earnings	<u>25,956,065</u>	<u>14,535,782</u>	<u>40,491,847</u>
Total equity	<u>\$ 39,987,778</u>	<u>\$ 22,455,677</u>	<u>\$ 62,443,455</u>
Operating revenues	<u>\$ 6,389,439</u>	<u>\$ 11,210,326</u>	<u>\$ 17,599,765</u>
Operating income	<u>\$ 937,626</u>	<u>\$ 1,196,245</u>	<u>\$ 2,133,871</u>
Non-operating revenues (expenses):			
Income on investments	701,384	356,352	1,057,736
Interest expense	(292,991)	(434,268)	(727,259)
Fiscal agent fees	(19,047)	(8,167)	(27,214)
Bond costs	(6,673)	(27,414)	(34,087)
Miscellaneous expenses		(5,000)	(5,000)
Miscellaneous revenues	<u>5,177</u>	<u>4,171</u>	<u>9,348</u>
Income before transfers	1,325,476	1,081,919	2,407,395
Transfer to other fund	<u>(265,626)</u>	<u>(265,625)</u>	<u>(531,251)</u>
Net income	<u>\$ 1,059,850</u>	<u>\$ 816,294</u>	<u>\$ 1,876,144</u>
Depreciation expense	<u>\$ (1,692,949)</u>	<u>\$ (1,840,488)</u>	<u>\$ (3,533,437)</u>
Addition to property, plant and equipment	<u>\$ 3,254,012</u>	<u>\$ 1,749,034</u>	<u>\$ 5,003,046</u>

13. PENDING LITIGATION

The District has been named in lawsuits in the normal course of business. Management does not expect the outcome of these suits, including the lawsuit described below, to have a material adverse effect on the District's financial position or results of future operations.

The District has agreed to be a party in a non-binding arbitration case in which the counterparty asserts that it is due a refund of approximately \$50,000 as a result of a recent Water Reimbursement Policy. The District denies that the party qualifies, as they were not contemplated as part of the refund policy. The District intends to vigorously defend against the case.

APPENDIX B

FORM OF APPROVING OPINION OF BOND COUNSEL

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APPENDIX "B"

FORM OF APPROVING OPINION OF BOND COUNSEL

Board of Trustees
Incline Village General Improvement District
893 Southwood Boulevard
Incline Village, Nevada 89451

\$3,500,000
Incline Village General Improvement District, Nevada
General Obligation (Limited Tax)
(Revenue Supported)
Recreational Facilities Improvement Bonds
Series October 1, 1999

Ladies and Gentleman:

We have acted as bond counsel to the Board of Trustees of the Incline Village General Improvement District, in the State of Nevada (herein the "Board", the "District", and the "State", respectively) in connection with its issuance of a single registered bond designated as its Incline Village General Improvement District, Nevada, General Obligation (Limited Tax) (Revenue Supported) Recreational Facilities Improvement Bonds, Series October 1, 1999 (the "Bonds"), in the aggregate principal amount of \$3,500,000. In such capacity, we have examined the District's certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter.

The Bonds are dated, mature, bear interest and are transferable and payable, as to principal and interest, at the times, in the manner, and subject to the conditions and limitations provided in the resolution of the Board of the District authorizing the issuance of the Bonds adopted and approved on September 29, 1999 (the "Resolution") and in the Certificate of the Administrative Services Director (as defined in the Resolution). Except as otherwise expressly defined herein, capitalized terms used herein have the meanings ascribed to such terms in the Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as Bond Counsel that:

1. Such Bonds constitute the valid and legally binding general obligations of the District;
2. All of the taxable property in the District is subject to the levy of annual general (ad valorem) taxes to pay the same, subject to the limitations imposed by the statutes and constitution of the State;
3. As provided in the Resolution, and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the

boundaries of the District (i.e., the State and any other political subdivision in the District) and for the payment of interest on such indebtedness enjoy a priority over taxes levied by each such unit (including, without limitation, the State and the District) for all other purposes (subject to any exception implied by law for the preservation of the police power) where reduction is necessary in order to comply with the limitations of NRS 361.453;

4. The provisions of the Resolution and the statute constitute a contract by and between the District and the registered owner or owners from time to time of the Bonds;

5. The payment of the Bonds, as to all Bond Requirements, is additionally secured by an irrevocable pledge of revenues derived by the District from the operation of the District's recreational facilities (the "Facilities"), after the deduction of operation and maintenance expenses of the Facilities (the remaining Facilities revenues being herein the "Net Revenues");

6. Payment of the Bond Requirements due in connection with the Bonds may be made from and as security for such payment there are irrevocably (but not exclusively) pledged, pursuant to the Resolution, a special account identified as the Bond Fund into which account the District covenants to pay from the Net Revenues sums sufficient to pay when due the Bond Requirements of the Bonds;

7. The Bonds are equally and ratably secured by a lien on the Net Revenues, and the Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues, subject to any superior liens of any superior securities hereafter issued. Bonds and other securities, in addition to the Bonds, subject to expressed conditions, may be issued and made payable from the Net Revenues having a lien thereon subordinate and junior to the lien or, subject to additional expressed conditions, having a lien thereon superior to or on a parity with the lien of the Bonds, in accordance with the provisions of the Resolution;

8. Interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code"), and interest on the Bonds is not excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District's certified proceedings and in certain other documents or certain other certifications furnished to us; and

9. Under present laws of the State, the Bonds, its transfer and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to the provisions of chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the District pursuant to the Bonds and the Resolution are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that Financial Guaranty Insurance Company has issued a municipal bond insurance policy relating to the Bonds. We express no opinion as to the validity or enforceability of such policy or the security afforded thereby.

In this opinion rendered in our capacity as Bond Counsel, we are passing only upon those matters set forth herein, and we are not passing upon the accuracy or completeness of any statements made in connection with any sale of the Bonds or upon any federal tax consequences arising from the receipt or accrual of interest on or the ownership of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to update or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX "C"

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Incline Village General Improvement District, Nevada (the "Issuer") in connection with the issuance of the Issuer's Incline Village General Improvement District, Nevada, General Obligation (Limited Tax) (Revenue Supported) Recreational Facilities Improvement Bonds, Series October 1, 1999, in the aggregate principal amount of \$3,500,000 (the "Bonds"). The Bonds are being issued pursuant to the bond resolution of the Issuer adopted on September 29, 1999 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Phone: (212) 807-5001
or (800) 689-8466
Fax: (212) 989-2078
E-mail: Disclosure@tfn.com

Standard & Poor's J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of Nevada as a state information depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the Issuer's fiscal year of each year, commencing 270 days following the end of the Issuer's fiscal year ending June 30, 1999, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single

document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board ("MSRB") and to the State Repository, if any, in substantially the form attached as Exhibit "A".

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and (if the Dissemination Agent is other than the Issuer)

(ii) file a report with the Issuer certifying the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the information of the type contained in the tables identified by asterisk (*) under the heading "TABLES" found on page vi of the Official Statement, a copy of which page is attached hereto as Exhibit "B".

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Significant Events. The Issuer shall provide or cause to be provided, in a timely manner, to the MSRB and the State Repository, if any, notice of any of the following events with respect to the Bonds, if such event is material:

(a) Principal and interest payment delinquencies;

- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) Modifications to rights of bondholders;
- (h) Bond calls;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds; or
- (k) Rating changes.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, without the consent of the holders of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to what which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter, the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: October 27, 1999.

INCLINE VILLAGE GENERAL IMPROVEMENT
DISTRICT, NEVADA

Administrative Services Director

EXHIBIT "A"

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Incline Village General Improvement District, Nevada

Name of Bond Issue: General Obligation (Limited Tax) (Revenue Supported) Recreational
Facilities Improvement Bonds, Series October 1, 1999

Date of Issuance: October 27, 1999

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution adopted on September 29, 1999, and the Continuing Disclosure Certificate executed on October 27, 1999 by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

INCLINE VILLAGE GENERAL IMPROVEMENT
DISTRICT, NEVADA

By: _____
Its: _____