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**APPENDIX B**

**Incline Village General Improvement District, Nevada  
Excerpts from Audited Financial statements  
June 30, 2002**

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## Independent Auditors' Report

To the 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 and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Incline Village General Improvement District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 referred to above present fairly, in all material respects, the financial position of Incline Village General Improvement District as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2002, on our consideration of Incline Village General Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Incline Village General Improvement District. Such information, except for that portion marked "unaudited" on which

we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Barnard, Vogler & Co.*

Reno, Nevada  
August 22, 2002

# General Purpose Financial Statements



Incline Village General Improvement District

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2001**

	Governmental Fund Types		Proprietary Fund Types	
	General	Debt Service	Enterprise	Internal Service
<b>ASSETS AND OTHER DEBITS:</b>				
Cash and cash equivalents	\$ 880,449	\$ 37,868	\$ 7,097,290	\$ 806,758
Receivables:				
Taxes	229,722			
Assessments		60,017		
Accounts receivable, net	102		787,984	
Interest on investments	10,783	559	96,683	6,490
Recreation charges			63,991	
Due from other governments	29,347	5,697	189,767	
Prepaid items	36,152		130,959	
Deposits	92,336		493,182	10,000
Inventories and supplies			858,404	37,525
Restricted assets -				
Debt service reserve			277,733	
Fixed assets, net of accumulated depreciation			63,343,094	645,064
Long-term investments	837,818	42,490	6,812,384	307,949
Unamortized bond discounts and issuance costs			233,542	
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term debt				
Total assets and other debits	<u>\$ 2,116,759</u>	<u>\$ 146,631</u>	<u>\$ 80,385,013</u>	<u>\$ 1,813,786</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 924,688		\$ 68,552	
Accrued personnel costs	776,297			\$87,897
Deferred revenue		\$ 60,017	448,211	
Refundable deposits			47,674	
Accrued interest payable			174,724	
Current maturities of long-term debt			883,571	
Long-term debt and bonds			11,087,459	
Total liabilities	<u>1,700,985</u>	<u>60,017</u>	<u>12,710,191</u>	<u>87,897</u>
<b>EQUITY AND OTHER CREDITS:</b>				
Contributed capital			19,188,865	800,000
Retained earnings			48,485,957	925,889
Investment in general fixed assets				
Fund balance:				
Reserved for debt service		86,614		
Reserved for extraordinary maintenance				
Reserved for prepaid items	36,152			
Unreserved	379,622			
Total equity and other credits	<u>415,774</u>	<u>86,614</u>	<u>67,674,822</u>	<u>1,725,889</u>
Total liabilities, equity and other credits	<u>\$ 2,116,759</u>	<u>\$ 146,631</u>	<u>\$ 80,385,013</u>	<u>\$ 1,813,786</u>

See notes to financial statements

<u>Account Groups</u>		<u>Totals</u>	
<u>General</u>	<u>General</u>	<u>(Memorandum Only)</u>	
<u>Fixed Assets</u>	<u>Long-Term Debt</u>	<u>2002</u>	<u>2001</u>
		\$ 8,822,415	\$ 8,909,930
		229,722	218,061
		60,017	86,472
		788,086	745,785
		114,515	49,046
		63,991	142,106
		224,811	230,531
		167,111	411,830
		595,518	547,507
		895,929	863,590
		277,735	277,733
\$ 4,919,754		68,907,912	69,138,070
		8,000,641	5,481,675
		233,542	259,770
	\$ 86,614	86,614	94,876
	63,667	63,667	93,102
<u>\$ 4,919,754</u>	<u>\$ 150,281</u>	<u>\$ 89,532,224</u>	<u>\$ 87,550,070</u>
		\$993,240	\$833,437
		864,194	767,614
		508,228	666,358
		47,674	47,674
		174,724	187,109
		883,571	850,278
	\$ 150,281	11,237,740	12,159,008
	150,281	14,709,371	15,410,478
		19,988,865	20,770,239
\$ 4,919,754		49,411,846	46,063,353
		4,919,754	4,747,959
		86,614	94,876
			47,381
		36,152	280,590
		379,622	135,184
<u>4,919,754</u>		<u>74,822,853</u>	<u>72,139,592</u>
<u>\$ 4,919,754</u>	<u>\$ 150,281</u>	<u>\$ 89,532,224</u>	<u>\$ 87,550,070</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, 2002  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		
	General	Debt Service	Capital Projects
<b>REVENUES:</b>			
Ad valorem taxes and special assessments	\$ 644,913	\$ 29,194	
Intergovernmental:			
Combined tax	1,191,094		
Motor vehicle privilege tax	5,664		
Interest earned	22,764	10,952	\$ 2,258
Miscellaneous	27,901		
<b>Total revenues</b>	<b>1,892,356</b>	<b>40,146</b>	<b>2,258</b>
<b>EXPENDITURES:</b>			
Current:			
Wages and benefits	1,722,828		
Services and supplies	407,850		
Legal and audit	55,364		
Utilities	59,265		
Fiscal agent fees	1,337		108
Capital outlay	182,542		
Debt Service:			
Bond principal retirement		37,697	
Bond discount and issue costs			
Interest		10,711	
<b>Total expenditures</b>	<b>2,429,186</b>	<b>48,408</b>	<b>108</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(536,850)</b>	<b>(8,262)</b>	<b>2,150</b>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers in (out)	536,850		(49,531)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>		<b>(8,262)</b>	<b>(47,381)</b>
<b>FUND BALANCES - JULY 1:</b>			
Reserved	280,590	94,876	47,381
Unreserved	135,184		
<b>Total</b>	<b>415,774</b>	<b>94,876</b>	<b>47,381</b>
<b>FUND BALANCES - JUNE 30:</b>			
Reserved	36,152	86,614	
Unreserved	379,622		
<b>Total fund balances</b>	<b>\$ 415,774</b>	<b>\$ 86,614</b>	<b>\$ -</b>

See notes to financial statements



<u>Totals</u> <u>(Memorandum Only)</u>	
2002	2001
\$ 674,107	\$ 568,725
1,191,094	1,178,667
5,664	4,610
35,974	76,679
<u>27,901</u>	<u>31,218</u>
<u>1,954,740</u>	<u>1,859,899</u>
1,722,828	1,564,046
407,850	370,967
55,364	77,168
59,265	58,320
1,445	1,227
182,542	211,722
37,697	35,602
-	13,612
<u>10,711</u>	<u>13,097</u>
<u>2,477,702</u>	<u>2,345,760</u>
(542,962)	(485,861)
<u>487,319</u>	<u>478,814</u>
<u>(55,643)</u>	<u>(7,047)</u>
422,847	173,678
<u>135,184</u>	<u>391,400</u>
<u>558,051</u>	<u>565,078</u>
122,766	422,847
<u>379,622</u>	<u>135,184</u>
<u>\$ 502,388</u>	<u>\$ 558,031</u>

Incline Village General Improvement District

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>			<u>Debt Service Funds</u>		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Ad valorem taxes and special assessments	\$ 663,136	\$ 644,913	\$ (18,225)	\$ 28,803	\$ 29,194	\$ 391
Intergovernmental:						
Supplemental SCCRT	1,001,579	1,191,094	189,515			
Motor vehicle privilege tax	145,000	5,664	(139,336)			
Interest earned	57,880	22,764	(35,116)	2,400	10,952	8,552
Miscellaneous	2,000	27,901	25,901			
<b>Total revenues</b>	<u>1,869,595</u>	<u>1,892,336</u>	<u>22,741</u>	<u>31,203</u>	<u>40,146</u>	<u>8,943</u>
<b>EXPENDITURES:</b>						
Current:						
Salaries and wages	1,369,810	1,339,679	30,131			
Taxes and benefits	439,491	383,149	56,342			
Services and supplies	641,968	407,850	234,118			
Utilities	72,089	59,265	12,824			
Capital outlay	242,634	182,542	60,092			
Legal and audit	84,000	55,364	28,636			
Fiscal agent fees	1,919	1,337	582	239		239
Debt Service:						
Bond principal retirement				37,697	37,697	
Bond discount and issue costs				2,560		2,560
Interest				10,364	10,711	(347)
<b>Total expenditures</b>	<u>2,851,911</u>	<u>2,429,186</u>	<u>422,725</u>	<u>50,860</u>	<u>48,408</u>	<u>2,452</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(982,316)</b>	<b>(536,850)</b>	<b>445,466</b>	<b>(19,657)</b>	<b>(8,262)</b>	<b>11,395</b>
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in (out)	<u>982,316</u>	<u>536,850</u>	<u>(445,466)</u>			
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>				<b>(19,657)</b>	<b>(8,262)</b>	<b>11,395</b>
<b>FUND BALANCES - JULY 1</b>	<u>415,774</u>	<u>415,774</u>		<u>114,968</u>	<u>94,876</u>	<u>(20,092)</u>
<b>FUND BALANCES - JUNE 30</b>	<u>\$ 415,774</u>	<u>\$ 415,774</u>		<u>\$ 95,311</u>	<u>\$ 86,614</u>	<u>\$ (8,697)</u>
See notes to financial statements						

Capital Projects Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$ 691,939	\$ 674,107	\$ (17,832)
			1,001,579	1,191,094	189,515
\$1,000	\$2,258	\$1,258	146,000	5,664	(139,336)
			61,280	35,974	(25,306)
			2,000	27,901	25,901
<u>1,000</u>	<u>2,258</u>	<u>1,258</u>	<u>1,901,798</u>	<u>1,934,740</u>	<u>32,942</u>
			1,369,810	1,539,679	30,131
			439,491	383,149	56,342
			641,968	407,850	234,118
			72,089	59,265	12,824
			242,634	182,642	60,092
			84,000	55,364	28,636
177	108	69	2,335	1,445	890
			37,697	37,697	-
			2,560	-	2,560
			<u>10,364</u>	<u>10,711</u>	<u>(347)</u>
<u>177</u>	<u>108</u>	<u>69</u>	<u>2,902,948</u>	<u>2,477,702</u>	<u>425,246</u>
823	2,150	1,327	(1,001,150)	(542,962)	458,188
	(49,531)	(49,531)	982,316	487,319	(494,997)
823	(47,381)	(48,204)	(18,834)	(55,643)	(36,809)
44,950	47,381	2,431	575,692	558,051	(17,661)
<u>\$45,773</u>	<u>\$ -</u>	<u>\$(45,773)</u>	<u>\$ 556,858</u>	<u>\$ 502,388</u>	<u>\$(54,470)</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, 2002  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
<b>OPERATING REVENUES:</b>				
Sales and fees	\$ 15,508,365	\$ 1,500,601	\$ 17,008,966	\$ 15,717,358
Recreation charge assessments	3,407,605		3,407,605	2,945,751
Capital improvement fee	1,504,609		1,504,609	1,490,417
<b>Total operating revenues</b>	<b>20,420,579</b>	<b>1,500,601</b>	<b>21,921,180</b>	<b>20,153,526</b>
<b>OPERATING EXPENSES:</b>				
Wages and benefits	7,598,909	820,686	8,419,595	7,627,618
Cost of goods sold	1,100,088		1,100,088	1,035,564
Services and supplies	3,755,684	560,654	4,316,338	4,829,394
Legal and audit	110,702	1,413	112,115	83,996
Utilities	1,758,359	9,034	1,767,393	1,615,056
Depreciation	4,166,501	132,473	4,298,974	4,177,994
<b>Total operating expenses</b>	<b>18,490,243</b>	<b>1,524,260</b>	<b>20,014,503</b>	<b>19,569,622</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,930,336</b>	<b>(23,659)</b>	<b>1,906,677</b>	<b>783,904</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Gain on sale of assets	1,007,674	9,120	1,016,794	77,157
Interest earned on investments	794,939	51,363	846,302	1,124,633
Amortization of bond discount and issue costs	(26,228)		(26,228)	(35,015)
Interest expense	(618,237)		(618,237)	(659,761)
Miscellaneous expenses	(127,185)		(127,185)	(85,390)
Fiscal agent fees	(38,208)	(5,081)	(41,289)	(36,306)
<b>Total non-operating revenues (expenses)</b>	<b>992,755</b>	<b>57,402</b>	<b>1,050,157</b>	<b>385,318</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>2,923,091</b>	<b>33,743</b>	<b>2,956,834</b>	<b>1,169,222</b>
<b>OPERATING TRANSFERS OUT</b>	<b>(487,319)</b>		<b>(487,319)</b>	<b>(478,814)</b>
<b>NET INCOME (LOSS)</b>	<b>2,435,772</b>	<b>33,743</b>	<b>2,469,515</b>	<b>690,408</b>
<b>DEPRECIATION ON FIXED ASSETS ACQUIRED WITH GRANTS</b>				
	<b>878,968</b>		<b>878,968</b>	<b>875,444</b>
<b>Increase (decrease) in retained earnings</b>	<b>3,314,740</b>	<b>33,743</b>	<b>3,348,483</b>	<b>1,565,852</b>
<b>RETAINED EARNINGS - JULY 1</b>	<b>45,171,217</b>	<b>892,146</b>	<b>46,063,363</b>	<b>44,497,511</b>
<b>RETAINED EARNINGS - JUNE 30</b>	<b>\$ 48,485,957</b>	<b>\$ 925,889</b>	<b>\$ 49,411,846</b>	<b>\$ 46,063,363</b>

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, 2002  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 1,930,336	\$ (25,659)	\$ 1,906,677	\$ 783,904
Non-cash expenses:				
Depreciation	4,166,501	132,473	4,298,974	4,177,994
Disposal of contributed property	(127,185)		(127,185)	
Increase (decrease) in cash from changes in:				
Accounts receivable	(42,988)		(42,988)	(52,784)
Prepaid expenses	281		281	(151,240)
Recreation charges receivable	78,115		78,115	(11,362)
Due from other governments	16,158		16,158	(257,659)
Inventories	(24,522)	(7,817)	(32,339)	(56,304)
Accounts payable	(60,818)	(8,461)	(69,279)	(150,372)
Debt service reserve	-		-	537,133
Deferred revenue	(30,671)		(30,671)	28,857
Net cash provided by operating activities	<u>5,905,207</u>	<u>92,536</u>	<u>5,997,743</u>	<u>4,708,167</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers out	(487,319)		(487,319)	(478,814)
Net cash used in non-capital financing activities	<u>(487,319)</u>		<u>(487,319)</u>	<u>(478,814)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of assets	1,007,674	9,120	1,016,794	(8,235)
Acquisition and construction of fixed assets	(3,786,714)	(110,309)	(3,897,023)	(3,195,544)
Payments on debt	(850,278)		(850,278)	(773,691)
Increase in bond issuance costs			-	1,818
Contributed capital	27,021		27,021	50,747
Contributions by other governments	70,573		70,573	149,024
Interest expense	(618,237)		(618,237)	(659,761)
Accrued interest payable	(12,385)		(12,385)	(10,733)
Net cash used in capital and related financing activities	<u>(4,162,346)</u>	<u>(101,189)</u>	<u>(4,263,535)</u>	<u>(4,446,373)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Other deposits purchased	(84,654)		(84,654)	(142,482)
Other deposits sold			-	186,511
Long-term investments	(2,200,405)	94,397	(2,106,008)	277,230
Interest earned on investments	794,939	51,363	846,302	1,124,633
Interest receivable	(61,681)	4,178	(57,503)	81,940
Fiscal agent fees	(38,210)	(3,081)	(41,291)	(36,306)
Net cash provided by (used in) investing activities	<u>(1,590,011)</u>	<u>146,857</u>	<u>(1,443,154)</u>	<u>1,491,526</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	<u>(334,469)</u>	<u>138,204</u>	<u>(196,265)</u>	<u>1,274,506</u>
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,431,759</u>	<u>668,554</u>	<u>8,100,313</u>	<u>6,825,807</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 7,097,290</u>	<u>\$ 806,758</u>	<u>\$ 7,904,048</u>	<u>\$ 8,100,313</u>

Noncash Investing Activities

Change in market value of investments	\$ 51,455	\$ 5,620	\$ 57,075	\$ 348,891
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See notes to financial statements

Incline Village General Improvement District

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Incline Village General Improvement District (the "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 and programs for the benefit of individuals owning property or residing within its geographical boundaries.

The accounting policies of the 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 ("GASB") 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 current fiscal year 2001 general purpose financial statements.

The District is a Special District governed by a Board of Trustees. As required by (GAAP), 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 Fund* – The Debt Service Fund is 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 Fund* – The Internal Service Fund is 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* - 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.

*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 statements have been reclassified from the 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, 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 considered "reportables" 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 applies all applicable GASB pronouncements as well as FASB (Financial Accounting Standards Board) pronouncements, unless those pronouncements conflict with GASB pronouncements, issued on or before November 30, 1989, in accounting and reporting for its proprietary operations.

The District records delinquent recreational charges receivable and deferred revenues when the amounts become delinquent. Income is reported during the current fiscal year it is received.

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 Funds) 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**

The District adheres to the Local Government Budget Act incorporated within state statutes, which includes the following major procedures to establish the budgetary data reflected in these financial statements.

1. On or before April 15, 2001, the Board of Trustees filed a tentative budget with the Nevada Department of Taxation. Public hearings on the tentative budget were held on the third Thursday in May 2001. On or before June 1, 2001, at a public hearing, the Board adopted a final budget. The budget was filed with the Nevada Department of Taxation.
2. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) for all funds. Formal budgetary integration in the financial records is employed to enhance management control during the year for all funds requiring budgets. 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.

3. The legal level of budgetary control is at the fund level for the General Fund, Debt Service and Capital Projects funds. Appropriations are adopted at the fund level. Management has no amendment authority without the District's Board approval. While the District's Board adopts budgets for the proprietary funds there is no statutory regulation over those budgets. Management is free to change the operating budgets of the proprietary funds but in practice rarely does so. Statutes do not require that capital outlay, debt service payments and other cash transactions normally reflected in the balance sheet of the proprietary funds be limited by the budget. However, it is district policy that these items be approved prior to payment and are budgeted in the Statement of Cash Flows.

The District has not augmented its budget during the 2002 fiscal year.

**F. Cash, Cash Equivalents and Investments.**

The District's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Nevada Revised Statutes authorize the District to invest in obligations of the U.S. Government or U.S. Treasury, providing maturities are 10 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.

Investments are stated at fair value.

**G. Receivables and Payables**

Property taxes are levied no later than July 10 of each year on property values assessed for the same year. The taxes may be paid in four installments as follows: the first installment is due on or before the third Monday in August, the second installment is due on or before the first Monday in October, the third installment is due on or before the first Monday in January, and the fourth installment is due on or before the first Monday in March. If payment of the taxes are not made within ten days following the day the installments become due, penalties are assessed in accordance with NRS 361.483. Once the installments become delinquent, interest is added at the rate of 10 percent per annum. Taxes levied become a perpetual lien against the property assessed until the tax and any penalty charges and interest which may accrue thereon are paid. Washoe County assesses the property tax, bills, collects, and distributes the property tax revenue.

**H. Allowance for Doubtful Receivables**

Utility accounts receivable are shown net of an allowance for doubtful accounts of \$20,091 on June 30, 2002.

**I. Inventory and Supplies**

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

**J. Property Plant and Equipment**

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.

The District's policy is to capitalize fixed assets with a normal useful life in excess of one year. Repair costs are recorded as expenditures or expenses as applicable.

Depreciation has been provided over the estimated useful lives of the various assets using the straight-line method. Estimated lives and capitalization thresholds of major classes of depreciable assets are as follows:

<u>Asset Category</u>	<u>Depreciable Life</u>	<u>Capitalization Threshold</u>
Equipment	3 - 20 years	\$1,000
Vehicles	10 years	\$2,000
Buildings and structures	30 - 40 years	\$3,000
Land Improvements	50 years	\$3,000

**K. 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.

**L. 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.

**M. 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 does not present financial position, results of operations and cash flows in conformity with GAAP, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**N. Compensated Absences**

Full-time employees are provided vacation benefits that specifically relate to tenure with the District. After six months 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 expenditure or charge to the appropriate fund.

**O. Estimates**

The preparation of financial statements in conformity with GAAP 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.



### NOTE 3 - RESTRICTED ASSETS

The assets of the Utility 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.

### NOTE 4 - FIXED ASSETS

General fixed assets of the District are recorded at cost. All of the general fixed assets of the District are part of the General Fund. Activities of the General Fund include accounting and finance, information technology, human resources, risk management, the general managers office and the board of trustees. The land, buildings, furniture and equipment represents items used in common by all of the activities of the General Fund at the District's sole office. The computers represent equipment of the Information Technology department that services the needs of the entire District. A summary of changes in general fixed assets follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2002</u>
Governmental funds capital assets:				
Land	\$ 2,558,039			\$ 2,558,039
Land improvements	101,842			101,842
Buildings and improvements	700,221	\$ 16,032		716,253
Furniture, fixtures and equipment	106,906			106,906
Computers	1,197,092	182,797	\$ 13,180	1,366,709
Construction in progress	<u>83,859</u>	<u>187,850</u>	<u>201,704</u>	<u>70,005</u>
	<u>\$ 4,747,959</u>	<u>\$ 386,679</u>	<u>\$ 214,884</u>	<u>\$ 4,919,754</u>
Investments in governmental funds capital assets by source:				
General Fund	<u>\$ 4,747,959</u>	<u>\$ 386,679</u>	<u>\$ 214,884</u>	<u>\$ 4,919,754</u>

A summary of proprietary fund type property, plant and equipment as of June 30, 2002 follows:

	Utility <u>Operations</u>	Recreation <u>Facilities</u>	Internal <u>Service</u>
Land and improvements	\$ 1,964,734	\$ 17,139,901	
Water system plant and lines	33,117,550		
Sewer system plant and lines	32,445,669		
Machinery, equipment, furniture and fixtures	2,900,831	17,168,463	\$ 474,224
Vehicles			946,459
Buildings and structures		14,622,516	
Construction in progress	1,728,365	1,150,652	
Accumulated depreciation	<u>(36,328,048)</u>	<u>(22,567,539)</u>	<u>(775,619)</u>
Net Fixed Assets	<u>\$ 35,829,101</u>	<u>\$ 27,513,993</u>	<u>\$ 645,064</u>

## NOTE 5 - LONG-TERM DEBT

Bonds and notes outstanding as of June 30, 2002 are as follows:

General Obligation Bond	Issue Date	Interest Rate	Final Maturity Date	Authorized and Issued	Outstanding	2002/03 Principal
Recreation Facilities Imp. Bonds of 1999	10/1/1999	4.50%-5.60%	10/1/2019	\$ 3,500,000	\$ 3,385,000	\$ 120,000
Recreation Refunding Bonds of 1995	10/1/1995	4.25%-5.50%	9/1/2010	5,400,000	2,815,000	255,000
Recreation Refunding Bonds of 1991	5/14/1991	5.50%-6.70%	9/14/2006	5,280,000	850,000	145,000
Utility Water Bonds of 1995	6/1/1995	4.50%-5.75%	6/1/2015	<u>5,340,000</u>	<u>2,215,000</u>	<u>150,000</u>
Total General Obligation Bonds				<u>\$ 17,520,000</u>	<u>\$ 9,245,000</u>	<u>\$ 670,000</u>
Special Assessment Note						
Special Assessment, Series 95-1	8/16/1995	5.80%	8/15/2005	<u>\$ 360,838</u>	<u>\$ 150,281</u>	<u>\$ 39,915</u>
Contract Payable						
State of Nevada (Utility)	10/29/1992	4.00%	7/1/2012	<u>\$ 3,925,398 (1)</u>	<u>\$ 2,726,050</u>	<u>\$ 213,571</u>

(1) Authorized \$4,400,000

The following schedule reflects debt service requirements as of June 30, 2002:

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
2003	\$ 39,915	\$ 8,146	\$ 363,571	\$ 230,895	\$ 520,000	\$ 361,558
2004	42,263	5,797	382,200	214,691	545,000	334,301
2005	44,750	3,310	401,177	197,394	575,000	305,038
2006	23,353	677	420,516	178,960	605,000	273,625
2007 and thereafter			<u>3,373,566</u>	<u>644,375</u>	<u>4,785,000</u>	<u>1,480,940</u>
	<u>\$ 150,281</u>	<u>\$ 17,930</u>	<u>\$ 4,941,030</u>	<u>\$ 1,466,315</u>	<u>\$ 7,050,000</u>	<u>\$ 2,755,462</u>

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

Balance June 30, 2001	\$187,978
Principal payments	<u>37,697</u>
Balance June 30, 2002	<u>\$150,281</u>

The district reports compensated absences within the general fund rather than within the general long-term debt account group.

## NOTE 6 - SPECIAL ASSESSMENT DEBT

The District issued \$360,838 of special assessment 10 year, 5.8 percent notes in 1995 to provide funds for the construction of water and sewer lines within the Crystal Bay section of Incline Village. This debt is secured by a lien on the properties benefiting from the project, and the required debt service is assessed to these properties annually.

The notes are special obligations of the District, payable from the assessments levied in the District, the District's general fund, and the proceeds of general taxes authorized to be levied and collected therefor.

## NOTE 7 - CHANGES IN CONTRIBUTED CAPITAL

	Proprietary Fund Types		Total
	Enterprise	Internal Service	
Balance, July 1, 2001	\$ 19,970,239	\$ 800,000	\$ 20,770,239
Add Contributions	97,594		97,594
Less depreciation of contributed capital	(878,968)		(878,968)
Balance, June 30, 2001	\$ 19,188,865	\$ 800,000	\$ 19,988,865

## NOTE 8 - 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.

## NOTE 9 - PENSION PLANS

The District has two pension plans covering substantially all of its 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. Each year the District makes contributions to the plan equal to 100% of the District's liability under the plan agreement. 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 total contributions for employees covered by this plan are as follows:

<u>FYE June 30</u>	<u>Contributions</u>
2002	\$62,296
2001	61,436
2000	64,325

The District's Deposit Administration Fund is a defined contribution plan. The plan is administered by Diversified Investment Advisors, and was established under the authority of the Board of Trustees within the District's personnel policies. The Board may amend the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the

plan plus investment earnings. Employees are eligible to participate after six months 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 four years of 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. Employees are not allowed to contribute directly into this plan.

The District's total contributions for employees covered by this plan are as follows:

<u>FYE June 30</u>	<u>Contribution</u>
2002	\$345,830
2001	372,945
2000	323,741

## **NOTE 10 - CASH FLOWS**

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

Interest paid during the fiscal year ended June 30, 2002 for the Proprietary Funds is as follows:

Enterprise Funds:

Utility	\$ 243,463
Recreation	<u>370,395</u>
Total Enterprise Funds	<u>\$ 613,858</u>

## **NOTE 11 - LEASES**

The District leases office facilities and other equipment, mainly golf carts, under non-cancelable operating leases. Total costs for such leases were \$ 178,000 for the year ended June 30, 2002. The future minimum lease payments for these leases are as follows:

2003	\$41,721
2004	16,740
2005	5,580

## **NOTE 12 - CONSTRUCTION COMMITMENTS**

At June 30, 2002, the District has undertaken \$4.5 million of construction type contracts. Estimated cost to complete projects under construction on June 30, 2002 is \$3.8 million.

## **NOTE 13 - SCHEDULE OF INSURANCE COVERAGE AND RISK MANAGEMENT**

The District's insurance coverage on June 30, 2002 consists of the following:



<b>Type</b>	<b>Carrier/Provider</b>	<b>Amount</b>
Property Liability	Insurance Pool	\$230,000,000 <sup>(1)</sup>
Auto Liability	Insurance Pool	10,000,000
Ski Resort Liability	American Home	7,000,000
Boiler & Machinery	Hartford Steamboiler	60,000,000
Public Officials & Employees	Insurance Pool	10,000,000
General Liability	Insurance Pool	10,000,000

(1) On buildings & contents

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:

Discover Re, Allianz, Royal Surplus Lines, and Hartford Steamboiler

A portion of each member's 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 pays all losses from the Loss Fund up to \$350,000 per occurrence, less the member's maintenance deductible. Excess insurance above the Pools self-funded amount, is provided by Royal Surplus Lines.

The District has elected to self insure for all property damages to the ski lifts and auto fleet.

Ski liability insurance is not covered by the Nevada Public Agency Insurance Pool. Coverage is provided by a separate insurance program provided by the Mountain Guardian Insurance Program. The insurers for this program are American Home Assurance and National Union Fire Insurance.

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. The District pays any claim cost over \$1,000,000.

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 ended June 30, 2002, the Risk Management Program billed other District funds a total of \$206,368. The claims cost incurred totaled \$79,778. Estimates of future payments for claims existing on June 30, 2001 totaled \$87,897.

Following is a reconciliation of total claims liability as of June 30.

	<b>Beginning Claims Liability</b>	<b>Claims Made</b>	<b>Claims Payments</b>	<b>Ending Claims Liability</b>
June 30, 2002	\$ 96,358	\$ 79,778	\$ 88,239	\$ 87,897
June 30, 2001	107,513	130,917	142,072	96,358

The District has designated all 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	\$ 449,183
Undesignated funds	<u>476,706</u>
Total retained earnings, June 30, 2002	<u>\$ 925,889</u>

## **NOTE 14 - SEGMENT INFORMATION OF ENTERPRISE FUNDS**

The District maintains two Enterprise Funds one of which provides utility services of water, sewer and trash, and the other provides recreational facilities including skiing, golf, beach, tennis, sports facilities, and other athletic recreation. The segment information defining utility and recreation services at June 30, 2002 and for the year then ended is as follows:

	Utility	Recreation	Total
Operating revenues	\$ 6,509,195	\$13,911,384	\$20,420,579
Depreciation	2,043,254	2,123,247	4,166,501
Operating income	573,057	1,357,279	1,930,336
Operating transfers out	268,425	218,894	487,319
Net income	511,105	1,924,667	2,435,772
Current capital contributions	27,021	70,573	97,594
Fixed asset additions	2,175,489	1,611,225	3,786,714
Net working capital	4,900,705	1,737,270	6,637,975
Total assets	47,317,754	33,067,259	80,385,013
Bonds and notes payable	4,941,030	7,030,000	11,971,030
Total equity	41,936,552	25,738,270	67,674,822

## **NOTE 15 - PENDING LITIGATION**

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

## **NOTE 16 - SUBSEQUENT EVENT**

On September 1, 2002 the District issued \$6,205,000 of General Obligation Recreational Facilities Improvement and Refunding bonds. The Bonds mature serially beginning September 1, 2003 with final maturity on September 1, 2022. The Bonds interest rates range from 2.5% to 4.75%. \$692,869 of the bond proceeds will be escrowed for the purpose of refunding \$685,000 of the existing outstanding 1991 Recreation Refunding Bonds plus accrued interest. Net proceeds from the bond issue totaling \$5,376,461 will be used for the purpose of rebuilding the golf course clubhouse.