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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Incline Village General Improvement District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Incline Village General Improvement District as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Incline Village General Improvement District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Incline Village General Improvement District as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Debt Service Fund 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 19, 2003, 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.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Incline Village General Improvement District basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Barnard, Vogler + Co.

Reno, Nevada
August 19, 2003





Incline Village General Improvement District (District) discussion and analysis is designed to a) assist the reader in focusing on the significant financial issues; b) provide an overview of District financial activities; c) identify changes in District financial position (its ability to address the next and subsequent years' challenges); d) identify any material deviations from the financial plan (the approved budget); and e) identify individual fund issue or concerns.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, financial statements and notes to gain a more complete picture of the information presented.

FINANCIAL HIGHLIGHTS

- ~ The auditors' report offers an unqualified opinion on the financial statement; the highest opinion that can be obtained.
- ~ Cash and investments of \$22,694,992 are available to meet the current liabilities of \$5,494,540, debt service, and future capital project needs of the District. Approximately \$8,400,000 has been designated for specific recreational capital projects.
- ~ Net assets of the District, at June 30, 2003, are \$72,929,299, staying relatively flat year-on-year.
- ~ The District issued General Obligation bonds in the amount of \$11,705,000 for recreational capital projects.
- ~ The District authorized Revenue Bonds in the amount \$2,130,000 from the state-revolving-loan program for sewer projects. As of June 30, 2003, the District has drawn \$199,967 and anticipates drawing a total of \$1,400,000 on \$2,130,000 authorized.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements which consists of three basic financial statements:

- ~ Government-wide financial statements
- ~ Fund financial statements
- ~ Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statement itself.

Government-wide financial statements are designed to provide an overview of the District's financial position by governmental and business-type activities, as well as the government as a whole. The Statement of Net Assets combines and consolidates all of the District's current financial resources (short-term spendable resources) with capital assets and long term obligations, distinguishing between governmental and business-type activities. The end result is net assets which are segregated into three components: invested in capital assets, net of related debt; and restricted and unrestricted net assets.

The Statement of Activities is focused on presenting information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the related cash flows.

Both of the government-wide financial statements (Net Assets and Statement of Activities) distinguish functions of the District that are principally supported by taxes and intergovernmental revenue from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the District include general government and debt service. The business type activities of the District include Utilities and Recreational activities that reflect enterprise operations where a fee for service typically funds all or most of the cost of operations including depreciation.

Fund Financial Statement: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The focus of fund financial statement is on Major Funds, rather than fund types. The District uses fund accounting to ensure and demonstrate compliance with financial related legal requirement, hence, the principal role of funds is to demonstrate fiscal accountability. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental fund financial statements correspond to the governmental activities column in the government-wide statements. The focus of the government-wide statements, however, is on a longer term basis and demonstrates the ability of the District to continue to meet their objectives for the foreseeable future. Reconciliation is provided that identifies additional assets, liabilities and financial activities that are included in the governmental-wide statements. Unlike the governmental-wide statements, the governmental fund financial statements focus on the near term inflows and outflows as well as on balance of spendable resources available. The District has both a General Fund and a Debt Service Fund.



Proprietary fund financial statements provide information on the same basis as the government-wide statements. The District operates two types of proprietary funds. Enterprise funds are used to report the same functions presented in business-type activities in the government-wide statements. The District uses enterprise funds to account for its Utility Fund and recreational activity. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its fleet of vehicles, buildings maintenance, engineering functions, and its self-funded workers compensation function.

Note to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District. Individual fund statements and schedules, providing budget to actual comparisons, are presented. These schedules test compliance with budgetary constraints and management directives to enhance accountability at the fund and function level. Statistical information is provided on a ten-year basis, as available, for trend and historical analysis.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Net assets are a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$72.9 million at June 30, 2003. The largest portion of new assets (32%) reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; therefore, they are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since capital assets cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (12%) will be used to fund future capital project where funds were secured through the bonding process.

Incline Village General Improvement District						
Net Assets						
Assets	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and Other assets	4,207,578	2,263,391	22,705,679	18,210,641	26,913,257	20,474,032
Net capital assets	3,116,906	3,154,447	69,892,005	63,988,158	73,008,911	67,142,605
Total Assets	7,324,484	5,417,838	92,597,684	82,198,799	99,922,168	87,616,637
Liabilities						
Current liabilities	3,773,714	1,761,002	1,720,826	1,710,629	5,494,540	3,471,631
Long-term liabilities	68,104	150,281	21,430,225	11,087,459	21,498,329	11,237,740
Total Liabilities	3,841,818	1,911,283	23,151,051	12,798,088	26,992,869	14,709,371
Net Assets						
Invested in capital assets, net of related debt	3,116,906	3,154,447	56,271,169	51,969,454	59,388,075	55,123,901
Restricted	340,115	(27,515)	213,000	277,733	553,115	250,218
Unrestricted	25,645	379,623	12,962,464	17,153,524	12,988,109	17,533,147
Total Net Assets	3,482,666	3,506,555	69,446,633	69,400,711	72,929,299	72,907,266

Overall, total net asset change, year-on-year, stayed relatively flat increasing only \$22,034.

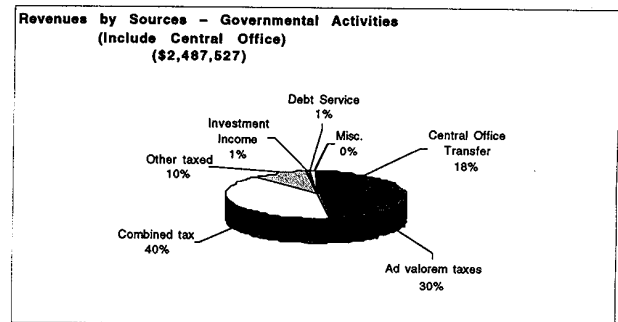
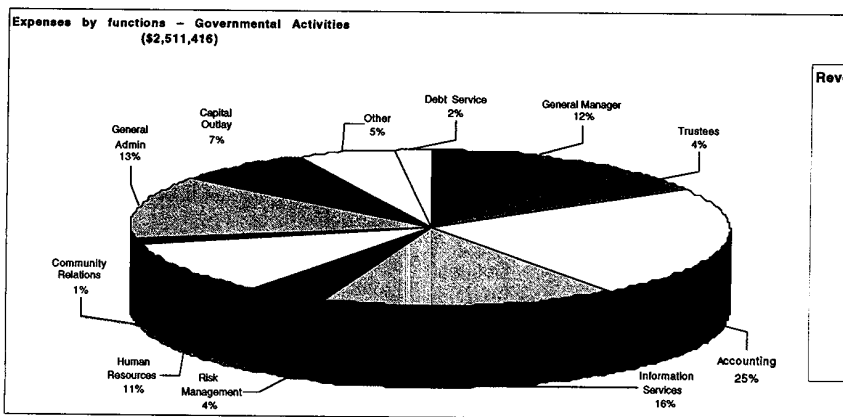
Governmental activities decreased the District's net assets by \$23,888, two times to the District's change in net assets, the bulk of the change related to debt service.

Incline Village General Improvement District Change Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues						
Charges for services			20,407,662	21,921,180	20,407,662	21,921,180
Operating grants and contributions			1,003,511	97,594	1,003,511	97,594
General revenues:						
Ad valorem taxes	739,794	644,913			739,794	644,913
Consolidated taxes	1,255,955	1,196,758			1,255,955	1,196,758
Unrestricted grants and contributions						
Unrestricted investment earnings	21,764	33,716	497,716	846,302	519,480	880,018
Other	26,030	27,901	(841,649)	1,016,794	(815,619)	1,044,695
Total Revenues	2,043,543	1,903,288	21,067,240	23,881,870	23,110,783	25,785,158
Expenses						
General Fund	2,502,919	2,551,459			2,502,919	2,551,459
Debt Service	8,497	10,712			8,497	10,712
Public Works			6,518,247	6,340,706	6,518,247	6,340,706
Recreation			12,475,538	12,959,397	12,475,538	12,959,397
Internal Services			1,583,549	1,527,341	1,583,549	1,527,341
Total Expenses	2,511,416	2,562,171	20,577,334	20,827,444	23,088,750	23,369,615
Increase in Net Assets before transfers	(467,873)	(658,883)	489,906	3,054,426	22,033	2,395,543
Transfers	443,984	536,850	(443,984)	(536,850)	-	-
Increase (Decrease) in Net Assets	(23,889)	(122,033)	45,922	2,517,576	22,033	2,395,543

Total governmental activity revenue rose approximately 8% year-on-year. General revenues are mainly comprised of various taxes and investment earnings and represent 9% of total revenue.

- Property Taxes increased by 15 % (\$94,881) mostly due to increased property values and a slight increase in the District's operating rate.
- Consolidated taxes are up 5% (\$59,197)

Governmental Funds expenses have declined 2% year-on-year approximately \$51,000. The following chart breaks out the governmental expenses by functional area. For example, Information Technology Services capture all the expenses associated with providing technical computer support for the entire District.



BUSINESS-TYPE ACTIVITIES: Business-type activities increased the District's net assets by \$45,922. Though this amount indicates a relatively flat year-on-year performance, there are some significant key factors contributing to this net change:

- Utility Fund managed their expense to 5% better than budgeted, the bulk being in Wages and Benefits and Utility expenses.

- Utility received capital grants of \$1,003,511.
- The 2002-03 Budget Plan included an aggressive capital projects plan for Recreational business-type activities coupled with bonding for current and future capital projects.
- Overall, Recreational business-type activities ended their year with a \$1,041,226 net loss, 2.67 times that budgeted.
 - Ski business-type activity ended their year with a \$392,866 net loss, 6.4 times larger than budgeted.
 - Golf business-type activity ended their year with a \$988,070 net loss, 3.3 times.
 - Recreation –type activity ended their year, \$255,525 better than their budget.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Total District expense declined \$301,000 (1.3%) as compared to last year. This decline was largely due to reduced services in the Recreational area with the closure of the Championship golf course and tear-down of the Chateau building.

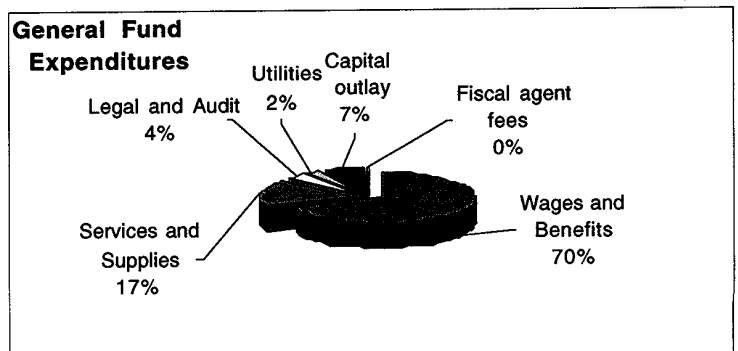
	Incline Village General Improvement District Expenses By Type					
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Salaries and wages	1,278,720	1,339,679	6,307,464	6,758,362	7,586,184	8,098,041
Employee benefits	418,290	383,149	1,661,175	1,661,234	2,079,465	2,044,383
Cost of Goods sold	-	-	878,537	1,100,088	878,537	1,100,088
Services and supplies	429,397	407,850	4,492,848	4,321,842	4,922,245	4,729,692
Depreciation	221,121	304,815	4,250,142	4,298,975	4,471,263	4,603,790
Utilities	56,186	59,265	1,891,354	1,767,393	1,947,540	1,826,658
Legal and Audit	95,174	55,364	134,191	112,114	229,365	167,478
Nonoperating expenses	12,528	12,049	961,623	807,436	974,151	819,485
Total Expenses by type	2,511,416	2,562,171	20,577,334	20,827,444	23,088,750	23,389,615

GOVERNMENTAL FUNDS: The focus of the District's governmental funds is to provide information on current inflow, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the District's governmental fund balances combined is \$476,127; and \$502,388 compared to last year's ending balance. Eight-four percent is reserved for prepaid items and future debt service.

The **General Fund** is the District's general operating fund used to account for all financial resources except those required to be accounted for in another fund. This fund is used to capture all the indirect operational cost for the Proprietary Funds of the District. These indirect costs are for the General Manager, Trustees, and support functions such as accounting, information technology, risk management, and human resources. The following pie chart breaks out General Fund expenditures by type.

General Fund Expenditures	Total
Wages and Benefits	\$1,697,010
Services and Supplies	429,397
Legal and Audit	95,174
Utilities	56,186
Capital outlay	183,578
Fiscal agent fees	4,031
	\$2,465,376





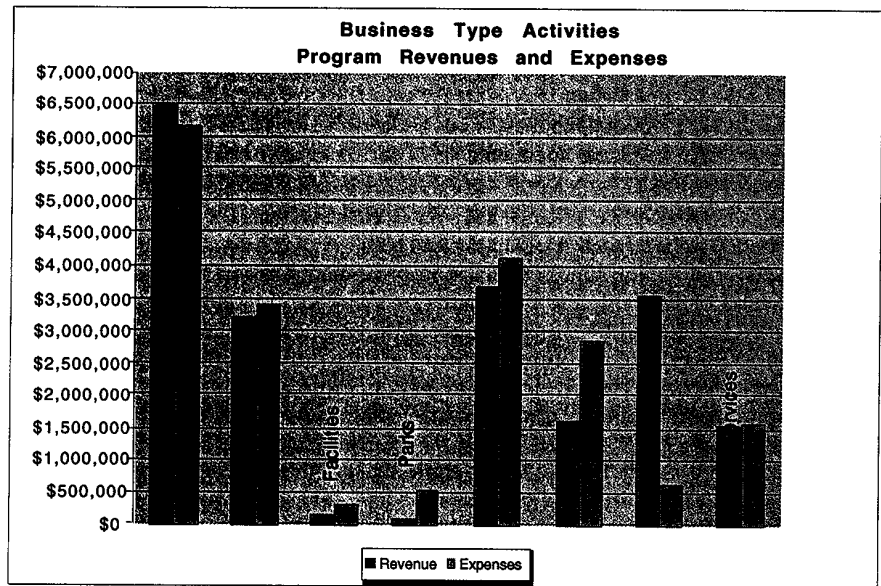
General Fund revenue, compared to last year for combined tax increased by 5% from the prior year due to increased taxable sales. Ad valorem taxes rose 15% from the prior year due to assessed valuation increasing approximately 11% and the District's tax operating rate increasing .13% in 2002-03 from 2001-02. Also, central office transfer is the net amount needed from the other District functions to cover General Fund expenses. It decreased 17% from prior year.

The General Fund balance sheet has \$3.4 million in cash and investment to cover current liabilities of the District. The *Special Assessment 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. There is currently \$110,366 in outstanding debt supported by special assessment.

PROPRIETARY FUNDS: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The District's proprietary funds consist of the following individual funds and their services:

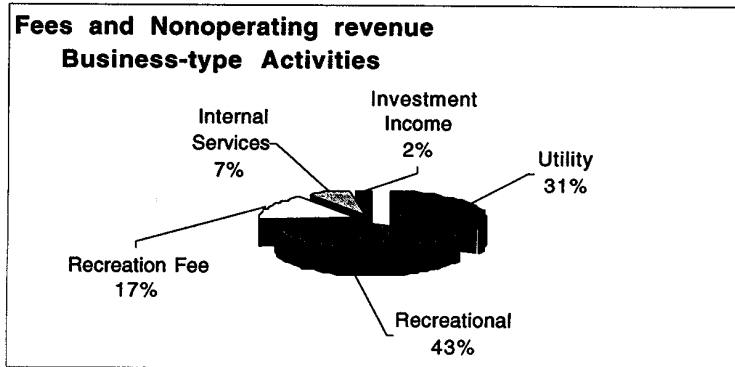
- Utility Fund
 - Water
 - Sewer
 - Trash
- Recreation Fund
 - Golf
 - Facilities
 - Ski
 - Recreation
 - Parks and Grounds
- Internal Services Fund
 - Fleet
 - Buildings
 - Engineering
 - Worker Compensation

Overall, business-type activities net assets increased \$45,922 from the prior year.



Program revenue for the business type activities are directly related to service activities of a function and include charges for the business type activities representing 91% of total revenue. Charges in service revenue are \$1.5 million off to last year due to the closure of the Championship golf course for renovation. Unrestricted investment earnings are down 41% to last year due to the change in interest rates.

Program capital grant contributions are up \$905,000 to last year due to a United States Army Corp of Engineers grant for the study of the District's effluent export line and our Third Creek Restoration grant funded project.





GENERAL FUND BUDGETARY HIGHLIGHT

Budgets are adopted for all governmental funds on a modified accrual basis. The focus of this basis is to capture transactions based on current financial resources. Increases and decreases in financial resources are recognized only to the extent that they reflect near-term inflows or outflows of cash.

There have been no amendments filed with the State of Nevada to amend the District's General Fund 2002-03 Budget.

Overall, General Fund expenditures performed better to budget by 9%. The major contributing factors are a budgeted but vacant position and under spending in professional and contracted services.

	Actual	Budget	Variance	% Variance
Wages and Benefits	\$ 1,697,010	\$ 1,727,414	\$ 30,404	2%
Services and Supplies	429,397	570,140	140,743	25%
Legal and Audit	95,174	106,392	11,218	11%
Utilities	56,186	66,204	10,018	15%
Capital outlay	183,578	223,000	39,422	18%
Fiscal agent fees	4,031	1,919	(2,112)	-110%
	\$2,465,376	\$ 2,695,069	\$ 229,693	9%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Incline Village General Improvement District's investment in capital assets, for its governmental and business type activities as of June 30, 2003, amounts to \$73,008,911 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities. The total increase in the Incline Village General Improvement District's investment in capital assets for the current fiscal year was 8.73 percent (a 1.18 percent decrease for governmental activities and a 9.22 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction of a new Public Works Building was mostly completed at the close of the fiscal year. The cost of the project to date was \$3,113,731 out of a budget of \$3,165,000, of that \$2,731,920 was spent during the current fiscal year.
- Construction began on the new Chateau; construction in progress as of the close of the fiscal year had reached \$1,660,189 out of a budget of \$7.8 million.
- Construction began on the renovation of the Championship Golf Course; construction in progress as of the close of the fiscal year had reached \$1,596,356 out of a budget of \$4.8 million.
- Construction at the Wastewater Treatment Plant on the solids handling equipment continues; construction in progress as of the close of the fiscal year had reached \$1,029,408 out of a budget of \$1.4 million.
- Construction of the completely grant funded Rosewood Creek rehabilitation project continues; construction in progress as of the close of the fiscal year had reached \$954,730 out of a budget of \$1.3 million.
- Construction began on the high speed chairlift; construction in progress as of the close of the fiscal year had reached \$308,672 out of a budget of \$2.8 million.
- Construction began on the Tournament Tennis Courts; construction in progress as of the close of the fiscal year had reached \$224,289 out of a budget of \$362,000.

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 2,558,039	\$ 2,558,039	\$ 5,299,577	\$ 5,299,577	\$ 7,857,616	\$ 7,857,616
Buildings and system	222,677	237,038	17,598,869	15,516,785	17,821,546	15,753,823
Improvements other than buildings	17,635	19,833	7,076,676	7,716,840	7,094,311	7,736,673
Machinery and equipment	279,921	269,533	4,258,720	4,261,535	4,538,641	4,531,068
Infrastructure	-	-	28,002,762	28,309,645	28,002,762	28,309,645
Construction in progress	38,634	70,004	7,655,401	2,883,776	7,694,035	2,953,780
Total	\$ 3,116,906	\$ 3,154,447	\$ 69,892,005	\$ 63,988,158	\$ 73,008,911	\$ 67,142,605



LONG-TERM DEBT: At the end of the current fiscal year, the District had total bonded debt outstanding of \$22,482,792. Of the amount, \$19,660,000 comprises debt backed by the full faith and credit of the government and \$110,366 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the District debt, \$2,712,426, represents bonds secured solely by specified revenue sources (i.e., revenue bonds).



Incline Village General Improvement District Outstanding Debt						
General Obligation and Revenue Bonds						
	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds			19,660,000	9,245,000	19,660,000	9,245,000
Special assessment debt with governmental commitment	110,367	150,281	-	-	110,367	150,281
Revenue Bonds			2,712,426	2,726,030	2,712,426	2,726,030
Total	110,367	150,281	22,372,426	11,971,030	22,482,793	12,121,311

The District's total debt increased by \$10,361,480; 85% during the fiscal year. The key factor in this increase is the \$11,705,000 in two general obligation bonds for the recreational capital projects. Principal payments of \$923,486 were made. The District also issued Revenue Bonds in the amount of \$2,130,000 from the state-revolving-fund loan program of which only \$199,967 had been drawn upon at June 30, 2003. The District plans to draw only \$1,400,000 of the \$2,130,000 available. This bond is for a single Utility capital project.

On September 1, 2002, the District issued \$6,205,000 in General Obligation Recreational Facilities Improvement (\$5,520,000) and Refunding Bonds (\$685,000). The proceeds of the bonds are to be used for recreational capital improvement with \$685,000 used to refinance the balance, due to favorable interest rates, remaining on the 1991 Recreation Refunding bonds.

On November 1, 2002, the District entered into an agreement with the State of Nevada acting by and through the Nevada Division of Environment Protection to borrow up to \$2,130,000. This borrowing is known as the "Sewer Revenue Bonds, Series 2002". The proceeds are to be used for the upgrade of the solids handling facility at the wastewater reclamation plant.

On March 1, 2003, the District issued \$2,130,000 in General Obligation (Limited Tax) Water Refunding Bonds, Series 2003 and \$5,500,000 in General Obligation Recreational Facilities Improvement Bonds. The Water Refunding Bond, Series 2003 refunded the 1993 Water Bonds.

The District may borrow money and incur or assume indebtedness as provided in Nevada Revised Statute Chapter 318, Section 277, so long as the total of all such indebtedness (but excluding revenue bonds, special assessment bonds, and other securities constituting special obligations which are not debts) does not exceed an amount equal to 50% of the total of the last assessed valuation of taxable property (excluding motor vehicles) situated within such district. Currently, the District is well below its statutory limit.

As of August 6, 2002, Moody's had upgraded the limited tax general obligation bond rating of the District to A2 from A3. The A2 rating and upgrade reflects the District's affluent service area, growing tax base, and well-managed financial operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- This District's primary revenue sources are from service charges from the business-type activities. Weather could possibly impact golf and ski and, to a much smaller extent, water and sewer charges.
- Personnel cost comprised 42% of current year expenses. The 2003-04 budgets were adjusted 3% to reflect cost of living adjustments. Health insurance costs also increased 32%; from \$6,264 per employee to \$8,244.
- The Championship golf course is being renovated during 2003-04 year and, therefore will not be open for operation for the entire 2003 summer season. Also under construction, is the new Chateau Building which houses the pro shop for the Championship golf course. Lost revenues from these closed venues are around \$3.5 million however expenses are also down.
- For the fiscal year, the unemployment rate for Washoe County was 4.3% at June 30, 2003 compared to 5.4% and 6.4% for Nevada and nation, respectively.
- Consumer price index for Pacific cities and U.S. City averages was 1.6 at June 30, 2003.



The Districts' assessed valuations continue to increase. The following table depicts increases since 1999 through 2004 and demonstrates the dramatic increases every 5 years (1999 and 2004). The District resides within the boundaries of Washoe County, located in the State of Nevada, and comprises approximately 13% of Washoe County's assessed valuation and 2% of its population.

Fiscal Year Ending June 30,	District Assessed Valuations	Annual Net Change in Assessed Valuation	% Increase	Washoe County Assessed Valuations	Annual Net Change in Assessed Valuation	% Increase
2004	1,399,645,447	316,991,219	29%	10,408,087,428	948,123,083	10%
2003	1,082,654,228	110,458,441	11%	9,459,964,345	363,266,751	4%
2002	972,195,787	33,496,935	4%	9,096,697,594	472,310,705	5%
2001	938,698,852	35,333,577	4%	8,624,386,889	538,841,119	7%
2000	903,365,275	17,109,437	2%	8,085,545,770	584,688,736	8%
1999	886,255,838	160,708,714	22%	7,500,857,034	552,081,296	8%

REQUEST OF INFORMATION

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions concerning the information provided in this report or request for additional financial information should be addressed to Ramona Cruz, Controller, 893 Southwood Boulevard, Incline Village, NV 89451.

This report will also be available on the web site at www.ivgid.org.



INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 588,547	\$ 12,299,428	\$ 12,887,975
Investments	2,888,017		2,888,017
Receivables:			
Taxes	304,550		304,550
Assessments	40,445		40,445
Accounts receivable, net	673	691,372	692,045
Interest on investments	8,706	87,096	95,802
Recreation charges		24,695	24,695
Grant receivable		791,998	791,998
Due from other governments	28,843	174,256	203,099
Inventories and supplies		585,788	585,788
Prepaid items	340,115	64,861	404,976
Deposits	7,682	540,959	548,641
Deferred charges		313,226	313,226
Long term investments		6,919,000	6,919,000
Restricted assets -			
Temporarily restricted			
Cash and cash equivalents		213,000	213,000
Capital assets, net of accumulated depreciation	3,116,906	69,892,005	73,008,911
Total assets	<u>\$ 7,324,484</u>	<u>\$ 92,597,684</u>	<u>\$ 99,922,168</u>
LIABILITIES			
Accounts payable	\$ 2,914,170	\$ 65,737	\$ 2,979,907
Accrued personnel costs	776,836		776,836
Accrued interest payable		269,749	269,749
Deferred revenue	40,445	395,466	435,911
Refundable deposits		47,674	47,674
Noncurrent liabilities			
Due within one year	42,263	942,200	984,463
Due in more than one year	68,104	21,430,225	21,498,329
Total liabilities	<u>3,841,818</u>	<u>23,151,051</u>	<u>26,992,869</u>
NET ASSETS			
Investment in capital assets, net of related debt	3,116,906	56,271,169	59,388,075
Restricted for:			
Debt service		213,000	213,000
Prepaid items	340,115		340,115
Unrestricted	25,645	12,962,464	12,988,109
Total net assets	<u>\$ 3,482,666</u>	<u>\$ 69,446,633</u>	<u>\$ 72,929,299</u>

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
JUNE 30, 2003**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 2,502,919			\$ (2,502,919)		\$ (2,502,919)
Debt service	8,497			(8,497)		(8,497)
Total governmental activities	<u>2,511,416</u>			<u>(2,511,416)</u>		<u>(2,511,416)</u>
Business-type activities:						
Public works	6,518,247	\$ 6,536,174	\$ 1,003,511	\$ 1,021,438		1,021,438
Recreation	12,475,538	12,312,686		(162,852)		(162,852)
Internal services	1,583,549	1,558,802		(24,747)		(24,747)
Total business-type activities	<u>20,577,334</u>	<u>20,407,662</u>	<u>1,003,511</u>	<u>833,839</u>		<u>833,839</u>
Total primary government	<u>\$ 23,088,750</u>	<u>\$ 20,407,662</u>	<u>\$ 1,003,511</u>	<u>(2,511,416)</u>	<u>833,839</u>	<u>(1,677,577)</u>
General revenues:						
Property taxes				739,794		739,794
Combined taxes				1,255,955		1,255,955
Unrestricted investment earnings				21,764	497,716	519,480
Special assessments				19,785		19,785
Loss on disposal of capital assets					(841,649)	(841,649)
Miscellaneous revenues				6,245		6,245
Transfers				443,984	(443,984)	-
Total general revenues and transfers				<u>2,487,527</u>	<u>(787,917)</u>	<u>1,699,610</u>
Change in net assets				(23,889)	45,922	22,033
Net assets - beginning				3,506,555	69,400,711	72,907,266
Net assets - ending				<u>\$ 3,482,666</u>	<u>\$ 69,446,633</u>	<u>\$ 72,929,299</u>

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003**

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 588,547	\$ -	\$ 588,547
Investments	2,828,058	59,959	2,888,017
Taxes receivable	304,550		304,550
Assessments Receivable		40,445	40,445
Accounts receivable	673		673
Interest receivable on investments	8,312	394	8,706
Due from other governments	28,843		28,843
Prepaid items	340,115		340,115
Deposits	7,682		7,682
Total assets	\$ 4,106,780	\$ 100,798	\$ 4,207,578
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,914,170		\$ 2,914,170
Accrued personnel costs	776,836		776,836
Deferred revenues		\$ 40,445	40,445
Total liabilities	3,691,006	40,445	3,731,451
Fund balance			
Reserved for prepaid items	340,115		340,115
Reserved for debt service		60,353	60,353
Unreserved	75,659		75,659
Total fund balance	415,774	60,353	476,127
Total liabilities and fund balance	\$ 4,106,780	\$ 100,798	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,116,906
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(110,367)
Net assets of governmental activities			\$ 3,482,666

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003**

	GENERAL	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Ad valorem taxes	\$ 739,794		\$ 739,794
Intergovernmental:			
Combined tax	1,019,057		1,019,057
Other taxes	236,898		236,898
Investment income	19,398	\$ 2,366	21,764
Special assessments principal		16,833	16,833
Special assessments interest		2,952	2,952
Miscellaneous	6,245		6,245
Total revenues	<u>2,021,392</u>	<u>22,151</u>	<u>2,043,543</u>
EXPENDITURES			
Current:			
Administration:			
Wages and benefits	1,697,010		1,697,010
Services and supplies	429,397		429,397
Utilities	56,186		56,186
Fiscal agent fee	4,031		4,031
Legal and audit	95,174		95,174
Capital outlay	183,578		183,578
Debt service			
Principal		39,915	39,915
Interest		8,497	8,497
Total expenditures	<u>2,465,376</u>	<u>48,412</u>	<u>2,513,788</u>
Deficiency of revenues over expenditures	<u>(443,984)</u>	<u>(26,261)</u>	<u>(470,245)</u>
OTHER FINANCING SOURCES			
Operating transfers in:			
From Utility Fund	221,992		221,992
From Recreation Fund	221,992		221,992
Total other financing sources	<u>443,984</u>		<u>443,984</u>
Net change in fund balance	-	(26,261)	(26,261)
Fund balance, July 1	<u>415,774</u>	<u>86,614</u>	
Fund balance, June 30	<u>\$ 415,774</u>	<u>\$ 60,353</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds capital outlay expenditures	183,578
Depreciation expense on Governmental capital assets	(221,121)
Debt service principal payments	<u>39,915</u>
Change in net assets of governmental activities	<u>\$ (23,889)</u>

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Ad valorem taxes	\$ 752,164	\$ 739,794	\$ (12,370)
Intergovernmental:			
Combined tax	1,015,148	1,019,057	3,909
Other taxes	145,000	236,898	91,898
Investment income	25,480	19,398	(6,082)
Miscellaneous	11,000	6,245	(4,755)
Total revenues	<u>1,948,792</u>	<u>2,021,392</u>	<u>72,600</u>
EXPENDITURES			
Current:			
Administration:			
Wages and benefits	1,727,423	1,697,010	30,413
Services and supplies	570,011	429,397	140,614
Utilities	66,196	56,186	10,010
Fiscal agent fee	1,919	4,031	(2,112)
Legal and audit	106,392	95,174	11,218
Capital outlay	223,000	183,578	39,422
Total expenditures	<u>2,694,941</u>	<u>2,465,376</u>	<u>229,565</u>
Deficiency of revenues over expenditures	<u>(746,149)</u>	<u>(443,984)</u>	<u>302,165</u>
OTHER FINANCING SOURCES			
Operating transfers in:			
From Utility Fund	373,074	221,992	(151,082)
From Recreation Fund	373,075	221,992	(151,083)
Total other financing sources	<u>746,149</u>	<u>443,984</u>	<u>(302,165)</u>
Net change in fund balance	-	-	-
Fund balance, July 1	<u>415,774</u>	<u>415,774</u>	-
Fund balance, June 30	<u>\$ 415,774</u>	<u>\$ 415,774</u>	-

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Special assessments principal	\$ 20,990	\$ 16,833	\$ (4,157)
Special assessments interest		2,952	2,952
Investment income	2,400	2,366	(34)
Total revenues	<u>23,390</u>	<u>22,151</u>	<u>(1,239)</u>
EXPENDITURES			
Principal	39,915	39,915	-
Interest	10,945	8,497	2,448
Total expenditures	<u>50,860</u>	<u>48,412</u>	<u>2,448</u>
Net change in fund balance	<u>(27,470)</u>	<u>(26,261)</u>	<u>1,209</u>
Fund balance, July 1	<u>56,835</u>	<u>86,614</u>	<u>29,779</u>
Fund balance, June 30	<u>\$ 29,365</u>	<u>\$ 60,353</u>	<u>\$ 30,988</u>

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2003**

	Utility Fund	Recreation Fund	Internal Services Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,029,247	\$ 7,383,882	\$ 886,299	\$ 12,299,428
Accounts receivable (net of allowance for doubtful accounts of \$20,091)	548,991	142,381		691,372
Recreation charges receivable		24,695		24,695
Grants receivable	791,998			791,998
Due from other governments		174,256		174,256
Interest receivable	66,017	16,209	4,870	87,096
Prepaid expenses		64,861		64,861
Inventories	164,267	386,506	35,015	585,788
Total current assets	5,600,520	8,192,790	926,184	14,719,494
Noncurrent assets:				
Restricted for debt service reserve	213,000			213,000
Deposits	129,471	411,488		540,959
Deferred bond issuance costs	75,879	237,347		313,226
Long-term investments	2,450,000	4,255,000	214,000	6,919,000
	2,868,350	4,903,835	214,000	7,986,185
Capital Assets				
Land	1,964,734	3,345,893		5,310,627
Water system plant and lines	35,707,752			35,707,752
Sewer system plant and lines	34,057,892			34,057,892
Buildings and structures		25,303,553		25,303,553
Equipment, furniture and fixtures	2,928,370	17,384,186	1,542,014	21,854,570
Construction in progress	3,152,225	4,496,205	6,971	7,655,401
Total capital assets	77,810,973	50,529,837	1,548,985	129,889,795
Less: Accumulated depreciation	(38,028,078)	(21,074,627)	(895,085)	(59,997,790)
Total capital assets (net)	39,782,895	29,455,210	653,900	69,892,005
Total noncurrent assets	42,651,245	34,359,045	867,900	77,878,190
Total assets	48,251,765	42,551,835	1,794,084	92,597,684
LIABILITIES				
Current liabilities:				
Accounts payable				65,737
Accrued interest payable	73,877	195,872		269,749
Deferred revenue	266,547	128,919		395,466
Refundable deposits	47,674			47,674
Current maturities of long-term debt	397,200	545,000		942,200
Total current liabilities	795,222	869,791	55,813	1,720,826
Noncurrent long term debt	4,445,225	16,985,000		21,430,225
Total liabilities	5,240,447	17,854,791	55,813	23,151,051
NET ASSETS				
Invested in capital assets, net of related debt	35,016,349	20,600,920	653,900	56,271,169
Restricted for debt service	213,000			213,000
Unrestricted	7,781,969	4,096,124	1,084,371	12,962,464
Total net assets	\$ 43,011,318	\$ 24,697,044	\$ 1,738,271	\$ 69,446,633

See notes to financial statements

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

	Utility Fund	Recreation Fund	Internal Services Fund	Total
OPERATING REVENUES				
Sales and fees	\$ 5,005,829	\$ 8,727,737	\$ 1,558,802	\$ 15,292,368
Recreation charge assessments		3,584,949		3,584,949
Capital improvement fee	1,530,345			1,530,345
Total operating revenues	6,536,174	12,312,686	1,558,802	20,407,662
OPERATING EXPENSES				
Wages and benefits	1,935,149	5,124,888	908,602	7,968,639
Cost of goods sold		878,537		878,537
Service and supplies	1,080,123	2,894,170	518,555	4,492,848
Legal and audit	54,313	78,423	1,455	134,191
Utilities	1,043,543	836,655	10,956	1,891,354
Depreciation	2,055,567	2,053,000	141,575	4,250,142
Total operating expenses	6,168,695	11,865,873	1,581,143	19,615,711
Operating income (loss)	367,479	446,813	(22,341)	791,951
NONOPERATING REVENUES (EXPENSES)				
Interest earned	316,870	148,534	32,312	497,716
Disposal of assets	(41,550)	(804,916)	4,817	(841,649)
Interest on bond debt	(238,559)	(537,980)		(776,539)
Amortization issuance costs	(9,509)	(18,932)		(28,441)
Investment advisor fees	(22,918)	(16,691)	(2,406)	(42,015)
Loss on bond refundings	(78,566)	(36,062)		(114,628)
Total nonoperating revenue (expense)	(74,232)	(1,266,047)	34,723	(1,305,556)
Income (loss) before transfers and contributions	293,247	(819,234)	12,382	(513,605)
Operating transfers				
To General Fund	(221,992)	(221,992)		(443,984)
Total operating transfers out	(221,992)	(221,992)		(443,984)
Capital contributions				
	1,003,511			1,003,511
Change in net assets				
	1,074,766	(1,041,226)	12,382	45,922
Total net assets, July 1	41,936,552	25,738,270	1,725,869	69,400,711
Total net assets, June 30	\$ 43,011,318	\$ 24,697,044	\$ 1,738,271	\$ 69,446,633

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003**

	Utility Fund	Recreation Fund	Internal Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 6,598,174	\$ 12,349,334		\$ 18,947,508
Receipts from interfund services provided			\$ 1,558,802	1,558,802
Payments to suppliers	(1,988,137)	(3,409,991)	(528,456)	(5,926,584)
Payments to employees	(1,905,902)	(4,976,797)	(940,686)	(7,823,385)
Payments for interfund services used	(261,668)	(1,068,405)		(1,330,073)
Net cash provided by operating activities	2,442,467	2,894,141	89,660	5,426,268
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating transfers out	(221,992)	(221,992)		(443,984)
Net cash used by non-capital financing activities	(221,992)	(221,992)		(443,984)
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(6,050,911)	(4,811,993)	(150,411)	(11,013,315)
Proceeds from sale of assets		12,860	4,817	17,677
Proceeds from capital debt	2,344,886	11,752,963		14,097,849
Payments on capital debt	(363,571)	(520,000)		(883,571)
Refunded capital debt	(2,085,650)	(688,425)		(2,774,075)
Bond deferred issuance costs	(85,708)	(175,827)		(261,535)
Decrease in debt service reserve	64,733			64,733
Capital contributions	211,513			211,513
Interest expense	(238,559)	(537,980)		(776,539)
Accrued interest payable	9,250	85,775		95,025
Net cash provided (used) by capital and related financing activities	(6,194,017)	5,117,373	(145,594)	(1,222,238)
CASH FLOWS FROM INVESTING ACTIVITIES				
Other deposits	(27,277)	(20,500)	10,000	(37,777)
Long-term investments	2,929,462	(2,822,076)	93,949	201,333
Investment earnings	316,870	148,534	32,312	497,716
Interest receivable	9,344	5,113	1,620	16,077
Investment advisor fees	(22,918)	(16,691)	(2,406)	(42,015)
Net cash provided (used) by investing activities	3,205,481	(2,705,622)	135,475	635,334
Net increase (decrease) in cash and cash equivalents	(768,061)	5,083,900	79,541	4,395,380
Cash and cash equivalents, July 1	4,797,308	2,299,982	806,758	7,904,048
Cash and cash equivalents, June 30	\$ 4,029,247	\$ 7,383,882	\$ 886,299	\$ 12,299,428

See notes to financial statements

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2003**

	Utility Fund	Recreation Fund	Internal Services Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 367,479	\$ 446,813	\$ (22,341)	\$ 791,951
Non-cash adjustments -				
Depreciation	2,055,567	2,053,000	141,575	4,250,142
Increase (decrease) in cash from changes in:				
Accounts receivable	56,898	39,714		96,612
Recreation charges receivable		39,296		39,296
Due from other governments		15,511		15,511
Prepaid expenses		66,098		66,098
Inventory	13,949	293,682	2,510	310,141
Accounts payable	(56,528)	(2,100)	(32,084)	(90,712)
Deferred revenue and customer deposits	5,102	(57,873)		(52,771)
Total adjustments	<u>2,074,988</u>	<u>2,447,328</u>	<u>112,001</u>	<u>4,634,317</u>
Net cash provided by operating activities	<u>\$ 2,442,467</u>	<u>\$ 2,894,141</u>	<u>\$ 89,660</u>	<u>\$ 5,426,268</u>
 Noncash Investing Activities				
Change in market value of investments	\$ (54,882)	\$ (17,285)	\$ (2,761)	\$ (74,928)

See notes to financial statements



INCLINE VILLAGE
GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS – INDEX

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statements include:
 - (A) A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
 - (B) Financial statements prepared using full accrual accounting for all district activities, including infrastructure (buildings and equipment, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement all of the provisions of the Statement in the current year.

A. REPORTING ENTITY

The District is a Special District governed by a board of five publicly elected trustees. The District is not included in any other governmental reporting entity, since trustees are elected by the public, it is a legally separate government and it is fiscally independent of any other governmental entity. In addition, the District is not financially accountable for any other entity.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. Interfund activities relating to services provided and used between functions are not eliminated. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, and is reflected on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities then unrestricted resources, as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by the general government revenues (Ad Valorem taxes, Combined taxes and Investment income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and grants. Program revenues consist solely of user charges.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Separate financial statements are provided for governmental funds and proprietary funds. The District has no fiduciary funds.

The focus of the governmental funds' measurement in the fund statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The District's internal services funds are presented in the proprietary fund's financial statements. Because the principal users of the internal services are the District's proprietary fund activities, the financial statements of the internal services fund are consolidated into the proprietary fund column when presented in the government-wide financial statements.

THE DISTRICT USES THE FOLLOWING FUNDS:

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.

PROPRIETARY FUNDS -

ENTERPRISE FUNDS - The Enterprise Funds are 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.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

The measurement focus describes the types of transactions and events that are reported in a fund’s operating statement. Basis of accounting refers to the timing of revenues and how expenditures / expense are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred revenue account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Most major sources of revenue reported in government funds are susceptible to accrual under the modified accrual basis of accounting. Below is a summary of revenue recognition policies for all major revenue sources.

Type of Revenue:	Accrued When Measurable and Available	Recognized When Received	Accrued When Earned
Ad Valorem Taxes	X		
Combined Tax	X		
Investment Earnings			X
Miscellaneous		X	

Proprietary Funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accrued liabilities include provisions for workers comp claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount, which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on District experience since the inception of the program. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. 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, 2002, 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 2002. On or before June 1, 2002, 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 and Debt Service 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 2003 fiscal year.

E. 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.

F. 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 is 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.

G. ALLOWANCE FOR DOUBTFUL RECEIVABLES

Utility accounts receivable are shown net of an allowance for doubtful accounts of \$20,091 on June 30, 2003.

H. INVENTORY AND SUPPLIES

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

I. CAPITAL ASSETS

Capital assets, which includes land, buildings, machinery and equipment, are reported in the government wide financial statements. If purchased or constructed, all capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible capital assets is charged as an expense against each funds' operation. The District's policy is to capitalize fixed assets with a normal useful life in excess of one year.

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/structures	30 - 40 years	\$3,000
Land Improvements	50 years	\$3,000

J. 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.

K. 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.

L. 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.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

In accordance with GASB Statement No. 31, the investments of the District are accounted for and reported at their fair value as of June 30, 2003. 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. The investment pool is governed by the State Board of Finance and is administered by the State Treasurer. Fair value for investments maintained by this pool are also calculated by the number of trading units quoted market value at June 30, 2003. The fair value of the District's position in the investment pool is the same as the value of the pool shares. The District has no investments that qualify for reporting at amortized cost under GASB Statement No. 31.

At June 30, 2003, 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, Wells Fargo Bank, for the benefit of the District. Investments are categorized into three categories of credit risk:

- (1) Insured or registered, or securities held by the District or its agent in the District's name.
- (2) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent in the District's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust

At year-end, the District's investment balances were all category 3 and consisted of the following:

	CATEGORY 3	CARRYING AMOUNT AND FAIR VALUE
U. S. Treasury Securities	\$2,467,220	\$2,467,220
FHLMC Securities	1,738,974	1,738,974
FHLB Securities	1,150,677	1,150,677
FNMA Securities	4,792,735	4,792,735
Total	\$10,149,606	\$10,149,606
INVESTMENTS NOT SUBJECT TO CATEGORIZATION:		
Wells Fargo Govt Money Market Fund		342,348
Wells Fargo 100% Treasury Money Market Fund		4,585,927
State Treasurer's Investment Pool		7,223,162
Total Investments		\$22,301,043

3. RESTRICTED ASSETS

The assets of the Utility Bond Reserve account may be used only to service the Utility State Revolving Loan Fund of 2002. These restricted assets are required to provide a measure of security for the State fund.

4. CAPITAL ASSETS

Capital Assets of the District's General Fund are recorded at cost. Activities of the General Fund include accounting and finance, information technology, human resources, risk management, the general manager's 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 Districts administrative office. The computers represent equipment of the Information Technology (IT) department that services the needs of the entire District.

Depreciation expense was charged to functions as follows:

GOVERNMENTAL ACTIVITIES:

General government \$ 221,121

BUSINESS-TYPE ACTIVITIES:

Utility fund-water and sewer \$ 2,055,567
 Recreation facilities 2,053,000
 Internal service 141,575
 \$ 4,250,142

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital asset not being depreciated				
Land	\$ 2,558,039	\$ -	\$ -	\$ 2,558,039
Other capital assets:				
Buildings and improvements	818,097	21,392		839,489
Furniture and equipment	106,906			106,906
IT equipment	1,366,709	193,556		1,560,265
Construction in progress	70,005		31,370	38,635
Total other capital assets at historical cost	<u>2,361,717</u>	<u>214,948</u>	<u>31,370</u>	<u>2,545,295</u>
Less accumulated depreciation for:				
Buildings and improvements	561,225	37,952		599,177
Furniture and equipment	101,453	3,945		105,398
IT equipment	1,102,629	179,224		1,281,853
Total accumulated depreciation	<u>1,765,307</u>	<u>221,121</u>	<u>-</u>	<u>1,986,428</u>
Other capital assets, net	<u>596,410</u>	<u>(6,173)</u>	<u>31,370</u>	<u>558,867</u>
Governmental activities capital assets, net	\$ 3,154,449	\$ (6,173)	\$ 31,370	\$ 3,116,906
Business-type activities				
Capital asset not being depreciated				
Land	\$ 5,310,627	\$ -	\$ -	\$ 5,310,627
Other capital assets:				
Water system plant and lines	33,117,550	2,759,896	169,694	35,707,752
Sewer system plant and lines	32,445,669	1,699,403	87,180	34,057,892
Buildings and structures	28,416,524	535,056	3,648,027	25,303,553
Equipment, furniture and fixtures	21,489,977	1,684,246	1,319,653	21,854,570
Construction in progress	2,879,017	4,776,384		7,655,401
Total other capital assets at historical cost	<u>118,348,737</u>	<u>11,454,985</u>	<u>5,224,554</u>	<u>124,579,168</u>
Less accumulated depreciation for:				
Water system plant and lines	13,871,729	889,826	151,160	14,610,395
Sewer system plant and lines	21,064,136	893,935	65,628	21,892,443
Buildings and structures	12,769,321	1,103,829	2,852,009	11,021,141
Equipment, furniture and fixtures	11,966,020	1,362,552	854,761	12,473,811
Total accumulated depreciation	<u>59,671,206</u>	<u>4,250,142</u>	<u>3,923,558</u>	<u>59,997,790</u>
Other capital assets, net	<u>58,677,531</u>	<u>7,204,843</u>	<u>1,300,996</u>	<u>64,581,378</u>
Business-type activities capital assets, net	\$ 63,988,158	\$ 7,204,843	\$ 1,300,996	\$ 69,892,005

5. LONG-TERM DEBT

On March 1, 2003 the District issued \$2,130,000 in General Obligation (Limited Tax) Water Refunding Bonds, Series 2003. The bonds were issued at a premium of \$14,908 with underwriting costs of \$64,963 for a net receipt of \$2,079,945. The bonds were issued for the purpose of refunding the 2003 through 2013 maturities of the District's outstanding General Obligation (Limited Tax) Water Bonds Series 1993. The bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal, interest and any premium due thereon, subject to Nevada constitutional and statutory limitation on the aggregate amount of Ad Valorem taxes.

This advance refunding resulted in the reduction of total debt service payments over the next 10 years by \$258,000 and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$221,000.

On September 1, 2002 the District issued \$6,205,000 in General Obligation (Limited Tax) Recreational Facilities Improvement and Refunding Bonds, Series 2002. The bonds were issued at a discount of \$33,395 with underwriting costs of \$103,634 for a net receipt of \$6,067,971. The bonds were issued for the purpose of funding the construction of a golf course club house and to refund \$685,000 of the 2004 through 2008 maturities of the District's outstanding General Obligation (Limited Tax) Recreation Bonds Series 1991. The bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal, interest and any premium due thereon, subject to Nevada constitutional and statutory limitation on the aggregate amount of Ad Valorem taxes.

Long-term liability activity for the year ended June 30, 2003 was as follows:

The following schedule reflects debt service requirements as of June 30, 2003:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Special Assessment Note	\$ 150,281	\$ -	\$ 39,915	\$ 110,366	\$ 42,263
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 9,245,000	\$ 13,835,000	\$ 3,420,000	\$19,660,000	\$ 720,000
Revenue bonds	2,726,030	199,967	213,572	2,712,425	222,200
	<u>\$ 11,971,030</u>	<u>\$ 14,034,967</u>	<u>\$ 3,633,572</u>	<u>\$22,372,425</u>	<u>\$ 942,200</u>

Bonds and notes outstanding as of June 30, 2003 are as follows:

General Obligation Bond	Issue Date	Final Maturity Date	Interest Rate	Authorized and Issued	Outstanding	2003/04 Principal
Utility Water Bonds of 2003	3/1/2003	6/1/2013	2.00%-3.50%	\$2,130,000	\$2,130,000	\$175,000
Recreation Golf Imp. Bonds of 2003	3/1/2003	3/1/2013	2.80%-3.60%	5,500,000	5,500,000	-
Recreation Facilities Imp. Bonds of 2002	9/1/2002	9/1/2022	2.50%-4.75%	6,205,000	6,205,000	155,000
Recreation Facilities Imp. Bonds of 1999	10/1/1999	10/1/2019	4.50%-5.60%	3,500,000	3,265,000	125,000
Recreation Refunding Bonds of 1995	10/1/1995	9/1/2010	4.25%-5.50%	5,400,000	2,560,000	265,000
Total General Obligation Bonds				<u>22,735,000</u>	<u>19,660,000</u>	<u>720,000</u>
Nevada SRF Sewer Revenue Bond	11/1/2002	7/1/2022	3.14%	199,967	199,967	-
Nevada SRF Sewer Contract Payable	10/29/1992	7/1/2012	4.00%	3,925,398	2,512,458	222,200
Special Assessment Note, Series 95-1	8/15/1995	8/15/2005	5.80%	\$360,838	\$110,366	\$42,263

(1) Authorized \$2,130,000 (2) Authorized \$4,400,000

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
2004	\$ 42,263	\$ 5,797	\$ 397,200	\$ 181,405	\$ 545,000	\$ 711,470
2005	44,750	3,310	426,177	153,564	1,315,000	686,155
2006	23,353	677	440,516	140,325	1,365,000	636,954
2007	-	-	450,233	126,108	1,420,000	584,776
2008 and thereafter			3,128,299	363,397	12,885,000	3,635,028
	<u>\$ 110,366</u>	<u>\$ 9,785</u>	<u>\$ 4,842,425</u>	<u>\$964,799</u>	<u>\$17,530,000</u>	<u>\$6,254,383</u>

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 there from.

7. CAPITAL GRANTS

During the year \$882,000 of capital grant funds was contributed by Washoe County to the District for the Rosewood Creek watershed restoration project. Also, \$96,000 in capital grant funds were contributed to the District for replacement of the effluent line.

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.

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 District is not a party to this defined benefit plan. The District's liability under the union contract is limited to making monthly contributions based on union employees' hours worked. Consequently, the District is not liable for any funding shortage of the defined benefit plan. 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 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 the above plans are as follows:

<u>FYE JUNE 30</u>	<u>CONTRIBUTION</u>
2003	\$421,367
2002	408,126
2001	434,381

10. CONSTRUCTION COMMITMENTS

At June 30, 2003, the District has undertaken \$16.0 million of construction type contracts. The estimated cost to complete projects under construction on June 30, 2003 is \$12.2 million.

11. SCHEDULE OF INSURANCE COVERAGE AND RISK MANAGEMENT

The District's insurance coverage on June 30, 2003 consists of the following:

<u>TYPE</u>	<u>CARRIER/PROVIDER</u>	<u>AMOUNT</u>
Property Liability	Insurance Pool	\$230,000,000 ⁽¹⁾
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:

Landmark American Insurance, Discover Property & Casualty, Allianz, Commonwealth Insurance, Great American Assurance, Greenwich Insurance, Mt. Hawley Insurance, Royal Indemnity Insurance, River Rock Insurance, 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 Indemnity Insurance.

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 \$1,000,000 for each worker's compensation claim. The District purchases commercial insurance for claims in excess of \$1,000,000 per claim, limited to the statutory limit. The District pays any claim cost over the statutory limit.

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, 2003, the Risk Management Program billed other District funds a total of \$190,504. The claims cost incurred totaled \$76,406. Estimates of future payments for claims existing on June 30, 2001 totaled \$55,813.

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

	<u>BEGINNING</u> <u>CLAIMS</u> <u>LIABILITY</u>	<u>CLAIMS</u> <u>MADE</u>	<u>CLAIMS</u> <u>PAYMENTS</u>	<u>ENDING</u> <u>CLAIMS</u> <u>LIABILITY</u>
June 30, 2003	\$87,897	\$76,406	\$108,490	\$ 55,813
June 30, 2002	96,358	79,778	88,239	87,897

The District has designated all of the excess accumulated billings to cover possible catastrophic claims that could exceed the \$1,000,000 coverage. Unrestricted Net Assets of the Internal Service Fund are as follows:

Designated for future claims	\$ 531,102
Undesignated funds	<u>553,269</u>
Total unrestricted net assets, June 30, 2003	<u>\$1,084,371</u>

12. 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.

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