

APPENDIX B

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, NEVADA
EXCERPTS FROM ANNUAL FINANCIAL STATEMENT
JUNE 30, 2007**

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ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Incline Village

General Improvement District

Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Khan".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Erwin".

Executive Director

This prestigious national award, presented by the Government Finance Officers Association (GFOA) of the United States and Canada, recognizes conformance with the highest standards for preparation of state and local government financial reports.

IVGID received the Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006.

NATIONAL AWARD

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.





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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, 2007, 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 opinions.

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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof 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 October 9, 2007, on our consideration of Incline Village General Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions 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. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Incline Village General Improvement District. The supplementary information schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have 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
October 9, 2007

As management of the Incline Village General Improvement District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the Incline Village General Improvement District for the fiscal year ended June 30, 2007. 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 the financial statements to gain a more complete picture of the information presented.

Financial Highlights

Weather continues to play a key role in financial performance of the District. Though the ski venue was severely impacted by the lack of snow fall and rounds of golf were down, the District still continues to maintain a healthy financial condition. The District continues to meet its financial obligations and provide services to the community at large. Maintaining infrastructure, at our venues, continues to be a high priority especially the replacement of our effluent pipeline project; a \$20+ million project which is completed through Segment 3 and Phase 2 is well on its way to being over half completed.

Other financial highlights are as follows:

- The assets of the District exceeded its liabilities, at the close of the most recent fiscal year, by \$90.2 million (net assets). Of this amount, \$18.2 million (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's net assets increased \$7.4 million and much of this is attributable to the 595 Funds reimbursed for the effluent pipeline project.
- The General Fund's ending fund balance grew \$200,000, as planned, to increase coverage of operating expense within the fund in the event of an extraordinary event.
- The governmental depreciation of \$127,221 is largely due to information technology equipment which is used by the entire District. This equipment is nearing the end of its useful life and will need replacing within the next five years.
- On March 29, 2006, the District entered into a loan contract with the State of Nevada, Division of Environmental Protection to fund replacement of the effluent export line. The loan contract is for a maximum of \$3,000,000. The District had previously drawn \$1,787,713. The contract was closed on August 10, 2007 for the \$3,000,000 authorized. The loan is repayable over 20 years at an interest rate of 2.725%. The first payment is due January 1, 2008.
- As of the fiscal year close, total debt for the District decreased \$893,000; this was a combination of an increase in overall sewer debt by \$1.2 million and a pay down of District debt by \$2.1 million.
- The District has authorized, but has not issued, \$5,000,000 in General Obligation Sewer Bonds for the effluent pipeline project. These proceeds are dependent on the outcome of the 595 Federal Funding we are currently pursuing.
- We continue to maintain our limited tax general obligation bond rating of Aa3.

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 the following:

- 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 readers with a broad overview of the District finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases, in net assets, may serve as useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, the vacation wages liability recognizes a current cost while payment is in the future.

Both of the government-wide financial statements (*Net Assets and Statement of Activities*) distinguishes functions of the District that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost(s) through user fees and charges (*business-type activities*). The governmental activity of the District includes the General Fund and Workers Compensation. The business type activities of the District includes utilities and recreational activities that reflect enterprise operations where a fee for service typically funds all or most of the costs of operations including depreciation and debt service.

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 District uses fund accounting to ensure and demonstrate compliance with financial related legal requirements, hence, the principal role of a fund is to demonstrate fiscal accountability. All of the funds of the District can be divided into two categories: governmental and proprietary.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, the governmental fund financial statement focuses on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet for General Fund. The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. 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 Community Services activity. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its fleet of vehicles, buildings maintenance, and engineering functions. The District has an internal services fund for the self-funded Workers Compensation function but considers it a governmental fund since it provides government type activities. Each cost center pays for coverage based on its payroll costs. However the self-insured reserve serves the entire District rather than allocated by department. As such, is it considered a governmental activity in the government-wide financial statements.

Notes 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 indicate 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 net assets exceeded liabilities by \$90.2 million at June 30, 2007. The largest portion of net assets (80%) reflects its investment in capital assets (e.g., land, buildings, equipment, 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.

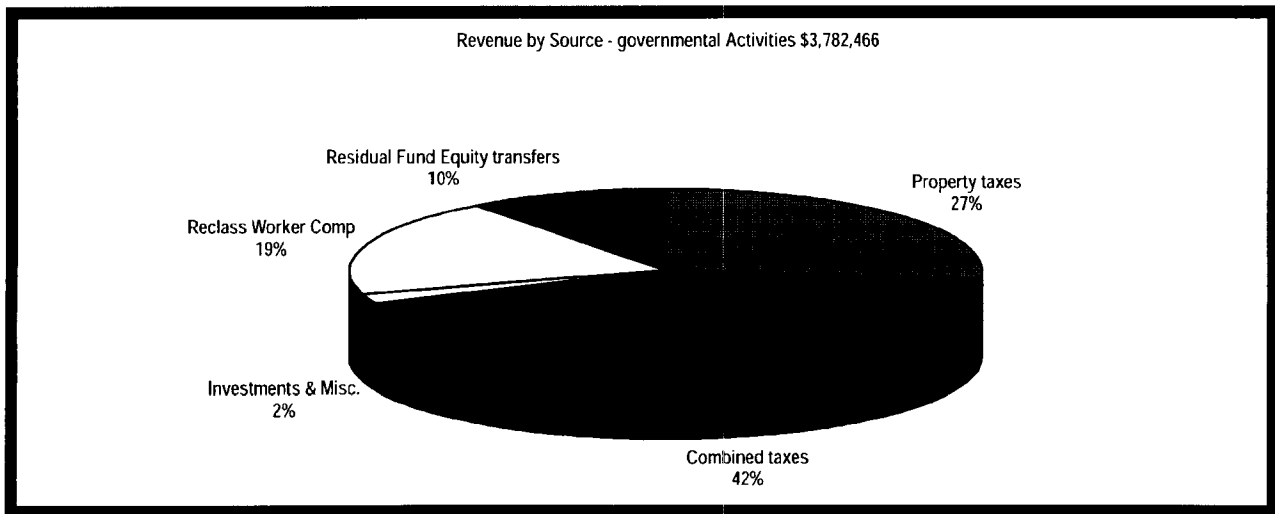
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other assets	\$ 4,429,619	\$ 5,323,400	\$ 18,473,682	\$ 15,835,116	\$ 22,903,301	\$ 21,158,516
Net capital assets	2,994,897	3,010,953	90,998,328	87,815,208	93,993,225	90,826,161
Total Assets	7,424,516	8,334,353	109,472,010	103,650,324	116,896,526	111,984,677
Liabilities						
Current liabilities	3,464,651	4,907,626	3,039,089	3,291,551	6,503,740	8,199,177
Long-term liabilities	-	-	20,161,778	20,991,434	20,161,778	20,991,434
Total Liabilities	3,464,651	4,907,626	23,200,867	24,282,985	26,665,518	29,190,611
Net Assets						
Invested in capital assets, net of related debt	2,994,897	3,010,953	68,794,607	64,719,208	71,789,504	67,730,161
Restricted	-	-	242,993	213,000	242,993	213,000
Unrestricted	964,968	415,774	17,233,543	14,435,131	18,198,511	14,850,905
Total Net Assets	\$ 3,959,865	\$ 3,426,727	\$ 86,271,143	\$ 79,367,339	\$ 90,231,008	\$ 82,794,066

Overall, total net assets increased \$7.4 million (9%) year-on-year. About 43% is attributable to the increase in capital assets and 23% to a decrease in current liabilities.

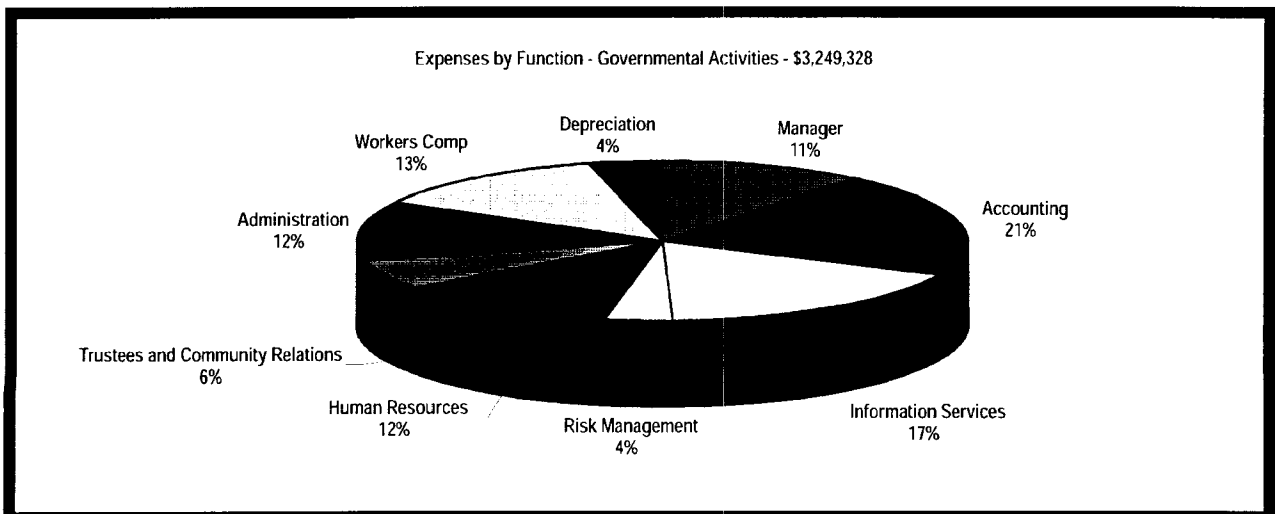
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for services	\$ -	\$ -	\$ 25,587,802	\$ 25,376,125	\$ 25,587,802	\$ 25,376,125
Capita grants and contributions	154	-	5,854,306	5,559,154	5,854,308	5,559,308
Internal Fee	-	-	1,533,236	-	1,533,236	-
General revenues:						
Ad valorem taxes	1,017,055	1,000,032	-	-	1,017,055	1,000,032
Consolidated taxes	1,572,497	1,653,545	-	-	1,572,497	1,653,545
Unrestricted grants and contributions	-	-	-	-	-	-
Unrestricted investment earnings	68,108	15,516	-	476,969	68,108	492,485
Other	5,806	25,198	782,459	356,408	788,265	381,606
Total Revenues	2,663,466	2,694,445	33,757,805	31,768,656	36,421,271	34,463,101
Expenses						
General Fund	2,824,538	2,556,260	-	-	2,824,538	2,556,260
Debt Service	-	865	-	-	-	865
Utility	-	-	7,931,932	7,571,107	7,931,932	7,571,107
Recreation	-	-	16,207,515	15,402,429	16,207,515	15,402,429
Internal Services, net	428,690	-	1,995,536	1,820,245	2,020,244	1,820,245
Total Expenses	3,249,328	2,557,125	29,735,002	24,793,781	29,284,329	27,350,906
Increase (Decrease) in Net Assets before transfers	(585,862)	137,320	4,022,803	6,974,875	7,436,942	7,112,195
Transfers	1,119,000	(115,275)	(1,119,000)	115,275	-	-
Increase (Decrease) in Net Assets	\$ 533,138	\$ 22,045	\$ 6,903,804	\$ 7,090,150	\$ 7,436,942	\$ 7,112,195

Governmental activities increased the Districts' net assets by \$533,138, the greatest change coming in governmental capital assets and reclassification of Workers Compensation to governmental activities.

Total governmental activity revenue rose approximately 3% year-on-year largely due to the reclassification of Workers Compensation to governmental activities. Consolidated taxes dropped due to a drop in retail sales. Consolidated taxes, mostly comprised of sales tax, also decreased year-on-year. General revenues are mainly comprised of various taxes and investment earnings and represent 37 % of total revenue. Ad valorem taxes saw a modest 2% increase over last year. This modest increase is due to Assembly Bill 489. During 2005, the Nevada Legislature passed a law to provide property tax relief (Assembly Bill 489) which provided a partial abatement of taxes by applying a 3% cap on the tax bill of the owner's primary residence and a higher cap on other properties beginning with the 2005/2006 tax roll in Washoe County. Though the assessed values have been capped, the area continues to experience market value increases. The following chart shows the revenue by source for the governmental activities:



Total governmental activities were expanded, from last year, to include Workers Compensation. The following chart breaks out the governmental activities expenses by functional area. For example, Information Technology Services captures all the expenses associated with providing technical computer support and computer equipment for the entire District. Depreciation represents the amount that would have been depreciated if full accrual accounting was applied.





Business-type activities: Business-type activities increased their net assets by \$6,903,804, an 8.7% increase over last year's net assets. The increase breaks out as follows: Utility fund increased \$6,357,875, Community Services increased \$1,302,298, and Internal Services decreased -\$756,369. Following are some significant key factors contributing to this net change:

- Utility Fund increase in net assets is attributable to receiving capital contributions of \$5,854,308.
- Community Services increase in net asset is a result of operations.
- Internal Services decreased in net assets is due to the reclassification of Workers Compensation to a governmental activity.

Financial Analysis of the Funds

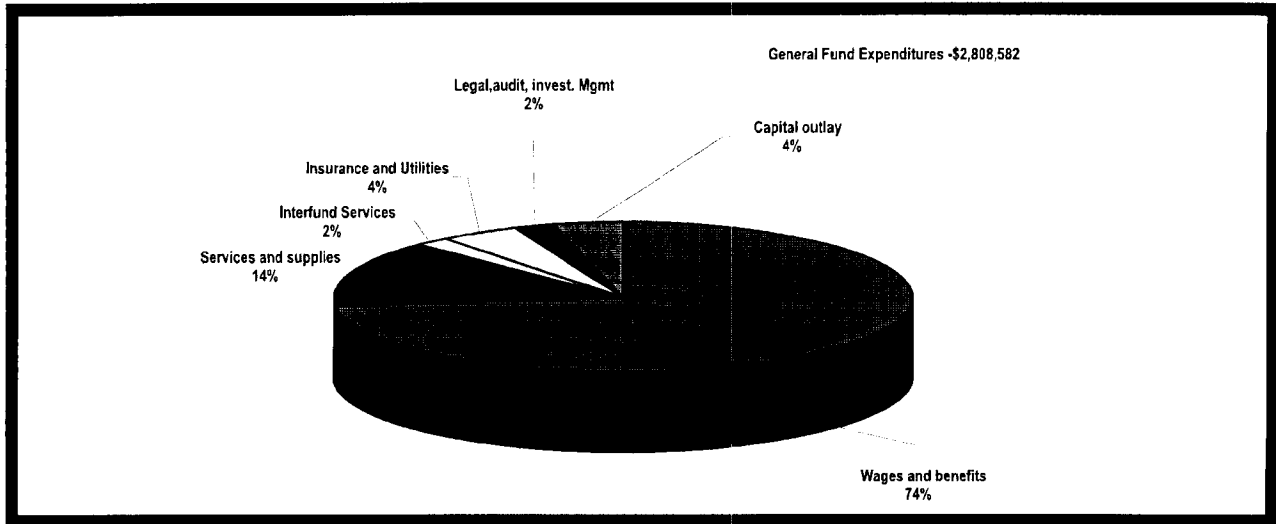
The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. *Governmental activities* expenses increased by \$242,242, largely due to the increase in salaries, wages, and payroll related benefits. This is a result of annual merit and cost of living increases. The District budgets every year for this increase. Service and supplies are up largely due to fuels management expense which was moved to General Fund this year.

Business-type expenses increased \$941,220 (3.8%) as compared to last year. This increase is largely due salaries, wage, and benefit expenses (42% of the increase). This is a result of annual merit and cost of living increases. The District budgets every year for this increase. Utility charges were up as well due to increased rates. Services and supplies, 25% of the total increase, increased largely due to increases in the cost of food and beverage operating supplies.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Salaries and wages	\$ 1,390,650	\$ 1,299,113	\$ 7,632,239	\$ 7,297,590	\$ 9,022,889	\$ 8,596,703
Employee benefits	665,320	612,481	2,721,892	2,664,771	3,387,212	3,277,252
Cost of Goods sold	-	-	1,128,624	1,112,056	1,128,624	1,112,056
Services and supplies	402,135	313,498	4,218,864	3,982,239	4,620,999	4,295,737
Interfund Services	55,958	67,010	1,273,163	1,266,730	1,329,121	1,333,740
Insurance	66,317	57,174	418,946	433,109	485,263	490,283
Capital Outlay / Depreciation	111,167	109,701	4,998,546	4,834,031	5,109,713	4,943,732
Utilities	54,764	52,363	2,416,002	2,268,165	2,470,766	2,320,528
Legal, Audit, Investment Mgmt	62,271	44,448	184,992	129,423	247,263	173,871
Nonoperating expenses	-	1,337	741,733	805,667	741,733	807,004
Total Expenses by type	\$ 2,808,582	\$ 2,557,125	\$ 25,735,001	\$ 24,793,781	\$ 28,543,583	\$ 27,350,906

Governmental Funds: The focus of the District's governmental funds is to provide information on current inflows, outflows, and balances of 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 balance increased \$200,000 taking the fund balance to \$615,774 compared to last year's ending balance of \$415,774. This budgeted increase was accomplished through Residual Fund Equity Transfers from Utility and Community Services funds. This increase was part of the financial plan to provide coverage in General Fund if an extraordinary event occurred.

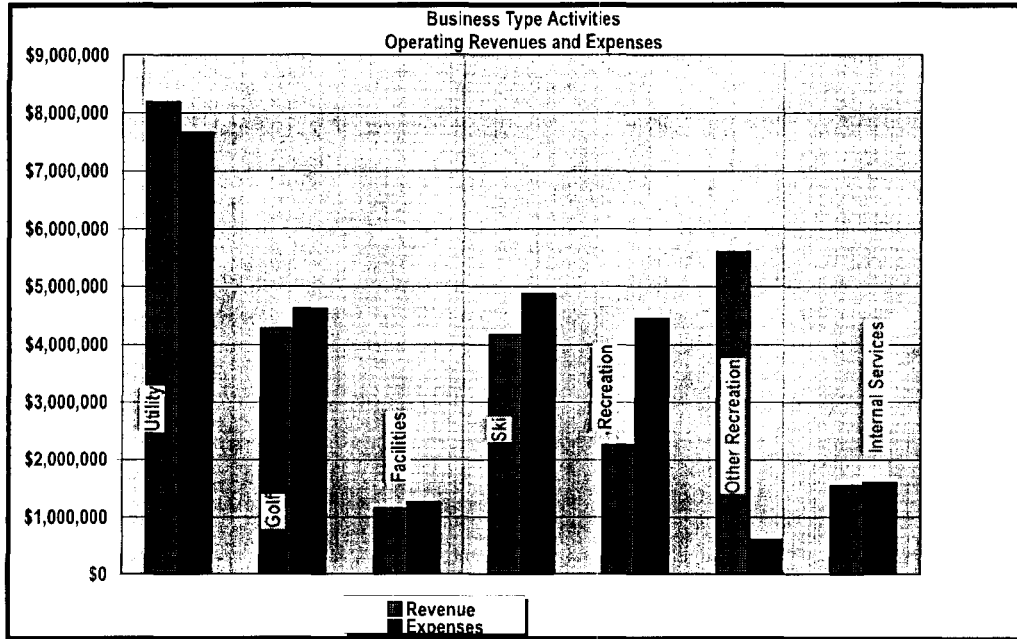


The General Fund balance sheet has \$3.5 million in cash, investments, and payments due from other governments to cover its current liabilities of \$2.9 million.

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 consists of the following individual funds and their services:

- Utility Fund
 - o Water
 - o Sewer
 - o Trash and Recycling
- Community Services
 - o Golf
 - o Facilities
 - o Ski
 - o Parks and Recreation
 - o Other Recreation
- Internal Services Fund
 - o Fleet
 - o Buildings
 - o Engineering

Overall, business-type activities net assets increased \$6,903,804 for the year for reasons outlined earlier.

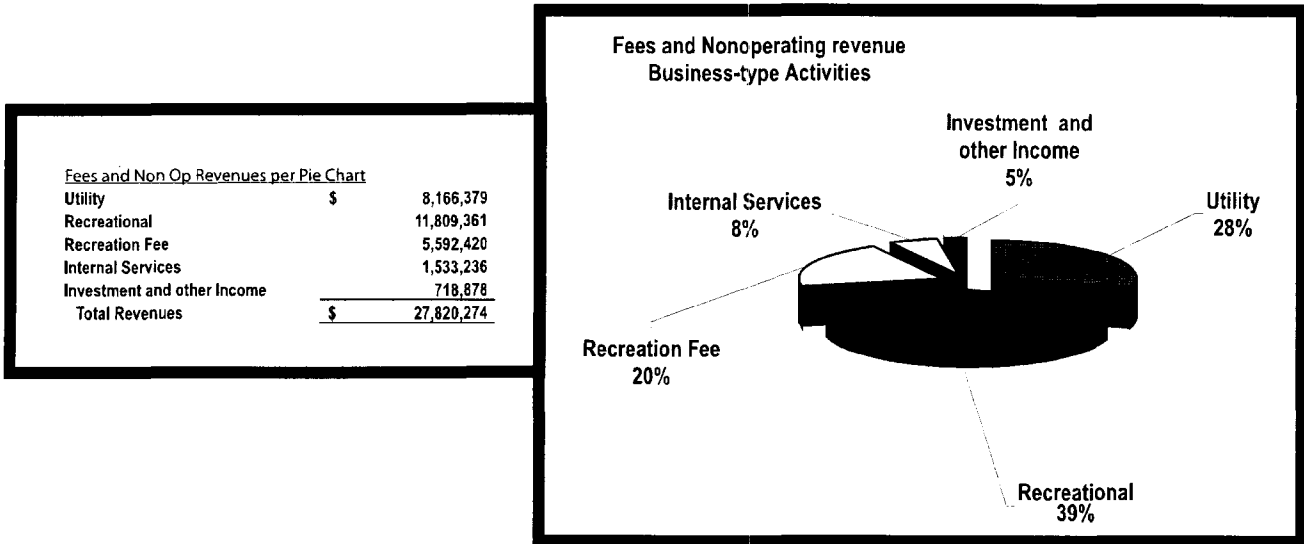


Business Type Activities as Depicted in Chart

	Revenue	Expenses	Operating Income (loss)
Utility	\$ 8,166,379	\$ 7,652,334	\$ 514,045
Golf	4,262,597	4,608,806	(346,209)
Facilities	1,133,253	1,241,802	(108,549)
Ski	4,162,950	4,859,383	(696,433)
Parks & Recreation	2,250,561	4,438,674	(2,188,113)
Other Recreation	5,592,420	596,715	4,995,705
Internal Services	1,533,236	1,595,554	(62,318)
Total	\$ 27,101,396	\$ 24,993,268	\$ 2,108,128

Revenue for the business type activities is directly related to service activities of a function and include charges for the business type activities representing 90% of total operating revenue. Revenues are up \$1,744,913 to last year in most of the business type activities except for ski and internal services. Weather was a key factor in ski's performance which resulted in lower than budgeted skier visits. Internal Service's revenue reduction is a result of reclassifying Workers Compensation to a governmental activity.

The following table and chart displays the revenue fees and non-operating revenues as a percentage of the total. Our recreational revenues are clearly leading the way at 39% of the total and, of all of the revenue streams, are the most volatile as they are subject to weather. The Recreation Fee is the most stable of all of our revenue streams and is used to support our Community Services venues (recreation activities). The amount of the Recreation Fee is determined each year and assessed annually through the tax bills.



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 2006-07 Budget.

Overall, General Fund expenditures performed better to budget by \$238,074 (8%). Wages and benefits are largely due to a partial vacancy. Service and supplies savings were in contract and professional services and travel and training. The capital outlay variance is attributable to holding off on the Best Management Practices project at the administration building and rolling the work into the next year.

	Actual	Budget	Variance	% Variance
73.2% Wages and benefits	\$ 2,055,970	\$ 2,090,587	\$ 34,617	2%
14.3% Services and supplies	402,135	490,039	87,904	18%
2.0% Interfund Services	55,958	55,195	(763)	-1%
2.4% Insurance	66,317	81,196	14,879	18%
1.9% Utilities	54,764	62,669	7,905	13%
0.1% Investment Management	1,458	1,500	42	3%
2.2% Legal and audit	60,813	85,904	25,091	29%
4.0% Capital outlay	111,167	179,604	68,437	38%
100.0%	\$ 2,808,582	\$ 3,046,694	\$ 238,112	8%

Capital Asset and Debt Administration

Capital Assets: The Incline Village General Improvement District's investment in capital assets net of related debt, for its governmental and business type activities, as of June 30, 2007, amounts to \$71,789,504 (net of accumulated depreciation). The investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and park facilities. Readers desiring more information, with respect to capital asset activity, should see footnote number 4 to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,558,039	\$ 2,558,039	\$ 7,353,458	\$ 7,353,458	\$ 9,911,497	\$ 9,911,497
Construction in Progress			4,510,571	11,219,000	4,510,571	11,219,000
Buildings and Improvements	207,486	161,043			207,486	161,043
Furniture and Fixtures	15,091	15,205			15,091	15,205
Information Technology	214,281	276,666			214,281	276,666
Water system plant and lines			21,778,853	21,639,634	21,778,853	21,639,634
Sewer system plant and lines			22,568,303	11,710,937	22,568,303	11,710,937
Utility equipment, furniture and fixtures			1,547,503	1,442,925	1,547,503	1,442,925
Community Services buildings and improvements			24,811,735	25,802,389	24,811,735	25,802,389
Community Service equipment, furniture and fixtures			8,214,897	8,195,540	8,214,897	8,195,540
Internal Services equipment, furniture and fixtures			213,008	451,325	213,008	451,325
Total	\$ 2,994,897	\$ 3,010,953	\$ 90,998,328	\$ 87,815,208	\$ 93,993,225	\$ 90,826,161

The major capital asset event during the fiscal year was the effluent pipeline project. This is a multi-year project with a target date of completion in 2010-11 and is projected to cost over \$20 million.

Long-term debt: At the end of the current fiscal year, the District had total bonded debt outstanding of \$22,203,721. Of that amount, \$19,028,381 comprises debt backed by the full faith and credit of the District. The remainder of the District debt, \$3,175,340 represents bonds secured solely by specified utility revenue sources (i.e., revenue bonds).

	Business-type Activities	
	2007	2006
General obligation bonds	\$ 19,028,381	\$ 19,594,172
Revenue Bonds	3,175,340	3,501,828
Total	\$ 22,203,721	\$ 23,096,000

The District made principal payments against its business-type debt of \$2,104,566 and took draws against new debt in the amount of \$1,212,287. As a result, debt decreased by \$892,279 or 3.9%.

On March 29, 2006, the District entered into a loan contract with the State of Nevada, Division of Environmental Protection to fund replacement of the effluent export line. The loan contract is for a maximum of \$3,000,000. The District had previously drawn \$1,787,713. The contract was closed on August 10, 2007 for the \$3,000,000 authorized. The loan is repayable over 20 years at an interest rate of 2.725%. The first payment is due January 1, 2008.

Readers desiring more information, with respect to the District's debt, should see footnote number 6 to the financial statements.

The District may borrow money and incur or assume indebtedness as provided in Nevada Revised Statutes, Chapter 318, Section 277, so long as the total of all such indebtedness (but excluding revenue bonds and special assessment bonds) does not exceed an amount equal to 50 percent of the total of the last assessed valuation of taxable property.

We continue to maintain our upgraded Moody's limited tax general obligation bond rating of Aa3 (as of January 21, 2004 when the District was upgraded to Aa3 from A2). The Aa3 rating 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.
- Resolution 1736, Business Relations and Financial Standards, which guides the Management Team on what venues are to have a positive net income or be considered for subsidy, is under review and will be updated.
- The revised Utility Rate structure is in effect beginning Fiscal Year 2006-07. The rate structure will be revised in the next 2008-09 budget cycle.
- Recreational rates increased overall based on market data and needs of the community.
- Personnel cost comprised 45% of current year expenses. The 2007-08 budgets for wages and salaries were adjusted 3.5% to reflect cost of living and at-risk merit adjustments. Health benefits were adjusted up by 5%.
- Employee Retention – retaining employees is key to the success of the District. With the projected shrinking labor force in the next five years, the District has formed an Employee Focus Group, made up of District employees and a member of the Board of Trustees, that is focused upon retention and recruiting strategies for the future.
- The District is pursuing becoming a part of the Public Employees Retirement System (PERS) which is a defined benefit plan for its non-union employees. The outcome is still uncertain.
- Construction on the \$900,000 Parks Building will begin in 2007-08.
- Planning for revamping the aging ski buildings at our ski resort is to be put forth to the Board of Trustees for consideration. If approved, bonding for the ski capital project is highly likely.
- Construction on the effluent pipeline will continue in 2007-08.

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, Director Finance, Accounting and Information Technology, 893 Southwood Boulevard, Incline Village, Nevada, 89451. This report will also be available on the District's website at www.ivgid.org.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 996,445	\$ 42,250	\$ 1,038,695
Investments	2,825,588	11,558,404	14,383,992
Receivables:			
Accounts receivable, net	371	2,069,455	2,069,826
Interest on investments	9,474	70,468	79,942
Grant receivable	-	2,178,650	2,178,650
Due from other governments	501,282	-	501,282
Inventories and supplies	-	624,712	624,712
Prepaid items	63,987	183,710	247,697
Deposits	32,472	639,766	672,238
Deferred charges	-	325,925	325,925
Long term investments	-	537,349	537,349
Restricted assets:			
Temporarily restricted cash and cash equivalents	-	242,993	242,993
Capital assets:			
Land	2,558,039	7,353,458	9,911,497
Construction in progress	-	4,510,571	4,510,571
Other assets, net of accumulated depreciation	436,858	79,134,299	79,571,157
Total assets	<u>7,424,516</u>	<u>109,472,010</u>	<u>116,896,526</u>
LIABILITIES			
Accounts payable	1,867,956	30,840	1,898,796
Accrued personnel costs	1,596,695	10,366	1,607,061
Accrued interest payable	-	211,537	211,537
Deferred revenue	-	696,729	696,729
Refundable deposits	-	47,674	47,674
Noncurrent liabilities			
Due within one year	-	2,041,943	2,041,943
Due in more than one year	-	20,161,778	20,161,778
Total liabilities	<u>3,464,651</u>	<u>23,200,867</u>	<u>26,665,518</u>
NET ASSETS			
Investment in capital assets, net of related debt	2,994,897	68,794,607	71,789,504
Restricted for debt service	-	242,993	242,993
Unrestricted	964,968	17,233,543	18,198,511
Total net assets	<u>\$ 3,959,865</u>	<u>\$ 86,271,143</u>	<u>\$ 90,231,008</u>

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 2,824,638	\$ -	\$ -	\$ (2,824,638)	\$ -	\$ (2,824,638)
Internal Services	689,216	264,526	-	(424,690)	-	(424,690)
Total governmental activities	<u>3,513,854</u>	<u>264,526</u>	<u>-</u>	<u>(3,249,328)</u>	<u>-</u>	<u>(3,249,328)</u>
Business-type activities:						
Utilities	7,931,932	8,166,379	-	-	234,447	234,447
Recreation	16,207,515	11,611,499	5,809,924	-	1,213,908	1,213,908
Internal Services	1,595,554	1,533,236	-	-	(62,318)	(62,318)
Total business-type activities	<u>25,735,001</u>	<u>21,311,114</u>	<u>5,809,924</u>	<u>-</u>	<u>1,386,037</u>	<u>1,386,037</u>
Total primary government	<u>\$ 29,248,855</u>	<u>\$ 21,575,640</u>	<u>\$ 5,809,924</u>	<u>(3,249,328)</u>	<u>1,386,037</u>	<u>(1,863,291)</u>
General revenues:						
Property taxes				1,017,055	-	1,017,055
Combined taxes				1,572,497	-	1,572,497
Unrestricted investment earnings				68,108	718,878	786,986
Gain on disposal of capital assets				-	63,581	63,581
Miscellaneous revenues				5,806	-	5,806
Capital contributions, grants and connections				-	5,854,308	5,854,308
Reclassify Workers Comp Fund as governmental				729,678	(729,678)	-
Residual Fund Equity transfers				389,322	(389,322)	-
Total general revenues and transfers				<u>3,782,466</u>	<u>5,517,767</u>	<u>9,300,233</u>
Change in net assets				533,138	6,903,804	7,436,942
Net assets - beginning				3,426,727	79,367,339	82,794,066
Net assets - ending				<u>\$ 3,959,865</u>	<u>\$ 86,271,143</u>	<u>\$ 90,231,008</u>

The notes to the financial statements are an integral part of this statement.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	<u>GENERAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS		
Cash and cash equivalents	\$ 996,445	\$ 996,445
Investments	1,913,398	1,913,398
Accounts receivable	371	371
Interest receivable on investments	6,470	6,470
Due from other governments	501,282	501,282
Prepaid items	63,987	63,987
Deposits	<u>32,472</u>	<u>32,472</u>
Total assets	<u>\$ 3,514,425</u>	<u>\$ 3,514,425</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 1,867,956	\$ 1,867,956
Accrued personnel costs	<u>1,030,695</u>	<u>1,030,695</u>
Total liabilities	<u>2,898,651</u>	<u>2,898,651</u>
Fund balance		
Designated for prepaid items	63,987	63,987
Unreserved	<u>551,787</u>	<u>551,787</u>
Total fund balance	<u>615,774</u>	<u>615,774</u>
Total liabilities and fund balance	<u>\$ 3,514,425</u>	
Amounts reported for governmental activities in the statement of net assets are different because:		
Internal Service Fund providing governmental type activities - Workers Compensation coverage		349,194
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		<u>2,994,897</u>
Net assets of governmental activities		<u>\$ 3,959,865</u>

The notes to the financial statements are an integral part of this statement.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	GENERAL	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Ad valorem taxes	\$ 1,017,055	\$ 1,017,055
Intergovernmental:		
Consolidated tax	1,321,552	1,321,552
Other taxes	250,945	250,945
Investment income	23,902	23,902
Miscellaneous	5,806	5,806
Total revenues	2,619,260	2,619,260
EXPENDITURES		
Current:		
Manager	354,495	354,495
Trustees	103,470	103,470
Accounting	681,988	681,988
Information Services	567,349	567,349
Risk Management	122,922	122,922
Human Resources	388,549	388,549
Community & Employee Relations	90,396	90,396
Administration	388,246	388,246
Capital Outlay	111,167	111,167
Total expenditures	2,808,582	2,808,582
Excess (deficiency) of revenues over expenditures	(189,322)	(189,322)
OTHER FINANCING SOURCES:		
Transfer from Utility Fund	194,662	194,662
Transfer from Recreation Fund	194,660	194,660
Total other financing sources	389,322	389,322
Net change in fund balance	200,000	200,000
Fund balance, July 1	415,774	
Fund balance, June 30	\$ 615,774	
Amounts reported for governmental activities in the statement of activities are different because:		
Add back decrease in Workers Compensation net assets		349,194
Depreciation on governmental capital assets		(127,221)
Governmental capital outlay		111,165
Change in net assets of governmental activities		\$ 533,138

The notes to the financial statements are an integral part of this statement.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2007**

	Enterprise Funds		Internal	Total	Total
	Utility Fund	Community Services Fund	Service Fund	Business-Type Activities	Governmental- Type Activities
			Fleet Maintenance		Internal Service Fund Workers Compensation
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 800	\$ 41,450	\$ -	\$ 42,250	\$ -
Investments	7,321,188	3,436,400	800,816	11,558,404	912,190
Accounts receivable (net of allowance for doubtful accounts of \$20,091)	2,020,395	49,060	-	2,069,455	-
Grants receivable	2,178,650	-	-	2,178,650	-
Interest receivable	51,394	16,490	2,584	70,468	3,004
Prepaid expenses	-	183,710	-	183,710	-
Inventories	156,964	407,341	60,407	624,712	-
Total current assets	11,729,391	4,134,451	863,807	16,727,649	915,194
Noncurrent assets:					
Restricted for debt service reserve	242,993	-	-	242,993	-
Deposits	285,971	353,795	-	639,766	-
Deferred bond issuance costs, net	105,714	220,211	-	325,925	-
Long-term investments	-	537,349	-	537,349	-
	634,678	1,111,355	-	1,746,033	-
Capital Assets					
Land	4,007,565	3,345,893	-	7,353,458	-
Construction in progress	4,287,098	215,986	7,487	4,510,571	-
Water system plant and lines	40,487,470	-	-	40,487,470	-
Sewer system plant and lines	48,154,988	-	-	48,154,988	-
Buildings and structures	-	40,117,738	-	40,117,738	-
Equipment, furniture and fixtures	3,422,237	22,375,741	1,165,537	26,963,515	-
Total capital assets	100,359,358	66,055,358	1,173,024	167,587,740	-
Less: accumulated depreciation	(46,170,036)	(29,466,847)	(952,529)	(76,589,412)	-
Total capital assets (net)	54,189,322	36,588,511	220,495	90,998,328	-
Total noncurrent assets	54,824,000	37,699,866	220,495	92,744,361	-
Total assets	66,553,391	41,834,317	1,084,302	109,472,010	915,194
LIABILITIES					
Current liabilities:					
Accounts payable	14,241	16,599	-	30,840	-
Accrued interest payable	109,218	102,319	-	211,537	-
Accrued personnel costs	10,366	-	-	10,366	566,000
Deferred revenue	261,999	434,730	-	696,729	-
Refundable deposits	47,674	-	-	47,674	-
Current maturities of long-term debt	676,943	1,365,000	-	2,041,943	-
Total current liabilities	1,120,441	1,918,648	-	3,039,089	566,000
Noncurrent long term debt	8,451,778	11,710,000	-	20,161,778	-
Total liabilities	9,572,219	13,628,648	-	23,200,867	566,000
NET ASSETS					
Invested in capital assets, net of related debt	45,060,601	23,513,511	220,495	68,794,607	-
Restricted for debt service	242,993	-	-	242,993	-
Unrestricted	11,677,578	4,692,158	863,807	17,233,543	349,194
Total net assets	\$ 56,981,172	\$ 28,205,669	\$ 1,084,302	\$ 86,271,143	\$ 349,194

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Enterprise Funds		Internal Service Fund	Total Business-Type Activities	Total Governmental - Type Activities
	Utility Fund	Community Services Fund	Fleet Maintenance		Internal Service Fund Workers Compensation
OPERATING REVENUES					
Sales and fees	\$ 8,166,379	\$ 11,611,499	\$ -	\$ 19,777,878	\$ -
Recreation charge assessments	-	5,592,317	-	5,592,317	-
Intergovernmental - county grants	-	217,607	-	217,607	-
Interfund services	-	-	1,533,236	1,533,236	264,526
Total operating revenues	<u>8,166,379</u>	<u>17,421,423</u>	<u>1,533,236</u>	<u>27,121,038</u>	<u>264,526</u>
OPERATING EXPENSES					
Wages and benefits	2,478,192	6,789,500	1,086,439	10,354,131	613,889
Cost of goods sold	-	1,128,624	-	1,128,624	-
Services and supplies	878,352	2,923,981	416,531	4,218,864	19,062
Interfund services	332,937	929,140	11,086	1,273,163	-
Insurance	93,463	307,632	17,851	418,946	56,265
Utilities	1,279,639	1,130,847	5,516	2,416,002	-
Legal and audit	131,259	53,733	-	184,992	-
Depreciation	2,458,492	2,481,923	58,131	4,998,546	-
Total operating expenses	<u>7,652,334</u>	<u>15,745,380</u>	<u>1,595,554</u>	<u>24,993,268</u>	<u>689,216</u>
Operating income (loss)	<u>514,045</u>	<u>1,676,043</u>	<u>(62,318)</u>	<u>2,127,770</u>	<u>(424,690)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	432,982	250,340	35,556	718,878	44,206
Gain on disposal of assets	30,800	32,710	71	63,581	-
Interest on bond debt	(258,407)	(433,198)	-	(691,605)	-
Amortization issuance costs	(9,589)	(22,659)	-	(32,248)	-
Investment advisor fees	(11,602)	(6,278)	-	(17,880)	-
Total nonoperating revenue (expense)	<u>184,184</u>	<u>(179,085)</u>	<u>35,627</u>	<u>40,726</u>	<u>44,206</u>
Income (loss) before transfers and contributions	<u>698,229</u>	<u>1,496,958</u>	<u>(26,691)</u>	<u>2,168,496</u>	<u>(380,484)</u>
Capital contributions	5,854,308	-	-	5,854,308	-
Transfer to General Fund	(194,662)	(194,660)	-	(389,322)	-
Reclassify Workers Compensation to governmental	-	-	(729,678)	(729,678)	729,678
Change in net assets	6,357,875	1,302,298	(756,369)	6,903,804	349,194
Total net assets, July 1	<u>50,623,297</u>	<u>26,903,371</u>	<u>1,840,671</u>	<u>79,367,339</u>	<u>-</u>
Total net assets, June 30	<u>\$ 56,981,172</u>	<u>\$ 28,205,669</u>	<u>\$ 1,084,302</u>	<u>\$ 86,271,143</u>	<u>\$ 349,194</u>

The notes to the financial statements are an integral part of this statement.

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds		Internal Service	Total Business-Type	Internal Service
	Utility Fund	Recreation Fund	Fleet Maintenance	Activities	Workers Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,129,209	\$ 17,631,266	\$ -	\$ 25,760,475	\$ -
Receipts from interfund services provided	-	-	1,533,236	1,533,236	264,526
Payments to suppliers	(2,388,803)	(5,685,005)	(452,836)	(8,526,644)	(75,327)
Payments to employees	(2,467,826)	(6,789,500)	(1,086,439)	(10,343,765)	(74,532)
Payments for interfund services used	(332,937)	(929,340)	(11,086)	(1,273,163)	-
Net cash provided (used) by operating activities	2,939,643	4,227,621	(17,125)	7,150,139	114,667
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to general fund	(194,662)	(194,660)	-	(389,322)	-
Net cash (used) by non-capital financing activities	(194,662)	(194,660)	-	(389,322)	-
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(6,860,782)	(1,498,795)	177,910	(8,181,667)	-
Proceeds from sale of assets	30,800	32,710	-	63,510	-
Proceeds from capital debt	1,212,287	-	-	1,212,287	-
Payments on capital debt	(589,566)	(1,515,000)	-	(2,104,566)	-
Capital contributions	7,051,885	72,390	-	7,124,275	-
Interest expense	(241,675)	(484,975)	-	(726,650)	-
Net cash provided (used) by capital and related financing activities	602,949	(3,393,670)	177,910	(2,612,811)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Other deposits	16,000	7,270	71	23,341	-
Long-term investments purchased	(7,351,181)	(3,973,749)	(800,816)	(12,125,746)	(912,190)
Long-term investments sold	1,067,000	599,000	-	1,666,000	177,000
Investment earnings	417,471	244,164	34,838	696,473	43,422
Investment advisor fees	(11,602)	(6,278)	-	(17,880)	-
Net cash (used) by investing activities	(5,862,312)	(3,129,593)	(765,907)	(9,757,812)	(691,768)
Net (decrease) in cash and cash equivalents	(2,514,382)	(2,490,302)	(605,122)	(5,609,806)	(577,101)
Cash and cash equivalents, July 1	2,515,182	2,531,752	605,122	5,652,056	577,101
Cash and cash equivalents, June 30	\$ 800	\$ 41,450	\$ -	\$ 42,250	\$ -

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Utility Fund	Recreation Fund	Internal Service Fleet Maintenance	Total Business-Type Activities	Internal Service Workman's Compensation
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 514,045	\$ 1,676,043	\$ (62,318)	\$ 2,127,770	\$ (424,690)
Non-cash adjustments -					
Depreciation	2,458,492	2,481,923	58,131	4,998,546	-
Increase (decrease) in cash from changes in:					
Accounts receivable	159,083	163,397	-	322,480	-
Prepaid expenses	-	(144,201)	-	(144,201)	-
Inventory	(2,322)	(11,045)	(12,938)	(26,305)	-
Accounts payable	6,598	15,058	-	21,656	539,357
Deferred revenue and customer deposits	(196,253)	46,446	-	(149,807)	-
Total adjustments	2,425,598	2,551,578	45,193	5,022,369	539,357
Net cash provided by operating activities	<u>\$ 2,939,643</u>	<u>\$ 4,227,621</u>	<u>\$ (17,125)</u>	<u>\$ 7,150,139</u>	<u>\$ 114,667</u>

The notes to the financial statements are an integral part of this statement.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

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INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

1. SUMMARY OF ACCOUNTING POLICIES

A. Reporting Entity

The Incline Village General Improvement District (the "District") operates under provisions of the Nevada Revised Statutes (NRS), Chapter 318. Under the law, this General Improvement District has been granted authority by Washoe County 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 unincorporated rural areas of Incline Village and Crystal Bay, Washoe County, Nevada are within these boundaries.

The District is 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. Government-wide 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 activities of the District.

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 demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who receive a direct benefit from goods or services. Grants and contributions are restricted to meeting the operational or capital requirements of a function. General revenues reflect items that are not included as either program revenue or grants and contributions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and grants.

The financial transactions of the District are reported in individual purpose based 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. Major funds for each fund type are presented as separate columns in the fund financial statements.

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.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the close of the fiscal period. Expenditures are generally recorded when the liability is incurred as under the accrual method of accounting.

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. Operating expenses include the cost of sales and services, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Proprietary funds utilize the accrual basis of accounting.

The District's internal services are presented in the proprietary fund's financial statements. The principal users of the Fleet and Maintenance 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 other internal service relates to providing a self-insured reserve for Workmen's Compensation benefits. The entire District utilizes this reserve and it is not allocated specifically to each activity. Therefore, it is considered a governmental activity for 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.

Proprietary Funds -

Enterprise Funds - The Enterprise Funds are used to account for operations of the District's Community Services and Utility Departments. The District has adopted Resolution 1736 which identifies those operations which are expected to breakeven versus those that receive a subsidy through the District's tax or fee authority. Breakeven operations are financed and operated in a manner 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. Operations receiving a subsidy include where the governing body has decided that periodic determination of revenues earned, expenses incurred, require additional revenues for appropriate capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - An 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. The District provides Fleet and Maintenance Services which includes repair and maintenance of the District's vehicles and equipment, engineering services, and buildings maintenance. The District has established a Worker's Compensation Fund that provides a self-insured reserve for benefits.

D. Budgets and Budgetary Accounting

The District adheres to the Local Government Budget Act incorporated within Chapter 354 of the Nevada Revised Statutes, which includes the following major procedures to establish the budgetary data reflected in these financial statements.

1. On or before April 15, 2006, 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 2006. On May 18, 2006, at a public hearing, the Board adopted a final budget. On or before June 1, 2006 the final 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 type budgets are adopted on a modified accrual basis and the proprietary funds types budgets are adopted on an accrual basis. The District can amend or augment the budget after following State Statutes and public hearing procedures. The District did not augment its budget during the 2007 fiscal year.

3. The legal level of budgetary control is at the fund level for the General Fund. 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 consideration of cash expenditures.

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 that are held for routine expenditures.

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 as of the reporting date.

F. Receivables

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.

Accounts receivable reflects service charges to customers and resident fees that are earned but not collected. An allowance for doubtful accounts of \$20,091 has been made for the estimated portion of outstanding charges that may not be received.

The District has been granted resources to finance the construction of a sewer service line. These funds are earned when requisite construction costs are incurred. The District has recognized funds earned but not collected by a Grant Receivable.

G. Deposits

The District has made several deposits with other agencies in connection with performance under construction and service operations.

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 includes land, buildings, machinery and equipment, are reported in the applicable governmental or business-type activities column 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 (all categories except land) is charged as an expense against each fund's operation. The District's policy is to capitalize assets with a normal useful life in excess of two years.

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 District's administrative office. The computers represent equipment of the Information Technology (IT) department that services the needs of the entire District. These assets are presented as a part of government-wide net assets.

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	\$5,000
Vehicles	10 years	\$5,000
Buildings and structures	30 - 40 years	\$10,000
Land Improvements	50 years	\$10,000

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 and Accrued Personnel Costs

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 each Fund with an expenditure or charge to the appropriate fund and activity.

Under the District Personnel Policy payroll earned as of month end is paid on the 5th day of the following month.

The District has adopted a Risk Management Program that includes a self-insurance retention reserve for providing Workman's Compensation benefits.

The District has adopted a plan under which retirees can roll unused vacation pay to pay for medical expenses after retirement.

L. Long-Term Debt

In the government-wide financial statement, and proprietary fund financial statements, long term debts are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized using the straight-line method. Bonds payable are reported net of applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. Fund Equity

In the fund financial statements, governmental fund reservations of fund balance are for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

N. 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.

O. Reclassifications

The Fund Balance for Workman's Compensation as of June 30, 2006 has been reclassified as a governmental type activity.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The major portion of the District's investments are managed by two investment managers with Wells Fargo Bank as custodian, 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 external 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, 2007. The fair value of the District's position in the investment pool is the same as the value of the pool shares.

As of June 30, 2007 the District had the following investments.

Investments	Maturities	S&P Rating	Fair Value
Federal Home Loan Bank	12/17/07	AAA	\$ 496,250
FNMA	12/04/07	AAA	978,200
FHLB	01/11/08	AAA	997,810
U.S. Treasury Notes	5/15/08		1,469,532
FHLB	06/25/08	AAA	999,690
US Treasury Zero Coupon	02/15/10		537,349
US Government Money Market	1 to 3 years	AAAm	<u>2,081,453</u>
Total Wells Fargo custodial account funds			<u>7,560,284</u>
Nevada Treasurer's Local Government Investment Pool		Not Rated	
General Account	72 days		7,361,057
EPA SRF Reserve Account	72 days		242,993

Interest Rate Risk - To the extent possible, the maturities of securities held within District portfolios shall be closely matched to the District's cash flow requirements for day to day operations, planned capital projects and unknown future contingencies.

Credit Risk - 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.

Custodial Credit Risk - 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 investment securities of the District other than the Nevada Treasurer's Local Government Investment Pool are uninsured and registered in the name of the custodian, Wells Fargo Bank, for the benefit of the District.

3. RESTRICTED ASSETS

The assets of the EPA State Revolving Fund (SRF) Reserve account may be used only to service the Nevada SRF Sewer Bond of 2002. These restricted assets are pledged to provide a measure of security for the Nevada State Water Pollution Control Revolving Fund..

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions & Reclassification	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,558,039	\$ -	\$ -	\$ 2,558,039
Other capital assets:				
Buildings and Improvements	842,789	79,677	-	922,466
Furniture and Fixtures	130,321	21,374	-	151,695
Information Technology	1,904,991	24,809	-	1,929,800
Total other capital assets at historical cost	2,878,101	125,860	-	3,003,961
Accumulated Depreciation for:				
Buildings and Improvements	681,746	33,234	-	714,980
Furniture and Fixtures	115,116	6,793	(14,695)	136,604
Information Technology	1,628,325	87,194	-	1,715,519
Total Accumulated Depreciation	2,425,187	127,221	(14,695)	2,567,103
Other capital assets, net	452,914	(1,361)	14,695	436,858
Governmental Activities Capital Assets, net	\$ 3,010,953	\$ (1,361)	\$ 14,695	\$ 2,994,897
Business Type Activities				
Capital assets not being depreciated:				
Land	\$ 7,353,458	\$ -	\$ -	\$ 7,353,458
Construction in Progress	11,219,000	8,180,398	14,888,827	4,510,571
Total	18,572,458	8,180,398	14,888,827	11,864,029
Other capital assets:				
Water system plant and lines	39,327,424	1,160,046	-	40,487,470
Sewer system plant and lines	36,164,807	11,990,181	-	48,154,988
Utility equipment, furniture and fixtures	2,928,698	-	(493,539)	3,422,237
Community Services buildings and improvements	39,711,403	407,700	1,365	40,117,738
Community Service equipment, furniture and fixtures	21,354,410	2,108,876	1,087,545	22,375,741
Internal Services equipment, furniture and fixtures	1,686,123	-	520,586	1,165,537
Total other capital assets at historical cost	141,172,865	15,666,803	1,115,957	155,723,711
Accumulated Depreciation				
Water System plant and lines	17,687,790	1,020,827	-	18,708,617
Sewer system plant and lines	24,453,870	1,132,815	-	25,586,685
Utility equipment, furniture and fixtures	1,485,773	304,850	(84,111)	1,874,734
Community Services buildings and improvements	13,909,014	1,398,354	1,365	15,306,003
Community Services equipment, furniture and fixtures	13,158,870	1,083,569	81,595	14,160,844
Internal Services equipment, furniture and fixtures	1,234,798	58,131	340,400	952,529
Total Accumulated Depreciation	71,930,115	4,998,546	339,249	76,589,412
Other capital assets, net	69,242,750	10,668,257	776,708	79,134,299
Business Type Activities Capital Assets, net	\$ 87,815,208	\$ 18,848,655	\$ 15,665,535	\$ 90,998,328

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 127,221
Business-Type Activities:	
Utility Fund Water and Sewer	\$ 2,458,492
Recreation Facilities	2,481,923
Fleet and Maintenance	58,131
Total	\$ 4,998,546

5. EMPLOYER COMPENSATION LIABILITIES

As a regular course of operations the payroll from June 30 is paid the following July 5th. The employee benefits earned through June 30 are also funded in the following month. At any given point the District has an obligation to its employees for the value of vacation time earned and not taken. The obligation is measured by the value due if the employee terminated. The District allows retiring employees with years of service in excess of 20 and that have accrued sick leave to have it converted to Medical Retiree Benefit for reimbursing post employment health related costs.

As of June 30, 2007 the Employer Compensation Liabilities were comprised of:

Accrued Payroll	\$ 561,050
Accrued Benefits	113,242
Workers Comp	566,000
Accrued Vacation	356,403
Medical Retiree Benefit	<u>10,366</u>
Total	<u>\$1,607,061</u>

The District initiated an alternative for health insurance where part of the District's portion of paid premiums could be set aside in a reimbursement account in exchange for the insured accepting a higher deductible. The Plan is administered by the health insurance carrier, who bills the District when reimbursements are made. There is approximately \$27,000 in unfunded past service costs under the plan.

6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	New Issues	Principal Paid	Ending Balance	Due Within One Year
Business Type Activities:					
Bonds Payable;					
General Obligation Bonds	\$ 19,594,172	\$ 1,212,287	\$ 1,778,078	\$ 19,028,381	\$ 1,365,000
Revenue Bonds	3,501,828	-	326,488	3,175,340	676,943
Total	<u>\$ 23,096,000</u>	<u>\$ 1,212,287</u>	<u>\$ 2,104,566</u>	<u>\$ 22,203,721</u>	<u>\$ 2,041,943</u>

On March 29, 2006 the District entered into a loan contract with the State of Nevada Division of Environmental Protection to fund replacement of the sewage export line. The loan contract is for a maximum of \$3,000,000. The loan was closed on August 10, 2007. The loan is repayable over 20 years after completion of the project including interest at 2.725%.

The following schedule reflects debt service requirements as of June 30, 2007:

Fiscal Year Ending June 30,	Debt Supported By Utility Fund Revenues		Debt Supported By Recreation Fund Revenue	
	Principal	Interest	Principal	Interest
	2008	\$676,943	\$240,221	\$1,365,000
2009	762,449	260,877	1,400,000	396,257
2010	791,569	234,877	1,420,000	374,989
2011	816,371	208,044	1,480,000	317,131
2012	841,885	179,940	1,220,000	275,631
2013~2017	2,050,695	611,939	3,915,000	800,004
2018~2022	1,907,381	341,429	1,845,000	321,863
2023~2026	1,281,428	75,062	430,000	10,213
	<u>\$9,128,721</u>	<u>\$2,152,389</u>	<u>\$13,075,000</u>	<u>\$2,926,544</u>

Bonds and notes outstanding as of June 30, 2007 are as follows

General Obligation Bonds	Issue Date	Final Maturity Date	Interest Rate	Authorized and Issued	Outstanding	2007/08 Principal
Utility Water Bonds of 2003	3/1/2003	6/1/2013	2.00%-3.50%	\$2,130,000	\$1,360,000	\$210,000
Utility Water Bonds of 2004	9/9/2004	7/1/2024	3.08%	1,687,282	1,593,381	65,037
Utility Sewer Bonds of 2006	3/29/2006	1/1/2026	2.73%	3,000,000	3,000,000	62,893
Recreation Refunding Bonds of 2004	2/1/2004	10/1/2014	2.00%-3.25%	4,445,000	3,860,000	405,000
Recreation Golf Imp. Bonds of 2003	3/1/2003	3/1/2013	2.80%-3.60%	5,500,000	3,820,000	585,000
Recreation Facilities Imp. Bonds of 2002	9/1/2002	9/1/2022	2.50%-4.75%	6,205,000	4,925,000	215,000
Recreation Facilities Imp. Bonds of 1999	10/1/1999	10/1/2019	4.50%-5.60%	3,500,000	470,000	160,000
Total General Obligation Bonds					19,028,381	1,702,930
Nevada SRF Sewer Revenue Bond of 2002	11/1/2002	7/1/2022	3.14%	1,720,380	1,607,007	78,671
Contract Payable, State of Nevada (Utility)	10/29/1992	7/1/2012	4.00%	3,925,398	1,568,333	260,342
					<u>\$22,203,721</u>	<u>\$2,041,943</u>

7. CAPITAL GRANTS

The District received \$5,445,326 of capital grants for the Mill Creek Restoration and the sewage export line replacement and \$408,982 in connection fees.

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. DISTRICT 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 to:</u>		
	<u>Section 457</u>	<u>Defined Contribution</u>	<u>Operating Engineers</u>
2007	\$161,779	\$514,234	\$61,868
2006	128,876	456,599	79,870
2005	87,946	504,277	80,852

10. SCHEDULE OF INSURANCE COVERAGE AND RISK MANAGEMENT

The District's insurance coverage on June 30, 2007 consists of the following:

<u>Type</u>	<u>Carrier/Provider</u>	<u>Amount</u>
Property Liability (1)	Lloyds of London	\$300,000,000
Auto Liability	County Risk Limited	10,000,000
Ski Resort Liability	Markel Insurance Co.	7,000,000
Boiler & Machinery	Boiler Re	60,000,000
Public Officials & Employees	County Risk Limited	10,000,000
General Liability	County Risk Limited	10,000,000
Workers Comp Excess	Midwest Employers Casualty	1,000,000
(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:

Underwriters at Lloyds (Property) / County Risk Limited 9CRL) & Munich American Reinsurance Partners (Liability) / Boiler Re (Boiler & Machinery).

A portion of each member's premium contributions to the Pool goes into the Loss Fund and the remainder pays for the excess 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 \$500,000 (\$200,000 property) per occurrence, less the member's maintenance deductible. Excess insurance above the Pool's self-funded amount, is provided by CRL for liability and Underwriters at Lloyds for property. The District has elected to self insure for all property damages to the ski lifts and auto fleet.

There were no settlements in excess of insurance coverage in any of the three prior fiscal years.

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 less the District's deductible. The insurers for this program are Markel Insurance Co.

Worker's Compensation Excess Insurance is also not covered by the Nevada Public Agency Insurance Pool. Excess Coverage is provided by a separate program provided by Midwest Employers Casualty Company less the District's self-insured retention.

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 claims. These payments are determined approximate to premiums paid to independent insurers.

For fiscal year ended June 30, 2007, the Risk Management Program billed other District funds a total of \$264,256. The claims cost incurred totaled \$74,532. The District paid \$56,265 for excess claims coverage. The District has designated all of the excess accumulated billings to fund future and accumulated self-insured retention requirements. Estimates of self-insured retention for claims liability existing on June 30, 2007 totaled \$566,000.

A complete actuarial determination of fund liabilities is completed periodically. Future claim liabilities are adjusted to reflect a report dated April 4, 2007. The general provision of \$539,537 was made during the year ended June 30, 2007 to reflect the affects of that determination. The last determination was performed May 2004. Since that time the District increased its self-insured retention (SIR) level from \$250,000 to \$1 million. Approximately \$215,000 of the general provision is calculated specifically for the year ended June 30, 2007 under the new SIR levels.

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

	Beginning Claims <u>Liability</u>	Claims Made	Claims Payments	General Provision	Ending Claims Liability
June 30, 2007	\$26,643	\$74,532	\$ 74,532	\$539,357	\$566,000
June 30, 2006	11,864	93,148	78,369	-	26,643
June 30, 2005	85,936	59,254	133,326	-	11,864

11. 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.

12. TRANSFERS

Each year the District makes transfers between its General Fund and the Enterprise Funds in an amount equal to the excess or deficiency of revenues over expenditures of the General Fund. The purpose of this transfer is to maintain the General Funds' fund balance at a sufficient level to support operations from year to year.

13. MINIMUM FUTURE LEASE OBLIGATIONS

The Board of Trustees awards golf cart leases for the fiscal year ending June 30, 2008, and after, on April 11, 2007. These leases provide a fleet to each golf course operation. The following is a recap of each lease and its terms:

	Lease/Purchase <u>58 Gas Carts</u>	Lease for Use <u>80 Electric Carts</u>
Future Minimum Payments FYE :		
June 30, 2008	\$ 35,523	\$62,800
June 30, 2009	35,523	62,800
June 30, 2010	35,523	62,800
June 30, 2011	<u>125,513</u>	<u>62,800</u>
Total	<u>\$232,082</u>	<u>\$251,200</u>

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Incline Village General Improvement District
893 Southwood Boulevard
Incline Village, Nevada 89451

\$7,000,000

**Incline Village General Improvement District, Nevada
General Obligation (Limited Tax)
Medium-Term Recreation Bonds
Series 2008**

Ladies and Gentleman:

We have acted as bond counsel to the Incline Village General Improvement District, Nevada (herein the "District" and the "State," respectively) in connection with the issuance of bonds designated as the Incline Village General Improvement District, Nevada, General Obligation (Limited Tax) Medium-Term Recreation Bonds, Series 2008 (the "Bonds"), pursuant to an authorizing resolution adopted and approved by the Board of Trustees of the District on May 28, 2008 (the "Bond Resolution"). In such capacity, we have examined the District's certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the District's certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding limited tax general obligations of the District.
2. The principal of and interest on the Bonds are payable from any moneys of the District legally available for the purpose of making such payment and the District has irrevocably pledged its full faith and credit for the purpose of making such payment on the Bonds.
3. Any ad valorem taxes which are levied for the purpose of paying the principal of and interest on the Bonds are subject to the limitations contained in the Constitution and statutes of the State.

4. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District's certified proceedings and in certain other documents and certain other certifications furnished to us.

5. Under laws of the State in effect on the hereof, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

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

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

In this opinion letter rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the adequacy, accuracy or completeness of any statements made in the Official Statement or otherwise in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

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

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Incline Village General Improvement District, Nevada (the "Issuer") in connection with the issuance of the Issuer's Incline Village General Improvement District, Nevada, General Obligation (Limited Tax) Medium-Term Recreation Bonds, Series 2008 in the principal amount of \$7,000,000 (the "Bonds"). The Bonds are being issued pursuant to the bond resolution of the Issuer adopted on May 28, 2008 (the "Resolution"). The Issuer covenants and agrees as follows:

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

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

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

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

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

"National Repository" shall mean, at the District's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") for purposes of the Rule, as set forth on an updated list of NRMSIRs currently available on the Internet at the website www.sec.gov/info/municipal/nrmsir.htm; or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under the Rule for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Repository by some other means) (a "Repository Agent"), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located on the Internet at the website www.DisclosureUSA.org.

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

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

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

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

SECTION 3. Provision of Annual Reports.

a. The Issuer shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the Issuer's fiscal year of each year, commencing 270 days following the end of the Issuer's fiscal year ending June 30, 2008, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

c. The Dissemination Agent shall:

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

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

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

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

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

Any or all of the items listed above may be incorporated by reference from other documents, including

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to

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

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

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

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

DATE: June 18, 2008.

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, NEVADA

Director of Finance, Accounting & Information Technology

EXHIBIT "A"

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Incline Village General Improvement District, Nevada

Name of Bond Issue: General Obligation (Limited Tax) Medium-Term Recreation Bonds, Series 2008

Date of Issuance: June 18, 2008

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution, and the Continuing Disclosure Certificate executed on June 18, 2008 by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, NEVADA

By: _____

Its: _____

EXHIBIT "B"

TABLES

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* Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended.

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest, and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Registrar and Paying Agent may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Resolution, including any notice of redemption, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Registrar and Paying Agent will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Bond Resolution, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice of redemption or any other notices required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

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