

**WRITTEN STATEMENT TO BE INCLUDED IN THE WRITTEN MINUTES OF THIS  
OCTOBER 27, 2015 REGULAR COMMITTEE ON LOCAL GOVERNMENT  
FINANCE ("CLGF") – AGENDA ITEM 5(c) – GUIDANCE ON  
ENTERPRISE AND SPECIAL REVENUE FUNDS**

**Introduction:** Pages 7-8 of proposed Guidance Letter 15-002 chooses to use general improvement districts ("GIDs") as an example of the differences between enterprise and special revenue funds. I and others I know take exception because we feel the reasoning fails.

Recently the Incline Village General Improvement District ("IVGID") changed its business enterprise recreation fund reporting from enterprise to special revenue. When I first learned this change was being pushed by IVGID's Gerry Eick (the architect of everything that's wrong in Incline Village when it comes to IVGID's finances and how they are reported), I contacted Kelly Langley of the Local Government Finance Division of Local Government Services to voice my objections. Initially Kelly informed me that IVGID would not be able to make the change without Department of Taxation ("DOT") approval. But that assurance turned into Kelly "turning the other cheek." Even though I asked Kelly to inform me if Mr. Eick were going to make a presentation to the Committee, *she didn't*. Mr. Eick made a presentation to the Committee and because no one was there to share the truth, the Committee voiced its tacit approval. And now the public has been harmed because Gerry Eick is free to make all the impermissible (NRS 354.613) interfund transfers he covets because there is no prohibition insofar as special revenue funds are concerned. And we now see that under the reasoning of the proposed guidance letter, IVGID should never have been allowed to change its recreation enterprise funds to special revenue funds. And that's the purpose of this written statement.

**IVGID's Special Revenue Community Services Fund Should be an Enterprise Fund Because the Fees and Charges its Board of Trustees ("the Board") Adopts and Staff Assigns to This Fund are Designed to Recover All Recreational Facility Costs Including Debt Service and Capital Improvement Projects ("CIPs"):** Up until the current fiscal year, IVGID readily reveled in the notion that "while the District is a local unit of government...*it functions more as a business because of the enterprise nature of most of its activities*<sup>1</sup>. Yet pages 2-3 of the proposed guidance letter recites that "business enterprise...activities are *required* to be reported (in) an enterprise fund...(where) any one of the following criteria is met...c. The pricing policies of the activity establish fees and charges designed to recover (the activity's)...costs, including capital costs (and)...debt service." Since this is the exact policy of the Board when setting the Recreation Facility Fee ("the RFF"), IVGID's Community Services Fund should be an enterprise fund. But it isn't.

**IVGID's Virtual Fund Structure Prior to July 1, 2015:** Because NRS 354.612(1) mandates that all "local government(s) shall *establish by resolution* one or more funds," IVGID has created a

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<sup>1</sup> I have attached a copy of page 13 from the 2014-15 Budget ["the 2014-15 Budget" {go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/2014-2015\\_Operating\\_Budget\\_\(194\\_Pages\)\\_rev\\_9-18-14.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/2014-2015_Operating_Budget_(194_Pages)_rev_9-18-14.pdf)}] as Exhibit "A" to this written statement, and I have placed an asterisk next to the quoted language.



series of virtual<sup>2</sup> funds "each of which is considered a separate set of self-balancing accounts."<sup>3</sup> According to IVGID "resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent...The various funds are grouped into Governmental...and Proprietary Funds...(IVGID's) Proprietary Funds include Enterprise Funds...(which) are used to account for revenue earned; expenses incurred; and net income for **business type functions** (which)...are (financially) supported from fees paid by their users."<sup>3</sup> Until May 21, 2015<sup>4</sup>, "included (with)in the enterprise fund...(we)re the Utility Fund" (which included Water<sup>5</sup>, Sewer<sup>6</sup> and Solid Waste<sup>7</sup> sub-funds, *each of which* was financially supported by fees paid by its users and is used to account for revenue earned, expenses incurred, and net income for **business type** utility functions), the Community Services<sup>8</sup> Fund (which included a series of recreation sub-funds<sup>9</sup>, *each of which* was financially supported by fees paid by its users and was used to account for revenue earned, expenses incurred, and net income for **business type** functions at *each* of the public's recreational venues), and the Beach Fund<sup>10</sup> (which was financially supported by fees paid by its users and was used to account for revenue earned, expenses incurred, and net income for **business type** functions at the beaches)."<sup>11</sup>

The sub-funds which were included within the Community Services Fund consisted of: Championship Golf<sup>12</sup>, Mountain Golf<sup>13</sup>, Ski<sup>14</sup> (aka Diamond Peak), Facilities<sup>15</sup> (which included The Chateau<sup>16</sup> and Aspen Grove<sup>17</sup> community centers), Parks and Recreation<sup>18</sup> [which included the multi-

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<sup>2</sup> These funds are *not* tangible. They only exist in cyberspace.

<sup>3</sup> See page 16 of the 2015-16 budget ["the 2015-16 Budget" (go to [https://www.yourtahoeplace.com/uploads/pdf-ivgid/2015-2016\\_Budget\\_Book.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/2015-2016_Budget_Book.pdf))].

<sup>4</sup> See pages 139-144 of the packet of materials ([https://www.yourtahoeplace.com/uploads/pdf-ivgid/BOT\\_Packet\\_Reg\\_5-21-2015.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/BOT_Packet_Reg_5-21-2015.pdf)) prepared by staff in anticipation of the Board's regular May 21, 2015 meeting ("the 5/21/2015 board packet").

<sup>5</sup> See page 62 of the 2014-15 budget.

<sup>6</sup> See page 64 of the 2014-15 Budget.

<sup>7</sup> See page 66 of the 2014-15 Budget.

<sup>8</sup> See page 79 of the 2014-15 Budget.

<sup>9</sup> See pages 49 and 79 of the 2014-15 Budget.

<sup>10</sup> See page 125 of the 2014-15 Budget.

<sup>11</sup> I have attached a copy of page 16 from the 2014-15 Budget as Exhibit "B" to this written statement, and I have placed an asterisk next to the quoted language. This page also includes a graphic which describes IVGID's fund structure at the time.

<sup>12</sup> See page 85 of the 2014-15 Budget.

<sup>13</sup> See page 89 of the 2014-15 Budget.

<sup>14</sup> See page 101 of the 2014-15 Budget.

<sup>15</sup> See page 93 of the 2014-15 Budget.

<sup>16</sup> See page 96 of the 2014-15 Budget.

<sup>17</sup> See page 98 of the 2014-15 Budget.

<sup>18</sup> See page 113 of the 2014-15 Budget.



use Recreation Center, the programs offered thereat<sup>19</sup>, parks<sup>20</sup> (aka athletic fields) and the Tennis Center<sup>21</sup>] and, Other Recreation<sup>22</sup>.

**IVGID's Virtual Fund Structure After July 1, 2015:** In a disingenuous and nefarious move orchestrated by IVGID's Finance Director, Gerry Eick ("the architect"), to circumvent the interfund transfer limitations of NRS 354.613(1), on May 21, 2015 a divided (3-2) majority of the IVGID Board was bamboozled by Mr. Eick into "rubber stamping" his sought for approval for the wholesale revamping of *all* of IVGID's recreation enterprise funds converting them from into "special revenue" funds<sup>4</sup>. Today IVGID's *only* fund which remains as an enterprise fund is the Utility Fund. In order to see a graphic of the wholesale changes Mr. Eick has orchestrated insofar as IVGID's reporting funds are concerned, I have attached page 16 from the 2015-16 as Exhibit "C" to this written statement.

**Revenue and Expenses Assigned to IVGID's Community Services and Beach Funds Continue to be the Product of Business Enterprise Activities:** As recited above, until the current fiscal year IVGID readily reveled in the notion that "while the District is a local unit of government...*it functions more as a business because of the enterprise nature of most of its activities*. (As such) the District's golf and ski venues (are operated as if they were commercial, for profit, business enterprises because staff has chosen to) *compete* with similar resorts which are *private or publicly owned businesses*."<sup>1</sup>

**Each Year the Board Establishes Recreation Rates, Tolls and Charges Designed to Recover 100% of the Costs, Including Capital Costs and Debt Service, Operating Each of the Public's Recreational Facilities and the Beaches:** Each year, in tandem with the adoption of its budget, the Board adopts "key rates" for access to and use of its recreational and other facilities as well as the services offered thereat<sup>23</sup>. Since IVGID budgets to *LOSE* close to \$7 Million annually operating and improving the public's recreational facilities as well as the beaches, and it is committed (by Policy 6.1.0) to adopting a balanced budget<sup>24</sup>, it uses the procedures of NRS 318.201 to adopt and assess the RFF and the Beach Facility Fee ("the BFF"), and to order their involuntary collection on the tax roll by the Washoe County Treasurer against all non-exempt parcels and/or dwelling units within IVGID's boundaries. This procedure involves adoption [see NRS 318.201(8)] of a written report<sup>25</sup> ("the NRS 318.201 report") which contains a description of each parcel of real property allegedly receiving services and facilities from IVGID, together with the amount of the charge for each parcel for such

<sup>19</sup> See page 114 of the 2014-15 Budget.

<sup>20</sup> See page 116 of the 2014-15 Budget.

<sup>21</sup> See page 119 of the 2014-15 Budget.

<sup>22</sup> See page 121 of the 2014-15 Budget.

<sup>23</sup> See pages 128-138 of the 5/21/2015 board packet.

<sup>24</sup> I have attached a copy of page 23 from the 2014-15 Budget as Exhibit "D" to this written statement, and I have placed an asterisk next to the following language: "Policy 6.1.0...establishes that the District will...financial(ly) plan...(for) a balanced budget."

<sup>25</sup> See pages 16-19 of the 5/21/2015 board packet.



year [see NRS 318.201(1)]. Thereafter the NRS 318.201 report is delivered to the county assessor for inclusion on the assessment roll [see NRS 318.201(9)] which results in collection at the same time and in the same manner, together with and not separately from, the general taxes for the county [see NRS 318.201(11)].

Listen to the Board's recital of fact at ¶II of the NRS 318.201 report adopted May 21, 2015:

"The amount of moneys required for the fiscal year extending from July 1, 2015, to June 30, 2016, has been determined by this Board to be about \$5,972,130 for the Recreation Facility Fee and \$774,300 for Beach Facility Fee for the proper servicing of said identified bonds and for the administration, operation, maintenance and improvement of said real properties, equipment and facilities."<sup>26</sup>

Where do these numbers come from and what do they represent? As I will demonstrate, they represent the difference between budgeted revenues and expenses, ***including capital improvement projects and debt service***, assigned by staff to the Community Services and Beach Funds.

**The Community Services Fund:** I have attached as Exhibit "F" to this written statement page 50 from the 2015-16 Budget<sup>27</sup>. This page depicts a summary of budgeted sources (i.e., revenues) and uses (i.e., expenses) assigned to IVGID's Community Services Fund. As the Committee can see, but for the \$5,972,130 "Facilities Fees" revenue entry, the Board has budgeted for all of the public's recreational facilities combined but for the beaches to *LOSE* over \$6 Million<sup>28</sup>. In other words, the RFF subsidizes 100% of the difference between budgeted revenues and expenses assigned to the Community Services Fund *to cover this fund's costs, specifically including capital improvement and debt service*<sup>29</sup>.

**The Beach Fund:** I have attached as Exhibit "H" to this written statement page 81 from the 2015-16 Budget<sup>30</sup>. This page depicts a summary of budgeted sources (i.e., revenues) and uses (i.e., expenses) assigned to IVGID's Beach Fund. As the Committee can see, but for the \$774,300 "Facilities Fees" revenue entry, the Board has budgeted for the beach facilities to *LOSE* \$781,495. In

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<sup>26</sup> I have attached a copy of page 23 from the 5/21/2015 board packet as Exhibit "E" to this written statement, and I have placed an asterisk next to the quoted language.

<sup>27</sup> See page 76 of the 5/21/2015 board packet.

<sup>28</sup> I say over \$6 Million because *in addition* to the RFF subsidy of \$5,972,130, the Board has budgeted to transfer \$250,000 from the General Fund [I have attached as Exhibit "G" to this written statement page 45 from the 2015-16 Budget (also see page 74 of the 5/21/2015 board packet). This page depicts a summary of budgeted sources (i.e., revenues) and uses (i.e., expenses) assigned to IVGID's General Fund. I have placed an asterisk next to the \$250,000 interfund transfer out which is the source of the interfund transfer into the Community Services Fund]. Without these two entries which balance the Community Services Fund, this fund would be budgeted to *LOSE* \$6,222,130!

<sup>29</sup> I have placed asterisks next to the budgeted \$2,599,296 capital improvement and \$1,283,046 debt service expenses.

<sup>30</sup> See page 86 of the 5/21/2015 board packet.



other words, the BFF subsidizes 100% of the difference between budgeted revenues and expenses assigned to the Beach Fund *to cover this fund's costs, specifically including capital improvement and debt service*<sup>31</sup>.

**IVGID's Beach Fund Should be an Enterprise Fund Because the Fees and Charges the Board Adopts and Staff Assigns to This Fund are Designed to Recover its Costs *Including Debt Service and CIPs*:** Since I have demonstrated that the Board's pricing policies "establish fees and charges designed to recover (beach)...costs, including capital costs (and)...debt service," for the same reasons the Community Services Fund should be an enterprise fund, IVGID's Beach Fund should be one as well.

**IVGID's Community Services and Beach Funds *Cannot* be Special Revenue Funds Because the Fees and Charges the Board Adopts and Staff Assigns to These Funds are Designed to Recover Their Costs, Specifically *Including Debt Service and CIPs*:** Since page 4 of the proposed guidance letter instructs that "special revenue funds (*cannot*) be used to account for and report...debt service or capital projects," and here I have demonstrated that the RFF pays for debt service and CIPs assigned to the Community Services Fund and the BFF pays for debt service and CIPs assigned to the Beach Fund, Community Services and Beach Funds *cannot* be special revenue funds. But they are.

**IVGID's Community Services and Beach Funds *Cannot* be Special Revenue Funds Because No Portion of the Debt IVGID Assigns is Actually Paid With *Ad Valorem* Property Taxes:** Page 2 of the proposed guidance letter states that where an "activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges," it is "required to be reported as (an) enterprise fund." This is exactly how IVGID pays the servicing costs on its debt.

**IVGID is Permitted to and Actually Levies *Ad Valorem* Taxes:** As page 8 of the proposed guidance letter recites, NRS 318.225 declares that "the board shall have power and authority to levy and collect general (*ad valorem*) taxes on and against all taxable property within the district." Since its creation IVGID has levied *ad valorem* taxes against all taxable property within its boundaries. And for the current fiscal year, IVGID has budgeted to receive \$1,453,911 of such taxes, and such revenue is assigned to its General Fund.

**Unlike Other Political Subdivisions, the *ONLY* General Obligation Bonds ("GOBs") a GID is Permitted to Issue Are Ones Payable From *Ad Valorem* Property Taxes:** As page 8 of the proposed guidance letter recites, GIDS are permitted to issue GOBs<sup>32</sup>. However, where the guidance letter fails, is in its refusal to acknowledge that GIDs are ***NOT*** permitted to issue just *any* form of GOB. NRS 318.275(1) makes it very clear that the ***ONLY*** GOBs a GID may issue are those "*upon the conditions and under the circumstances set forth in this chapter.*" To learn of those conditions and circumstances, one must look to NRS 318.325(1) which instructs as follows:

<sup>31</sup> I have placed asterisks next to the budgeted \$203,000 capital improvement and \$6,150 debt service expenses.

<sup>32</sup> NRS 318.275(1)(b) states that "a district may borrow money and issue the following securities to evidence such borrowing...general obligation bonds."



"Subject to the limitations and other provisions in this chapter, a board of any district may issue...the following types of securities in accordance with the provisions of the Local Government Securities Law, except as otherwise provided in subsection 2: (a) General obligation bonds and other general obligation securities *payable from general (ad valorem) property taxes*; (and, b) General obligation bonds and other general obligation securities *payable from general (ad valorem) property taxes*, the payment of which...is additionally secured by a pledge of...net revenues."

Notwithstanding IVGID's recreation GOBs are additionally secured by a pledge of the RFF as NRS 318.197(1) permits<sup>33</sup>, *they can only be payable from ad valorem property taxes* as NRS 318.325(1)(b) instructs.

**Moreover, Where as Here a Political Subdivision is Authorized to Levy Taxes, General Obligation Debt Must be Paid From Those Taxes:** NRS 350.0045 declares that where a "governmental entity is authorized to levy taxes...general obligation debt means debt that is *legally payable from... those taxes*."

**Yet IVGID NEVER Uses the Taxes it Levies to Pay its GOB Indebtedness:** Take another look at Exhibit "G." Conspicuously *absent* is the payment of debt service. In contrast, take a look at the summaries of budgeted sources and uses for IVGID's Community Services [Exhibit "F" (remember IVGID's Community Services Fund is used to account for revenue earned, expenses incurred, and net income for *business type* functions at all of its public recreational venues combined)] and Beach Funds (IVGID's Beach Fund is used to account for similar revenue, expenses and net income at the beaches). If the Committee takes out the financial subsidy provided to the Community Services Fund by the RFF, it quickly sees that this fund is budgeted to *LOSE* well over \$6M this fiscal year! And if the Committee takes out the financial subsidy provided to the Beach Fund by the BFF, it quickly sees that this fund is budgeted to *LOSE* over \$780K this fiscal year. This means that *IVGID's recreation GOBs are budgeted to be paid entirely with the RFF and BFF*<sup>34</sup> rather than IVGID's *ad valorem* property taxes.

**Moreover, IVGID Tells the Public and its Investors That Repayment of its Recreation GOBs Will Come Solely From a Pledge of Net Revenues From the RFF/BFF:** Notwithstanding GOBs are

<sup>33</sup> Insofar as IVGID is concerned, NRS 318.197(1) states that its "board may fix, and from time to time increase or decrease... recreational facilit(y)...sewer, water... garbage or refuse rates, tolls or charges...and pledge the revenue for the payment of any indebtedness...of the district."

<sup>34</sup> I say *entirely* because of page 41 of IVGID's latest (2014) "Comprehensive Annual Financial Report" ["the 2014 CAFR" (<https://www.yourtahoeplace.com/uploads/pdf-ivgid/2014CAFRReport.pdf>)], a copy of which is attached as Exhibit "I" to this written statement. This page depicts IVGID's long term debt. Note that 100% of IVGID's "Recreation Revenue Supported Debt" (I have placed asterisks next to each) consists of GOBs. If the Committee goes to the bottom of the page, it will see I have placed an asterisk next to "Debt Supported by Recreation Fund Revenue" *rather than ad valorem taxes*. For 2016 I have placed an asterisk next to \$1,084,000 of principal and \$205,263 of interest. If the Committee adds the \$1,078,783 of debt service principal on Exhibit "F" to the \$5,216 of debt service principal on Exhibit "H," it will get a total of \$1,083,999; essentially the identical \$1,084,000 of principal on Exhibit "I." And if the Committee adds the \$204,263 of debt service interest on Exhibit "F" to the \$934 of debt service interest on Exhibit "H," it will get a total of \$205,197; essentially the identical \$205,263 of interest on Exhibit "I."



"payable from general revenues, as a primary or secondary source of repayment, and (are) backed by the full faith and credit of a governmental entity" (NRS 350.0045), IVGID readily admits that its recreation GOBs are payable *solely* from the RFF/BFF, and that no portion whatsoever comes from *ad valorem* property taxes. "On or before August 1 of each year, the governing body of a municipality which proposes to issue or has outstanding any general obligation debt...shall submit to the DOT and the (Debt Management) Commission...a written statement of the debt management policy ("the DMP") of the municipality" [NRS 350.013(1)]. I have attached page 5 of IVGID's latest DMP<sup>35</sup> as Exhibit "J" to this written statement. I have placed an asterisk next to the following admission:

Rather than *ad valorem* taxes, "principal and interest on (*all of*) the District's debt *are payable from the various net pledged revenues* of the District. (As a result) there is no impact on the property tax rate so long as...net pledged revenues are sufficient to pay debt service."<sup>36</sup>

**Conclusion:** According to the proposed guidance letter IVGID's Community Services and Beach Funds have always been enterprise funds, and that's exactly what they should be now. But IVGID has been allowed to label them something they are not. *And who's protecting the public?* I am asking the Committee initiate a comprehensive investigation of IVGID's fund structure and financial reporting. By treating IVGID's enterprise funds as something they are not, Mr. Eick is free to transfer moneys amongst essentially any funds of his choosing. And he can point to the proposed guidance letter for authority. Please do not allow this to take place.

Respectfully, Aaron Katz, P.O. Box 3022, Incline Village, NV. 89450 [(775) 833-1008]

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<sup>35</sup> See [https://www.yourtahoeplace.com/uploads/pdf-ivgid/2015.6.30\\_Debt\\_Management\\_Policy\\_as\\_Filed.pdf](https://www.yourtahoeplace.com/uploads/pdf-ivgid/2015.6.30_Debt_Management_Policy_as_Filed.pdf).

<sup>36</sup> I have placed an asterisk next to the following additional language on page 5 of the DMP: "the bonds are payable from the general property taxes on all property in the district." This is a misrepresentation of fact. Rather, *all of* "the District's debt (*is*) payable from the various net pledged revenues of the District;" i.e., the RFF/BFF.

**EXHIBIT "A"**




Golf Course, a new Chateau, a new high speed quad chairlift at the ski resort, and added 4 new tournament tennis courts to our tennis complex.

In November 2008, the District purchased Incline Lake from the United States Forest Service. The five acres of land purchased by the District was via an agreement with the Nevada Division of State Lands to secure about 75% of the \$1 million purchase price in Question One bonds (bonds raised by a state sales tax increase in 2002). The District's 25% of the \$1 million purchase price was funded by the District's annually assessed Recreation Facility Fee. The Incline Lake property lies on the Nevada side of Lake Tahoe within the United States Forest Service Lake Tahoe Basin Management Unit, and is adjacent to the Mount Rose wilderness area and the Tahoe Meadows area of the Humboldt-Toiyabe National Forest. The District has not set any plans in place for the Incline Lake property other than the property use will benefit the majority of the community.

### **Americans with Disabilities Act Compliance**

In the fall of 2007 the District requested the Nevada Public Agency Insurance Pool audit the District for compliance in regards to the Americans with Disabilities Act (ADA) Title II (Public Sector) and Title III (Public Facilities). The results of the audit identified items that needed to be addressed. A majority of the items were taken care of through the operating budget and the larger ADA items are identified in the District's capital plan as ADA capital projects. Since 2007 the District has moved toward 100% compliance with Title II and III and has included planning for several ADA capital projects such as a new administrative building, a new Mountain Course Club House, and new Village Green and Incline Beach bathrooms. The 2011-12 capital budget completed the ADA Preston Park Facility Refurbishment and Parking Lot Project. During 2010-2011 Phase II – Skier Services Building was completed.

### **Current Economic Profile**

While the District is a local unit of government formed under Nevada Revised Statutes 318; it functions more as a business because of the enterprise nature of most of its activities. The District's golf and ski venues compete with similar resorts which are private or publicly owned businesses. The District is located at Lake Tahoe, one of the premier resort destinations, offering visitors countless activities. The economic stability of the District is dependent upon a number of factors, including weather and tourism. Weather impacts whether visitors or tourists will travel to the area or if conditions are such to offer the expected service levels. These impacts affect the volume for golfing, skiing and to a lesser degree on water and sewer services. The District plays an important role in the economy as the Tahoe Basin which is largely dependent on tourism for both summer and winter recreational activities. Conservatively, the District brings around 220,000 tourists each year to the Tahoe Basin with an annual estimated impact to local business of \$44 million. 

National and local economy plays an important role on whether Lake Tahoe tourism grows, declines, or stays flat. Similar to the rest of the nation, the District and community has been impacted by the changing economy. The economic challenges, developing late in 2008 and continuing in 2013, have been factored into the budget for the 2013-2014 fiscal year. The budget plans generally have been prepared assuming the volume of visits will increase for golf and not significantly change for most other venues.

Our recreational areas have programmed their activities with a focus on providing the best value coupled with exceptional customer service to maintain and enhance their customer base. Our marketing focuses on the strengths of each venue using strong images to highlight our proximity

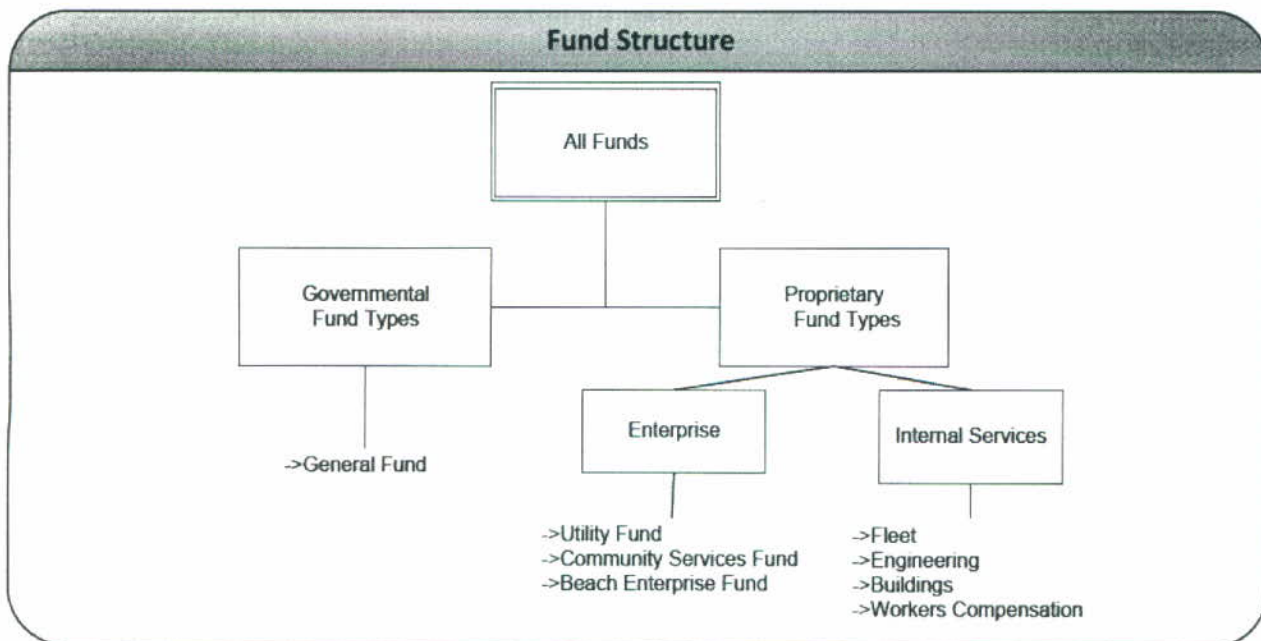
**EXHIBIT "B"**



Our Governmental Fund is the General Fund which is the general administration operating fund for the District. This fund accounts for all transactions not recorded in other funds and receives financial support from property taxes, sales taxes, and Central Service Cost Allocation revenue from the Utility Fund, Community Services Fund, and Beach Enterprise Fund. Expenditures are authorized in the General Fund budget and include such areas as trustees, general manager, accounting, finance, information technology, human resources, risk management, health and wellness, general administration, and community relations. These services in turn are provided to all District venues in lieu of having separate staff or functions in each location. The Central Service Cost Allocation revenue comes from charges for Accounting, Finance and Human Resources to each benefitted funds.

Proprietary Funds include Enterprise Funds and Internal Services Funds. The enterprise funds are used to account for revenue earned; expense incurred, and net income for business-type functions. These businesses are supported from fees paid by their users. Included in the enterprise funds are the Utility Fund, Community Services Fund, and the Beach Fund. ★

The Internal Services Fund is used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Included in the Internal Service Fund is maintenance and use of vehicles and equipment, engineering, buildings maintenance, and Workers Compensation.



### **Performance Measurement**

The District uses financial and non-financial performance measures as an integral part of the budget process. Performance measures are used to report on the outputs of each program and are related to the mission, goals and objectives of each department. The budget process was adjusted to be in sync with the Board's strategy workshop, long term principles, and to expand the program measurement section for each department. Each department selects a program benchmarks to establish their validity as a measurement. A key non-financial performance measure is the Net Promoter Score (NPS). The information to determine the NPS is gathered through the District's Customer Survey. The District is using the NPS as a key measurement to

**EXHIBIT "C"**



signed by the Board of Trustees on the third Thursday in May and filed with the DOT on or before June 1st.

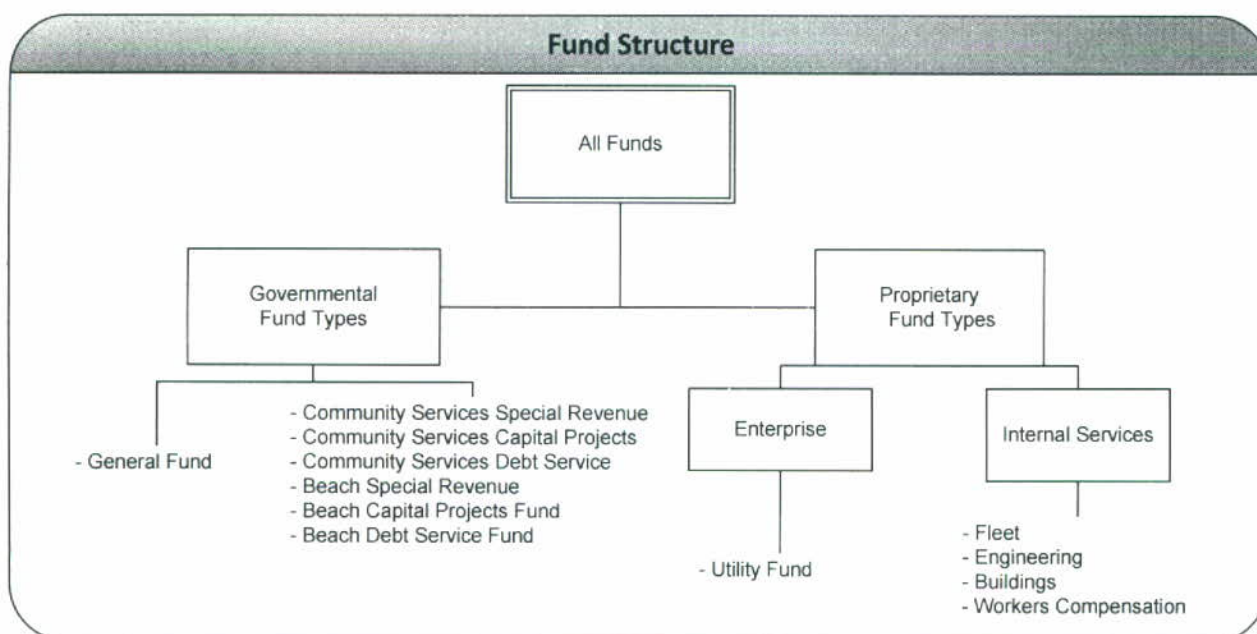
### **Fund Structure and Budget Basis**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expense as appropriate. Fund balance in the General Fund is the difference between assets and liabilities. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending is controlled. The various funds are grouped into Governmental Funds and Proprietary Funds. The District does not use appropriations for its funds.

Our Governmental Funds includes the General Fund which is the general administration operating fund for the District. This fund accounts for all transactions not recorded in other funds and receives financial support from property taxes, sales taxes, and Central Service Cost Allocation revenue from the Utility Fund, Community Services Fund, and Beach Enterprise Fund. Expenditures are authorized in the General Fund budget and include such areas as trustees, general manger, accounting, finance, information technology, human resources, risk management, health and wellness, general administration, and community relations. These services in turn are provided to all District venues in lieu of having separate staff or functions in each location. The Central Service Cost Allocation revenue comes from charges for Accounting, Finance and Human Resources to each benefitted funds. Beginning with 2015-2016 the District also reports Special Revenue, Capital Project and Debt Service funds for Community Services Fund and the Beach Fund.

Proprietary Funds include Enterprise Funds and Internal Services Funds. The enterprise funds are used to account for revenue earned; expense incurred, and net income for business-type functions. These businesses are supported from fees paid by their users. Included in the enterprise funds is the Utility Fund.

The Internal Services Fund is used to account for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. Included in the Internal Service Fund is maintenance and use of vehicles and equipment, engineering, buildings maintenance, and Workers Compensation.



**EXHIBIT “D”**



- Policy 3.1.0 Conduct of Meetings of the Board of Trustees: This policy allows the Board of Trustees to fix the time and place of the regular meeting of the Board of Trustees of the Incline Village General Improvement District, provide the manner in which special meetings of said District may be called, designate an official mailing address, and establish the order of business and rules for proceedings of the Incline Village General Improvement District, Washoe County and State of Nevada. It addresses regular meetings, special meetings, meeting places, holidays, order of business, rules of proceedings, assures that Robert's Rules are followed, agenda preparation, reconsideration, public participation, offices of the Board, authorization to sign checks, facsimile signature, payment of bills, consent calendar, authorization for fund transfers, advisory committees, and legislative matters.
- Policy 4.1.0 Performance Measurement for Decision Making: This policy states that program and service performance measures will be developed and used as an important component of long term financial planning and decision making. It is linked to the budgeting and performance measures as an integral part of the budget process. The expectation is that meaningful performance measures are produced and expanded as identified.
- Policy 5.1.0 Budgeting for Results and Outcomes: This policy establishes parameters to achieve the objective of integrating performance into the budgetary process. This policy addresses how to determine how much money is available, how results are prioritized, and how resources among high priority results are allocated. This analysis is used to determine what strategies, programs, and activities will best achieve desired results, budget available dollars to the most significant programs and activities, set measures of annual progress, monitor and provide feedback, verify and communicate performance results. The District Finance and Accounting Department is involved in this process every step of the way.
- Policy 6.1.0 Adoption of Financial Practices: This policy establishes that the District will maintain the following practices: 1) financial planning as it pertains to a balanced budget, long-range planning, and asset inventory; 2) revenue, and expenditure as it pertains to revenue diversification, fees and charges for services, use of one-time revenue and use of unpredictable revenues; 3) expenditures for debt capacity, issuance and management of debt service, reserve or stabilization accounts, and operating and capital expenditure accountability. (Note: The District continues to expand the practices in the three areas of financial planning, revenue, and expenditures. The Finance and Accounting Staff reviews the practices to ensure continued relevance and to identify any gaps that should be addressed with new practices. The results of the review are shared with the Board of Trustees during the review of the proposed budget.)
- Policy 7.1.0 Appropriate Level of Fund Balance: This policy addresses maintaining a formal practice on the level of fund balance that should be maintained in the General Fund.
- Policy 8.1.0 Establishing the Estimated Useful Lives of Capital Assets: This policy addresses the estimated useful lives of the District's capital assets and the approach taken. Normally, the District's past experience with similar assets that guide the estimated useful lives. In situations where the documentation of the District's own past

**EXHIBIT "E"**





- E. Recreation Privileges.** Each parcel which is charged a Recreation and/or Beach Facility Fee is entitled to recreation privileges, as described in IVGID Ordinance No. 7, an Ordinance Establishing Recreation Privileges by the Incline Village General Improvement District.
- F. Governmental, Civic, or Social Groups of Guests.** Any group of persons which participates with Incline Village General Improvement District property owner groups, governmental, civic, or social groups, in recreation or other community projects, may, upon application by the sponsoring group of Incline Village General Improvement District property owners, and when approved as to the time and use of the Incline Village General Improvement District facilities, be granted beach privileges upon payment of a sum not to exceed \$12.00 per person, the amount to be determined at the time of application.
1. The sponsoring groups shall accept in writing total responsibility for their guests in their use of the Incline Village General Improvement District facilities.
  2. Approval of use shall be for each specific group as to time and the activity, and shall be authorized in writing by the General Manager *or his representatives of the Incline Village General Improvement District* at least ten days prior to the requested group activity.
  3. Such approval shall be granted only for such times as the group activity shall constitute minimal interference with the normal use of the facility.
- II.** The amount of moneys required for the fiscal year extending from July 1, 2015, to June 30, 2016, has been determined by this Board to be about \$5,972,130 for the Recreation Facility Fee and \$774,300 for Beach Facility Fee for the proper servicing of said identified bonds and for the administration, operation, maintenance and improvement of said real properties, equipment and facilities. ★
- III.** Said sum has been apportioned among the several lots, pieces or parcels of real property, and dwelling units within the District in accordance with the applicable rates and charges prescribed and established therefore as set forth in this report.
- IV.** The lots and parcels of real property so charged have been described by their parcel numbers used by the County Assessor in the County Tax Roll for the fiscal year 2015-2016, which are by reference to maps prepared by and on file in the office of the County Assessor for said County.
- V.** The Board has, by resolution, elected and determined to have such charges for the forthcoming fiscal year collected on the general tax roll of the County of Washoe for said year, on which general District taxes are collected, in the same manner, by the same persons and at the same time, together with and not separately from its general District taxes.

**EXHIBIT "F"**



**Annual Budget**

**Fiscal Year 2015-2016**



**All Community Services Sources and Uses - Object Level**

	<b>2013-14 Actual</b>	<b>2014-15 Budget</b>	<b>2015-16 Proposed</b>
<b>Revenues</b>			
Sales and Fees	\$11,023,224	\$11,873,600	\$12,198,505
Concessions	80,187	85,100	69,300
Sales Allowance	(718,456)	(654,200)	(933,373)
Facilities Fees	6,024,564	5,971,400	5,972,130 ★
Rents	62,800	50,900	55,900
Intergovernmental - Operating Grants	99,783	81,400	36,400
Interfund Services	66,704	98,100	101,500
<b>Other Financing Sources</b>			
Non Operating Leases	108,325	82,600	82,600
Investment Earnings	31,908	30,000	30,000
Capital Grants	-	-	1,133,000
Proceeds from capital assets dispositions	52,863	-	-
<b>Total Revenues and Other Sources</b>	<b>16,831,902</b>	<b>17,618,900</b>	<b>18,745,962</b>
<b>Expenditures and Uses</b>			
Personnel Cost			
Salaries and Wages	4,725,113	5,046,359	5,112,950
Employee Fringe	1,396,106	1,651,550	1,790,930
Professional Services	39,157	125,900	113,600
Services and Supplies	3,430,329	3,666,750	3,769,194
Insurance	274,790	280,000	270,710
Utilities	1,096,671	1,090,300	1,128,342
Cost of Goods and Services Sold	951,619	827,900	803,694
Central Services Cost	705,996	745,000	728,100
Fuels Management	100,000	100,000	100,000
<b>Capital Expenditures</b>			
Capital Improvements	2,266,642	2,731,208	2,599,296 ★
Grant Funded Capital Outlay	-	-	1,133,000
<b>Debt Service</b>			
Principal	1,461,583	1,513,397	1,078,783 ★
Interest	288,972	244,400	204,263 ★
Fiscal Agent Fees	193	758	1,045
<b>Interfund Transfers and Adjustments</b>			
Funded Capital Resources	-	(250,000)	(250,000) ★
<b>Total Expenditures and Uses</b>	<b>16,737,171</b>	<b>17,373,522</b>	<b>18,583,907</b>
<b>Net Sources and Uses</b>	<b>\$ 94,731</b>	<b>\$ 245,378</b>	<b>\$ 162,055</b>

**EXHIBIT "G"**



**Annual Budget  
Fiscal Year 2015-2016**

**★ General Fund Sources and Uses - Object Level**

	2013-14 Actual	2014-15 Budget	2015-16 Proposed
<b>Revenues</b>			
Ad Valorem Property Tax	\$ 1,293,676	\$ 1,392,186	\$ 1,453,911 ★
Consolidated Taxes	1,277,567	1,248,000	1,361,000
Rents	2,990	3,600	3,600
Central Services Revenue	1,068,996	1,101,000	1,123,000
<b>Other Financing Sources</b>			
Investment Earnings	43,959	25,000	25,000
Proceeds from capital assets dispositions	13,536	-	-
<b>Total Revenues and Other Sources</b>	<b>3,700,724</b>	<b>3,769,786</b>	<b>3,966,511</b>
<b>Expenditures and Uses</b>			
Personnel Cost			
Salaries and Wages	1,560,427	1,553,684	1,679,547
Employee Fringe	816,292	764,398	821,598
Professional Services	197,264	348,100	334,800
Services and Supplies	415,182	655,786	611,415
Insurance	74,392	80,900	79,300
Utilities	47,957	50,400	110,640
<b>Capital Expenditures</b>			
Capital Improvements	84,849	189,120	70,000
<b>Interfund Transfers and Adjustments</b>	<b>-</b>	<b>400,000</b>	<b>250,000</b> ★
<b>Total Expenditures and Uses</b>	<b>3,196,363</b>	<b>4,042,388</b>	<b>3,957,300</b>
<b>Net Sources and Uses</b>	<b>\$ 504,361</b>	<b>\$ (272,602)</b>	<b>\$ 9,211</b>



**EXHIBIT "H"**



**Annual Budget**  
**Fiscal Year 2015-2016**

★ **All Beaches Sources and Uses - Object Level**

	2013-14 Actual	2014-15 Budget	2015-16 Proposed
<b>Revenues</b>			
Sales and Fees	\$ 871,540	\$ 649,700	\$ 855,200
Concessions	70,839	62,500	62,500
Punch Card Allowance	(71,625)	(68,500)	(70,500)
Facilities Fees	780,716	774,300	774,300 ★
Rents	161,867	118,700	120,000
<b>Other Financing Sources</b>			
Investment Earnings	2,988	2,500	9,000
Proceeds from capital assets dispositions	1,104	-	-
<b>Total Revenues and Other Sources</b>	<u>1,817,429</u>	<u>1,539,200</u>	<u>1,750,500</u>
<b>Expenditures and Uses</b>			
Personnel Cost			
Salaries and Wages	545,995	631,509	701,430
Employee Fringe	144,599	171,035	207,980
Professional Services	3,246	15,000	15,000
Services and Supplies	357,460	378,520	422,545
Insurance	17,222	18,100	19,900
Utilities	85,763	84,300	91,140
Central Services Cost	72,000	73,000	90,500
<b>Capital Expenditures</b>			
Capital Improvements	167,375	228,500	203,000 ★
<b>Debt Service</b>			
Principal	263,218	270,602	5,216 ★
Interest	11,811	3,209	934 ★
Fiscal Agent Fees	135	108	50
<b>Interfund Transfers and Adjustments</b>	-	-	-
Funded Capital Resources	-	(355,000)	-
<b>Total Expenditures and Uses</b>	<u>1,668,824</u>	<u>1,518,883</u>	<u>1,757,695</u>
<b>Net Sources and Uses</b>	<u>\$ 148,605</u>	<u>\$ 20,317</u>	<u>\$ (7,195)</u>

**EXHIBIT "I"**



## 7. LONG-TERM DEBT

All of the District's Long Term Bonds are collateralized by a pledge of revenues derived and to be derived from the operation of the either the Utility, Community Services or Beach venues, after deduction there from of the amount necessary to pay all operating and maintenance charges as required by applicable bond agreements. The District is also required to maintain rates sufficient to pay all maintenance, depreciation, replacement, betterment, and interest charges.

### Business Type Activities:

#### Outstanding Long-Term Debt as of June 30, 2014

Issue	Issue Date	Maturity Date	Interest Rate	Amount Issued	Principal Outstanding	Due 2014-15
★ <b>Medium-Term General Obligation Bonds Recreation</b>						
Recreation Impr. (Ski) 2008	06/18/08	06/01/18	3.5-7%	\$7,000,000	\$3,125,000	\$730,000
★ <b>General Obligation Revenue Bonds Recreation</b>						
Recreation Facilities and Recreation Refunding 2012	07/18/12	03/01/23	2.25%	3,475,000	3,166,000	319,000
Recreation Refunding 2004	02/01/04	10/01/14	2-3.25%	4,445,000	<u>735,000</u>	<u>735,000</u>
<b>Total Recreation Revenue Supported Debt</b>					<b>\$7,026,000</b>	<b>\$1,784,000</b>
<b>Utility</b>						
State of Nevada						
Sewer C32-0204	10/28/02	01/01/23	3.14%	\$1,687,402	\$1,001,110	\$ 97,869
Water IVGID-1	09/01/04	07/01/25	3.082%	1,702,380	1,093,438	80,564
Sewer CS32-0404	08/01/06	09/01/26	2.73%	3,000,000	2,112,093	151,004
Water DW-1201	03/16/12	01/01/32	2.39%	3,000,000	<u>2,815,302</u>	<u>126,839</u>
<b>Total Utility Revenue Supported Debt</b>					<b>\$7,021,943</b>	<b>\$ 456,276</b>
<b>Total Business Type Activities Debt</b>					<b>\$14,047,943</b>	<b>\$2,240,276</b>

#### Long-Term bonded debt activity for the year ended June 30, 2014

	Beginning Balance	New Issues	Principal Reductions	Ending Balance	Due Within One Year
Business Type Activities:					
General Obligation	\$13,948,228	\$ -	\$1,994,833	\$11,953,395	\$2,061,843
Revenue	<u>2,267,548</u>	<u>-</u>	<u>173,000</u>	<u>2,094,548</u>	<u>178,433</u>
Total	16,215,776	-	2,167,833	14,047,943	<u>\$2,240,276</u>
Bond discounts	(15,315)	-	(1,667)	(13,648)	
Bond Premiums	<u>176,092</u>	<u>-</u>	<u>51,226</u>	<u>124,866</u>	
Long-term Debt, net	<u>\$16,376,553</u>	<u>\$ -</u>	<u>\$2,217,392</u>	<u>\$ 14,159,161</u>	

#### Future Debt Service Requirements as of June 30, 2014

Fiscal Year Ending June 30	Debt Supported by Utility Fund Revenue		★ Debt Supported by Recreation Fund Revenue	
	Principal	Interest	Principal	Interest
2015	456,276	186,858	1,784,000	253,641
2016	469,072	174,062	1,084,000	★ 205,263
2017	482,230	160,903	1,123,000	167,471
2018	495,762	147,372	1,187,000	104,577
2019	509,678	133,457	350,000	37,642
2020 to 2024	2,641,770	445,323	1,498,000	68,534
2025 to 2029	1,410,553	141,852	-	-
2030 to 2032	<u>556,602</u>	<u>23,511</u>	<u>-</u>	<u>-</u>
Total	<b>\$7,021,943</b>	<b>\$1,413,338</b>	<b>\$ 7,026,000</b>	<b>\$ 837,128</b>

At June 30, 2013, principal and interest to maturity in 2032, to be paid from pledged future revenues, totaled \$16,298,413. For the year ended June 30, 2014 the net pledged revenue was \$3,429,622.

## EXHIBIT "J"



### General Obligation Debt Comparisons

The District's general obligation bonds are issued pursuant to NRS Chapter 350 and Chapter 318. The District's general obligation bonds constitute direct and general obligations of the District and the full faith and credit of the District is pledged to the payment of the principal and interest, subject to Nevada constitutional and statutory limitations on the aggregate amount of property taxes. The bonds are payable from the general property taxes on all taxable property in the District. The bonds are secured by certain pledged revenues. The general obligation bonds are payable by the District from any source legally available; at the times such payments are due, including the General Fund of the District. In the event, however, that such legally available sources of funds, including net pledged revenues, are insufficient, the District is obligated to levy a general tax on all taxable property within the District for payment of the general obligation bonds, subject to the limitations provided in the constitution and the statutes of the State of Nevada (the State).

In any year in which the total property taxes levied within the District by all applicable taxing units (e.g., the State, the County, the District, the school district, any city or any special district) exceed such property tax limitations, the reduction to be made by those units must be in property taxes levied for purposes other than the repayment of their bonded indebtedness, including interest on such indebtedness.

Nevada statutes provide that no act concerning the District's bonds or their security may be repealed, amended or modified in such manner as to impair adversely the bonds or their security until all of the bonds have been discharged in full or provision for their payment and reception has been fully made.

**The District currently has no outstanding general obligation debt paid by the levy of a specific property tax.** Principal and interest on the District's debt are payable from the various net pledged revenues of the District. There is no impact on the property tax rate so long as the net pledged revenues are sufficient to pay debt service.