

**MD&A from
2018/2019
CAFR**

**Incline Village General Improvement District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2019**

As management of the Incline Village General Improvement District (District), we offer readers of the District's financial statements this narrative and analysis of the financial activities of the Incline Village General Improvement District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction 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. The Community Services ski venue had an extended season due to good snow conditions resulting in additional revenue and costs to require a budget augmentation. A normal golf season allowed both courses to work on programming and the continued use of dynamic pricing for their revenue realization. The Mountain golf course experienced an increase in golf rounds, despite an August 2018 kitchen fire. The beach season had above average attendance. The Utility services had an average year for their flows. Overall the District still maintains a healthy financial condition for liquidity, operations and capital management. The District continues to meet its financial obligations and provide services to the community at large. Maintaining the care and condition of infrastructure is a high priority for all venues. The Utility Fund continues to build resources for a future Effluent Pipeline Project, while executing the preliminary study and design.

June 30, 2019 Fiscal Year Highlights Based on Government-wide Financial Statements:

- The assets of the District exceeded its liabilities and deferred inflows of resources, at the close of the most recent fiscal year, by \$153 million (net position). Of this amount, \$31.8 million (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's net position increased \$7.1 million. A significant portion will serve to provide resources for future capital projects.
- The General Fund's ending fund balance is at \$3.8 million.
- The governmental activities included depreciation of \$3.5 million while making investments in capital assets of \$6.5 million.
- The District retired \$859,678 in bond principal during the year.

Overview of the Basic Financial Statements

This discussion and analysis is 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 statements.

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 Position*** presents information on all of the District's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases, in net position, may serve as a 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 position changed during the fiscal year. All changes in net position 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.

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Both of the government-wide financial statements (*Net Position* and *Statement of Activities*) distinguish functions of the District that are principally supported by taxes, intergovernmental revenue and charges for services (*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 administration by the General Fund, recreation and internal service activities. The business-type activities of the District include utility activities that reflect enterprise operations where a fee for service typically covers all or most of the costs of operations including depreciation and debt service.

Fund Financial Statements: 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 multiple governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund, Community Services Special Revenue, Capital Projects and Debt Services Funds, and the Beach Special Revenue, Capital Projects and Debt Service Funds.

The District adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds to demonstrate compliance with these budgets. For the other governmental funds similar comparisons are provided in the Supplemental Information section.

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. *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 maintenance of its fleet of vehicles, buildings maintenance, and engineering functions. The District internal services fund also accounts for the Workers Compensation function. Each department pays for coverage based on its payroll costs. Workers Compensation serves the entire District and uses these charges, rather than costs being allocated by department. The Internal Service Fund is classified as governmental-type activities in the government-wide statement since the governmental funds are the most substantial users of these services.

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. The District has prepared a schedule for its Multi-Employer Retirement Plans. There are individual fund schedules, providing budget to actual comparisons. These schedules indicate compliance with budgetary constraints and management directives to enhance accountability at the fund and function level. The State of Nevada Department of Taxation, Local Government Division, has a prescribed format for budget data. The supplementary information reports actual results according to that format and terminology. Statistical information is provided on a five or ten-year basis, as available, for trend and historical analysis. This information addresses a number of the major revenue sources of the District including the Recreation and Beach Facility Fee.

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Governmental-wide Financial Analysis

Net position is a useful indicator of a government's financial position. The District's assets exceeded liabilities and deferred inflows of resources by \$153 million at June 30, 2019. The largest portion of net position (79%) reflects net investment in capital assets (e.g., land, buildings, equipment, construction in progress less accumulated depreciation and bonds 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.

**Incline Village General Improvement District
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other assets	\$ 18,211,423	\$ 13,170,824	\$ 8,207,132	\$ 8,435,236	\$ 26,418,555	\$ 21,606,060
Long Term assets	6,656,389	9,546,374	5,843,465	3,762,165	12,499,854	13,308,539
Net Capital Assets	57,639,775	54,721,037	69,158,284	69,496,001	126,798,059	124,217,038
Total Assets	82,507,587	77,438,235	83,208,881	81,693,402	165,716,468	159,131,637
Liabilities						
Current liabilities	5,477,847	4,631,434	1,815,665	2,306,442	7,293,512	6,937,876
Long-term liabilities	1,131,683	1,491,016	4,084,938	4,608,926	5,216,621	6,099,942
Total Liabilities	6,609,530	6,122,450	5,900,603	6,915,368	12,510,133	13,037,818
Deferred Inflows of Resources						
Deferred inflows	242,584	242,019	-	-	242,584	242,019
Net Position						
Net investment in capital assets	56,147,092	52,880,021	64,549,358	64,377,397	120,696,450	117,257,418
Restricted by Third Party Agreement	136,993	183,037	316,611	309,344	453,604	492,381
Unrestricted	19,371,388	18,010,708	12,442,309	10,091,293	31,813,697	28,102,001
Total Net Position	\$ 75,655,473	\$ 71,073,766	\$ 77,308,278	\$ 74,778,034	\$ 152,963,751	\$ 145,851,800

**Incline Village General Improvement District
Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 23,715,593	\$ 20,278,250	\$ 12,785,742	\$ 11,925,557	\$ 36,501,335	\$ 32,203,807
Operating grants	17,000	17,000	1,440	-	18,440	17,000
Capital grants and contributions	267	558,128	-	199,934	267	758,062
General Revenues:						
Ad valorem tax	1,622,486	1,546,575	-	-	1,622,486	1,546,575
Consolidated tax	1,690,222	1,637,250	-	-	1,690,222	1,637,250
Facility Fees	6,756,410	6,771,522	-	-	6,756,410	6,771,522
Unrestricted investment earnings	563,685	175,122	282,484	77,280	846,169	252,402
Other	204,245	190,578	15,066	50,020	219,311	240,598
Total Revenues	34,569,908	31,174,425	13,084,732	12,252,791	47,654,640	43,427,216
Expenses						
General Government	4,194,237	3,828,917	-	-	4,194,237	3,828,917
Internal Services	3,306,507	3,056,400	-	-	3,306,507	3,056,400
Utility	-	-	10,554,488	10,253,834	10,554,488	10,253,834
Community Services	20,345,198	19,043,639	-	-	20,345,198	19,043,639
Beach	2,142,259	1,849,659	-	-	2,142,259	1,849,659
Total Expenses	29,988,201	27,778,615	10,554,488	10,253,834	40,542,689	38,032,449
Excess Revenue (Expenses)	4,581,707	3,395,810	2,530,244	1,998,957	7,111,951	5,394,767
Transfers In (Out)	(120,000)	(120,000)	120,000	120,000	-	-
Changes in Net Position	4,461,707	3,275,810	2,650,244	2,118,957	7,111,951	5,394,767
Beginning Net Position, as reported	71,073,766	67,797,956	74,778,034	72,659,077	145,851,800	140,457,033
Prior Period Adjustment	120,000	-	(120,000)	-	-	-
Beginning Net Position, as adjusted	71,193,766	67,797,956	74,658,034	72,659,077	145,851,800	140,457,033
Ending Net Position	\$ 75,655,473	\$ 71,073,766	\$ 77,308,278	\$ 74,778,034	\$ 152,963,751	\$ 145,851,800

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Governmental-wide Financial Analysis (continued)

Governmental activities increased the Districts' net position by \$4,461,707. The majority of this increase is attributed to an excellent operating season for the District's ski resort.

Total governmental activity revenue overall increased year-on-year in the area of charges for services. The increase in Charges for Services is attributed to the ski resort and increases for banquets and events. The significant increase in investment income is an increase in rates and changes in market values from a loss to a gain. Sales and consolidated taxes, mostly comprised of business and vehicle tax, and increased year-on-year. These combined taxes come through an allocation of state-wide collections. Ad valorem taxes saw an increase. 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. For the fiscal year the abatement has a value of \$428,437 as a reduction of otherwise eligible ad valorem taxes.

The District ski resort budgets its operations on 110,000 skier visits. For 2018-19 the resort had 130,922 visits. The added usage resulted in revenue exceeding the original budget by over \$2,863,000. Though some expenses also increased by \$477,000, many costs are fixed and the resulting increased results flows to fund balance. By comparison, the Community Services Special Revenue Fund for 2018 was very close to budget.

Incline Village General Improvement District Governmental Activities Revenues

	2019		2018	
Property taxes	\$ 1,622,486	5%	\$ 1,546,575	5%
Combined taxes	1,690,222	5%	1,637,250	5%
Charges for Services -Community Service:	17,748,644	51%	14,726,788	47%
Charges for Services - Beach	1,492,687	4%	1,266,613	4%
Charges for Services - Internal Services	4,474,262	13%	4,284,849	14%
Facility Fees - Community Services	5,781,289	17%	5,799,206	19%
Facility Fees- Beach	975,121	3%	972,316	3%
Operating Grants	17,000	0%	17,000	0%
Capital Grants	267	0%	558,128	1%
Unrestricted investment earnings	563,685	2%	175,122	1%
Miscellaneous revenues	204,245	0%	190,578	1%
Total governmental revenues	\$ 34,569,908	100%	\$ 31,174,425	100%

The facility fee, assessed on parcel owners, is the most stable of the revenue streams for the District. The facility fee is assessed by the District for recreation and beach privileges and is collected by Washoe County Assessor's office through the real property quarterly billing process. For 2018-19 the District assessed \$5,788,050 in recreation facility fees and \$969,500 in beach facility fees. The shift to the Beach Fund in fiscal year 2018 was to provide more resources for future capital expenditure.

IVGID Facility Fees

Fiscal Year	Per Eligible Parcel		Total Assessment Roll		District Assessed
	Beach	Community Services	Beach	Community Services	Recreation Facility
2018-19	\$ 125	\$ 705	\$969,500	\$5,788,050	\$6,757,550
2017-18	125	705	969,500	5,776,770	6,746,270
2016-17	100	730	774,400	5,972,860	6,747,260
2015-16	100	730	774,300	5,972,130	6,746,430
2014-15	100	730	774,300	5,971,400	6,745,700

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Governmental-wide Financial Analysis (continued)

Total governmental activities include the General Fund which provides District wide administration, Internal Services, and Recreation and Beach programming, capital projects and debt service. Expenditures in the General Fund increased year on year primarily related to Human Resources and increased legal expenses from litigation. Internal services increased reflecting higher service levels and the prior year having a reduced cost in Work Comp because of claim liability changes. Recreation and Beach programming reflect higher costs based on increase in service demand, while also increasing wages to hourly staff.

**Incline Village General Improvement District
Governmental Activities Functional Expenses**

	2019	2018
Manager	\$ 418,829	\$ 355,012
Trustees	175,882	176,450
Accounting	884,240	833,348
Information Services	828,368	820,658
Risk Management	137,019	127,032
Human Resources	682,394	597,875
Health & Wellness	28,816	24,594
Community & Employee Relations	194,398	188,682
Administration	583,203	462,552
Depreciation	261,088	242,714
Total General Government	\$ 4,194,237	\$ 3,828,917
Fleet	\$ 1,146,886	\$ 1,045,987
Engineering	631,999	751,111
Buildings Maintenance	1,022,743	909,796
Works Compensation	504,879	349,506
Total Internal Services	\$ 3,306,507	\$ 3,056,400
Championship Golf	\$ 4,985,709	\$ 4,724,811
Mountain Golf	1,155,483	1,165,185
Facilities	678,964	626,149
Ski	9,098,577	8,230,147
Recreation and Community Programming	2,634,298	2,564,677
Parks	1,082,530	1,063,374
Tennis	302,493	281,020
Recreation Administration	407,144	388,276
Total Community Services	\$ 20,345,198	\$ 19,043,639
Total Beach	\$ 2,142,259	\$ 1,849,659

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Business-type activities: Business-type activities increased their net position by \$2,650,244. The prior year was \$2,118,957. The Utility Fund has little fluctuation from year to year in its units of service. It continues to build added resources for a major capital project on the effluent pipeline. Capital expenditures were \$2,816,092, while depreciation expense was \$3,153,809. Principal reduction on bonds was \$509,678.

Financial Analysis at the Fund Level

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unassigned fund balance of \$3,568,844 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 General Fund balance increased to \$3,765,586, with \$196,742 non-spendable. A prior period adjustment has been made to the General Fund to reflect a 2018 transfer of \$800,000 from the Worker Comp activity within Internal Services, which was redistributed to the Community Services, Beach and Utility funds during 2018-2019. The General Fund also received \$300,000 during 2018-19 that will likewise be distributed during 2019-2020 and \$174,356 which will be retained. The Work Comp self-insured function Internal Services is no longer required having transferred all liability to a risk pool.

The District's recreational programming is conducted under two activities; they are Community Services and Beach. As a result of a deed restriction, a distinct constituency is served by the Beach fund and thus its inflows and outflows are measured separately to demonstrate compliance. The Community Services Special Revenue Fund Balance increased to \$13,333,953. The Beach Special Revenue Fund Balance increased to \$1,810,378.

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.

General Fund Budgetary Highlights

General Fund functional expenditures performed better to budget by \$484,833. The increase in investment earnings is attributed to rate increases, and market value improvement. Much of that is a one-time occurrence, and past years have recognized the reductions. Savings occurred in Information Services because of staff vacancies. Several planned capital expenditure were not made including \$195,000 for two software systems. General Fund actual expenditures has increased slightly over the prior year. Administration includes legal defense costs of about \$130,000.

**Incline Village General Improvement District
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Capital Asset and Debt Administration

Capital Assets: The Incline Village General Improvement District's investment in capital assets for its governmental and business-type activities, as of June 30, 2019 amounts to \$126,798,059 (net of accumulated depreciation). Investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and recreation facilities. Readers desiring more information, with respect to capital asset activity, should see Note 4 to the financial statements.

Incline Village General Improvement District Capital Assets, Net

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land - Governmental Activities	\$ 16,971,753	\$ 16,971,753	\$ -	\$ -	\$ 16,971,753	\$ 16,971,753
Construction in Progress - Governmental Activities	2,157,103	2,755,328	-	-	2,157,103	2,755,328
Land - Utility Activities	-	-	6,715,544	6,715,544	6,715,544	6,715,544
Construction in Progress - Utility Activities	-	-	1,418,052	4,151,041	1,418,052	4,151,041
Buildings and Improvements	913,462	846,899	-	-	913,462	846,899
Equipment and Vehicles	1,647,472	1,591,187	-	-	1,647,472	1,591,187
Internal services equipment furniture and fixtures	253,869	263,912	-	-	253,869	263,912
Utility service infrastructure	-	-	113,807,857	108,626,081	113,807,857	108,626,081
Utility buildings and improvements	-	-	15,503,863	15,166,010	15,503,863	15,166,010
Utility equipment, furniture and fixtures	-	-	3,696,213	3,721,984	3,696,213	3,721,984
Community services buildings and improvements	64,695,501	58,884,392	-	-	64,695,501	58,884,392
Community services equipment, furniture and fixtures	11,942,698	11,613,546	-	-	11,942,698	11,613,546
Beach buildings and improvements	4,957,906	4,861,698	-	-	4,957,906	4,861,698
Beach equipment, furniture and fixtures	569,383	510,786	-	-	569,383	510,786
Total Cost	104,109,147	98,299,501	141,141,529	138,380,660	245,250,676	236,680,161
Accumulated Depreciation	(46,469,372)	(43,578,464)	(71,983,245)	(68,884,659)	(118,452,617)	(112,463,123)
Capital Assets, Net	\$ 57,639,775	\$ 54,721,037	\$ 69,158,284	\$ 69,496,001	\$ 126,798,059	\$ 124,217,038

The major capital asset events during the fiscal year was completion of a Diamond Peak Culvert Project and capitalizing multi-year improvements for the effluent pipeline.

Long-term debt: At the end of the current fiscal year, the District had total bonded debt outstanding of \$6,106,926. Of that amount, \$4,962,361 comprises debt backed by the full faith and credit of the District. The actual source for repayment is service revenues. The remainder of the District debt, \$1,144,565 represents bonds secured solely by specified utility revenue sources.

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	New Issues	Principal Paid	Ending Balance
Governmental Type Activities:				
Bonds Payable;				
Recreation Revenue Supported	\$ 1,848,000	\$ -	\$ 350,000	\$ 1,498,000
Business Type Activities:				
Bonds Payable;				
Utility Revenue Supported	5,118,604	-	509,678	4,608,926
Total	\$ 6,966,604	\$ -	\$ 859,678	\$ 6,106,926

Readers desiring more information, with respect to the District's debt, should see Note 8 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.

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Economic Factors and Next Year's Budgets and Rates

- The District's primary revenue sources are from service charges from users. These are mostly in two forms as amounts charged at the point of service delivery and a standby charge paid by parcel owners to support the availability of services. The standby charge, also known as the Facility Fee, is determined annually by venue to support its operations, capital expenditure and debt service. The District has adopted a multi-year Strategic Planning process. Along with that, we continue to look at capital expenditure and debt service planning, five to twenty years ahead.
- Weather impacts demand for golf and ski and, to a much smaller extent, water and sewer charges based on the choice of residents and visitors to spending time in our community. We have recovered from the prior several years of drought affecting the beach and ski resort. With a more normal weather pattern, we look forward to less fluctuation year to year. A major initiative is to look at summer usage of the ski resort. A regulatory review of those possibilities has begun. However, this may take three to five years to be resolved. The general economy and discretionary spending are considered during the budget process. Anticipated user levels are revisited each year to assess probable service demands.
- Beginning with the 2009-10 fiscal year, the Utility Rate structure was evaluated by the Board one year at a time. For 2009-10 the Board decided on no increase in rates. This was applied to both the operating and capital component of rates. Rate increases were implemented for the 2010-19 fiscal years. These increases were for additional costs and to provide resources for the construction of the now completed Burnt Cedar Water Disinfection Plant Upgrade and the planned replacement project for several miles of our effluent pipeline. There are also a multitude of projects to upgrade pump stations. The design of these projects is ongoing. Both rates and planning for major construction is reviewed annually for the next five years.
- Parcel Owner user rates are based on market data and operating needs of the community activities as determined during budget preparation and adopted by the Board of Trustees.
- Personnel cost comprised 36% of annual expenditures. The 2018-19 budgeted for base wages and salaries, and benefits to increase including 3% cost of living wage or merit increases, and 12% for health benefits rates in January 2019. It also right sized staffing for increased service levels.
- In these economic times employee retention is a key to the success of the District. The District continues to seek a balance of market forces and its economic realities with the benefits of longevity and employee institutional knowledge. Though many employees are part time we strive to have them move from venue to venue or season to season.

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 the Director of Finance, 893 Southwood Boulevard, Incline Village, Nevada, 89451. This report will also be available on the District's website at www.yourtahoeplace.org.

**Draft MD&A for
the 2019/2020
CAFR will be
made available
at the Audit
Committee
Meeting**