

TOPAZ RANCH ESTATES  
GENERAL IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR THEN ENDED  
JUNE 30, 2018



TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Topaz Ranch Estates General Improvement District  
Wellington, Nevada

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activity, the business-type activity, each major fund, and the aggregate remaining fund information of the Topaz Ranch Estates General Improvement District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, the business-type activity, each major fund, and the aggregate remaining fund information of the Topaz Ranch Estates General Improvement District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Topaz Ranch Estates General Improvement's basic financial statements. The individual fund financial statements and schedules for June 30, 2018 and 2017 listed in the table of contents as supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The individual fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Topaz Ranch Estates 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Topaz Ranch Estates General Improvement District's internal control over financial reporting and compliance.

VT Accounting Associates, LLP

November 29, 2018



**Topaz Ranch Estates General Improvement District  
Management's Discussion and Analysis  
For the Fiscal Year ended June 30, 2018**

As management of the Topaz Ranch Estates General Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Topaz Ranch Estates General Improvement District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements and notes to the financial statements.

**Financial Highlights**

- The Government-wide assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$6,972,558 (*net position*). Of this amount, \$751,371 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$412,826, an increase of \$14,042 in comparison with the prior year. There is an unassigned fund balance of \$170,494 as of June 30, 2018 available for spending at the government's discretion.
- At the end of the current fiscal year, the General Fund unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) was \$406,807, or approximately 173.12% of the total general fund expenditures.
- The District Water Fund retired \$70,968 in loan principal during the current fiscal year and had \$1,303,143 of additional draws on the USDA Rural Development Loan related to the Water Project.
- The District continued to work on Water System Improvements during the year ended June 30, 2018, utilizing the USDA Rural Development Loan and Grant. As of June 30, 2018, the District has received the full \$3,812,000 of Loan funding and \$2,070,175 of Grant funding, which includes \$167,444 of a Grant receivable as of June 30, 2018. The District is on Phase 1C of the improvements as of June 30, 2018 and has \$629,450 of Grant funding still available.

**Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Supplemental information

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, if any, 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 declining.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation leave liability).

Both of the above noted government-wide financial statements distinguish 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 costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government and roads. The business-type activity of the District is the Water Authority.

The government-wide financial statements can be found on pages 12-13 of this report.

**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 or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds.

**Governmental funds.** *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, governmental fund financial statements focus on near-term inflows and outflows 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.

Since 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 *governmental 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 balances provide a reconciliation to

assist in this comparison between *governmental funds* and *governmental activities*. The principal differences reflected in the reconciliation on page 15 are the additions of capital assets purchased by the District, recognition of depreciation expense on capital assets, and deferred outflows/inflows applicable to future periods.

The District maintains one governmental fund. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the 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.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Proprietary Funds.** The District maintains one proprietary fund, of which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its Water Authority. The basic proprietary fund financial statements can be found on pages 19-22 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, combining and individual fund financial statements and schedules with budget to actual comparisons can be found on pages 41-45 of this report. This report also presents Single Audit information concerning the District's compliance with federal statues, regulations, and the terms and conditions of its federal awards. Single Audit information can be found on page 49-58 of this report.

### **Government-wide Overall Financial Analysis**

Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, the condition of the District's roads, and projects that will enhance the quality of life as well as the quality of the water services, to assess the overall health of the District. In the case of the District, assets exceeded liabilities by \$6,972,558 at June 30, 2018.

Topaz Ranch Estates General Improvement District  
Net Position

Table 1

	Governmental Activities		Business-Type Activities		Primary Government Totals	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current assets	\$ 391,991	\$ 408,699	\$ 1,045,102	\$ 897,526	\$ 1,437,093	\$ 1,306,225
Restricted cash	-	-	913,937	394,791	913,937	394,791
Net capital assets	92,305	45,216	9,905,014	7,269,126	9,997,319	7,314,342
Inter balances, net	<u>28,328</u>	<u>(263)</u>	<u>(28,328)</u>	<u>263</u>	<u>-</u>	<u>-</u>
Total assets	<u>512,624</u>	<u>453,652</u>	<u>11,835,725</u>	<u>8,561,706</u>	<u>12,348,349</u>	<u>9,015,358</u>
<b>Liabilities:</b>						
Other liabilities	2,158	3,678	777,667	733,660	779,825	737,338
Long-term debt outstanding	<u>-</u>	<u>-</u>	<u>4,595,966</u>	<u>3,457,892</u>	<u>4,595,966</u>	<u>3,457,892</u>
Total liabilities	<u>2,158</u>	<u>3,678</u>	<u>5,373,633</u>	<u>4,191,552</u>	<u>5,375,791</u>	<u>4,195,230</u>
<b>Net position:</b>						
Net investment in capital assets	92,305	45,216	5,214,945	3,811,234	5,307,250	3,856,450
Restricted	-	-	913,937	394,791	913,937	394,791
Unrestricted	<u>418,161</u>	<u>404,758</u>	<u>333,210</u>	<u>164,129</u>	<u>751,371</u>	<u>568,887</u>
Total net position	<u>\$ 510,466</u>	<u>\$ 449,974</u>	<u>\$ 6,462,092</u>	<u>\$ 4,370,154</u>	<u>\$ 6,972,558</u>	<u>\$ 4,820,128</u>

The largest portion of net position (76.12%) reflects net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure, net of accumulated depreciation), less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since capital assets cannot be used to liquidate these liabilities.

An additional portion of the District's net position (13.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$751,371 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The District's overall net position increased \$2,152,430 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.



Topaz Ranch Estates General Improvement District  
Changes in Net Position

Table 2

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Charges for services	\$ -	\$ -	\$ 568,419	\$ 545,137	\$ 568,419	\$ 545,137
General revenues:						
Property taxes	168,182	162,326	-	-	168,182	162,326
Consolidated taxes	72,047	69,078	-	-	72,047	69,078
Capital grants	-	-	2,070,195	-	2,070,195	-
Other general revenues	8,154	6,391	11,394	7,734	19,548	14,125
Total revenues	248,383	237,795	2,650,008	552,871	2,898,391	790,666
Expenses:						
Public works	187,891	197,549	-	-	187,891	197,549
Water	-	-	558,448	535,679	558,448	535,679
Total expenses	187,891	197,549	558,448	535,679	746,339	733,228
Increase in net position before contributions	60,492	40,246	2,091,560	17,192	2,152,052	57,438
Contributions	-	-	378	3,503	378	3,503
Increase in net position	60,492	40,246	2,091,938	20,695	2,152,430	60,941
Net position - beginning	449,974	409,728	4,370,154	4,349,459	4,820,128	4,759,187
Net position - ending	\$ 510,466	\$ 449,974	\$ 6,462,092	\$ 4,370,154	\$ 6,972,558	\$ 4,820,128

**Governmental activities.** The current fiscal year showed net position for governmental activities increased \$60,492 from the prior fiscal year for an ending balance of \$510,466. The increase in net position is related to more property tax revenue with reduced expenditures. Total revenues have increased \$10,588, of which \$8,825 is related to an increase in taxes collected. Expenditures have decreased \$9,658 from the prior year.

**Business-type Activities.** For the District's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$6,462,092. The total increase in net position for business-type activities (Water Authority) was \$2,091,938 or 47.87% from the prior fiscal year. The growth is attributable to \$2,070,195 of grant revenue. The entirety of the grant was spent on the water project.

### Financial Analysis of Governmental Funds

As noted earlier, 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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned funds balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board.

At June 30, 2018, the District's governmental fund reported fund balance of \$412,826, an increase of \$14,042 in comparison with the prior year. Approximately 41.3% of this amount, \$170,494, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, \$6,019 or is assigned for a specific purpose, \$236,313.

As previously noted, the fund balance increase of \$14,042 during the current fiscal year resulting mainly from an increase in revenue of \$10,588 with a decrease in expenditures.

***Proprietary Funds.*** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Authority at the end of the year was \$333,210. The total growth in net position for the fund was \$2,091,938. As noted earlier in the discussion of business-type activities, the increase for the Water Authority results in large part to \$2,070,195 of USDA grant revenue related to the water systems improvement project.

### **General Fund Budgetary Highlights**

The District adopts an annual Operating Budget following public budget workshops and a public hearing. The Operating Budget includes proposed expenses and the means of financing them. The District's operating budget remains in effect the entire year and can be revised during the last months of the fiscal year by Board Action at an agendaized Board of Trustees meeting. Fiscal 2018 budget comparisons are presented with financial statements for the General Fund. The Water Fund budget is reported in the supplemental information section of this annual report as required by Nevada Revised Statutes.

***Original budget compared to final budget.*** During the year there was need for a transfer of spending authority for both the Water and General Fund Fiscal budgets to reallocate appropriations among departments. For the water fund there was an increase to the loan interest account which was reallocated from employee benefits and service and supplies. The reallocations for the General Fund resulted in an increase in services and supplies and a decrease to employee benefits.

***Final budget compared to actual results.*** A 2018 General Fund budget comparison and analysis is presented in Table 3.

Topaz Ranch Estates General Improvement District  
 General Fund  
 Schedule of Revenues, Expenses, and Changes in Fund Balance  
 Budget and Actual  
 Table 3

	Final Budget	Actual	Variance
REVENUES:			
Ad valorem taxes	\$ 169,070	\$ 168,821	\$ (249)
Consolidated tax	69,518	72,047	2,529
Other general revenues	7,050	8,154	1,104
TOTAL REVENUES	245,638	249,022	3,384
EXPENDITURES:			
Public works	272,571	234,980	37,591
TOTAL EXPENDITURES	272,571	234,980	37,591
CHANGES IN FUND BALANCE	\$ (26,933)	\$ 14,042	\$ 40,975

Consolidated taxes are collected by the State. They consist of sales and use tax, motor vehicle privilege tax, etc. Ad valorem taxes are collected by the County. During the year, the amounts collected by the State and County and remitted to the District differ from the budgeted amounts, although the current year difference was only approximately 1% more than budgeted. Overall General Government Public Works current operating expenditures were \$37,591 below budget. A review of actual expenditures compared to the appropriations in the final budget yields three significant variances, services and supplies, salaries and benefits and capital outlay. Service and supplies actual expenditures of \$60,741 were less than the related appropriation of \$122,156 by \$61,415. This was mainly due to a reduction in repairs expenses. The cost of road repairs ended up being booked to capital outlay as the repairs were more severe than anticipated. Salaries and benefits actual expenditures of \$104,159 were less than the related appropriation of \$148,915 by \$44,756. This is due to the fact that the District had budgeted for seasonal labor that was not utilized during the year. Capital Outlay actual expenditures of \$70,080 were more than the related appropriation of \$1,500 by \$68,580 due to unexpected road work.

### Capital Assets and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$9,997,319 (net of accumulated depreciation). This investment in capital assets includes land, water rights, buildings, equipment, roads, trucks and distribution systems. The total increase in capital assets for the current fiscal year, \$2,682,977, was approximately 36.68%.

Topaz Ranch Estates General Improvement District  
 Capital Assets at Year-end  
 (Net of Depreciation)  
 Table 4

	Governmental Activities		Business-type Activities		Primary Government Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,096	\$ 6,096	\$ 42,814	\$ 42,814	\$ 48,910	\$ 48,910
Construction in progress	-	-	6,390,977	3,644,072	6,390,977	3,644,072
Land improvements	66,938	7,709	14,828	15,353	81,766	23,062
Trucks and equipment	19,271	31,411	18,607	25,099	37,878	56,510
Distribution system	-	-	3,437,788	3,541,788	3,437,788	3,541,788
Total	<u>\$ 92,305</u>	<u>\$ 45,216</u>	<u>\$ 9,905,014</u>	<u>\$ 7,269,126</u>	<u>\$ 9,997,319</u>	<u>\$ 7,314,342</u>

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

- \$2,746,905 was capitalized in construction in progress pertaining to qualified expenses incurred by the District during the year for phase 1B and 1C of the water system improvement project
- The General fund hired a contractor to resurface the roads that were damaged by the water project for \$70,080
- Water meter purchases at a total cost of \$5,141.

**Long-term Debt.** At the end of the current fiscal year, the District’s water fund had \$4,690,069 in long term debt outstanding, which was comprised of debt backed by the full faith and credit of the District. The majority of debt resulted from a \$3,766,332, originally \$3,812,000, loan obtained in the prior year from United States Department of Agriculture-Rural Development (USDA-RD) to finance capital improvements to the water system. The 3.8-million-dollar loan is expected to be paid in full 2057. The remaining balance consists of two loans, one is with USDA-RD, expected to be paid in full in 2050 and the other is a State Revolving Loan, expected to be paid in full in 2036, both utilizing service revenues to repay the loans. There was an increase of \$1,303,143 from the prior year as a direct result of receiving the remaining balance of the \$3.8 million loan. Additionally, there was \$70,968 of regularly scheduled principal reductions on the existing outstanding debt.

**Economic Factors and Next Year’s Budgets and Rates**

The following economic factors currently affect the District and were considered in developing the 2018-2019 fiscal year budget.

- The District continues to look at resources and options for a more permanent road paving solution.
- The District plans on purchasing a used water truck
- The property tax rate remains at \$0.8546 cents per hundred dollars of assessed valuation for fiscal year 2018-2019. No change in rates is expected to occur during FY 2018-2019.
- The District is entering the 3<sup>rd</sup> phase of the water project which includes updates to some of the distributions lines and install more fire hydrants.
- The District will use the remaining proceeds from the USDA grant to cover the remaining water project expenses.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to Aaron Hughes, District Manager, 1490 Albite Rd, Wellington, Nevada, 89444.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total Primary Government
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 366,931	\$ 782,869	\$ 1,149,800
Accounts receivable:			
User fees, net	-	81,570	81,570
Taxes	18,651	-	18,651
USDA capital grant	-	167,444	167,444
Prepaid expenses and other assets	6,409	13,219	19,628
Internal balances, net	28,328	(28,328)	-
Restricted/reserved cash	-	913,937	913,937
Capital assets:			
Land	6,096	42,814	48,910
Construction in progress	-	6,390,977	6,390,977
Depreciable buildings, property, equipment and infrastructure, net of accumulated depreciation	<u>86,209</u>	<u>3,471,223</u>	<u>3,557,432</u>
Total assets	<u>512,624</u>	<u>11,835,725</u>	<u>12,348,349</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	1,839	19,208	21,047
Accounts payable- construction	-	638,157	638,157
Customer deposits	-	20,727	20,727
Employee compensation liabilities	319	5,472	5,791
Noncurrent liabilities:			
Notes payable-current portion	-	94,103	94,103
Notes payable-due in more than one year	<u>-</u>	<u>4,595,966</u>	<u>4,595,966</u>
Total liabilities	<u>2,158</u>	<u>5,373,633</u>	<u>5,375,791</u>
<b>NET POSITION:</b>			
Net investment in capital assets	92,305	5,214,945	5,307,250
Restricted for special purposes	-	913,937	913,937
Unrestricted	<u>418,161</u>	<u>333,210</u>	<u>751,371</u>
Total net position	<u>\$ 510,466</u>	<u>\$ 6,462,092</u>	<u>\$ 6,972,558</u>

The accompanying notes are an integral part of this financial statement.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Primary government:</b>							
Governmental activities:							
Public works	\$ 187,891	\$ -	\$ -	\$ -	\$ (187,891)	\$ -	\$ (187,891)
Total governmental activities	<u>187,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,891)</u>	<u>-</u>	<u>(187,891)</u>
Business-type activities:							
Water	<u>558,448</u>	<u>568,419</u>	<u>-</u>	<u>2,070,195</u>	<u>-</u>	<u>2,080,166</u>	<u>2,080,166</u>
Total business-type activities	<u>558,448</u>	<u>568,419</u>	<u>-</u>	<u>2,070,195</u>	<u>-</u>	<u>2,080,166</u>	<u>2,080,166</u>
Total primary government	<u>\$ 746,339</u>	<u>\$ 568,419</u>	<u>\$ -</u>	<u>\$ 2,070,195</u>	<u>\$ (187,891)</u>	<u>\$ 2,080,166</u>	<u>\$ 1,892,275</u>
General Revenues:							
Ad valorem taxes					\$ 168,182	\$ -	\$ 168,182
Consolidated taxes					72,047	-	72,047
Interest earnings					1,668	5,900	7,568
Miscellaneous					<u>6,486</u>	<u>5,494</u>	<u>11,980</u>
Total general revenues					<u>248,383</u>	<u>11,394</u>	<u>259,777</u>
Changes in net position before contributions					60,492	2,091,560	2,152,052
Contributions in excess of cost					<u>-</u>	<u>378</u>	<u>378</u>
Changes in net position					<u>60,492</u>	<u>2,091,938</u>	<u>2,152,430</u>
Net position - beginning of year					<u>449,974</u>	<u>4,370,154</u>	<u>4,820,128</u>
Net position-end of year					<u>\$ 510,466</u>	<u>\$ 6,462,092</u>	<u>\$ 6,972,558</u>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND**

**JUNE 30, 2018**

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ASSETS:

Cash	\$ 366,931
Taxes receivable	18,651
Prepaid insurance and other assets	6,409
Due from Enterprise Fund	<u>28,328</u>
TOTAL ASSETS	<u>\$ 420,319</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 1,839
Employee compensation liabilities	<u>319</u>
TOTAL LIABILITIES	<u>2,158</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue - property taxes	<u>5,335</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,335</u>

FUND BALANCE:

Nonspendable	6,019
Assigned	236,313
Unassigned	<u>170,494</u>
TOTAL FUND BALANCE	<u>412,826</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE \$ 420,319

The accompanying notes are an integral part of this financial statement.



**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2018**

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<b>Total Fund Balance - Total Governmental Fund</b>	<b>\$ 412,826</b>
 Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
 Capital assets, net of accumulated depreciation, used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet.	 92,305
 Some property tax will not be collected for several months after the District's fiscal year, they are not considered "available" revenues in the Governmental Funds Balance Sheet.	 <u>5,335</u>
 <b>Net Position of Governmental Activities</b>	 <b><u>\$ 510,466</u></b>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2018**

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REVENUES:

Ad valorem tax	\$	168,821
Consolidated tax		72,047
Encroachments		488
Interest earned		1,668
Miscellaneous income		<u>5,998</u>
TOTAL REVENUES		<u>249,022</u>

EXPENDITURES:

Public works		
Current operations:		
Salaries and wages		66,269
Employment benefits		37,890
Services and supplies		60,741
Capital outlay		<u>70,080</u>
TOTAL EXPENDITURES		<u>234,980</u>

EXCESS OF REVENUES OVER EXPENDITURES 14,042

NET CHANGES IN FUND BALANCE 14,042

FUND BALANCE, BEGINNING OF YEAR 398,784

FUND BALANCE, END OF YEAR \$ 412,826

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**RECONCILIATION OF THE GOVERNMENT FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-  
WIDE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2018**

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<b>Net Changes In Fund Balance - Total Governmental Fund</b>	\$ 14,042
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
The Governmental Fund reports capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Change in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	70,080
Some property tax will not be collected for several months after the District's fiscal year ended June 30, 2018, and as such, they are not considered "available" revenues in the Governmental Funds.	5,335
Some property tax was not collected for several months after the District's fiscal year ended June 30, 2017, and as such, they were not considered "available" revenues in the Governmental Funds. These revenues were collected during the District's fiscal year ended June 30, 2018.	(5,974)
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental Fund.	<u>(22,991)</u>
<b>Changes In Net Position of Governmental Activities</b>	<u>\$ 60,492</u>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

**YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	2018 Actual	Variance
<b>REVENUES:</b>				
Ad valorem tax	\$ 169,070	\$ 169,070	\$ 168,821	\$ (249)
Consolidated tax	69,518	69,518	72,047	2,529
Encroachments	-	-	488	488
Interest earned	1,050	1,050	1,668	618
Miscellaneous income	6,000	6,000	5,998	(2)
<b>TOTAL REVENUES</b>	<u>245,638</u>	<u>245,638</u>	<u>249,022</u>	<u>3,384</u>
<b>EXPENDITURES:</b>				
General government:				
Public works				
Current operations:				
Salary and wages	102,049	102,049	66,269	35,780
Employment benefits	53,966	46,866	37,890	8,976
Services and supplies	115,056	122,156	60,741	61,415
Capital outlay	1,500	1,500	70,080	(68,580)
<b>TOTAL EXPENDITURES</b>	<u>272,571</u>	<u>272,571</u>	<u>234,980</u>	<u>37,591</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(26,933)</u>	<u>(26,933)</u>	<u>14,042</u>	<u>40,975</u>
<b>NET CHANGES IN FUND BALANCE</b>	(26,933)	(26,933)	14,042	40,975
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>403,476</u>	<u>403,476</u>	<u>398,784</u>	<u>(4,692)</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 376,543</u>	<u>\$ 376,543</u>	<u>\$ 412,826</u>	<u>\$ 36,283</u>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND - WATER ENTERPRISE FUND**

**JUNE 30, 2018**

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 782,869
Accounts receivable, net of allowance of \$13,076	81,570
Capital grant receivable USDA	167,444
Prepaid expenses	13,219
Due from General Fund	-
TOTAL CURRENT ASSETS	<u>1,045,102</u>

CAPITAL ASSETS:

Construction in progress	6,390,977
Property, plant and equipment	5,046,948
Less: accumulated depreciation	<u>(1,532,911)</u>
NET CAPITAL ASSETS	<u>9,905,014</u>

OTHER ASSETS:

Restricted/reserved cash	<u>913,937</u>
TOTAL OTHER ASSETS	<u>913,937</u>

TOTAL ASSETS 11,864,053

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	10,306
Accounts payable- construction	638,157
Due to General Fund	28,328
Accrued interest	8,902
Employee compensation liabilities	5,472
Customer deposits	20,727
Notes payable - current portion	<u>94,103</u>
TOTAL CURRENT LIABILITIES	<u>805,995</u>

NONCURRENT LIABILITIES:

Notes payable - due in more than one year	<u>4,595,966</u>
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TOTAL LIABILITIES 5,401,961

NET POSITION:

Net investment in capital assets	5,214,945
Restricted for asset replacement and debt service	913,937
Unrestricted	<u>333,210</u>
TOTAL NET POSITION	<u>\$ 6,462,092</u>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND - WATER ENTERPRISE FUND**

**YEAR ENDED JUNE 30, 2018**

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OPERATING REVENUES:	
Charges for water service	\$ 563,277
Miscellaneous income	5,494
Connection fees	<u>5,142</u>
TOTAL OPERATING REVENUES	<u>573,913</u>
OPERATING EXPENSES:	
Salaries, wages, benefits	258,781
Services and supplies	153,403
Depreciation	<u>116,158</u>
TOTAL OPERATING EXPENSES	<u>528,342</u>
INCOME FROM OPERATIONS	<u>45,571</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense incurred	(30,106)
Interest earned	5,900
USDA grant revenue	<u>2,070,195</u>
TOTAL NON-OPERATING EXPENSES	<u>2,045,989</u>
INCOME BEFORE CONTRIBUTIONS	2,091,560
CONTRIBUTIONS IN EXCESS OF COST	<u>378</u>
CHANGES IN NET POSITION	<u>2,091,938</u>
TOTAL NET POSITION - beginning of year	<u>4,370,154</u>
TOTAL NET POSITION - end of year	<u>\$ 6,462,092</u>

The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - WATER ENTERPRISE FUND**

**YEAR ENDED JUNE 30, 2018**

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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 604,540
Cash payments to suppliers for goods and services	(151,431)
Cash payments to employees for wages and benefits	<u>(257,517)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>195,592</u>

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:

Contributed capital connection fees	378
Acquisition of capital assets	(5,142)
Acquisition of waterline project related capital assets	(2,803,584)
Payments on notes payable	(70,968)
Proceeds from grant	1,902,751
Proceeds from debt issuance	1,303,143
Cash paid for interest	(38,440)
Increase in restricted/reserved cash	<u>(519,146)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(231,008)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>5,900</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,900</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (29,516)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 812,385

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 782,869

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Construction in progress (incurred but not paid)	<u>\$ 638,157</u>
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The accompanying notes are an integral part of this financial statement.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**STATEMENT OF CASH FLOWS (cont'd)  
PROPRIETARY FUND - WATER ENTERPRISE FUND**

**YEAR ENDED JUNE 30, 2018**

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RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Income from operations	<u>\$ 45,571</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	116,158
Increase in accounts receivable	(4,514)
Increase in prepaid expenses and other assets	(5,134)
Increase in due to other fund	28,591
Increase in accounts payable- trade	7,106
Increase in employee compensation liabilities	1,264
Increase in customer deposits	<u>6,550</u>
Net cash provided by operating activities	<u><u>\$ 195,592</u></u>

The accompanying notes are an integral part of this financial statement.



# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Topaz Ranch Estates General Improvement District (the “District”) is governed by an elected Board of Trustees and provides water service, street maintenance and snow removal. Water services accounted for in the Water Enterprise Fund commenced on December 16, 1997. The District is located in Wellington, Nevada and operates under provisions of the Nevada Revised Statutes (NRS) Chapter 318.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The District’s financial statements are prepared in accordance with GAAP, including implementation of GASB Statement (GASB) No. 34. The more significant of the District’s accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB No. 34 required a Management Discussion and Analysis (MD&A) section to be included in the financial statements, providing an analysis of the District’s overall financial position and results of operations.

Financial Reporting Entity – The financial statements of the District consist only of the governmental and business-type activities of the District. The District is not financially accountable for or to any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and selection of the respective governing board.

Basic Financial Statements-Government-Wide Statements – The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District’s public works and general administrative services are classified as governmental activities. The District’s water service is classified as a business-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts—net investment in capital assets; restricted net assets; and unrestricted net assets.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of the District's function (public works) and business-type activity. The public works function is also supported by general government revenues (property, consolidated (principally sales and use) taxes, and interest earnings). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, and capital grants. Program revenues must be directly associated with the function (public works) or a business-type activity. Capital grants include capital-specific grants, if applicable.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements-Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance or net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1. Governmental Fund:

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

- a. 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.

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the District:

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- a. The Enterprise Fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund and Water Enterprise Fund are both major funds of the District.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recognized when incurred. These financial statements use the economic resources measurement focus.

2. Modified Accrual:

The governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. General Fund capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from sale of capital assets and operating transfers are reported as other financing sources.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### *Assets, Liabilities and Net Position*

Cash and Cash Equivalents – The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash invested in the State of Nevada investment pools.

The District implemented GASB No. 72, Fair Value Measurement and Application. GASB No. 72 requires additional disclosure relating to fair value measurements, the level of fair value hierarchy, and valuation techniques on certain assets and liabilities. GASB No. 72 applies to the State of Nevada Local Government Investment Pool ("LGIP") account, therefore required disclosures can be found in Note 2 to the financial statements

Prepaid items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Asset – Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Improvements	7-20 years
Water distribution systems	7-65 years
Trucks and Equipment	3-10 years

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for the District. The District elected to implement the general provisions of GASB No. 34 beginning in the fiscal year 2004 and did not implement the retroactive infrastructure provisions.

In June 2007, the Governmental Accounting Standards Board ("GASB") issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB No. 51"), which provides guidance regarding how to identify, account for and report intangible assets. GASB No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

GASB No. 51 requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. GASB No. 51 is effective for periods beginning after June 15, 2009, however, the District chose to early implement this standard during the year ended June 30, 2009 and did not implement the retroactive reporting provisions. The District acquired all water rights prior to implementation of GASB No. 51 and as such, there is a zero carrying value associated with these assets.

Revenues – Substantially all governmental fund revenues are recognized under modified accrual principles.

Property taxes are levied on July 1 of each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates. The District does not directly collect any taxes. All taxes are collected by the County or State and remitted to the District. Property tax revenues are recognized when they become measurable and available. Available includes current and prior year's property taxes collected by the District within sixty days after year-end, whether or not the proceeds were collected by the County prior to year-end. Other taxes are recognized when in the hands of the County or State, and therefore generally received within sixty days after year-end.

Provision for Uncollectible Taxes – The District recognizes in deferred revenue the delinquent taxes not received in the next two tax settlements after year end. Deferred revenue at June 30, 2018, is \$5,335.

Allowance for Uncollectible Accounts – The District estimates the allowance for uncollectible water customer accounts receivable based on the historical collection data that is available and on evaluation of the collectability of the outstanding accounts receivable.

Interfund Activity – Interfund activity is reported as reimbursements or transfers, which are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Expenditures - Expenditures are recognized when the related governmental fund liability is incurred.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Employee Compensation Liabilities – The District accrues a liability for employee compensation liabilities which meet all of the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

Vested or accumulated vacation and sick leave of the District is recorded as an expense and liability as the benefits accrue to employees. Vacation and sick leave may be accumulated by employees up to certain maximums, and is payable upon retirement or termination. The District charges all accrued vacation and sick pay to the proprietary fund. Total sick and vacation pay accrued amounted to \$3,662 at June 30, 2018, and is included within the employee compensation liabilities line item of \$5,472.

There is no retirement plan provided to the employees of the District.

Loan Costs - The District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, for the year ended June 30, 2014. GASB No. 65 provides that debt issuance costs should be recognized as an expense in the period incurred.

Deferred outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government does not have any items that qualify for reporting in this category for the year ended June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, deferred revenue, is reported only in the governmental funds balance sheet. The governmental funds report deferred revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Budgets and Budgetary Accounting - The District submits an annual budget to the Nevada Department of Taxation pursuant to the Local Government Budget Act set forth in chapter 354 of the Nevada Revised Statutes. These statutes have provisions for preparation, filing, notice, public hearing, and adoption in connection with the budgetary process for Nevada governments.

Budgets for all funds, are adopted on a basis consistent with generally accepted accounting principles (GAAP). The proprietary fund also budgets using the Total Sources and Use of economic resources. All annual appropriations lapse at fiscal year-end. Budgets are required by law for all governmental fund types and proprietary fund types.

Excess of Expenditures Over Budget – Expenditures may not legally exceed budgeted appropriations at the fund or function level; for proprietary funds, expenditures include operating and non-operating expenses only, however, an exception is provided in the statutes for debt service payments.

Budget augmentations, amendments, and transfers of appropriations may be authorized by the Board of Trustees during the year. During the current fiscal year, there was a transfer of spending authority for both the Water and General Fund fiscal budgets. Both transfers of spending authority were properly authorized by the Board of Trustees during the year.

Contributions – Proprietary (Enterprise) Fund – Connection fees are reported as revenues only to the extent the amount equals the cost of the physical connection to the system. Amounts substantially exceeding this cost are recorded as increases to Net Position.

Net Position - In the proprietary fund and the government-wide financial statements, net position is presented in one of three components: net investment in capital assets, restricted and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances on notes that are attributable to the acquisition, construction or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. The unrestricted component of net position is the net amount of assets and liabilities not included in the determination of net investment of capital assets or the restricted component.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 could differ from those estimates.

### NOTE 2 – CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents is as follows:

	<u>Carrying Value</u>
Cash on Hand	\$ 5,515
Cash in Bank - City National Bank	<u>1,525,535</u>
Total Cash	1,531,050
State of Nevada Investment Pools	<u>532,687</u>
Total	2,063,737
Less: Restricted Cash (see Note 3)	<u>(913,937)</u>
Total Cash and Cash Equivalents	<u>\$ 1,149,800</u>

The cash in bank balances are covered by federal depository insurance coverage up to \$250,000 per depositor and per insured bank. There are cash deposits of \$1,278,865 in excess of the \$250,000 federal insurance limit at June 30, 2018. The full amount of this excess is collateralized as part of the State of Nevada collateral pool as of June 30, 2018.

Concentration of credit risk - The cash in the Government Investment Pool is invested in an interest-bearing State of Nevada Local Government Investment Pool (the “State Pool”), into which deposits from other Nevada governmental units are combined. Copies of the State Pool separate financial statements can be obtained on the Nevada State Treasurer website. The State Pool is an unrated external investment pool. The carrying value of the cash deposited and investment income in the State Pool approximated its fair value at June 30, 2018. The State Pool is required by state statutes to hold securities, which collateralize deposits made to it. The average weighted maturity and rate risk of the State Pool was 142 days as of June 30, 2018.



# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 2 – CASH AND CASH EQUIVALENTS – (CONTINUED)

#### Fair Value Measurements – State of Nevada Local Government Investment Pool

Although treated as cash equivalents for the District's financial statements, as a stand-alone activity, the State of Nevada Local Government Investment Pool is subject to the fair value accounting under GASB No. 72 - *Fair Value Measurement and Application*. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Fair value and level inputs were obtained from the State Securities custodian, Bank of New York Mellon.

The District has the following recurring fair value measurements relating to their investment in the State of Nevada Local Government Investment Pool as of June 30, 2018:

	Governmental Activities <u>General Fund</u>	Business-Type Activities <u>Water Fund</u>	Total Primary Government
Level 1	\$ 25,587	\$ 121,008	\$ 146,595
Level 2	67,388	318,704	\$ 386,092
	<u>92,975</u>	<u>439,712</u>	<u>\$ 532,687</u>

### NOTE 3 – RESTRICTED/RESERVED CASH

Restricted and/or reserved cash within the proprietary fund, invested in four separate State Pool accounts and one City National Bank account, consists of the following as of June 30, 2018:

Restricted cash for capital replacement (AB-198)	\$ 195,956
Restricted debt service reserve (USDA, 91-03 & 91-05)	68,435
Restricted cash from water rights sales for USDA loan repayment	3,266
Short lived asset reserve (not restricted) for USDA loan	172,055
Water project account reserve	<u>474,225</u>
Total Restricted/Reserved Cash	<u>\$ 913,937</u>

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 3 – RESTRICTED CASH– (CONTINUED)

The District’s proprietary fund is required to set aside monies each year equal to the depreciation on assets acquired using AB-198 grant funds. The restricted cash can only be used for existing capital replacement projects on existing capital assets purchased using AB-198 grant funds. As of June 30, 2018, the activity in the reserve account is as follows:

Prior year accumulated depreciation		\$ 519,890
Current year required reserve funding		<u>24,480</u>
Total depreciation reserve		544,370
Reserves spent for repairs to water system		
Prior years expenditures	\$ 384,810	
Current year expenditures	<u>-</u>	<u>384,810</u>
Required reserves at year end		159,560
Restricted cash at June 30, 2018		<u>195,956</u>
Amount over funded		<u>\$ 36,396</u>

The District’s proprietary fund is required to set aside monies each year for a debt service reserve fund equal to 10% of the monthly payment each month over the life of the loan until accumulation of one annual installment for each of the USDA loans held (see Note 5). The restricted cash can only be used with prior approval from the USDA. As of June 30, 2018, the required amount of restricted cash for loan repayment was \$55,355. As of June 30, 2018, the restricted cash for loan repayment totaled \$68,435.

The District’s proprietary fund began selling water rights during the year ended June 30, 2008. The proceeds from these sales are to be kept in a separate bank account until such time when enough money is held to pay off the remaining USDA loans (see Note 5). The cash received during the year ended June 30, 2009 was used to pay off the first USDA loan. \$181,666 was applied towards the loan principal, reducing the outstanding balance to zero, during the year ended June 30, 2009. After the loan payoff and addition of interest income through June 30, 2018, \$3,266 of water rights proceeds remained in the account. There were no water rights sales during the year ended June 30, 2018 and a total of 873.455 acre feet of water rights were available annually by the District as of June 30, 2018. Of the total water rights, 58.20 acre feet have previously been approved for sale by the District as of June 30, 2018.

The District’s proprietary fund is required to set aside monies each year equal to \$684 per month. This amount was revised from the previous requirement of \$2,849 per month and made effective by the USDA on April 15, 2015. Per agreement with the USDA, these funds are intended to be used by the District for the replacement of short-lived assets as repairs or replacements are needed. As of June 30, 2018, the balance in the short-lived assets account reserve totaled \$172,055.

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

NOTE 3 – RESTRICTED CASH– (CONTINUED)

The District's proprietary fund is required by the USDA to set aside monies to fund the District's portion of water project costs (see Note 5) in connection with the USDA RD Loan and Grant approved June 9, 2015. The District is required to use these funds for approved water project costs. As of June 30, 2018, \$474,225 remained in this account, all of which is expected to be expended within the fiscal year ending June 30, 2019.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year-ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,096	\$ -	\$ -	\$ 6,096
Total capital assets not being depreciated	<u>6,096</u>	<u>-</u>	<u>-</u>	<u>6,096</u>
Depreciable capital assets:				
Buildings and improvements	238	-	(238)	-
Land improvements	688,627	70,080	-	758,707
Trucks and equipment	<u>99,394</u>	<u>-</u>	<u>(616)</u>	<u>98,778</u>
Total depreciable capital assets at historical cost	<u>788,259</u>	<u>70,080</u>	<u>(854)</u>	<u>857,485</u>
Less accumulated depreciation for:				
Buildings and improvements	(238)	-	238	-
Land improvements	(680,918)	(10,851)	-	(691,769)
Trucks and equipments	<u>(67,983)</u>	<u>(12,140)</u>	<u>616</u>	<u>(79,507)</u>
Total accumulated depreciation	<u>(749,139)</u>	<u>(22,991)</u>	<u>854</u>	<u>(771,276)</u>
Depreciable capital assets, net	<u>39,120</u>	<u>47,089</u>	<u>-</u>	<u>86,209</u>
Governmental activities net investment in capital assets	<u>\$ 45,216</u>	<u>\$ 47,089</u>	<u>\$ -</u>	<u>\$ 92,305</u>

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

NOTE 4 – CAPITAL ASSETS – (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 42,814	\$ -	\$ -	\$ 42,814
Construction in progress	<u>3,644,072</u>	<u>2,746,905</u>	<u>-</u>	<u>6,390,977</u>
Total capital assets not being depreciated	<u>3,686,886</u>	<u>2,746,905</u>	<u>-</u>	<u>6,433,791</u>
Depreciable capital assets:				
Distribution system	4,876,671	5,141	-	4,881,812
Equipment	69,717	-	-	69,717
Office equipment	5,627	-	(598)	5,029
Land improvements	<u>47,576</u>	<u>-</u>	<u>-</u>	<u>47,576</u>
Total depreciable capital assets at historical	<u>4,999,591</u>	<u>5,141</u>	<u>(598)</u>	<u>5,004,134</u>
Less accumulated depreciation for:				
Distribution system	(1,334,884)	(109,141)	-	(1,444,025)
Equipment	(44,618)	(6,492)	-	(51,110)
Office equipment	(5,626)	-	598	(5,028)
Land improvements	<u>(32,223)</u>	<u>(525)</u>	<u>-</u>	<u>(32,748)</u>
Total accumulated depreciation	<u>(1,417,351)</u>	<u>(116,158)</u>	<u>598</u>	<u>(1,532,911)</u>
Depreciable capital assets, net	<u>3,582,240</u>	<u>(111,017)</u>	<u>-</u>	<u>3,471,223</u>
Business-type activities net investment in capital assets	<u>\$ 7,269,126</u>	<u>\$ 2,635,888</u>	<u>\$ -</u>	<u>\$ 9,905,014</u>

The \$2,746,905 capitalized in construction in progress pertains to qualified expenses incurred by the District during the year-ended June 30, 2018 for phase 1B and 1C of their water system improvement project (see Note 5) in connection with the USDA RD Loan and Grant approved June 9, 2015. The expenses are made up of construction and planning costs in addition to \$68,403 of interest incurred and capitalized during the year ended June 30, 2018.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 5 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2018</u>
<i>Business-type Activities:</i>				
Due in monthly installments of \$ 2,567, including interest at 4.00 % per annum through 2050 (USDA RD 91-03)	561,747	-	(8,488)	553,259
Due in bi-annually installments of \$ 12,390, including interest at 2.08 % per annum through 2036 (State Revolving Loan DW1605)	387,290	-	(16,812)	370,478
Initial interest only payment due 10/5/17, subsequent payments beginning 11/5/17 due in monthly installments of \$ 11,513, including interest at 1.875 % per annum through 2057 (USDA RD 91-05)	<u>2,508,855</u>	<u>1,303,143</u>	<u>(45,666)</u>	<u>3,766,332</u>
Total Enterprise Fund Long-Term Debt	<u>\$ 3,457,892</u>	<u>\$ 1,303,143</u>	<u>\$ (70,966)</u>	<u>\$ 4,690,069</u>

The District executed two United States Department of Agriculture-Rural Development (“USDA”) loans of \$484,500 and \$199,000 during the year-ended June 30, 2000 to refinance Interim Debt obtained in 1999 to finance the construction of a water storage tank and booster station. The District paid the \$199,000 loan in full during the year ended June 30, 2009. The District paid the \$484,000 loan in full during the year ended June 30, 2016 upon issuance of the Water Refunding Bond (see below).

On May 31, 2006, the United States Department of Agriculture, Rural Development (the “USDA RD”) approved a \$614,000 loan to be applied to the construction of a well and distribution and transmission lines. The loan was subject to various conditions, including the award of AB-198 grant funds of \$1,471,452 from the State of Nevada. On March 26, 2007, AB-198 approved the aforementioned grant. The \$614,000 funds from the USDA RD loan were received on March 24, 2010. The loan is accounted for in the Water Enterprise Fund. The loan has a stated rate of interest of 4% per annum and is payable monthly over a forty-year period.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 5 – LONG-TERM DEBT – (CONTINUED)

On May 31, 2016, a loan contract in the amount of \$407,227 was made between the State of Nevada acting by and through the Department of Conservation and Natural Resources, Division of Environmental Protection (the "Division") and the District to provide funds for refinancing of bonds issued. Loan funds shall be repaid in accordance with bond resolution adopted by the District on May 11, 2016 authorizing issuance of the District's General Obligation (limited tax) Water Refunding Bond (additionally secured by pledged revenues) Series 2016 (the "Water Refunding Bond"). The Water Refunding Bond was obtained to refinance the outstanding portion of the \$484,000 USDA obligation noted above. The outstanding loan is accounted for in the Water Enterprise Fund. The District has pledged future water revenue to repay the loan. The loan has an annual percentage interest rate of 2.08%. Principal and interest payments are payable semiannually on January 1 and July 1.

On June 9, 2015, the United States Department of Agriculture, Rural Development (the "USDA RD") approved a \$3,812,000 loan and a \$2,699,625 grant to be applied to finance water system improvements for its water service. The loan and grant are subject to various conditions, including requiring the District to fund the initial \$500,875 of project costs. Once the District reached this funding requirement, they were required to utilize the USDA RD loan prior to receiving any USDA RD grant funds. As of June 30, 2018, the entire \$3,812,000 USDA RD loan has been advanced (see note on next page regarding future payment obligations). Additionally, \$1,902,751 of the USDA RD grant was received during the year ended June 30, 2018.

The District has incurred a total of \$6,383,069 in qualified/USDA approved expenditures as of June 30, 2018. In addition, \$81,366 of interest on the USDA RD loan has been capitalized as of June 30, 2018, resulting in total project expenditures of \$6,464,435. Of this amount, \$6,390,977 is included in construction in progress for the Water Enterprises Fund as of June 30, 2018, \$15,088 was expensed in the prior fiscal year as debt issuance costs and the remaining \$58,370 of USDA qualified expenditures were expensed in prior years when the costs were not yet attached to this specific project. In relation to the USDA RD grant approval, the Board of Trustees approved a \$4 increase to the customer monthly water service charges. This increase took effect in August 2016.

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 5 – LONG-TERM DEBT – (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 94,103	\$ 99,638
2020	95,921	97,820
2021	98,159	95,581
2022	100,260	93,480
2023	102,410	91,330
2024 and after	<u>4,199,216</u>	<u>1,535,968</u>
Total	<u>\$ 4,690,069</u>	<u>\$ 2,013,817</u>

At June 30, 2018 principal and interest to maturity, to be paid from pledged future revenues totaled \$6,703,886.

### NOTE 6 – FUND BALANCE

In the fund financial statements, fund balance is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact. Restricted fund balance is externally (outside the District) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations. Committed fund balance includes amounts that can be used only for the specific purposes determined by formal action of the District's highest level of decision making authority, namely the Board. Board approval is required to commit resources or to rescind the commitment. Assigned fund balance represents amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board, through fiscal year 2018/2019 budget approval, has authorized management to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 6 – FUND BALANCE – (CONTINUED)

fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance. Management has made the assignments in order to assure operating conditions have been met in the coming fiscal year in the event normal operating conditions are not achieved.

When both restricted and unrestricted resources are available for specific expenditures, it is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, following by assigned fund balance. Unassigned fund balance is applied last.

As of June 30, 2018 the fund balance is as follows:

	Non- spendable	Assigned	Unassigned	Total
<b>General Fund</b>				
Prepaid amounts	\$ 6,019	\$ -	\$ -	\$ 6,019
Salaries & wages	-	96,562	-	96,562
Employee benefits	-	35,283	-	35,283
Services & supplies	-	102,968	-	102,968
Capital projects	-	1,500	-	1,500
Unassigned (residual)	-	-	170,494	170,494
<b>TOTALS</b>	<u>\$ 6,019</u>	<u>\$ 236,313</u>	<u>\$ 170,494</u>	<u>\$ 412,826</u>

As of June 30, 2018, the District has \$236,313 of assigned fund balance. The Board of Trustees is authorized to assign amounts to a specific purpose through review and approval of fiscal year budgets prepared by the Treasurer. Such budgets include proposed expenses and the proposed means of financing them. The assigned fund balance represented in the table above represent budgeted assignments for the fiscal year ending June 30, 2019.

The District considers restricted or unrestricted amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. In addition, the District considers committed, assigned, or unassigned amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance classifications could be used.

Assignments reflect the intention of management. Except where noted, they are not legally bound nor represent a restriction.



# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 7 – OPERATING LEASES

The District has entered into a non-cancelable operating lease for a Xerox office copier with De Lage Landen Financial Services, Inc. This lease requires monthly payments of \$117.42 for a term of 60 months. The first lease payment was made in September, 2014.

Future minimum lease payments for non-cancelable operating leases with initial or remaining terms of one year or more at June 30, 2018 are as follows:

2019	\$	1,409
2020		<u>235</u>
Total	\$	<u><u>1,644</u></u>

Total lease expense for the year ended June 30, 2018 amounted to \$1,635.

### NOTE 8 – COMMITMENTS

The District has committed to the following capital improvement project through contractual agreements:

	<u>Contract Award</u>	<u>Completed at June 30, 2018</u>	<u>Remaining Commitment</u>
Water Fund			
Waterline Improvements - Phase 1B			
Aspen Developers Corp	\$ 1,744,444		
Less: approved change orders	<u>(15,814)</u>		
	<u>\$ 1,728,630</u>	\$ 1,722,066	\$ 6,564
Waterline Improvements - Phase 1C			
V&C Construction	\$ 1,476,938		
Plus: approved change orders	<u>333,296</u>		
	<u>\$ 1,810,234</u>	\$ 1,568,385	\$ 241,849

# TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 9 – RISK OF LOSS AND INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On September 28, 2017, the District became a member of The Nevada Public Agency Insurance Pool (POOL). POOL is a quasigovernmental entity formed by an intergovernmental agreement between political subdivisions of the state of Nevada and organized to operate as a group self-insurer. The purpose of the organization is to seek the prevention or lessening of casualty losses to its members and injuries to persons, which might result in claims being made against such members. In addition to self-funding and excess insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management support services. The POOL is fully funded by member participants. The POOL financial report may be obtained on the website at [www.poolpact.com](http://www.poolpact.com). Prior to becoming a member of POOL, the District carried commercial insurance for the above risks, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

### NOTE 10 – STATE OF NEVADA TAX ABATEMENTS AFFECTING DISTRICT REVENUES

The State of Nevada has entered into various tax abatement agreements that reduce the tax revenues of local governments. Taxes reduced include the Consolidated Tax, which includes allocated sales and use tax revenue. State law establishes the abatements. The District's estimated share of abatements for this fiscal year is \$1,490.

### NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through the audit report date, which is the date the financial statements were available to be issued. No significant events have occurred from the period of the balance sheet, June 30, 2018, through the report date.

SUPPLEMENTAL INFORMATION



**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**GENERAL FUND  
COMPARATIVE BALANCE SHEETS**

**JUNE 30, 2018 AND 2017**

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	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ 366,931	\$ 384,412
Taxes receivable	18,651	19,423
Prepaid insurance and other assets	6,409	4,864
Due from Enterprise Fund	<u>28,328</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 420,319</u>	<u>\$ 408,699</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 1,839	\$ 2,667
Employee compensation liabilities	319	1,011
Due to Enterprise Fund	<u>-</u>	<u>263</u>
TOTAL LIABILITIES	<u>2,158</u>	<u>3,941</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	<u>5,335</u>	<u>5,974</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,335</u>	<u>5,974</u>
FUND BALANCE:		
Nonspendable	6,019	4,486
Assigned	236,313	272,571
Unassigned (residual)	<u>170,494</u>	<u>121,727</u>
TOTAL FUND BALANCE	<u>412,826</u>	<u>398,784</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 420,319</u>	<u>\$ 408,699</u>

See Independent Auditors' Report

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**GENERAL FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	Original Budget	Final Budget	2018 Actual	2018 Variance	2017 Actual
<b>REVENUES</b>					
Ad valorem tax	\$ 169,070	\$ 169,070	\$ 168,821	\$ (249)	\$ 162,106
Consolidated tax	69,518	69,518	72,047	2,529	69,078
Encroachments	-	-	488	488	-
Interest earned	1,050	1,050	1,668	618	1,215
Miscellaneous income	<u>6,000</u>	<u>6,000</u>	<u>5,998</u>	<u>(2)</u>	<u>5,176</u>
<b>TOTAL REVENUES</b>	<u>245,638</u>	<u>245,638</u>	<u>249,022</u>	<u>3,384</u>	<u>237,575</u>
<b>EXPENDITURES</b>					
General government:					
Public works					
Current operations:					
Salaries and wages	102,049	102,049	66,269	35,780	63,183
Employee benefits	53,966	46,866	37,890	8,976	24,511
Services and supplies	115,056	122,156	60,741	61,415	75,468
Capital outlay	1,500	1,500	70,080	(68,580)	22,500
Debt service:					
Principal	-	-	-	-	35,867
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866</u>
<b>TOTAL EXPENDITURES</b>	<u>272,571</u>	<u>272,571</u>	<u>234,980</u>	<u>37,591</u>	<u>222,395</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(26,933)	(26,933)	14,042	40,975	15,180
<b>NET CHANGES IN FUND BALANCE</b>	(26,933)	(26,933)	14,042	40,975	15,180
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>403,476</u>	<u>403,476</u>	<u>398,784</u>	<u>(4,692)</u>	<u>383,604</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 376,543</u>	<u>\$ 376,543</u>	<u>\$ 412,826</u>	<u>\$ 36,283</u>	<u>\$ 398,784</u>

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
dba, TOPAZ RANCH ESTATES WATER COMPANY**

**WATER ENTERPRISE FUND  
COMPARATIVE STATEMENTS OF NET POSITION**

**JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 782,869	\$ 812,385
Accounts receivable, net of allowance of \$13,076	81,570	77,056
USDA capital grant receivable	167,444	-
Prepaid expenses & other assets	13,219	8,085
Due from General Fund	-	263
<b>TOTAL CURRENT ASSETS</b>	<u>1,045,102</u>	<u>897,789</u>
<b>CAPITAL ASSETS</b>		
Construction in progress	6,390,977	3,644,072
Property, plant and equipment	5,046,948	5,042,405
Less: accumulated depreciation	<u>(1,532,911)</u>	<u>(1,417,351)</u>
<b>NET CAPITAL ASSETS</b>	<u>9,905,014</u>	<u>7,269,126</u>
<b>OTHER ASSETS:</b>		
Restricted/reserved cash	<u>913,937</u>	<u>394,791</u>
<b>TOTAL OTHER ASSETS</b>	<u>913,937</u>	<u>394,791</u>
<b>TOTAL ASSETS</b>	<u>11,864,053</u>	<u>8,561,706</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	10,306	3,200
Accounts payable-construction	638,157	694,839
Due to General Fund	28,328	-
Accrued interest	8,902	17,236
Employee compensation liabilities	5,472	4,208
Customer deposits	20,727	14,177
Notes payable - current portion	94,103	70,066
<b>TOTAL CURRENT LIABILITIES</b>	<u>805,995</u>	<u>803,726</u>
<b>NONCURRENT LIABILITIES:</b>		
Notes payable - due in more than one year	<u>4,595,966</u>	<u>3,387,826</u>
<b>TOTAL LIABILITIES</b>	<u>5,401,961</u>	<u>4,191,552</u>
<b>NET POSITION:</b>		
Net investment in capital assets	5,214,945	3,811,234
Restricted for special purpose	913,937	394,791
Unrestricted	<u>333,210</u>	<u>164,129</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,462,092</u>	<u>\$ 4,370,154</u>

See Independent Auditors' Report

**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
dba, TOPAZ RANCH ESTATES WATER COMPANY**

**WATER ENTERPRISE FUND  
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2018  
(With Comparative Actual Amounts for the Year Ended June 30, 2017)**

	Original Budget	Final Budget	2018 Actual	2018 Variance	2017 Actual
<b>OPERATING REVENUES:</b>					
Charges for water service	\$ 560,951	\$ 560,951	\$ 563,277	\$ 2,326	\$ 539,727
Miscellaneous income	2,700	2,700	5,494	2,794	4,872
Connection fees	2,670	2,670	5,142	2,472	5,410
<b>TOTAL OPERATING REVENUES</b>	<u>566,321</u>	<u>566,321</u>	<u>573,913</u>	<u>7,592</u>	<u>550,009</u>
<b>OPERATING EXPENSES:</b>					
Salaries and wages	190,099	190,099	188,764	1,335	166,126
Employee benefits	86,520	76,170	70,017	6,153	59,000
Services and supplies	189,478	176,523	153,403	23,120	148,662
Depreciation	110,000	110,000	116,158	(6,158)	116,084
<b>TOTAL OPERATING EXPENSES</b>	<u>576,097</u>	<u>552,792</u>	<u>528,342</u>	<u>24,450</u>	<u>489,872</u>
<b>INCOME FROM OPERATIONS</b>	<u>(9,776)</u>	<u>13,529</u>	<u>45,571</u>	<u>32,042</u>	<u>60,137</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest expense incurred	(84,265)	(107,570)	(30,106)	77,464	(30,719)
Debt issuance costs	-	-	-	-	(15,088)
Interest earned	1,500	1,500	5,900	4,400	2,862
USDA grant revenue	2,699,625	2,699,625	2,070,195	(629,430)	-
<b>TOTAL OTHER NON-OPERATING REVENUES (EXPENSES)</b>	<u>2,616,860</u>	<u>2,593,555</u>	<u>2,045,989</u>	<u>(547,566)</u>	<u>(42,945)</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<u>2,607,084</u>	<u>2,607,084</u>	<u>2,091,560</u>	<u>(515,524)</u>	<u>17,192</u>
<b>CONTRIBUTIONS IN EXCESS OF COST</b>	-	-	378	378	3,503
<b>CHANGES IN NET POSITION</b>	<u>\$ 2,607,084</u>	<u>\$ 2,607,084</u>	<u>2,091,938</u>	<u>\$ (515,146)</u>	<u>20,695</u>
<b>TOTAL NET POSITION - beginning of year</b>			<u>4,370,154</u>		<u>4,349,459</u>
<b>TOTAL NET POSITION - end of year</b>			<u>\$ 6,462,092</u>		<u>\$ 4,370,154</u>

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
 dba, TOPAZ RANCH ESTATES WATER COMPANY

WATER ENTERPRISE FUND  
 COMPARATIVE SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018  
 (With Comparative Actual Amounts For The Year Ended June 30, 2017)

	Original Budget	Final Budget	2018 Actual	2018 Variance	2017 Actual
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 560,951	\$ 560,951	\$ 604,540	\$ 43,589	\$ 547,654
Cash payments to suppliers for goods and services	(189,478)	(176,523)	(151,431)	25,092	(194,842)
Cash payments to employees for wages and benefits	(276,619)	(266,269)	(257,517)	8,752	(229,251)
Miscellaneous income	5,370	5,370	-	(5,370)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,224	123,529	195,592	72,063	123,561
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Contributed capital connection fees	-	-	378	378	3,503
Acquisition of capital assets	(3,000)	(3,000)	(5,142)	(2,142)	(52,650)
Acquisition of water project related capital assets	(4,637,543)	(4,637,543)	(2,803,584)	1,833,959	(2,618,013)
Payments on notes payable	(70,066)	(70,066)	(70,968)	(902)	(15,831)
Proceeds from grant	2,699,625	2,699,625	1,902,751	(796,874)	-
Proceeds from debt issuance	1,937,918	1,937,918	1,303,143	(634,775)	2,508,855
Cash paid for interest	(84,265)	(107,570)	(38,440)	69,130	(13,795)
Cash paid for debt issuance costs	-	-	-	-	(15,088)
Increases in restricted/reserved cash	-	-	(519,146)	(519,146)	132,567
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(157,331)	(180,636)	(231,008)	(50,372)	(70,452)
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>					
Interest on investments	1,500	1,500	5,900	4,400	2,862
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,500	1,500	5,900	4,400	2,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,607)	(55,607)	(29,516)	26,091	55,971
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	749,625	749,625	812,385	62,760	756,414
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 694,018	\$ 694,018	\$ 782,869	\$ 88,851	\$ 812,385



Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

To the Board of Trustees  
Topaz Ranch Estates General Improvement District  
Wellington, NV

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Topaz Ranch Estates General Improvement District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Topaz Ranch Estates General Improvement District's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

Management of Topaz Ranch Estates General Improvement District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Topaz Ranch Estates General Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Topaz Ranch Estates General Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Topaz Ranch Estates General Improvement District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Topaz Ranch Estates General Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VT Accounting Associates, LLP

November 29, 2018



## AUDITOR'S COMMENTS

To the Board of Trustees  
Topaz Ranch Estates General Improvement District  
Wellington, NV

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Topaz Ranch Estates General Improvement District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

### Current Year Statute Compliance

The District conformed to all significant statutory constraints on its financial administration during the year.

### Progress on Prior Year Statute Compliance

The District reported no instances of noncompliance with significant constraints on its financial administration during the year ended June 30, 2017.

### Prior Year Recommendations

The District reported no instances during the year ended June 30, 2017.

### Current Year Recommendations

We identified no instances required to be reported for the year ended June 30, 2018. See our report *on Internal Control over Financial Reporting and on Compliance of Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

*VT Accounting Associates, LLP*

November 29, 2018

SINGLE AUDIT INFORMATION



Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Trustees  
Topaz Ranch Estates General Improvement District  
Wellington, NV

Report on Compliance for Each Major Federal Program

We have audited Topaz Ranch Estates General Improvement District's (District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Topaz Ranch Estates General Improvement District's compliance.

### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### Report on Schedule of Expenditures of Federal Awards Required the Uniform Guidance

We have audited the financial statements of the governmental activity, the business-type activity, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.



Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*VT Accounting Associates, LLP*

Carson City, Nevada  
November 29, 2018



**TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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Federal Grantor / Program Title	Federal CFDA Number	Federal Award Number	Expenditures
US Department of Agriculture Rural Development Water and Waste Disposal Systems for Rural Communities Year ended June 30, 2018	10.760	879720472	\$ 2,735,180
<b>Total US Department of Agriculture Rural Development</b>			<b>\$ 2,735,180</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,735,180</b>

The notes to the Schedule of Federal Awards are an integral part of this schedule.



TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – REPORTING ENTITY

The Topaz Ranch Estates General Improvement District’s (District) reporting entity is defined in Note 1 to its basic financial statements. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the District for the year ended June 30, 2018. All federal financial assistance, consisting of both a loan and grant, received directly from federal agencies is included in the schedule.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are presented on the accrual basis of accounting as described in Note 1 to the District's basic financial statement.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements.

The District has not allocated indirect costs to the federal award; therefore, it has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – LOAN OUTSTANDING

The District had the following direct federal loan balances outstanding at June 30, 2018 that were reported as federal award expenditures in the schedule of expenditures of federal awards.

Program Title	CDFA Number	Balance
Water and Waste Disposal Systems for Rural Communities	10.760	
Loan balance outstanding 6/30/17		\$ 2,508,855
Proceeds received from debt issuance year ended 6/30/18		1,303,143
Payments made in the year ended 6/30/18		(45,666)
Loan balance outstanding 6/30/18		<u>\$ 3,766,332</u>

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 – LOAN OUTSTANDING (CONTINUED)

Subject to the terms of the Program Letter of Conditions, the District is required to establish a debt service fund equal to 10% of the monthly loan payment (\$1,152) each month over the life of the loan until one annual installment is accumulated. Initial loan proceeds were received in October 2016, therefore \$27,631 is required to be accumulated in the related debt service fund as of June 30, 2018. This reserve is included in the total restricted debt service reserve balance as of June 30, 2018 of \$68,435, which includes reserves for a second USDA RD loan as detailed out in Note 3 of the basic financial statements issued under report dated November 29, 2018.

In addition, the District must fund a short-lived asset replacement reserve by depositing a sum of \$8,200 annually or \$683.33 monthly. The District deposited \$8,200 into the short-lived asset replacement reserve during the year ended June 30, 2018. This reserve is included in the total short-lived asset reserve balance as of June 30, 2018 of \$172,055 as detailed out in Note 3 of the basic financial statements issued under report dated November 29, 2018. Funds in this account are intended to be used by the District for the replacement of short-lived assets as repairs or replacements are needed.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 – RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The District has prepared the Schedule of Expenditures of Federal Awards using the District’s books, records and financial statements issued under separate report dated November 29, 2018, although such expenditures are recognized following the cost principles contained in Uniform Guidance, therefore, some amounts presented in these schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements as reconciled below.

	<u>Acquisition of water project related</u>				
	Prior to July 1, 2015 (expensed)	Year ended June 30, 2016	Year ended June 30, 2017	Year ended June 30, 2018	Total as of June 30, 2018
Applicant Contributions	\$ 58,370	\$ 331,224	\$ 111,281	\$ 20	\$ 500,895
USDA RD Loan Proceeds	-	-	2,508,857	1,303,143	3,812,000
USDA RD Grant Revenue	-	-	-	1,902,751	1,902,751
Bond issuance costs - expensed			(15,089)	-	(15,089)
Grant funding received, expenditure included in A/P				(470,734)	(470,734)
Accrued interest capitalized			12,963	68,404	81,367
<u>Total water project expenditures - cash flow</u>	<u>\$ 58,370</u>	<u>\$ 331,224</u>	<u>\$ 2,618,012</u>	<u>\$ 2,803,584</u>	<u>\$ 5,811,190</u>
Expenditure included in SEFA					470,733
USDA RD Grant revenue receivable					167,444
Applicant contribution receivable from USDA					(20)
Engineering/Legal - expensed in prior years					(58,370)
Construction in progress as of June 30, 2018					<u>\$ 6,390,977</u>
			Year ended June 30, 2017	Year ended June 30, 2018	Total as of June 30, 2018
<u>SEFA Expenditures</u>					
Total water project expenditures - cash flow (above)			\$ 2,618,012	\$ 2,803,584	\$ 5,421,596
Less: Accrued interest			(12,963)	(68,404)	(81,367)
Less: Applicant contributions			(111,281)	(20)	(111,301)
Add back: Bond issuance costs (paid by applicant)			15,089	-	15,089
Add back: Applicant contribution receivable from USDA			-	20	20
<u>Total SEFA Expenditures</u>			<u>\$ 2,508,857</u>	<u>\$ 2,735,180</u>	<u>\$ 5,244,037</u>

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through the audit report date; the date the Schedule of Expenditures of Federal Awards were available to be issued. No changes were made, or necessary to be made, to these schedules as a result of this evaluation.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report on the basic financial statements dated November 29, 2018 expressed an unmodified opinion.
2. No material weakness in internal control over financial reporting was identified.
3. No significant deficiency in internal control over financial reporting was identified.
4. No instances of noncompliance considered material to the basic financial statements were disclosed in the audit.
5. The independent auditor's report on compliance with requirements applicable to major federal and award programs expressed an unmodified opinion for all major programs.
6. No significant deficiencies in internal control over compliance with requirements applicable to major federal programs were identified.
7. No audit findings were identified that are required to be reported in accordance with 2 CFR Section 200.516(a).
8. The District was awarded one federal award from the US Department of Agriculture Rural Development, Waste and Waste Disposal Systems for Rural Communities (CFDA 10.760). This program was distinguished as a major program, Type A, as defined in the Uniform Guidance.
9. The District did not qualify as a low-risk auditee, as defined in the Uniform Guidance.

SECTION II - FINANCIAL STATEMENT FINDINGS SECTION

No new findings were noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were noted.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR AUDIT FINDINGS AS REQUIRED BY 2 CFR 200.511(a)

No findings were noted