

**TOPAZ RANCH ESTATES GENERAL
IMPROVEMENT DISTRICT**
*FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION*

**Fiscal Year Ended
June 30, 2021**

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Topaz Ranch Estates General Improvement District (the District) as of and for the year ended June 30, 2021, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Topaz Ranch Estates General Improvement District as of June 30, 2021, and the respective changes in its financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 on pages 4 through 12 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 for the year ended June 30, 2021, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial schedules, including budgetary comparisons, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules, including budgetary comparisons 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 schedules, including budgetary comparisons, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Prior Year Partial Comparative Information

The basic financial statements of the District for the year ended June 30, 2020 (not presented herein) were audited by other auditors whose report thereon dated November 30, 2020, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, and each major fund. The report of the other auditors dated November 30, 2020 stated that the individual fund financial statements and schedules, including budgetary comparisons for the year ended June 30, 2020 were subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Alisa Scirene, Assoc. LLC

Reno, Nevada
April 7, 2022



**Topaz Ranch Estates General Improvement District
Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2021**

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, 2021. 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 \$7,381,408 (*net position*). Of this amount, \$1,370,914 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 fund reported a fund balance of \$650,470 an increase of \$83,717 in comparison with the prior year. There is an unassigned fund balance of \$465,445 as of June 30, 2021 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 \$640,499, or more than three times the total general fund expenditures.
- The District Water Fund retired \$20,796 in loan principal and \$98,362 in bond principal during the current fiscal year.

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

This report also includes other information which presents the budget and actual comparisons for the Water Enterprise Fund.

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, which are included in the Public Works function. The business-type activity of the District is water.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities 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 statements, 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 governmental funds is narrower than that of the government-wide financial statements, 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 16 are the additions of capital assets purchased by the District, recognition of depreciation expense on capital assets, debt repayments 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 each of its Funds. 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 15-18 of this report.

Proprietary Funds. The District maintains one proprietary fund, 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 19-23 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 24-40 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, individual fund financial schedules for the Water Enterprise Fund, with budget to actual comparisons can be found on pages 41-43 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 \$7,381,408 at June 30, 2021.

Topaz Ranch Estates General Improvement District
Statement of Net Position

Table 1

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2021	2020	2021	2020	2021	2020
Assets:						
Current assets	\$ 663,613	\$ 578,791	\$ 773,072	\$ 648,422	\$ 1,436,685	\$ 1,227,213
Restricted cash	2,672	-	381,378	413,629	384,050	413,629
Capital assets, net	227,749	290,006	10,099,374	9,866,516	10,327,123	10,156,522
Total assets	894,034	868,797	11,253,824	10,928,567	12,147,858	11,797,364
Liabilities:						
Long-term liabilities	185,204	206,000	4,398,504	4,490,934	4,583,708	4,696,934
Other liabilities	12,557	8,783	170,185	39,193	182,742	47,976
Total liabilities	197,761	214,783	4,568,689	4,530,127	4,766,450	4,744,910
Net Position:						
Net investment in capital assets	42,545	84,006	5,583,898	5,375,582	5,626,443	5,459,588
Restricted	2,672	-	381,379	413,629	384,051	413,629
Unrestricted	651,056	570,008	719,858	609,229	1,370,914	1,179,237
Total net position	\$ 696,273	\$ 654,014	\$ 6,685,135	\$ 6,398,440	\$ 7,381,408	\$ 7,052,454

The largest portion of net position (76.22%) 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 (5.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,370,914 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 \$328,954 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
Statement of Changes in Net Position

Table 2

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 581,315	\$ 567,598	\$ 581,315	\$ 567,598
Capital grants and contributions	-	-	414,389	2,190	414,389	2,190
General revenues						
Property taxes	196,708	187,828	-	-	196,708	187,828
Consolidated taxes	85,207	75,981	-	-	85,207	75,981
Other general revenues	3,618	7,190	2,120	13,681	5,738	20,871
Total revenues	<u>285,533</u>	<u>270,999</u>	<u>997,824</u>	<u>583,469</u>	<u>1,283,357</u>	<u>854,468</u>
Expenses:						
Public works	238,606	201,400	-	-	238,606	201,400
Interest and fiscal charges	4,668	-	-	-	4,668	-
Water	-	-	711,129	742,931	711,129	742,931
Total expenses	<u>243,274</u>	<u>201,400</u>	<u>711,129</u>	<u>742,931</u>	<u>954,403</u>	<u>944,331</u>
Increase (Decrease) in net position before contributions	42,259	69,599	286,695	(159,462)	328,954	(89,863)
Contributions	-	-	-	222	-	222
Increase in net position	42,259	69,599	286,695	(159,240)	328,954	(89,641)
Net Position, July 1	<u>654,014</u>	<u>584,415</u>	<u>6,398,440</u>	<u>6,557,680</u>	<u>7,052,454</u>	<u>7,142,095</u>
Net Position, June 30	<u>\$ 696,273</u>	<u>\$ 654,014</u>	<u>\$ 6,685,135</u>	<u>\$ 6,398,440</u>	<u>\$ 7,381,408</u>	<u>\$ 7,052,454</u>

Governmental activities. The current fiscal year showed net position for governmental activities increased \$42,259 from the prior fiscal year for an ending balance of \$696,273. The increase in net position was consistent with the prior year net increase of \$69,599. Total revenues have increased \$14,534, of which \$8,880 is related to an increase in property taxes collected and \$5,654 is related to a net increase in other revenues. Total expenses have increased \$41,874 from the prior year, mainly attributable to an increase in depreciation expense.

Business-type Activities. For the District's business-type activities, overall net position increased to an ending balance of \$6,685,135. The total increase in net position for business-type activities (Water Authority) was \$286,695 or 4.48% from the prior fiscal year. The increase is attributable to revenues outpacing expenses in the current fiscal year.

Financial Analysis of Governmental and Proprietary Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the District's *governmental fund* 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 fund 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 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, 2021, the District's governmental fund reported fund balance of \$650,470, an increase of \$83,717 in comparison with the prior year. Approximately 71.56% of this amount, \$465,445, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance consists of \$175,054 assigned to cover a projected budget shortfall in fiscal year 2021/2022, \$2,672 restricted for debt service, and \$7,299 considered nonspendable.

The fund balance increase of \$83,717 during the current fiscal year was consistent with the prior year increase of \$83,590.

Proprietary Fund. The District's proprietary fund provides the same type of information found in the business-type activities of the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Authority at the end of the year was \$719,858. The total increase in net position for the fund was \$286,695. The increase for the Water Authority results in large part due to increased grant revenues.

General Fund Budgetary Highlights

The District adopts an annual Operating Budget following public budget workshops and a public hearing. The Operating Budget includes proposed expenditures and the means of financing them. The District's operating budget remains in effect the entire year and can be revised during the fiscal year by Board Action at an agendaized Board of Trustees meeting. Fiscal 2021 budget comparisons are presented with financial statements for the General Fund. The Water Enterprise Fund budget is reported in the other information section of this annual report as required by Nevada Revised Statutes.

Original budget compared to final budget. During the year there was no need for any amendments to increase either the original estimated revenues or the original budget's appropriations or to make an amendment to reallocate appropriations amount departments.

As set forth in 354.626 of the Nevada Revised Statutes, expenditures may not legally exceed budget appropriations at the function level for governmental funds and by the sum of operating and non-operating expenses for proprietary funds.

Final budget compared to actual results. A 2021 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 Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 197,588	\$ 196,705	\$ (883)
Consolidated taxes	79,150	85,207	6,057
Other revenues	7,500	3,618	(3,882)
Total revenues	<u>284,238</u>	<u>285,530</u>	<u>1,292</u>
Expenditures:			
Public works	269,985	176,349	93,636
Debt service	26,724	25,464	1,260
Total expenditures	<u>296,709</u>	<u>201,813</u>	<u>94,896</u>
Changes in Fund Balance	<u>\$ (12,471)</u>	<u>\$ 83,717</u>	<u>\$ 96,188</u>

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 actual was close to budget. Public Works expenditures were \$93,636 less than budget. A review of actual expenditures compared to the appropriations in the final budget reveals that both services and supplies and salaries and benefits were below budget. Service and supplies actual expenditures of \$62,286 were less than the related appropriation of \$103,800 by \$41,514. This was partially due to utilities and a variety of smaller line items being under budget. Salaries and benefits actual expenditures of \$114,063 were less than the related appropriation of \$138,185 by \$24,122. This occurred because the District experienced staffing shortages periodically during the year.

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, 2021, amounts to \$10,327,123 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements equipment, road improvements, trucks and water distribution systems. The net increase in capital assets for the current fiscal year, \$170,601, was approximately 1.68%.

Topaz Ranch Estates General Improvement District
Capital Assets, Net at Year-End

Table 4

	Governmental Activities		Business-Type Activities		Total Government-Wide	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,096	\$ 6,096	\$ 42,814	\$ 42,814	\$ 48,910	\$ 48,910
Construction in progress	-	-	465,393	-	465,393	-
Land improvements	46,720	60,347	11,610	-	58,330	60,347
Trucks and equipment	174,933	223,563	2,546	6,561	177,479	230,124
Water distribution system	-	-	9,577,011	9,817,141	9,577,011	9,817,141
Total	\$ 227,749	\$ 290,006	\$ 10,099,374	\$ 9,866,516	\$ 10,327,123	\$ 10,156,522

Major capital asset events during the current fiscal year included the following construction in progress activity:

- Well #1 improvements and booster pump station (Nos. 1 and 2) power backup amounting to \$419,144
- Preliminary work on a new well amounting to \$46,249

Long-term Debt. At the end of the current fiscal year, the District's Water Enterprise Fund and General Fund had \$4,392,572 and \$185,204 in long term debt outstanding, respectively. The majority of debt in the Water Enterprise Fund resulted from a \$3,812,000, loan obtained in a 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 in fiscal year 2057. The remaining balance in the Water Enterprise Fund 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.

The General Fund obtained a loan during fiscal year 2020 from the USDA-RD to finance the purchase of a flameless patcher. The \$206,000 loan is expected to be paid in full in 2029.

There was \$119,158 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 2021-2022 fiscal year budget.

- The District continues to look at resources and options for a more permanent road paving solution.
- The property tax rate remained at \$0.8546 cents per hundred dollars of assessed valuation for fiscal year 2021-2022.
- The District is looking into possible grant funding for the planning and drilling of a new well.

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 Cody Dalhaus, District Manager, 1490 Albite Rd, Wellington, Nevada, 89444.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 509,886	\$ 688,212	\$ 1,198,098
Accounts receivables, net	19,202	86,043	105,245
Grant and principal forgiveness loan receivable	-	110,626	110,626
Internal balances, net	126,908	(126,908)	-
Prepays and other current assets	7,617	15,099	22,716
Restricted cash and investments	2,672	381,378	384,050
Capital assets:			
Land and construction in progress	6,096	508,207	514,303
Depreciable buildings, equipment and infrastructure, net of accumulated depreciation	221,653	9,591,167	9,812,820
Total Assets	894,034	11,253,824	12,147,858
LIABILITIES			
Accounts, contracts and retention payable	11,060	137,392	148,452
Accrued interest	245	5,483	5,728
Customer deposits	-	24,468	24,468
Accrued payroll	1,252	2,842	4,094
Noncurrent liabilities, due within one year:			
Compensated absences	-	5,932	5,932
Bonds and loan payable	21,296	100,450	121,746
Noncurrent liabilities, due in more than one year:			
Bonds and loan payable	163,908	4,292,122	4,456,030
Total Liabilities	197,761	4,568,689	4,766,450
NET POSITION			
Net investment in capital assets	42,545	5,583,898	5,626,443
Restricted for:			
Debt service	2,672	99,783	102,455
Capital asset replacement	-	281,596	281,596
Unrestricted	651,056	719,858	1,370,914
Total Net Position	\$ 696,273	\$ 6,685,135	\$ 7,381,408

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

PROGRAMS/FUNCTIONS	PROGRAM REVENUES			NET (EXPENSE) REVENUE			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
Governmental activities							
Public works	\$ 238,606	\$ -	\$ -	\$ -	\$ (238,606)	\$ -	\$ (238,606)
Interest and fiscal charges	4,668	-	-	-	(4,668)	\$ -	(4,668)
Total governmental activities	243,274	-	-	-	(243,274)	-	(243,274)
Business type activities							
Water	711,129	581,315	-	414,389	-	284,575	284,575
Total business type activities	711,129	581,315	-	414,389	-	284,575	284,575
Total primary government	\$ 954,403	\$ 581,315	\$ -	\$ 414,389	\$ (243,274)	284,575	41,301
General Revenues:							
Ad valorem taxes					196,708	-	196,708
Consolidated taxes					85,207	-	85,207
Interest earnings					448	1,821	2,269
Miscellaneous					3,170	299	3,469
Total General Revenues					285,533	2,120	287,653
Change in Net Position					42,259	286,695	328,954
NET POSITION, July 1, 2020					654,014	6,398,440	7,052,454
NET POSITION, June 30, 2021					\$ 696,273	\$ 6,685,135	\$ 7,381,408

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

GOVERNMENTAL FUND - GENERAL FUND BALANCE SHEET JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ 509,886	\$ 461,457
Taxes receivable, ad valorem	4,045	5,825
Taxes receivable, consolidated	15,157	13,142
Due from Water Enterprise Fund	126,908	90,297
Prepays and other assets	7,617	8,070
Restricted cash and investments	2,672	-
Total Assets	<u>\$ 666,285</u>	<u>\$ 578,791</u>
LIABILITIES		
Accounts payable	11,060	8,001
Accrued payroll	1,252	537
Accrued interest	245	245
Total Liabilities	<u>12,557</u>	<u>8,783</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	<u>3,258</u>	<u>3,255</u>
FUND BALANCES		
Nonspendable	7,299	7,751
Restricted	2,672	-
Assigned	175,054	12,471
Unassigned	465,445	546,531
Total Fund Balances	<u>650,470</u>	<u>566,753</u>
Total Liabilities and Fund Balances	<u>\$ 666,285</u>	<u>\$ 578,791</u>

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2021

Fund Balance - Governmental Fund \$ 650,470

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.

Governmental capital assets	\$ 1,104,023	
Less accumulated depreciation	<u>(876,274)</u>	
		227,749

Unavailable revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental fund.

3,258

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the governmental fund.

Long-term debt	<u>(185,204)</u>	
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Net Position - Governmental Activities

\$ 696,273

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

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

YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	ORIGINAL AND FINAL BUDGET	2021 ACTUAL	VARIANCE	2020
REVENUES				
Ad valorem taxes	\$ 197,588	\$ 196,705	\$ (883)	\$ 190,984
Consolidated taxes	79,150	85,207	6,057	75,981
Interest earned	1,500	448	(1,052)	1,828
Miscellaneous income	6,000	3,170	(2,830)	5,362
Total Revenues	284,238	285,530	1,292	274,155
EXPENDITURES				
Public works:				
Current operations:				
Salaries and wages	98,919	72,074	26,845	67,367
Employee benefits	39,266	41,989	(2,723)	41,690
Services and supplies	103,800	62,286	41,514	66,616
Capital outlay	28,000	-	28,000	220,647
Total public works expenditures	269,985	176,349	93,636	396,320
Debt service:				
Principal payments	19,927	20,796	(869)	-
Interest and fiscal charges	6,797	4,668	2,129	245
Total debt service expenditures	26,724	25,464	1,260	245
Total Expenditures	296,709	201,813	94,896	396,565
Excess (Deficiency) of Revenues Over Expenditures	(12,471)	83,717	96,188	(122,410)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	206,000
Net Changes in Fund Balance	(12,471)	83,717	96,188	83,590
FUND BALANCE, July 1	544,665	566,753	22,088	483,163
FUND BALANCE, June 30	\$ 532,194	\$ 650,470	\$ 118,276	\$ 566,753

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

Net Change in Fund Balance - Governmental Fund \$ 83,717

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

The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ -	
Less: Current year depreciation expense	<u>(62,257)</u>	(62,257)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund.

Change in unavailable revenues - property taxes	3
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Repayment of loan principal is an expenditure in the governmental fund, but repayment reduces long-term liabilities on the statement of net position.

20,796

Change in Net Position of Governmental Activities	<u><u>\$ 42,259</u></u>
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See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF NET POSITION

JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and investments	\$ 688,212	\$ 633,593
Accounts receivable - user fees, net	86,043	90,036
Grant and principal forgiveness loan receivable	110,626	-
Prepays and other current assets	15,099	15,090
	<u>899,980</u>	<u>738,719</u>
Restricted Current Assets		
Cash and investments	57,744	-
Total current assets	<u>957,724</u>	<u>738,719</u>
Capital Assets		
Land	42,814	42,814
Construction in progress	465,393	-
Distribution system, improvements and equipment	11,784,003	11,782,884
Less: accumulated depreciation	(2,192,836)	(1,959,182)
Net capital assets	<u>10,099,374</u>	<u>9,866,516</u>
Other Assets		
Restricted cash and investments - noncurrent	323,634	413,629
Total Assets	<u>11,380,732</u>	<u>11,018,864</u>
LIABILITIES		
Current Liabilities Payable from Unrestricted Current Assets		
Accounts, contracts and retention payable	79,648	6,710
Accrued payroll	2,842	1,833
Accrued interest	5,483	5,232
Due to General Fund	126,908	90,297
Customer deposits	24,468	21,745
Compensated absences - current portion	5,932	3,673
Bonds payable - current portion	100,450	89,261
	<u>345,731</u>	<u>218,751</u>

continued on next page

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF NET POSITION

JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
Current Liabilities Payable from Restricted Current Assets		
Contracts and retention payable	\$ 57,744	\$ -
Total current liabilities	403,475	218,751
Noncurrent Liabilities		
Bonds payable	4,292,122	4,401,673
Total Liabilities	<u>4,695,597</u>	<u>4,620,424</u>
NET POSITION		
Net investment in capital assets	5,583,898	5,375,582
Restricted for:		
Asset replacement	281,596	323,432
Debt service	99,783	90,197
Unrestricted	719,858	609,229
Total Net Position	<u>\$ 6,685,135</u>	<u>\$ 6,398,440</u>

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Charges for services	\$ 581,315	\$ 559,060
Miscellaneous income	299	6,744
Connection fees	-	8,538
Total operating revenues	<u>581,614</u>	<u>574,342</u>
OPERATING EXPENSES		
Salaries and wages	158,404	195,676
Employee benefits	73,255	86,039
Services and supplies	150,186	137,217
Depreciation	233,654	226,378
Total operating expenses	<u>615,499</u>	<u>645,310</u>
Operating Income (Loss)	<u>(33,885)</u>	<u>(70,968)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(95,630)	(97,621)
Interest income	1,821	6,937
USDA grant revenue	375,078	2,190
Principal loan forgiveness - NDEP	39,311	-
Total non-operating revenues (expenses)	<u>320,580</u>	<u>(88,494)</u>
Income (Loss) Before Contributions	<u>286,695</u>	<u>(159,462)</u>
CONTRIBUTIONS		
Connection fees in excess of cost	-	222
Change in Net Position	286,695	(159,240)
NET POSITION, July 1	<u>6,398,440</u>	<u>6,557,680</u>
NET POSITION, June 30	<u>\$ 6,685,135</u>	<u>\$ 6,398,440</u>

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 588,031	\$ 599,716
Payments to suppliers for goods and services	(105,806)	(149,327)
Payments to employees for services	(228,391)	(277,539)
Miscellaneous cash receipts (expenses)	299	-
Net cash provided (used) by operating activities	<u>254,133</u>	<u>172,850</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(343,608)	(123,038)
Principal paid on revenue bonds	(98,362)	(105,020)
Interest paid on revenue bonds	(95,379)	(101,110)
Connection fees	-	222
Capital grant revenues	303,763	2,190
Net cash provided (used) by capital and related financing activities	<u>(233,586)</u>	<u>(326,756)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,821	6,937
Net Change in Cash and Cash Equivalents	22,368	(146,969)
 CASH AND CASH EQUIVALENTS, July 1	<u>1,047,222</u>	<u>1,194,191</u>
 CASH AND CASH EQUIVALENTS, June 30	<u>\$ 1,069,590</u>	<u>\$ 1,047,222</u>

continued on next page

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS		
Operating income (loss)	\$ (33,885)	\$ (70,968)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:		
Depreciation	233,654	226,378
Miscellaneous cash receipts (expenses)		
Changes in		
Accounts receivable	3,993	(6,397)
Prepaid expenses	(9)	(7,998)
Accounts payable	7,778	1,290
Customer deposits	2,723	(515)
Accrued payroll	1,009	281
Compensated absences	2,259	(1,507)
Due to General Fund	36,611	32,286
Net cash provided (used) by operations	<u>\$ 254,133</u>	<u>\$ 172,850</u>
 Non-Cash Capital and Related Financing Activities		
Acquisition of capital assets with cash	\$ 343,608	\$ 123,038
Change in contracts and retentions payable	122,904	-
Total acquisition of capital assets	<u>\$ 466,512</u>	<u>\$ 123,038</u>

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Topaz Ranch Estates General Improvement District (District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for governmental accounting and financial reporting.

The following is a summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements.

Reporting Entity

The District is governed by an elected Board of Trustees and provides water service, street maintenance and snow removal. The District is located in Wellington, Nevada and operates under Nevada Revised Statute ("NRS") 318. As required by GAAP, the accompanying financial statements include the accounts of all District operations. The District is not financially accountable for any other entity.

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 funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's public works, which includes general administrative services, are classified as governmental activities. The District's water service is classified as a business-type activity.

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Interfund activities relating to services provided and used between the District's business-type activities and other District functions are not eliminated. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

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

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 (ad valorem taxes, consolidated taxes (principally sales and use taxes)), and interest earnings. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function or business-type activity.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. District resources are allocated to and accounted for in the individual funds based upon the purposes for which they are intended and the means by which spending activities are controlled. Separate financial statements are provided for governmental funds and proprietary funds.

The following fund types are used by the District:

Governmental Fund: The focus of the governmental fund's 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:

General Fund: The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund: The focus of the proprietary fund's measurement is upon determination of operating income, changes in net position, financial position, and cash flows. A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and expenses result from nonexchange transactions or ancillary services. The applicable generally accepted accounting principles are those similar to businesses in the private sector. The following is a description of the proprietary fund of the District:

Enterprise fund: An 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 District includes one enterprise fund, the Water Enterprise Fund to account for its water services.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASBS 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 the Water Enterprise Fund are both major funds of the District.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide statements, as well as the proprietary fund financial statements, are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of related cash flows. Ad valorem taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due, but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred inflow of resources account is established. Thus in subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed, and revenue is recognized.

Ad valorem taxes, consolidated taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when the District receives cash.

Expenditures are generally recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to debt service and compensated absences are recorded only when the payment is due.

Budgets and Budgetary Accounting

The District adheres to the *Local Government Budget and Finance Act* incorporated within the statutes of the State of Nevada, which includes the following major procedures to establish the budgetary data which is reflected in these financial statements:

1. Prior to April 15, the District manager submits to the State of Nevada Department of Taxation a tentative budget for the fiscal year commencing the following July 1.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

2. A public hearing to obtain taxpayer comments on the tentative budget must be held not sooner than the third Monday in May and not later than the last day in May.
3. On or before June 1, the budget is legally adopted by a majority vote of the Board of Trustees.
4. The Board of Trustees may augment the appropriations by a majority vote of the Board. Prior public notice must be filed for the General Fund as it receives ad valorem taxes. No budget augmentations were made during the fiscal year.
5. The District Manager is authorized to transfer appropriations between and within accounts, departments and funds if amounts do not exceed the approved budget, subject to subsequent approval by the Board of Trustees.
6. Budgeted appropriations may not be exceeded by actual expenditures of the various functions (excluding the debt service function) in the General Fund. The sum of operating and non-operating expenses in the Water Enterprise Fund also may not exceed appropriations.
7. Budgets are adopted for the General Fund and the Water Enterprise Fund. All budgets are adopted on a basis consistent with GAAP. Appropriations lapse at year-end.

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 Local Government Investment Pool (LGIP). All amounts are considered available on demand and are, therefore, classified as cash and cash equivalents on the Statement of Cash Flows. The District's investment in the LGIP is reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Such internal balances are generally short term in nature, and typically represent amounts for goods and services paid for by one fund that are owed by another. The amounts are expected to be repaid in the next fiscal year.

Ad valorem taxes; specifically real property taxes result in a lien on the property and attach on July 1 (the levy date) of the year for which taxes are levied. Taxes are paid in four equal installments in August, October, January and March, to the Treasurer of Douglas County in which the District is located; and are considered delinquent if not paid within ten days of the due dates. After a two year waiting period of

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

taxpayer nonpayment, if the taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before tax sale. As such, real property taxes receivable reflect only those taxes receivable from the delinquent roll years (two years), and current taxes collected within 60 days of year end. No provision for uncollectible accounts has been established, as management does not anticipate any material collection losses with respect to the remaining balances.

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

Prepays

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

Restricted Assets

Bond covenants and other third party restrictions require resources to be set aside for various purposes in the General Fund and the Water Enterprise Fund. These amounts are reported as restricted assets.

Capital Assets

Capital assets, which include land, construction in progress, improvements, equipment and water distribution system are reported in the government-wide financial statements and the proprietary fund financial statements. The District defines capital assets as having an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. If purchased or constructed, all capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their estimated acquisition value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	7-20
Water distribution system	7-65
Trucks and equipment	3-10

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

As provided under GASB Statement No. 34, the District elected to not identify and record infrastructure of its governmental activities for years prior to 2002. As provided under GASB Statement No. 51, the District elected to not identify and record water rights (indefinite life intangible assets) of its governmental activities for years prior to 2009.

Long-Term Liabilities

Government-Wide and Proprietary Fund Financial Statements

Long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued as earned by employees to the extent it is likely that those benefits will be paid.

Governmental Fund Type Financial Statements

A liability for compensated absences is reported in the General Fund only if they have matured, as a result of employee resignations, terminations and retirements. The face amount of bonds is reported as other financing sources.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position/Governmental Fund Balance Sheet may report a separate section for deferred outflows of resources. This financial statement element represents the consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any deferred outflows of resources to recognize in the Statement of Net Position/Governmental Fund Balance Sheet at June 30, 2021.

In addition to liabilities, the Statement of Net Position/Governmental Fund Balance Sheet may report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reflects deferred inflows of resources which are unavailable revenue in the governmental fund balance sheet for revenues not received within 60 days of year end under the modified accrual basis of accounting. The District did not have any deferred inflows of resources to recognize in the Statement of Net Position at June 30, 2021.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Equity

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide and proprietary fund Statement of Net Position. Net position is classified in the following categories:

Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by any outstanding debt attributable to the acquisition, construction, or improvement of the capital assets.

Restricted net position – Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position – Consists of net position which does not meet the definition of either “net investment in capital assets” or “restricted net position”.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to honor constraints imposed upon the use of the resources in the governmental funds. The classifications are:

Nonspendable fund balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: prepaid amounts.

Restricted fund balance includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or rescinded only with the consent of resource providers.

Committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Trustees of the District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: a resolution.) The District did not have any committed fund balance at June 30, 2021.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Assigned fund balance includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the District Board of Trustees or (b) the District Manager.

Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses/expenditures and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from these estimates.

Prior Year Information

The fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived. Certain amounts presented in the prior year data may be reclassified in order to be consistent with the current year's presentation.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES

The District conformed to all significant statutory constraints on its financial administration during the year, however, NRS 354.624(1) requires that the audit be completed and submitted to the Board of Trustees not later than November 30th (five months after the end of the fiscal year). As provided for by NRS 354.624(1), the District requested a 30 day extension for filing and subsequently requested a second extension for filing to February 28, 2022. The date of the auditors' report on these financial statements is April 7, 2022.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 3 – CASH AND INVESTMENTS

As of June 30, 2021, the District had the following amounts reported as cash and investments:

Cash on hand	\$	380
Cash in bank		1,021,584
Total cash		<u>1,021,964</u>
State of Nevada Local Government Investment Pool (LGIP)		560,184
Total	\$	<u><u>1,582,148</u></u>
Governmental activities		
Cash and investments	\$	509,886
Cash and investments - restricted		2,672
Business-type activities		
Cash and investments		688,212
Cash and investments - restricted		381,378
Total cash and investments	\$	<u><u>1,582,148</u></u>

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments; which includes the LGIP. The District does not have a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank or brokerage failure, the District's deposits may not be returned. The District's bank balances were covered by the Federal Depository Insurance Corporation and by collateral provided through the State of Nevada Collateral Pool, and were not exposed to custodial credit risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. In accordance with the Nevada Revised Statutes, the District limits its investment instruments by their credit risk. The LGIP is an unrated external investment pool.

Interest Rate Risk – Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from the rise in interest rates. To limit exposure to interest rate risk, the Nevada Revised Statutes limits bankers' acceptances to 180 days maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days maturity. The average duration of the LGIP was 143 days.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

The District is a voluntary participant in the LGIP, which has regulatory oversight from the State of Nevada Board of Finance. The District’s investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares.

NOTE 4 – RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments as of June 30, 2021 is as follows:

	Governmental General Fund	Business-Type Water	
		Enterprise Fund	Total
Capital asset replacement (Nevada AB-198 grant)	\$ -	\$ 143,246	\$ 143,246
Short lived asset replacement (USDA RD)	-	134,927	134,927
Bonds and loan payment reserve (USDA RD)	2,672	99,782	102,454
Water right sales proceeds (USDA RD)	-	3,423	3,423
Total Restricted Cash and Investments	\$ 2,672	\$ 381,378	\$ 384,050
Current	\$ -	\$ 57,744	\$ 57,744
Non-current	2,672	323,634	326,306
	\$ 2,672	\$ 381,378	\$ 384,050

Capital asset replacement reserve (Nevada AB-198 grant)

The District’s is required to set aside monies annually, in its Water Enterprise Fund, the amount of which is determined by the State of Nevada, Office of Financial Assistance (Board for Financing Water Projects). The amount of monies set aside, along with accumulated earnings thereon, is designed to establish an adequate reserve to fund depreciation of capital assets acquired with AB-198 grant funds; and such amounts are restricted to expenditure on capital replacement projects of capital assets purchased using AB-198 grant funds.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

The cumulative funding and expenses incurred as of June 30, 2021 is as follows:

Total annual fundings and earnings thereon, as of July 1, 2020	\$	636,374
Current year funding requirement		24,480
Current year earnings		466
		<u>661,320</u>
Reserves spent for water system repairs / capital asset replacement		
Expenses incurred through June 30, 2020	\$	518,074
Current year expenses		-
		<u>518,074</u>
Capital asset replacement reserve / restricted cash and investments, as of June 30, 2021	\$	<u>143,246</u>

Short lived asset replacement (USDA RD)

The District is required to set aside monies in its Water Enterprise Fund equal to \$684 per month (\$8,200 annually); as determined by the United States Department of Agriculture-Rural Development (USDA RD) as one of the covenants in the District's debt agreements with the USDA RD. 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, 2021, the District's restricted cash and investments for short-lived asset replacement totaled \$134,927.

Bonds and loan payment reserve (USDA)

The District is required to set aside monies each month, equal to 10% of the monthly payment until the District accumulates one annual installment for each of the USDA RD bonds and loan held (see Note 6). As of June 30, 2021, restricted cash and investments for the USDA RD debt service reserve totaled \$102,454.

Water rights sales proceeds (USDA)

The District began selling a portion of its water rights during year ended June 30, 2008. The proceeds from water rights sales are to be kept in a separate bank account and used to pay off any outstanding USDA RD loans (See Note 6). The restricted cash and investments from water right sales proceeds totaled \$3,423 at June 30, 2021.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is shown below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 6,096	\$ -	\$ -	\$ 6,096
Total capital assets not being depreciated	6,096	-	-	6,096
Other capital assets:				
Land and road improvements	778,707	-	-	778,707
Trucks and equipment	319,220	-	-	319,220
Total other capital assets, cost	1,097,927	-	-	1,097,927
Less accumulated depreciation for:				
Land and road improvements	(718,360)	(13,627)	-	(731,987)
Trucks and equipment	(95,657)	(48,630)	-	(144,287)
Total accumulated depreciation	(814,017)	(62,257)	-	(876,274)
Other capital assets, net	283,910	(62,257)	-	221,653
Governmental activities net investment in capital assets	\$ 290,006	\$ (62,257)	\$ -	\$ 227,749
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 42,814	\$ -	\$ -	\$ 42,814
Construction in progress	-	465,393	-	465,393
Total capital assets, not being depreciated	42,814	465,393	-	508,207
Other capital assets:				
Distribution system	11,661,362	3,140	-	11,664,502
Equipment	73,946	1,119	-	75,065
Land improvements	47,576	-	(3,140)	44,436
Total other capital assets, cost	11,782,884	4,259	(3,140)	11,784,003
Less accumulated depreciation for:				
Distribution system	(1,858,972)	(228,519)	-	(2,087,491)
Equipment	(67,384)	(5,135)	-	(72,519)
Land improvements	(32,826)	-	-	(32,826)
Total accumulated depreciation	(1,959,182)	(233,654)	-	(2,192,836)
Other capital assets, net	9,823,702	(229,395)	(3,140)	9,591,167
Business-type activities net investment in capital assets	\$ 9,866,516	\$ 235,998	\$ (3,140)	\$ 10,099,374

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – LONG-TERM OBLIGATIONS

Long Term Debt

The District's long-term debt obligations at June 30, 2021 are as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Balance June 30 2021</u>
Governmental activities					
USDA RD loan payable	6/12/2020	2.375%	6/12/2029	\$ 206,000	\$ 185,204
Business-type activities					
Water revenue bond, series 2010 (USDA RD 91-03)	3/24/2010	4.00%	3/24/2050	\$ 614,000	\$ 525,666
General Obligation (Limited Tax) Water refunding bond, series 2016 (State Revolving Loan DW1605)	5/31/2016	2.08%	1/1/2036	407,227	308,820
Water revenue bond, series 2016 (USDA RD 91-05)	10/5/2016	1.875%	10/5/2056	3,812,000	3,558,086
				<u>\$ 4,833,227</u>	<u>\$ 4,392,572</u>

A summary of long-term debt service requirements to maturity follows.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities Water Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 21,296	\$ 4,168	\$ 100,450	\$ 93,290
2023	21,808	3,656	102,604	91,136
2024	22,331	3,133	104,635	89,106
2025	22,868	2,597	107,061	86,679
2026	23,416	2,048	109,370	84,370
2027-2031	73,485	2,908	583,280	385,423
2032-2036	-	-	637,319	318,993
2037-2041	-	-	593,637	251,163
2042-2046	-	-	664,035	180,765
2047-2051	-	-	703,885	101,729
2052-2056	-	-	656,054	34,726
2057-2061	-	-	30,242	3,239
TOTALS	<u>\$185,204</u>	<u>\$ 18,510</u>	<u>\$ 4,392,572</u>	<u>\$ 1,720,619</u>

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Pledged Revenues

Water Enterprise Fund

Through the USDA RD, the District issued the Water Revenue Bond, series 2010 for the construction of a well and distribution and transmission lines. The District has pledged future water customer revenues, net of specified operating expenses, to repay the bond, including interest, through fiscal year 2050. As of June 30, 2021, the total principal and interest remaining to be paid on the bond is \$885,025. During fiscal year 2021, principal and interest paid for the bond totaled \$30,804.

Through the State of Nevada acting by and through the Department of Conservation and Natural Resources, Division of Environmental Protection (NDEP), the District issued the General Obligation (limited tax) Water Refunding Bond (additionally secured by pledged revenues), series 2016 (the 2016 G.O. Bond). The 2016 G.O. Bond was issued to refinance the then outstanding portion of a USDA RD loan. The bond is backed by the full faith and credit of the District and additionally the District has pledged future water customer revenues, net of specified operating expenses to repay the bond, including interest, through fiscal year 2036. As of June 30, 2021, the total principal and interest remaining to be paid on the bond is \$359,317. The District's unrestricted resources will be utilized for principal and interest exceeding the pledged revenues, if necessary. During fiscal year 2021, principal and interest paid for the bond totaled \$24,781.

Through the USDA RD, the District issued the Water Revenue Bond, series 2016 to finance water system improvements. The District has pledged future water customer revenues, net of specified operating expenses, to repay the bond, including interest, through fiscal year 2057. As of June 30, 2021, the total principal and interest remaining to be paid on the bond is \$4,868,849. During fiscal year 2021, principal and interest paid for the bond totaled \$138,156.

Net pledged revenues for these three bonds totaled \$199,769 for the year ended June 30, 2021.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Changes in Long-Term Obligations

Changes in the District's long-term obligations, including long-term debt and compensated absences during the year ended June 30, 2021 are as follows:

	Payable at July 1, 2020	Additions	Deletions	Payable at June 30, 2021	Due in 2021-2022
Governmental activities					
Long-term debt					
Loan payable, collateralized by equipment	\$ 206,000	\$ -	\$ (20,796)	\$ 185,204	\$ 21,296
Business-type activities					
Long-term debt					
Water Revenue Bond, supported by Water Fund revenues	535,233	-	(9,567)	525,666	9,962
General Obligation Water Refunding Bond, supported by Water Fund revenues	326,895	-	(18,075)	308,820	18,453
Water Revenue Bond, supported by Water Fund revenues	3,628,806	-	(70,720)	3,558,086	72,035
Total business-type long-term debt	4,490,934	-	(98,362)	4,392,572	100,450
Other long-term obligations					
Compensated absences	3,673	15,422	(13,163)	5,932	5,932
Total business-type long-term obligations	4,494,607	15,422	(111,525)	4,398,504	106,382
Total long-term obligations	\$ 4,700,607	\$ 15,422	\$ (132,321)	\$ 4,583,708	\$ 127,678

NOTE 7 – FUND EQUITY

A summary of the District's fund balances as of June 30, 2021 is as follows:

	Non- spendable	Restricted	Assigned	Unassigned	Total Fund Balance
Governmental Fund - General Fund					
Prepays	\$ 7,299	\$ -	\$ -	\$ -	\$ 7,299
Debt service	-	2,672	-	-	2,672
Subsequent year's budget	-	-	175,054	-	175,054
Unassigned	-	-	-	465,445	465,445
Total	\$ 7,299	\$ 2,672	\$ 175,054	\$ 465,445	\$ 650,470

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Lease

The District entered into a non-cancelable operating lease in October 2019 for a Xerox office copier, with a lease term of 60 months and a monthly payment of \$116. Total costs for the year ended June 30, 2021 were \$1,504. The future minimum lease payments for this operating lease, expiring in September 2024 are as follows:

Fiscal Year Ending:		
2022	\$	1,392
2023		1,392
2024		1,392
2025		464
	\$	<u>4,640</u>

Risk Management

The District, like all governmental entities, 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.

The District has joined together with similar public agencies (cities, counties, and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members.

The District pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that will provide coverage as indicated below and obtains independent coverage for insured events in excess of these limits.

The deductible amount paid by the District for each incident as of June 30, 2021 is \$25,000 for property damages and \$2,500 for all other incidents. The Pool covers its members up to \$10,000,000 per event and a \$10,000,000 general aggregate per member. Property crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sublimits established for earthquake, flood, equipment breakdown, and money and securities. Cyber security coverage is provided to its members up to \$3,000,000 per insured event with a \$3,000,000 annual aggregate and various sub-limits established for security failure/privacy event management, network interruption and proof of loss preparation costs. Site pollution incident coverage is also provided up to a \$2,000,000 legal liability limit per incident with a \$10,000,000 policy aggregate.

The District is also exposed to risks of loss related to injuries of employees. The District has joined other similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

pool under the Nevada Interlocal Cooperation Act. The District pays premiums based on payroll costs to the pool, commonly referred to as the PACT, for its workers' compensation insurance coverage. The PACT is considered a self-sustaining risk pool that will provide coverage for its members based on established statutory limits. The PACT obtains independent coverage for insured events in excess of aforementioned limits.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – SUBSEQUENT EVENTS

On July 1, 2021, the District became a participating employer in the State of Nevada Public Employees Retirement System (PERS), a statewide, cost-sharing, multiple-employer defined benefit plan administered by the State of Nevada that will cover substantially all employees of the District. PERS provides retirement, disability and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. The District will be responsible for monthly contributions to PERS based on plan provisions and the District will report a liability for its proportionate share of the PERS net pension liability.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

WATER ENTERPRISE FUND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	ORIGINAL AND FINAL BUDGET	2021 ACTUAL	VARIANCE	2020
OPERATING REVENUES				
Charges for services	\$ 600,000	\$ 581,315	\$ (18,685)	\$ 559,060
Miscellaneous income	4,700	299	(4,401)	6,744
Connection fees	2,760	-	(2,760)	8,538
Total operating revenues	<u>607,460</u>	<u>581,614</u>	<u>(25,846)</u>	<u>574,342</u>
OPERATING EXPENSES				
Salaries and wages	165,426	158,404	7,022	195,676
Employee benefits	78,531	73,255	5,276	86,039
Services and supplies	196,461	150,186	46,275	137,217
Depreciation	221,275	233,654	(12,379)	226,378
Total operating expenses	<u>661,693</u>	<u>615,499</u>	<u>46,194</u>	<u>645,310</u>
Operating Income (Loss)	<u>(54,233)</u>	<u>(33,885)</u>	<u>20,348</u>	<u>(70,968)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(95,580)	(95,630)	(50)	(97,621)
Interest income	5,000	1,821	(3,179)	6,937
USDA grant revenue	375,078	375,078	-	2,190
Principal loan forgiveness - NDEP	-	39,311	39,311	-
Total non-operating revenues (expenses)	<u>284,498</u>	<u>320,580</u>	<u>36,082</u>	<u>(88,494)</u>
Income (Loss) Before Contributions	230,265	286,695	56,430	(159,462)
CONTRIBUTIONS				
Connection fees in excess of cost	-	-	-	222
Change in Net Position	<u>\$ 230,265</u>	<u>286,695</u>	<u>\$ 56,430</u>	<u>(159,240)</u>
NET POSITION, July 1		<u>6,398,440</u>		<u>6,557,680</u>
NET POSITION, June 30		<u>\$ 6,685,135</u>		<u>\$ 6,398,440</u>

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

WATER ENTERPRISE FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	ORIGINAL AND FINAL BUDGET	2021 ACTUAL	VARIANCE	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 600,000	\$ 588,031	\$ (11,969)	\$ 599,716
Payments to suppliers for goods and services	(196,461)	(105,806)	90,655	(149,327)
Payments to employees for services	(243,957)	(228,391)	15,566	(277,539)
Miscellaneous cash receipts (expenses)	7,460	299	(7,161)	-
Net cash provided (used) by operating activities	<u>167,042</u>	<u>254,133</u>	<u>87,091</u>	<u>172,850</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(408,878)	(343,608)	65,270	(123,038)
Principal paid on revenue bonds	(118,088)	(98,362)	19,726	(105,020)
Interest paid on revenue bonds	(102,377)	(95,379)	6,998	(101,110)
Connection fees	-	-	-	222
Capital grant revenues	375,078	303,763	(71,315)	2,190
Net cash provided (used) by capital and related financing activities	<u>(254,265)</u>	<u>(233,586)</u>	<u>20,679</u>	<u>(326,756)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	5,000	1,821	(3,179)	6,937
Net Change in Cash and Cash Equivalents	(82,223)	22,368	104,591	(146,969)
CASH AND CASH EQUIVALENTS, July 1	<u>805,343</u>	<u>1,047,222</u>	<u>241,879</u>	<u>1,194,191</u>
CASH AND CASH EQUIVALENTS, June 30	<u>\$ 723,120</u>	<u>\$ 1,069,590</u>	<u>\$ 346,470</u>	<u>\$ 1,047,222</u>

Continued on next page.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

WATER ENTERPRISE FUND SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020)

	ORIGINAL AND FINAL BUDGET	2021 ACTUAL	VARIANCE	2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS				
Operating income (loss)		\$ (33,885)		\$ (70,968)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:				
Depreciation		233,654		226,378
Changes in				
Accounts receivable		3,993		(6,397)
Prepaid expenses		(9)		(7,998)
Accounts payable		7,778		1,290
Customer deposits		2,723		(515)
Accrued payroll		1,009		281
Compensated absences		2,259		(1,507)
Due to General Fund		36,611		32,286
Net cash provided (used) by operations		\$ 254,133		\$ 172,850
 Non-Cash Capital and Related Financing Activities				
Acquisition of capital assets with cash		\$ 343,608		\$ 123,038
Change in contracts and retentions payable		122,904		-
Total acquisition of capital assets		\$ 466,512		\$ 123,038



**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, Nevada

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, and each major fund of the Topaz Ranch Estates General Improvement District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-1 and 2021-2 to be material weaknesses.

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. We consider the deficiencies identified in the accompanying schedule of findings and responses as items 2021-3 and 2021-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Silver Scenic & Assoc, LLC

Reno, Nevada
April 7, 2022



TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

FINDINGS

Finding #2021-1 - Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is sufficiently trained personnel able to account for balances and transactions in an entity's general ledgers, such that the general ledgers provide accurate information to prepare financial statements in accordance with GAAP.

Condition: Internal controls over financial reporting were not strong enough to ensure accurate financial information was generated. The general ledger for both the General Fund and the Water Enterprise Fund (District funds), required audit adjustments in order for the District's financial statements to be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause: District management has not implemented sufficient procedures to ensure personnel responsible for the District's financial reporting possess the skills and knowledge necessary to account for balances and transactions in the District Funds' general ledgers, such that the general ledgers provide accurate information to prepare financial statements in accordance with GAAP.

Effect: The District funds' general ledger account balances were materially misstated due to the following:

- errors in recording various transactions within each fund;
- errors in allocation of revenues and expenditures/expenses between the funds;
- not recording the prior year audit adjustments;
- not recording year end accruals; and
- not recording other year end closing adjustments.

The errors, not recording prior year audit adjustments, and missing year end accruals and other year end adjustments, resulted in several audit adjustments. These audit adjustments to the general ledgers were required in order for the District's financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend District management implement procedures to provide training to personnel responsible for the District's financial reporting in the unique aspects of governmental accounting, such that the general ledgers reflect accurate information to prepare financial statements in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: See page 50.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

Finding #2021-2 - Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is sufficiently trained personnel able to prepare timely bank reconciliations, such that the general ledgers reflect accurate information to prepare financial statements in accordance with GAAP. In addition, bank reconciliations are a key detective control used to reduce the risk that errors on the part of the bank or District will remain undetected.

Condition: Internal controls were not strong enough to ensure accurate and timely reporting of cash balances. The bank reconciliation for the water project bank account in the Water Enterprise Fund had not been prepared for the fiscal year ended June 30, 2021, resulting in the preparation of several months of bank reconciliations to determine the reconciled bank balance at June 30, 2021. Once the bank account was reconciled as of June 30, 2021, the general ledger for the Water Enterprise Fund required an audit adjustment in order for the District's financial statements to be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cause: District management has not implemented sufficient procedures to ensure bank reconciliations are performed timely and accurately.

Effect: Once the bank account balance was reconciled as of June 30, 2021, the District's bank reconciliation did not agree to the cash balances reflected in the general ledger of the Water Enterprise Fund by a material amount, resulting in an audit adjustment in order for the District's financial statements to be prepared in accordance with GAAP.

Recommendation: We recommend District management implement procedures to ensure timely preparation of the bank reconciliation for each of the District's bank accounts, such that the general ledgers will reflect accurate information to prepare financial statements in accordance with GAAP. We also recommend secondary review of the monthly bank reconciliations as a key detective control in mitigating risk of errors and/or fraud.

Views of Responsible Officials and Planned Corrective Action: See page 50.

Finding #2021-3 – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is adequate detective controls designed to provide safeguards over assets and reduce the risk of misstatements in financial reporting.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

Condition: Internal controls over the District's inventory of supplies were not strong enough to ensure timely and effective consideration of the inventory balances for reporting in the District's financial statements in accordance with GAAP. The District houses a backstock of supplies and materials for its road maintenance and water service activities; however an inventory of such items was not available at June 30, 2021.

Cause: District management has not implemented sufficient procedures to determine inventory balances at year-end, such that timely and effective consideration can be given to reporting of such inventory in the District's financial statements in accordance with GAAP.

Effect: Misstatements of inventory could occur and not be detected; resulting in financial statements that are not prepared in accordance with GAAP.

Recommendation: We recommend District management implement a detective control, specifically physical inventory counts. The physical inventory counts should be conducted at least annually, and on, or as close to, June 30th each year, in order to ensure timely and effective consideration of the inventory balances for reporting in the District's financial statements in accordance with GAAP. Secondarily, more frequent physical inventory counts could be an effective control in the timely detection of supplies and materials loss, damage and misappropriation.

Views of Responsible Officials and Planned Corrective Action: See page 50.

Finding #2021-4 – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control. One of the key components of an effective system of internal control is adequate preventative controls designed to provide safeguards over loss of financial data.

Condition: Internal controls over the storage and security of financial data were not strong enough to ensure adequate safeguards over the loss of financial data. The District utilizes an external hard drive attached to each of its stand-alone computers and performs periodic backups to the external hard drive of its financial data contained within the critical financial systems and software for each computer. The external hard drives remain continuously connected to their respective computer; they are not kept offsite, or even secondarily in a secure location within the District office (i.e. fire proof safe).

Cause: District management has not implemented sufficient procedures for the storage and security of the external hard drives, such that the financial data backed up to the external hard drives is adequately safeguarded against loss.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

Effect: The District's backup of financial data of critical systems and software is not stored or secured in such a manner as to safeguard against the loss of financial data.

Recommendation: We recommend District management continue with the frequency of its periodic backups, but maintain the external hard drives at a secure offsite location when the backups are not in progress. We further recommend the District consider changing its backup solution to a cloud-based service rather than use of an external hard drive, as such devices have the potential for loss and/or damage.

Views of Responsible Officials and Planned Corrective Action: See page 50.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2021

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION:

Finding #2021-1

Views of Responsible Officials: Management of Topaz Ranch Estates General Improvement District concurs with this finding.

Planned Corrective Action: Management of Topaz Ranch Estates General Improvement District will explore the possibility of securing governmental accounting training for its finance staff to help ensure the general ledgers reflect accurate information in order to prepare financial statements in accordance with GAAP.

Finding #2021-2

Views of Responsible Officials: Management of Topaz Ranch Estates General Improvement District concurs with this finding.

Planned Corrective Action: Management of Topaz Ranch Estates General Improvement District will explore the possibility of securing governmental accounting training for its finance staff to help ensure bank reconciliations are performed accurately and in a timely manner. In addition, Management will consider requiring a secondary review of bank reconciliations.

Finding #2021-3

Views of Responsible Officials: Management of Topaz Ranch Estates General Improvement District concurs with this finding.

Planned Corrective Action: Management of Topaz Ranch Estates General Improvement District will implement a requirement for a supplies inventory to be conducted on or around June 30 each year. The results of that inventory will be maintained and reviewed with the external auditor to determine if an adjustment to the general ledger is warranted.

Finding #2021-4

Views of Responsible Officials: Management of Topaz Ranch Estates General Improvement District concurs with this finding.

Planned Corrective Action: Management of Topaz Ranch Estates General Improvement District will explore the possibility of moving backup financial data to the Cloud. In the meantime, external hard drives will be maintained offsite or in a secure location away from the respective computers.



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

In connection with our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Topaz Ranch Estates General Improvement District (the District) as of and for the year ended June 30, 2021, 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 other than the violation reported in Note 2 to the financial statements. 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, insofar as they relate to accounting matters.

Current Year Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and Nevada Administrative Code is contained in Note 2 to the financial statements on page 31.

Progress on Prior Year Statute Compliance

Expenditures were monitored during the current year to avoid over-expenditures in accordance with Nevada Revised Statutes.

Prior Year Recommendations

There were no findings for the year ended June 30, 2020.

Current Year Recommendations

Our recommendations for the current year are included in the Schedule of Findings and Responses on pages 46-49.

Silva Sceirine & Assoc, LLC

Reno, Nevada
April 7, 2022