

**TOPAZ RANCH ESTATES GENERAL
IMPROVEMENT DISTRICT**

***FINANCIAL STATEMENTS, REQUIRED &
OTHER SUPPLEMENTARY INFORMATION***

**Fiscal Year Ended
June 30, 2023**



SILVA, SCEIRINE
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

TABLE OF CONTENTS

JUNE 30, 2023

| | |
|---|----|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 13 |
| Statement of Activities | 14 |
| Fund Financial Statements | |
| <i>Governmental Fund (General Fund)</i> | |
| Balance Sheet – Governmental Fund - General Fund | 15 |
| Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Governmental Fund - General Fund | 17 |
| Reconciliation of Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities | 18 |
| <i>Proprietary Fund - Enterprise Fund (Water Enterprise Fund)</i> | |
| Statement of Net Position – Proprietary Fund - Water Enterprise Fund | 19 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund - Water Enterprise Fund | 21 |
| Statement of Cash Flows – Proprietary Fund - Water Enterprise Fund | 22 |
| Notes to the Financial Statements | 24 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 45 |
| Schedule of the District's Contributions to the Public Employees' Retirement System of NV | 46 |
| SUPPLEMENTARY INFORMATION | |
| Individual Fund Schedules | |
| Proprietary Fund – Enterprise Fund - Water Enterprise Fund | |
| Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual | 47 |
| Schedule of Cash Flows – Budget and Actual | 48 |
| COMPLIANCE SECTION | |
| Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 50 |
| Schedule of Findings and Responses | 52 |
| Summary Schedule of Prior Audit Findings | 56 |
| Auditors' Comments | 58 |



INDEPENDENT AUDITORS' REPORT

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

Disclaimer of Opinions

We were engaged to audit 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on these financial statements.

Basis for Disclaimer of Opinions

Significant turnover of District staff resulted in numerous misstatements in the accounting records. Management has been aggressive in the process of identifying and correcting system and other finance-related deficiencies; however, we were unable to obtain sufficient audit evidence to support the financial statement amounts, primarily for water user fees receivable, net position/fund balance, water user fees revenues and operating expenses/expenditures as of and for the year ended June 30, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the District's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the information about its public pension plan 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.

Supplementary Information

Our audit 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 for the Water Fund, 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 for the Water Fund, 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. Because of the matters described in the Basis for Disclaimer of Opinion, we were not able to obtain sufficient audit evidence to provide an in relation to opinion on the individual fund financial schedules, including budgetary comparisons for the Water Fund.

Prior Year Partial Comparative Information

We have previously audited in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2022, and have issued our report thereon dated April 11, 2023 which expressed an unmodified opinion on the respective financial statements of the governmental activities, business-type activities, and each major fund. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2022 is consistent with the audited financial statements from which it is derived.

The individual fund financial statements and schedules related to the 2022 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The individual fund financial statements and schedules are consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Silva, Scivine & Assoc, LLC

Reno, Nevada
April 30, 2024



**Topaz Ranch Estates General Improvement District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023**

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, 2023. 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 and its deferred outflows of resources exceeded its liabilities at the close of the most recent fiscal year by \$7,655,445 (*net position*). Of this amount, \$1,069,918 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 \$739,463 an increase of \$26,249 in comparison with the prior year. There is an unassigned fund balance of \$599,901 as of June 30, 2023 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 *assigned* and *unassigned* components of *fund balance*) was \$731,206, or approximately 2.6 times the total general fund expenditures.
- The District Water Fund retired \$104,796 bond and loan 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 required supplementary information which includes the information on the District's contributions to the Public Employees Retirement System (PERS) of Nevada, and other supplementary 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.

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 District maintains one governmental fund – the General 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.

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.

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.

Other Information. In addition to the basic financial statements and accompanying notes, the following is presented:

Required Supplementary Information - information on the District's contributions to the Public Employees Retirement System (PERS) of Nevada,

Supplementary Information - individual fund financial schedules for the Water Enterprise Fund, with budget to actual comparisons.

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 property, 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 and deferred outflows of resources exceeded liabilities by \$7,655,445 at June 30, 2023.

Topaz Ranch Estates General Improvement District
Statement of Net Position

Table 1

| | Governmental Activities | | Business-Type Activities | | Total Government-Wide | |
|---|-------------------------|------------|--------------------------|--------------|-----------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current assets | \$ 739,581 | \$ 716,269 | \$ 417,085 | \$ 573,503 | \$ 1,156,666 | \$ 1,289,772 |
| Restricted cash | 8,017 | 5,345 | 447,592 | 393,154 | 455,609 | 398,499 |
| Capital assets, net | 180,363 | 195,018 | 10,636,717 | 9,911,320 | 10,817,080 | 10,106,338 |
| Total assets | 927,961 | 916,632 | 11,501,394 | 10,877,977 | 12,429,355 | 11,794,609 |
| Deferred Outflows of Resources | 167,893 | 11,020 | 268,369 | 16,530 | 436,262 | 27,550 |
| Total Assets and Deferred Outflows of Resources | 1,095,854 | 927,652 | 11,769,763 | 10,894,507 | 12,865,617 | 11,822,159 |
| Liabilities: | | | | | | |
| Long-term liabilities | 336,674 | 163,908 | 4,595,438 | 4,297,858 | 4,932,112 | 4,461,766 |
| Other liabilities | 3,994 | 3,582 | 284,737 | 51,144 | 288,731 | 54,726 |
| Total liabilities | 340,668 | 167,490 | 4,880,175 | 4,349,002 | 5,220,843 | 4,516,492 |
| Deferred Inflows of Resources | 139 | - | 208 | - | 347 | - |
| Total Liabilities and Deferred Inflows of Resources | 340,807 | 167,490 | 4,880,383 | 4,349,002 | 5,221,190 | 4,516,492 |
| Net Position: | | | | | | |
| Net investment in capital assets | 38,263 | 31,110 | 6,091,655 | 5,629,633 | 6,129,918 | 5,660,743 |
| Restricted | 8,017 | 2,672 | 447,592 | 393,154 | 455,609 | 395,826 |
| Unrestricted | 719,785 | 726,380 | 350,133 | 522,718 | 1,069,918 | 1,249,098 |
| Total net position | \$ 766,065 | \$ 760,162 | \$ 6,889,380 | \$ 6,545,505 | \$ 7,655,445 | \$ 7,305,667 |

The largest portion of net position (80.0%) 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 (6.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,069,918 (14.0%) 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 \$349,778 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 | |
|-------------------------------------|-------------------------|------------|--------------------------|--------------|-----------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ - | \$ - | \$ 562,811 | \$ 585,610 | \$ 562,811 | \$ 585,610 |
| Capital grants and contributions | - | - | 642,488 | 25,587 | 642,488 | 25,587 |
| General revenues | | | | | | |
| Property taxes | 215,278 | 205,213 | - | - | 215,278 | 205,213 |
| Consolidated taxes | 86,084 | 83,913 | - | - | 86,084 | 83,913 |
| Other general revenues | 5,728 | 4,333 | 46,502 | 1,674 | 52,230 | 6,007 |
| Total revenues | 307,090 | 293,459 | 1,251,801 | 612,871 | 1,558,891 | 906,330 |
| Expenses: | | | | | | |
| Public works | 297,529 | 225,402 | - | - | 297,529 | 225,402 |
| Interest and fiscal charges | 3,658 | 4,168 | - | - | 3,658 | 4,168 |
| Water | - | - | 907,926 | 752,501 | 907,926 | 752,501 |
| Total expenses | 301,187 | 229,570 | 907,926 | 752,501 | 1,209,113 | 982,071 |
| Increase (decrease) in net position | 5,903 | 63,889 | 343,875 | (139,630) | 349,778 | (75,741) |
| Net Position, July 1 | 760,162 | 696,273 | 6,545,505 | 6,685,135 | 7,305,667 | 7,381,408 |
| Net Position, June 30 | \$ 766,065 | \$ 760,162 | \$ 6,889,380 | \$ 6,545,505 | \$ 7,655,445 | \$ 7,305,667 |

Governmental activities. The current fiscal year showed net position for governmental activities increased \$5,903 from the prior fiscal year for an ending balance of \$766,065. Total revenues have increased \$13,631, led by an \$12,236 increase in property and consolidated taxes collected. Total expenses have increased by \$71,617 from the prior year, primarily from an increase of \$42,986 in services and supplies.

Business-type Activities. For the District's business-type activities, overall net position increased to an ending balance of \$6,889,380. The total increase in net position for business-type activities (Water Authority) was \$343,875, compared to a prior year decrease of \$139,630. This change of \$483,505 is primarily the result of FY23 grant proceeds of \$639,488 less an increase of \$158,890 (24.1%) in operating expenses.

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, 2023, the District's governmental fund reported fund balance of \$739,463, an increase of \$26,249 over the prior year. Approximately 81.1% of this amount, \$599,901, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance consists of \$131,305 assigned to cover a projected budget shortfall in fiscal year 2023/2024, \$8,017 restricted for debt service, and \$240 considered nonspendable.

The fund balance increase of \$26,249 during the current fiscal year was less than the prior year increase of \$62,744, due primarily to capital outlay of \$47,120 in FY23 compared to \$28,751 in FY22, and to an increase of \$33,994 (19.4%) in all other operating expenses.

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 \$350,133. The total increase in net position for the fund was \$343,875, as discussed earlier.

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. The General Fund's budget comparisons are presented with the basic financial statements. The Water Enterprise Fund budget comparison is reported in the supplementary information section of this annual report.

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 2023 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 | \$ 218,997 | \$ 215,955 | \$ (3,042) |
| Consolidated taxes | 94,988 | 86,084 | (8,904) |
| Other revenues | 3,400 | 5,728 | 2,328 |
| Total revenues | <u>317,385</u> | <u>307,767</u> | <u>(9,618)</u> |
| Expenditures: | | | |
| Public works | 533,500 | 256,054 | 277,446 |
| Debt service | 25,464 | 25,464 | - |
| Total expenditures | <u>558,964</u> | <u>281,518</u> | <u>277,446</u> |
| Changes in Fund Balance | <u>\$ (241,579)</u> | <u>\$ 26,249</u> | <u>\$ 267,828</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 \$277,446 less than budget. A review of actual expenditures compared to the appropriations in the final budget reveals that all categories of expenditures were less than the appropriations. Significantly, this occurred, in large part, because the District once again experienced staffing shortages periodically during the year. Additionally, planned capital outlay was \$286,000; actual capital outlay was \$47,120, leaving a variance of \$238,880.

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, 2023, amounts to \$10,817,080 (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, \$710,742, was approximately 7.0% over the prior year and was comprised primarily of an increase of \$853,574 in construction in progress.

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

Table 4

| | Governmental Activities | | Business-Type Activities | | Total Government-Wide | |
|---------------------------|-------------------------|------------|--------------------------|--------------|-----------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 6,096 | \$ 6,096 | \$ 42,814 | \$ 42,814 | \$ 48,910 | \$ 48,910 |
| Construction in progress | - | - | 863,697 | 10,123 | 863,697 | 10,123 |
| Land improvements | 19,959 | 33,093 | 11,610 | 11,610 | 31,569 | 44,703 |
| Trucks and equipment | 154,308 | 155,829 | 110,171 | 5,752 | 264,479 | 161,581 |
| Water distribution system | - | - | 9,608,425 | 9,841,021 | 9,608,425 | 9,841,021 |
| Total | \$ 180,363 | \$ 195,018 | \$ 10,636,717 | \$ 9,911,320 | \$ 10,817,080 | \$ 10,106,338 |

Major capital asset events during the current fiscal year was ongoing work on the Well #6 replacement.

Long-term Debt. At the end of the current fiscal year, the District's Water Enterprise Fund and General Fund had \$4,303,576 and \$142,100 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 loan is expected to be paid in full in fiscal year 2057. The remaining balance in the Water Enterprise Fund consists of three loans, one is with USDA-RD, expected to be paid in full in 2050; another is a State Revolving Loan, expected to be paid in full in 2036, and a new loan from USDA related to the current well rehabilitation project, all 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 \$126,247 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 2023-2024 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 2023-2024.

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 the Topaz Ranch Estates General Improvement District, District Manager, 1490 Albite Rd, Wellington, Nevada, 89444.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------|
| ASSETS | | | |
| Cash and investments | \$ 483,766 | \$ 253,958 | \$ 737,724 |
| Accounts receivables, net | 24,428 | 37,818 | 62,246 |
| Grants receivable | - | 333,705 | 333,705 |
| Internal balances, net | 231,147 | (231,147) | - |
| Prepays and other current assets | 240 | 22,751 | 22,991 |
| Restricted cash and investments | 8,017 | 447,592 | 455,609 |
| Capital assets: | | | |
| Land and construction in progress | 6,096 | 906,511 | 912,607 |
| Depreciable buildings, equipment and infrastructure, net of accumulated depreciation | 174,267 | 9,730,206 | 9,904,473 |
| Total Assets | 927,961 | 11,501,394 | 12,429,355 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 167,893 | 268,369 | 436,262 |
| Total Assets and Deferred Outflows of Resources | 1,095,854 | 11,769,763 | 12,865,617 |
| LIABILITIES | | | |
| Accounts, contracts and retention payable | - | 241,486 | 241,486 |
| Accrued expenses | 3,994 | 17,005 | 20,999 |
| Customer deposits | - | 26,246 | 26,246 |
| Noncurrent liabilities, due within one year: | | | |
| Bonds and loan payable | 22,331 | 112,109 | 134,440 |
| Noncurrent liabilities, due in more than one year: | | | |
| Pension obligation | 194,574 | 291,862 | 486,436 |
| Bonds and loan payable | 119,769 | 4,191,467 | 4,311,236 |
| Total Liabilities | 340,668 | 4,880,175 | 5,220,843 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 139 | 208 | 347 |
| Total Liabilities and Deferred Inflows of Resources | 340,807 | 4,880,383 | 5,221,190 |
| NET POSITION | | | |
| Net investment in capital assets | 38,263 | 6,091,655 | 6,129,918 |
| Restricted for: | | | |
| Debt service | 8,017 | 119,387 | 127,404 |
| Capital asset replacement | - | 328,205 | 328,205 |
| Unrestricted | 719,785 | 350,133 | 1,069,918 |
| Total Net Position | \$ 766,065 | \$ 6,889,380 | \$ 7,655,445 |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

| PROGRAMS/FUNCTIONS | EXPENSES | PROGRAM REVENUES | | CAPITAL GRANTS AND CONTRIBUTIONS | NET (EXPENSE) REVENUE | | TOTAL |
|--------------------------------|--------------|----------------------------|--|--|----------------------------|-----------------------------|--------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental activities | | | | | | | |
| Public works | \$ 297,529 | \$ - | \$ - | \$ - | \$ (297,529) | \$ - | \$ (297,529) |
| Interest and fiscal charges | 3,658 | - | - | - | (3,658) | - | (3,658) |
| Total governmental activities | 301,187 | - | - | - | (301,187) | - | (301,187) |
| Business type activities | | | | | | | |
| Water | 907,926 | 562,811 | - | 642,488 | - | 297,373 | 297,373 |
| Total business type activities | 907,926 | 562,811 | - | 642,488 | - | 297,373 | 297,373 |
| Total primary government | \$ 1,209,113 | \$ 562,811 | \$ - | \$ 642,488 | (301,187) | 297,373 | (3,814) |
| General Revenues: | | | | | | | |
| Ad valorem taxes | | | | | 215,278 | - | 215,278 |
| Consolidated taxes | | | | | 86,084 | - | 86,084 |
| Interest earnings | | | | | 3,108 | 14,101 | 17,209 |
| Miscellaneous | | | | | 2,620 | 32,401 | 35,021 |
| Total General Revenues | | | | | 307,090 | 46,502 | 353,592 |
| Change in Net Position | | | | | 5,903 | 343,875 | 349,778 |
| NET POSITION, July 1, 2022 | | | | | 760,162 | 6,545,505 | 7,305,667 |
| NET POSITION, June 30, 2023 | | | | | \$ 766,065 | \$ 6,889,380 | \$ 7,655,445 |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

GOVERNMENTAL FUND - GENERAL FUND BALANCE SHEET JUNE 30, 2023

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash and investments | \$ 483,766 | \$ 511,332 |
| Taxes receivable, ad valorem | 8,345 | 5,418 |
| Taxes receivable, consolidated | 16,083 | 14,375 |
| Due from Water Enterprise Fund | 231,147 | 175,469 |
| Prepays and other assets | 240 | 9,675 |
| Restricted cash and investments | 8,017 | 5,345 |
| Total Assets | <u>\$ 747,598</u> | <u>\$ 721,614</u> |
| LIABILITIES | | |
| Accounts payable | - | 1,524 |
| Accrued liabilities | 3,994 | 2,058 |
| Total Liabilities | <u>3,994</u> | <u>3,582</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenues - property taxes | <u>4,141</u> | <u>4,818</u> |
| FUND BALANCES | | |
| Nonspendable | 240 | 9,357 |
| Restricted | 8,017 | 5,345 |
| Assigned | 131,305 | 241,479 |
| Unassigned | 599,901 | 457,033 |
| Total Fund Balances | <u>739,463</u> | <u>713,214</u> |
| Total Liabilities and Fund Balances | <u>\$ 747,598</u> | <u>\$ 721,614</u> |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2023

Fund Balance - Governmental Fund \$ 739,463

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 | \$ 1,179,894 | |
| Less accumulated depreciation | <u>(999,531)</u> | |
| | | 180,363 |

Unavailable revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental fund. 4,141

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

| | | |
|--------------------|------------------|-----------|
| Pension obligation | (194,574) | |
| Long-term debt | <u>(142,100)</u> | (336,674) |

Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the governmental funds:

| | | |
|--|--------------|----------------|
| Deferred outflows of resources related to pensions | 178,911 | |
| Deferred inflows of resources related to pensions | <u>(139)</u> | <u>178,772</u> |

Net Position - Governmental Activities \$ 766,065

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, 2023
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)

| | ORIGINAL AND FINAL BUDGET | 2023 ACTUAL | VARIANCE | 2022 |
|---------------------------------|---------------------------------|----------------|------------|------------|
| REVENUES | | | | |
| Ad valorem taxes | \$ 218,997 | \$ 215,955 | \$ (3,042) | \$ 203,653 |
| Consolidated taxes | 94,988 | 86,084 | (8,904) | 83,913 |
| Interest earned | 200 | 3,108 | 2,908 | 233 |
| Miscellaneous income | 3,200 | 2,620 | (580) | 4,100 |
| Total Revenues | 317,385 | 307,767 | (9,618) | 291,899 |
| EXPENDITURES | | | | |
| Public works: | | | | |
| Current operations: | | | | |
| Salaries and wages | 108,500 | 57,612 | 50,888 | 70,818 |
| Employee benefits | 66,200 | 55,749 | 10,451 | 51,535 |
| Services and supplies | 72,800 | 95,573 | (22,773) | 52,587 |
| Capital outlay | 286,000 | 47,120 | 238,880 | 28,751 |
| Total public works expenditures | 533,500 | 256,054 | 277,446 | 203,691 |
| Debt service: | | | | |
| Principal payments | 21,808 | 21,806 | 2 | 21,296 |
| Interest and fiscal charges | 3,656 | 3,658 | (2) | 4,168 |
| Total debt service expenditures | 25,464 | 25,464 | - | 25,464 |
| Total Expenditures | 558,964 | 281,518 | 277,446 | 229,155 |
| Net Changes in Fund Balance | (241,579) | 26,249 | 267,828 | 62,744 |
| FUND BALANCE, July 1 | 696,966 | 713,214 | 16,248 | 650,470 |
| FUND BALANCE, June 30 | \$ 455,387 | \$ 739,463 | \$ 284,076 | \$ 713,214 |

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, 2023

| | |
|---|------------------|
| Net Change in Fund Balance - Governmental Fund | \$ 26,249 |
|---|------------------|

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 | \$ 47,120 | |
| Less: Current year depreciation expense | <u>(61,775)</u> | |
| | | (14,655) |

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 | (677) |
|---|-------|

Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits is reported as pension expense.

| | |
|---|----------|
| Difference between District pension contributions and pension expense | (26,820) |
|---|----------|

Repayment of loan principal is an expenditure in the governmental fund, but repayment reduces long-term liabilities in the Statement of Net Position.

| | |
|--|------------------------|
| | <u>21,806</u> |
| Change in Net Position of Governmental Activities | <u>\$ 5,903</u> |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND STATEMENT OF NET POSITION

JUNE 30, 2023

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and investments | \$ 253,958 | \$ 620,624 |
| Accounts receivable - user fees, net | 37,818 | 90,951 |
| Grants receivable | 333,705 | - |
| Prepays and other current assets | 22,751 | 37,397 |
| | <u>648,232</u> | <u>748,972</u> |
| Restricted Current Assets | | |
| Cash and investments | - | 10,124 |
| Total current assets | <u>648,232</u> | <u>759,096</u> |
| Capital Assets | | |
| Land | 42,814 | 42,814 |
| Construction in progress | 863,697 | 10,123 |
| Distribution system, improvements and equipment | 12,415,714 | 12,305,908 |
| Less: accumulated depreciation | (2,685,508) | (2,447,525) |
| Net capital assets | <u>10,636,717</u> | <u>9,911,320</u> |
| Other Assets | | |
| Restricted cash and investments - noncurrent | 447,592 | 383,030 |
| Total Assets | <u>11,732,541</u> | <u>11,053,446</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions | 268,369 | 16,530 |
| Total Assets and Deferred Outflows of Resources | <u>12,000,910</u> | <u>11,069,976</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, 2023

(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|--|---------------------|---------------------|
| LIABILITIES | | |
| Current Liabilities Payable from Unrestricted Current Assets | | |
| Accounts, contracts and retention payable | \$ - | \$ 4,620 |
| Accrued expenses | 17,005 | 14,857 |
| Due to General Fund | 231,147 | 175,469 |
| Customer deposits | 26,246 | 27,296 |
| Bonds and loans payable - current portion | 112,109 | 102,604 |
| | <u>386,507</u> | <u>324,846</u> |
| Current Liabilities Payable from Restricted Current Assets | | |
| Contracts and retention payable | 241,486 | 10,124 |
| Total current liabilities | <u>627,993</u> | <u>334,970</u> |
| Noncurrent Liabilities | | |
| Bonds and loan payable | 4,191,467 | 4,189,501 |
| Net pension liability | 291,862 | - |
| Total noncurrent liabilities | <u>4,483,329</u> | <u>4,189,501</u> |
| Total Liabilities | <u>5,111,322</u> | <u>4,524,471</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions | 208 | - |
| Total Liabilities and Deferred Inflows of Resources | <u>5,111,530</u> | <u>4,524,471</u> |
| NET POSITION | | |
| Net investment in capital assets | 6,091,655 | 5,629,633 |
| Restricted for: | | |
| Asset replacement | 328,205 | 286,085 |
| Debt service | 119,387 | 107,069 |
| Unrestricted | 350,133 | 522,718 |
| Total Net Position | <u>\$ 6,889,380</u> | <u>\$ 6,545,505</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, 2023

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)

| | 2023 | 2022 |
|--|--------------|--------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 562,811 | \$ 585,610 |
| Miscellaneous income | 32,401 | 650 |
| Total operating revenues | 598,212 | 586,260 |
| OPERATING EXPENSES | | |
| Salaries and benefits | 304,763 | 223,270 |
| Services and supplies | 275,483 | 181,380 |
| Depreciation | 237,983 | 254,689 |
| Total operating expenses | 818,229 | 659,339 |
| Operating Income (Loss) | (220,017) | (73,079) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest expense | (89,697) | (93,162) |
| Interest income | 14,101 | 1,024 |
| USDA grant revenue | 639,488 | - |
| Principal loan forgiveness - NDEP | - | 25,587 |
| Total non-operating revenues (expenses) | 563,892 | (66,551) |
| Change in Net Position | 343,875 | (139,630) |
| NET POSITION, July 1 | 6,545,505 | 6,685,135 |
| NET POSITION, June 30 | \$ 6,889,380 | \$ 6,545,505 |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

PROPRIETARY FUND - WATER ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)

| | 2023 | 2022 |
|--|------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers and users | \$ 614,894 | \$ 583,530 |
| Payments to suppliers for goods and services | (261,447) | (287,889) |
| Payments to employees for services | (262,384) | (239,089) |
| Miscellaneous cash receipts (expenses) | 32,401 | 650 |
| Net cash provided (used) by operating activities | 123,464 | 57,202 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (676,455) | (30,924) |
| Principal paid on revenue bonds | (104,796) | (100,467) |
| Interest paid on revenue bonds | (89,697) | (93,273) |
| Bond and loan proceeds | 115,292 | |
| Capital grant revenues | 305,783 | 110,626 |
| Net cash provided (used) by capital and related financing activities | (449,873) | (114,038) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 14,101 | 1,024 |
| Net Change in Cash and Cash Equivalents | (312,308) | (55,812) |
| CASH AND CASH EQUIVALENTS, July 1 | 1,013,778 | 1,069,590 |
| CASH AND CASH EQUIVALENTS, June 30 | \$ 701,470 | \$ 1,013,778 |

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, 2023

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)

| | 2023 | 2022 |
|--|-------------------|------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS | | |
| Operating income (loss) | \$ (220,017) | \$ (73,079) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operations: | | |
| Depreciation | 237,983 | 254,689 |
| Changes in: | | |
| Accounts receivable | 53,133 | (4,908) |
| Prepaid expenses | 14,646 | (22,298) |
| Accounts payable | (4,620) | (132,772) |
| Customer deposits | (1,050) | 2,828 |
| Accrued payroll | 2,148 | 711 |
| Pension related amounts | (14,357) | (16,530) |
| Due to General Fund | 55,678 | 48,561 |
| Net cash provided (used) by operations | <u>\$ 123,544</u> | <u>\$ 57,202</u> |
| Non-Cash Capital and Related Financing Activities | | |
| Acquisition of capital assets with cash | \$ 676,455 | \$ 30,924 |
| Change in contracts and retentions payable | 286,925 | 10,124 |
| Total acquisition of capital assets | <u>\$ 963,380</u> | <u>\$ 41,048</u> |

See accompanying notes.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023

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, 2023

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:

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.
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,

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 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, 2023

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.

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 reflects deferred outflows of resources in the Statement of Net Position for items related to pension benefits under the accrual basis of accounting.

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.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2022, 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 and received extensions for filing to April 30, 2024. The date of the auditors' report on these financial statements is April 30, 2024.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 3 – CASH AND INVESTMENTS

As of June 30, 2023, the District had the following amounts reported as cash and investments:

| | | |
|---|----|-----------|
| Cash on hand | \$ | 300 |
| Cash in bank | | 534,113 |
| Total cash | | 534,413 |
| State of Nevada Local Government Investment Pool (LGIP) | | 658,920 |
| Total | \$ | 1,193,333 |
| Governmental activities | | |
| Cash and investments | \$ | 483,766 |
| Cash and investments - restricted | | 8,017 |
| Business-type activities | | |
| Cash and investments | | 253,958 |
| Cash and investments - restricted | | 447,592 |
| Total cash and investments | \$ | 1,193,333 |

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 125 days.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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, 2023 is as follows:

| | Governmental General Fund | Business-Type Water Fund | Total |
|---|------------------------------|-----------------------------|-------------------|
| Capital asset replacement (Nevada AB-198 grant) | \$ - | \$ 197,438 | \$ 197,438 |
| Short lived asset replacement (USDA RD) | - | 127,336 | 127,336 |
| Bonds and loan payment reserve (USDA RD) | 8,017 | 119,387 | 127,404 |
| Water right sales proceeds (USDA RD) | - | 3,431 | 3,431 |
| Total Restricted Cash and Investments | <u>\$ 8,017</u> | <u>\$ 447,592</u> | <u>\$ 455,609</u> |
| Non-current | <u>\$ 8,017</u> | <u>\$ 447,592</u> | <u>\$ 455,609</u> |

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, 2023

The cumulative funding and expenses incurred as of June 30, 2023 is as follows:

| | | |
|--|----|----------------|
| Total annual fundings and earnings thereon, as of July 1, 2022 | \$ | 686,242 |
| Current year funding | | 24,480 |
| Current year earnings | | 4,790 |
| | | <u>715,512</u> |
| Reserves spent for water system repairs / capital asset replacement | | |
| Expenses incurred through June 30, 2022 | \$ | 518,074 |
| Current year expenses | | <u>-</u> |
| | | <u>518,074</u> |
| Capital asset replacement reserve / restricted cash and investments, as of June 30, 2023 | \$ | <u>197,438</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, 2023, the District's restricted cash and investments for short-lived asset replacement totaled \$127,336.

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, 2023, restricted cash and investments for the USDA RD debt service reserve totaled \$127,404.

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 \$3,431 at June 30, 2023.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023 is shown below:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
|---|-------------------------|--------------------|-------------|--------------------------|
| 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 | 347,971 | 47,120 | - | 395,091 |
| Total other capital assets, cost | 1,126,678 | 47,120 | - | 1,173,798 |
| Less accumulated depreciation for: | | | | |
| Land and road improvements | (745,614) | (13,134) | - | (758,748) |
| Trucks and equipment | (192,142) | (48,641) | - | (240,783) |
| Total accumulated depreciation | (937,756) | (61,775) | - | (999,531) |
| Other capital assets, net | 188,922 | (14,655) | - | 174,267 |
| Governmental activities net investment in capital assets | <u>\$ 195,018</u> | <u>\$ (14,655)</u> | <u>\$ -</u> | <u>\$ 180,363</u> |
| Business-type activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 42,814 | \$ - | \$ - | \$ 42,814 |
| Construction in progress | 10,123 | 853,574 | - | 863,697 |
| Total capital assets, not being depreciated | 52,937 | 853,574 | - | 906,511 |
| Other capital assets: | | | | |
| Distribution system | 12,181,307 | - | - | 12,181,307 |
| Equipment | 80,165 | 109,806 | - | 189,971 |
| Land improvements | 44,436 | - | - | 44,436 |
| Total other capital assets, cost | 12,305,908 | 109,806 | - | 12,415,714 |
| Less accumulated depreciation for: | | | | |
| Distribution system | (2,340,286) | (232,596) | - | (2,572,882) |
| Equipment | (74,413) | (5,387) | - | (79,800) |
| Land improvements | (32,826) | - | - | (32,826) |
| Total accumulated depreciation | (2,447,525) | (237,983) | - | (2,685,508) |
| Other capital assets, net | 9,858,383 | (128,177) | - | 9,730,206 |
| Business-type activities net investment in capital assets | <u>\$ 9,911,320</u> | <u>\$ 725,397</u> | <u>\$ -</u> | <u>\$ 10,636,717</u> |

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 6 – LONG-TERM OBLIGATIONS

Long Term Debt

The District's long-term debt obligations at June 30, 2023 are as follows:

| | Issue Date | Interest Rate | Final Maturity Date | Authorized | Balance June 30 2023 |
|---|------------|---------------|---------------------------|---------------------|-------------------------|
| Governmental activities | | | | | |
| USDA RD loan payable | 6/12/2020 | 2.375% | 6/12/2029 | <u>\$ 206,000</u> | <u>\$ 142,100</u> |
| Business-type activities | | | | | |
| Water revenue bond, series 2010 (USDA RD 91-03) | 3/24/2010 | 4.00% | 3/24/2050 | \$ 614,000 | \$ 505,340 |
| General Obligation (Limited Tax) Water refunding bond, series 2016 (State Revolving Loan DW1605) | 5/31/2016 | 2.08% | 1/1/2036 | 407,227 | 271,529 |
| Water revenue bond, series 2016 (USDA RD 91-05) | 10/5/2016 | 1.875% | 10/5/2056 | 3,812,000 | 3,411,415 |
| Water revenue bond, USDA | 4/30/2023 | 1.375% | 4/30/2063 | <u>277,000</u> | <u>115,292</u> |
| | | | | <u>\$ 5,110,227</u> | <u>\$ 4,303,576</u> |

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

| Fiscal Year Ending June 30, | Governmental Activities | | Business-Type Activities Water Enterprise Fund | |
|-----------------------------------|-------------------------|------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 22,331 | \$ 3,133 | \$ 112,109 | \$ 90,644 |
| 2025 | 22,868 | 2,597 | 114,638 | 88,114 |
| 2026 | 23,416 | 2,048 | 117,052 | 85,700 |
| 2027 | 23,979 | 1,485 | 119,522 | 83,230 |
| 2028-2032 | 49,506 | 1,422 | 636,436 | 377,350 |
| 2033-2037 | - | - | 670,755 | 306,545 |
| 2038-2042 | - | - | 607,011 | 237,789 |
| 2043-2047 | - | - | 679,215 | 165,585 |
| 2048-2052 | - | - | 688,116 | 86,694 |
| 2053-2057 | - | - | 558,722 | 26,126 |
| TOTALS | <u>\$ 142,100</u> | <u>\$ 10,685</u> | <u>\$ 4,303,576</u> | <u>\$ 1,547,777</u> |

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Pledged Revenues

Water Enterprise Fund

Through the USDA RD, the District issued the \$614,000 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, 2023, the total principal and interest remaining to be paid on the bond is \$823,326. During fiscal year 2023, 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 \$407,227 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, 2023, the total principal and interest remaining to be paid on the bond is \$309,757. The District's unrestricted resources will be utilized for principal and interest exceeding the pledged revenues, if necessary. During fiscal year 2023, principal and interest paid for the bond totaled \$24,780.

Through the USDA RD, the District issued the \$3,812,000 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, 2023, the total principal and interest remaining to be paid on the bond is \$4,593,687. During fiscal year 2023, principal and interest paid for the bond totaled \$138,156.

Net pledged revenues for these three bonds approximated \$194,000 for the year ended June 30, 2023.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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, 2023 are as follows:

| | Payable at July 1, 2022 | Additions | Deletions | Payable at June 30, 2023 | Principal Due 2023-2024 |
|--|----------------------------|------------|--------------|-----------------------------|----------------------------|
| Governmental activities | | | | | |
| Long-term debt | | | | | |
| Loan payable, collateralized by equipment | \$ 163,908 | \$ - | \$ (21,808) | \$ 142,100 | \$ 22,331 |
| Business-type activities | | | | | |
| Long-term debt | | | | | |
| Water Revenue Bond, supported by | | | | | |
| Water Fund revenues | 515,708 | - | (10,368) | 505,340 | 10,791 |
| General Obligation Water Refunding Bond, supported by Water Fund revenues | 290,368 | - | (18,839) | 271,529 | 19,232 |
| Water Revenue Bond, supported by | | | | | |
| Water Fund revenues | 3,486,029 | - | (74,614) | 3,411,415 | 74,612 |
| Water Revenue Bond (USDA), supported by | | | | | |
| Water Fund revenues | - | 115,910 | (618) | 115,292 | 7,474 |
| Total business-type long-term debt | 4,292,105 | 115,910 | (104,439) | 4,303,576 | 112,109 |
| Total long-term obligations | \$ 4,456,013 | \$ 115,910 | \$ (126,247) | \$ 4,445,676 | \$ 134,440 |

NOTE 7 – NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description

On July 1, 2021, the District began contributing to 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 covers substantially all employees of the District. PERS provides retirement, disability and survivor benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available on the web at <http://www.nvpers.org> or by writing to the State of Nevada Public Employees Retirement System, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by Nevada Revised Statutes (NRS or statute), which may be amended. Benefits are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

special provisions for members entering the System on or after January 1, 2010, and on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier, and for regular members entering PERS on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service. Regular members who entered the System on or after July 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

Contribution provisions are specified by state statute and may be amended only by action of the State legislature. Contribution rates are based on biennial actuarial valuations and are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Under the matching Employee/Employer Contribution (EE/ER) plan, a member may, upon termination of service for which contributions are required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If the EPC plan was elected, the member cannot convert to the EE/ER plan.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The required contribution rates for the year ended June 30, 2023 were 15.50% for the EE/ER plan and the District's contributions were \$36,260.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board's adopted policy target asset allocation as of June 30, 2022:

| Asset Class | Target Allocation | Long-Term Geometric Expected Real Rate of Return* |
|----------------------|--------------------------|--|
| U.S. stocks | 42% | 5.50% |
| International stocks | 18% | 5.50% |
| U.S. bonds | 28% | 0.75% |
| Private markets | 12% | 6.65% |

Net Pension Liability

At June 30, 2023, the District reported a liability of \$486,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the PERS pension plan relative to the total contributions of all participating reporting units and members. At June 30, 2022, the District's proportion of the regular plan was .00269%.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 7.25%. The following also reflects what the District's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (6.25%) or 1.00 percentage point higher (8.25%) than the current discount rate of 7.25%.

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|-----------------------|--|--------------------------|--|
| Net Pension Liability | \$ 746,838 | \$ 486,436 | \$ 271,565 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Comprehensive Annual Financial Report, available on the NVPERS website.

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Investment rate of return | 7.25% per year. |
| Salary increases | 4.20% to 9.10% depending on service. |
| Inflation rate | 2.50% per year. |
| Productivity pay increase | 0.50% |
| Other assumptions | Same as those used in the June 30, 2022 funding actuarial valuation. |

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of the experience study for the period July 1, 2016 through June 30, 2020.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Pension Expense, Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended June 30, 2023 the District recognized pension expense of \$105,396. As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 62,985 | \$ 347 |
| Changes in assumptions | 62,486 | - |
| Net difference between projected and actual earnings on pension plan assets | 5,934 | - |
| Changes in proportion | 279,617 | - |
| Contributions subsequent to the measurement date | 36,260 | - |
| | <u>\$ 447,282</u> | <u>\$ 347</u> |

Deferred outflows of resources of \$36,260 resulted from the District's contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|-------------------------|-------------------|
| 2024 | \$ 79,597 |
| 2025 | 78,573 |
| 2026 | 76,528 |
| 2027 | 125,408 |
| 2028 | 50,569 |
| | <u>\$ 410,675</u> |

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2019 (the beginning of the measurement period ended June 30, 2020) is 5.70 years.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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, 2023 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 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.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Construction Project

During the fiscal year ended June 30, 2023, the District began substantial work on its approximate \$2.7 million construction project, which includes the drill and equip a new well, a new transmission main to be connected to the existing system, and other improvements. As of June 30, 2023, costs of \$853,574 have been incurred. Funding sources for the project are as follows:

| | | |
|--|-------|---------------------|
| Nevada Board for Financing Water Projects | Grant | \$ 1,645,520 |
| U.S. Department of Agriculture, Rural Utilities Service | Grant | 773,480 |
| U.S. Department of Agriculture, Rural Utilities Service | Loan | <u>277,000</u> |
| | | <u>\$ 2,696,000</u> |

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NPL PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA LAST TEN FISCAL YEARS*

| | Determined for the Year Ended June 30, 2023 |
|---|--|
| District's proportion of the Net Pension Liability (NPL) | 0.00269% |
| District's proportionate share of the Net Pension Liability (NPL) | 486,436 |
| District's covered employee payroll | 264,191 |
| District's proportionate share of the NPL as a % of its covered employee payroll | 184% |
| Plan fiduciary net position as a % of the Total Pension Liability | 75.1% |

*GASB Statement No. 68 requires ten years of information to be presented. However, the District began participation in PERS on July 1, 2021.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA LAST TEN FISCAL YEARS*

| | Determined for the Year | |
|---|-------------------------|------------|
| | Ended June 30, | |
| | 2023 | 2022 |
| Statutorily required contribution | \$ 36,260 | \$ 27,550 |
| Contributions in relation to the statutorily required contribution | 36,260 | 27,550 |
| Contribution deficiency (excess) | - | - |
| District's covered employee payroll | \$ 264,191 | \$ 232,849 |
| Contributions as a percentage of covered employee payroll | 13.72% | 11.83% |

*GASB Statement No. 68 requires ten years of information to be presented. However, the District began participation in PERS on July 1, 2021.

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, 2023

(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)

| | ORIGINAL AND FINAL BUDGET | 2023 ACTUAL | VARIANCE | 2022 |
|--|---------------------------------|----------------|----------------|--------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 600,000 | \$ 562,811 | \$ (37,189) | \$ 585,610 |
| Miscellaneous income | 500 | 32,401 | 31,901 | 650 |
| Total operating revenues | 600,500 | 598,212 | (2,288) | 586,260 |
| OPERATING EXPENSES | | | | |
| Salaries and benefits | 310,600 | 304,763 | 5,837 | 223,270 |
| Services and supplies | 275,100 | 275,483 | (383) | 181,380 |
| Depreciation | 245,500 | 237,983 | 7,517 | 254,689 |
| Total operating expenses | 831,200 | 818,229 | 12,971 | 659,339 |
| Operating Income (Loss) | (230,700) | (220,017) | 10,683 | (73,079) |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest expense | (91,136) | (89,697) | 1,439 | (93,162) |
| Interest income | 700 | 14,101 | 13,401 | 1,024 |
| USDA grant revenue | 2,054,800 | 639,488 | (1,415,312) | - |
| Principal loan forgiveness - NDEP | - | - | - | 25,587 |
| Total non-operating revenues (expenses) | 1,964,364 | 563,892 | (1,400,472) | (66,551) |
| Change in Net Position | \$ 1,733,664 | 343,875 | \$ (1,389,789) | (139,630) |
| NET POSITION, July 1 | | 6,545,505 | | 6,685,135 |
| NET POSITION, June 30 | | \$ 6,889,380 | | \$ 6,545,505 |

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

WATER ENTERPRISE FUND **SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL** **YEAR ENDED JUNE 30, 2023** *(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)*

| | ORIGINAL AND FINAL BUDGET | 2023 ACTUAL | VARIANCE | 2022 |
|---|---------------------------------|-------------------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 600,000 | \$ 614,894 | \$ 14,894 | \$ 583,530 |
| Payments to suppliers for goods and services | (275,100) | (261,447) | 13,653 | (287,889) |
| Payments to employees for services | (310,600) | (262,384) | 48,216 | (239,089) |
| Miscellaneous cash receipts (expenses) | 500 | 32,401 | 31,901 | 650 |
| Net cash provided (used) by operating activities | 14,800 | 123,464 | 108,664 | 57,202 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (2,460,800) | (676,455) | 1,784,345 | (30,924) |
| Principal paid on bonds and loan | (102,604) | (104,796) | (2,192) | (100,467) |
| Interest paid on bonds and loan | (91,136) | (89,697) | 1,439 | (93,273) |
| Bond and loan proceeds | 277,000 | 115,292 | (161,708) | - |
| Capital grant revenues | 2,054,800 | 305,783 | (1,749,017) | 110,626 |
| Net cash provided (used) by capital and related financing activities | (322,740) | (449,873) | (127,133) | (114,038) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest on investments | 700 | 14,101 | 13,401 | 1,024 |
| Net Change in Cash and Cash Equivalents | (307,240) | (312,308) | (5,068) | (55,812) |
| CASH AND CASH EQUIVALENTS, July 1 | 1,097,644 | 1,013,778 | (83,866) | 1,069,590 |
| CASH AND CASH EQUIVALENTS, June 30 | <u>\$ 790,404</u> | <u>\$ 701,470</u> | <u>\$ (88,934)</u> | <u>\$ 1,013,778</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, 2023** *(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2022)*

| | ORIGINAL AND FINAL BUDGET | 2023 ACTUAL | VARIANCE | 2022 |
|--|--|------------------------|-----------------|------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS | | | | |
| Operating income (loss) | | \$ (220,017) | | \$ (73,079) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operations: | | | | |
| Depreciation | | 237,983 | | 254,689 |
| Changes in: | | | | |
| Accounts receivable | | 53,133 | | (4,908) |
| Prepaid expenses | | 14,646 | | (22,298) |
| Accounts payable | | (4,620) | | (132,772) |
| Customer deposits | | (1,050) | | 2,828 |
| Accrued expenses | | 2,148 | | 711 |
| Pension related amounts | | (14,357) | | (16,530) |
| Due to General Fund | | 55,678 | | 48,561 |
| Net cash provided (used) by operations | | <u>\$ 123,544</u> | | <u>\$ 57,202</u> |
| Non-Cash Capital and Related Financing Activities | | | | |
| Acquisition of capital assets with cash | | \$ 676,455 | | \$ 30,924 |
| Change in contracts and retentions payable | | 286,925 | | 10,124 |
| Total acquisition of capital assets | | <u>\$ 963,380</u> | | <u>\$ 41,048</u> |



**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 were engaged to audit, 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, 2023, 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 30, 2024. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient audit evidence to support certain financial statement amounts.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the District, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items #2023-1 and #2023-2 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we were engaged to perform 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 financial statements. Because we were unable to obtain sufficient audit evidence to support certain financial statement amounts, we did not perform the aforementioned tests of compliance. Providing an opinion on compliance with those provisions was not an objective of our audit. For these reasons, we do not express such an opinion.

District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.

Silva, Scivine & Assoc, LLC

Reno, Nevada
April 30, 2024



TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2023

FINDINGS

Finding #2023-1 - Material Weakness (This is a repeat of Finding #2022-1.)

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 significant year-end adjustments. These adjustments were made by the District's contracted consultant in preparation for the audit. In addition, several audit adjustments were subsequently detected by the auditor. Although these adjustments did reconcile many of the general ledger accounts, there were still significant account balances that could not be reconciled and we were unable to obtain sufficient appropriate evidence to conclude that the financial statements were free from material misstatement. As such, we are disclaiming an opinion on the District's financial statements as of and for the year ended June 30, 2023.

Cause: Sufficient procedures were not in place 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. Additionally, there was significant turnover of the District's management and finance staff, whereas routine accounting functions were not being performed on a timely basis.

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 year-end accruals;
- not recording other year end closing adjustments; and
- not processing or recording reimbursement requests submitted to the grantors of funds applicable to the District's major construction and rehabilitation projects.

These errors and missing year-end accruals and other year-end adjustments, resulted in several audit adjustments. However, we were not able to perform sufficient audit procedures to determine if any further adjustments might have been found necessary in the financial statements in order for them to be in accordance with GAAP.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2023

Recommendation: We recommend District management recruit personnel who are qualified in the unique aspects of governmental accounting, such that the general ledgers reflect accurate information to prepare financial statements in accordance with GAAP. Personnel should be afforded the opportunity to obtain appropriate ongoing training in order to maintain and enhance their skills.

Views of Responsible Officials and Planned Corrective Action: See page 55.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2023

Finding #2023-2 - Material Weakness (This is a repeat of Finding #2022-2.)

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. Bank reconciliations were not consistently or timely prepared throughout the fiscal year, resulting in the District's consultant preparing several months of bank reconciliations to determine the proper reconciled bank balances at June 30, 2023. Once the bank accounts were reconciled, the District's general ledger reflected a "reconciliation discrepancy" of \$30,908 as well as "undeposited funds" of \$10,956, both of which were reported in the Water Fund. As previously stated in the condition for Finding #2023-1, we were unable to obtain sufficient appropriate evidence to conclude that the financial statements were free from material misstatement. As such, we are disclaiming an opinion on the District's financial statements as of and for the year ended June 30, 2023.

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, 2023, 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 a year-end adjustment to record a "reconciliation discrepancy" of \$30,908. In addition, "undeposited funds" of \$10,956 were reported in the Water Fund as of June 30, 2023.

Recommendation: We recommend District management implement procedures to ensure timely preparation of the bank reconciliations for each of the District's bank accounts, such that the general ledgers will reflect accurate financial information timely communicated to the Board members. We also recommend a 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 55.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2023

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION:

Finding #2023-1

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 (the District) will continue to 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. In addition, Management will explore the feasibility of hiring a part-time employee with a financial reporting background to assist with the general ledger and other administrative functions of the District.

Finding #2023-2

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 (the District) will continue to 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 explore the feasibility of hiring a part-time employee with a financial reporting background to assist with the administrative duties of the finance staff, including, but not limited to, accurate and timely preparation of bank reconciliations for all District bank accounts and other systems of record.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2023

PRIOR YEAR FINDINGS

Finding #2022-1 - Material Weakness

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).

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.

Status as of June 30, 2023: The essential elements of this finding have been repeated in the current year as Finding #2023-1.

Finding #2022-2 - Material Weakness

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, 2022, resulting in the preparation of several months of bank reconciliations to determine the reconciled bank balance at June 30, 2022. Once the bank account was reconciled as of June 30, 2022, 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).

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.

Status as of June 30, 2023: The essential elements of this finding have been repeated in the current year as Finding #2023-2.

TOPAZ RANCH ESTATES GENERAL IMPROVEMENT DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2023

Finding #2022-3 – Material Weakness

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).

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.

Status as of June 30, 2023: This finding was corrected prior to the issuance of the June 30, 2023 financial statements.



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, 2023, 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. 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.

Progress on Prior Year Statute Compliance

Extensions of the filing date for the audit were once again requested and received.

Current Year Recommendations

Our recommendations for the current year are included in the Schedule of Findings and Responses.

Prior Year Recommendations

The status of the recommendations made in connection with the June 30, 2022 audit are provided in the Summary Schedule of Prior Audit Findings.

Silva, Sceirine & Assoc, LLC

Reno, Nevada
April 30, 2024