

**Indian Hills General Improvement District
Financial Statements
June 30, 2022**



**INDIAN HILLS GENERAL IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT DISCUSSION AND ANALYSIS	4 - 7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Activities	9
General Fund, Balance Sheet and Reconciliation of the Balance Sheet to the Statement of Net Position	10
General Fund, Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual and Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance to the Statement of Activities	11 - 12
Enterprise Funds, Statement of Net Position	13
Enterprise Funds, Statement of Revenue, Expense and Changes in Net Position	14
Enterprise Funds, Statement of Cash Flows	15 - 16
Notes to Financial Statements	17 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Enterprise Funds, Statement of Revenue, Expenditures and Changes in Net Position - Budget and Actual Supplementary Pension Information	36 37 - 38
SUPPLEMENTARY INFORMATION	
General Fund Schedule of Expenditures	40 - 41
Enterprise Funds, Schedule of Services and Supplies	42
REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's 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>	44 - 45
AUDITOR'S COMMENTS	47 - 49



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Indian Hills General Improvement District

Opinions

We have audited the accompanying financial statements of the government activities, business-type activities, each major fund, and the aggregate remaining fund information of the Indian Hills General Improvement District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Indian Hills General Improvement District as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial Statements section of our report. We are required to be independent of the Indian Hills General Improvement District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Indian Hills General Improvement 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

611 N. Nevada Street
Carson City, Nevada 89703
Phone: (775) 882-7198
Fax: (775) 883-4346

Members of: CPA Connect
Nevada Society of Certified Public Accountants
American Institute of Certified Public Accountants
Affordable Housing Association of Certified Public Accountants

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Indian Hills General Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Indian Hills General Improvement District's ability to continue as a going concern for a reasonable period of time.

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 internal 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, budgetary comparison information, and pension information on pages 4 through 7, 36 and 37 through 38, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 management discussion and analysis, and pension 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Indian Hills General Improvement District's basic financial statements. The supplementary information included on pages 40 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is

fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of the Indian Hills General Improvement District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Indian Hills General Improvement District's internal control over financial reporting and compliance.

Steele & Associates, LLC

Carson City, Nevada
November 28, 2022

**Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2022**

The management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it along with the District's financial statements, which follow this section.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of the operations of the District; and that all disclosures necessary to enable the reader to gain an understanding of the District's financial activity have been included.

Financial Highlights

- Capital assets in the Enterprises Fund went up by \$363,553.
- Capital assets in the General Fund increased by \$156,853
- During the fiscal year ended June 30, 2022, the District implemented GASBS No. 87, *Leases*. This standard establishes a single reporting model for lease accounting based on the foundation principal that leases are financings of the right to use an asset. As a result, implementation of this standard resulted in recognition of a right-of-use asset and an offsetting lease liability, as well as a lease receivable with an offsetting deferred inflow of resources.

Financial Overview

The District accounts for its overall financial matters through two primary Funds. The General Fund (Governmental type activities) accounts for all tax revenues and displays all amounts and types of expenses spent from those tax revenues. The Enterprise Fund (Business type activities) accounts for all non-tax service revenues produced by utility billings to customers and displays all amounts and types of expenses spent from those service fees.

These two funds are maintained entirely separate from each other, with provisions which allow movement of monies between them, but only on specific Board approval. These movements are shown in the financial statements as transfers in or transfers out.

Activities funded by the General Fund include the appropriate share of overall District administration, plus parks and recreation, storm drains and streets. All costs associated with these types of activities, from staff related costs to materials and operational supplies are budgeted annually. Annually, by the end of May, the Board sets a real estate tax rate for properties within the District, after receiving rate authorization limits from the State Department of Taxation (Taxation) by mid March.

The District has, on at least seven occasions in the last 27 years, adopted a tax rate for the year lower than the rate authorized by Taxation. As this key decision is made, the Board considers the entire scope of general fund supported activities, to be provided for during the upcoming year, the amount of general fund reserves, which should be kept in place for the future year, and then determines the rate that will produce those revenues.

Water production, storage, treatment and distribution, as well as sewage collection, treatment, effluent storage and disposal activities, for the entire utility district, are the activities which are funded by and accounted for in the Enterprise Fund. All costs associated with these types of activities, from staff related costs to materials and operational supplies, are budgeted annually and accounted for separately.

The board reviews the utility rates annually to determine the need for rate increases. Federal and State regulations or specifically required or internally determined infrastructure improvements, and utility systems expansion to accommodate growth, all influence the utility rate making function.

**Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2022**

Budgeting for a specific upcoming year is a function of projecting these rates, currently in effect, across the number of customers and volumes of usage to predict revenues, project reserves, and plan for systems improvements

Condensed Financial Statements

The condensed Statement of Net Position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current & other assets	\$ 2,761,009	\$ 2,255,667	\$ 7,203,708	\$ 6,461,864	\$ 9,964,717	\$ 8,717,531
Capital assets	4,711,265	4,852,785	14,400,152	14,947,049	19,111,417	19,799,834
Non current assets	-	-	227,412	232,556	227,412	232,556
Deferred outflows	187,587	121,026	369,382	205,895	556,969	326,921
Total assets	7,659,861	7,229,478	22,200,654	21,847,364	29,860,515	29,076,842
LIABILITIES						
Current liabilities	45,753	40,618	520,096	602,209	565,849	642,827
Non current liabilities	254,904	425,033	3,895,000	4,446,127	4,149,904	4,871,160
Deferred outflows	602,070	169,706	5,221,709	513,755	5,823,779	683,461
Total liabilities	902,727	635,357	9,636,805	5,562,091	10,539,532	6,197,448
NET POSITION						
Invested in capital assets, net of related debt	4,698,328	4,834,165	10,649,868	10,759,073	15,348,196	15,593,238
Restricted cash	1,115,392	774,525	3,603,454	3,261,676	4,718,845	4,036,201
Unrestricted	1,244,071	985,431	2,725,623	2,264,524	3,969,695	3,249,955
Total net position	\$ 7,057,791	\$ 6,594,121	\$ 16,978,945	\$ 16,285,273	\$ 24,036,736	\$ 22,879,394

The condensed Statement of Activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUE						
Charges for services	\$ -	\$ -	\$ 2,913,500	\$ 2,622,964	\$ 2,913,500	\$ 2,622,964
General revenue	1,373,250	1,321,736	32,307	21,533	1,405,557	1,343,269
Transfers	63,137	67,927	(63,137)	(67,927)	-	-
Total revenue	1,436,387	1,389,663	2,882,670	2,576,570	4,319,057	3,966,233
EXPENDITURES						
General government	270,865	274,644	-	-	270,865	274,644
Public works	417,072	384,667	-	-	417,072	384,667
Culture & recreation	284,780	305,893	-	-	284,780	305,893
Water & sewer	-	-	2,075,040	2,105,287	2,075,040	2,105,287
Interest expenses	-	-	113,958	129,316	113,958	129,316
Total expenses	972,717	965,204	2,188,998	2,234,603	3,161,715	3,199,807
Change in Net Position	\$ 463,670	\$ 424,459	\$ 693,672	\$ 341,967	\$ 1,157,342	\$ 766,426

**Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2022**

Overall Financial Position and Results of Operations

The General Fund is sufficient to support the activities and programs operated within that fund. A greater emphasis has been placed on the maintenance of the District roads. This will require, at least the maintenance of the existing ad valorem tax rate.

The utility operations are under pressure to make some significant and expensive improvement expenditures over the next few years. This internal pressure is compounded by federal requirements as to the lower arsenic levels, which have been addressed by the construction of the pipeline from Douglas County. The District has installed emergency power generators at the District's main production well, the water treatment plant and the wastewater plant. State required treatments have also put external pressure on the District.

Operational Changes & Potential Future Impacts

The District has joined forces with Douglas County to build a pipeline to provide higher quality water to the District and to address the Federal arsenic standards. The District has received grants and loans from the State of Nevada and USDA. The District received grant commitments in the amount of \$1,684,722. The District received loan commitments in the amount of \$2,040,552. Construction on the pipeline was completed in the 2013/2014 fiscal year. The repayment period is 40 years but they can be repaid sooner without penalty if funds are available.

The District is approaching construction build out and cannot rely on connection fees paid for by developers and individuals to make significant improvements in its utility infrastructure. Therefore, the monthly water and sewer rates will need to be evaluated on a yearly basis. The District approved a five year rate plan with annual increases reserved for infrastructure repairs during the 2014-2015 fiscal year. The last increase in this five year plan was effective September 2018.

The miles of streets and the number of parks and public facilities are about to be stabilized. There is limited planning for expanded operations. As infrastructure ages, maintenance costs will still be a challenge.

Utility operational changes, as to supply and treatment of water and as to volume and treatment of wastewater, are expected to be impacted by the new state regulations requiring even higher level certifications (and increased numbers) of utility operators.

The District has received loans from USDA to pay for the sewer plant improvements which will be needed to meet State requirements. The loan is in the amount of \$1,115,000 payable over 40 years. Construction was completed in the 2013/2014 fiscal year.

Budget Variance-General Fund Analysis

Budgeting commences in late January inside District Administration. By mid-February each governmental entity is provided preliminary projections from Taxation as to the projected tax revenues (sales taxes and ad valorem taxes), which are expected to be available to the entities. From these preliminary figures, a preliminary budget presentation is developed; the final figures come from Taxation in mid-March. The District adopts its next year budget by the end of May.

Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2022

Capital Assets & Debt-Current & Future

The District is organized under NRS 318 as a multi-faceted general improvement district. Under this organization, the District is allowed an upper limit indebtedness of 50% of the assessed value of properties inside the District. The assessed valuation of the District at June 30, 2022, is in excess of \$148,643,351. The District's debt is currently at \$3,562,159. This debt is approximately 2%. This is a healthy debt position and debt service is manageable in operating budgets.

The utility rate structure of the District is conscious of the depreciation charged against the infrastructure as an appropriate accounting function. It has not, however, charged the users sufficiently to fully cover the depreciation amounts. The District approved a rate increase effective September 2014 with the increase being reserved for infrastructure expenses. In addition, the District budgets 4% of projected net revenue to reserve for infrastructure expenses.

Management Decisions & Future Impacts

Short term, the most significant potential impacts on the District finances are related to the utility operations. Given increasingly higher standards being placed on both the delivery of high quality water and the collection and treatment of wastewater, as well as the aging of the District's facilities, we believe greater emphasis will need to be placed on the collection of depreciation funds. The potential impacts, if realized, will be in the monthly rates.

Long term, the maintenance and needed upgrade of the District's streets, and the increased standards for the maintenance of the extensive storm drain system will impact the General Fund. Also, the construction of the pipeline in conjunction with Douglas County will impact the Enterprise Fund as the District will be required to repay the loans taken out to finance the construction. The District's General Fund should be in rather good shape for the foreseeable future.

COVID-19

Due to the COVID-19 Global Pandemic the District stopped charging late fees during the 2020/2021 fiscal year. The District also stopped water shut-offs as a result of the pandemic. The District re-instated late fees and water shut off procedures during the 2021/2022 fiscal year.

These revenues are not budgeted for and, therefore, are not relied on for operating expenses of the District.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 3394 #A James Lee Park Road, Carson City, NV 89705, or call 775-267-2805.

Indian Hills General Improvement District
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 2,649,365	\$ 6,723,450	\$ 9,372,815
Taxes receivable	62,306	-	62,306
Accounts receivable, less allowance for doubtful accounts of \$0 and \$8,423	7,162	337,363	344,525
Other assets	42,176	142,895	185,071
Total Current Assets	<u>2,761,009</u>	<u>7,203,708</u>	<u>9,964,717</u>
Lease receivable	-	227,412	227,412
Lease assets, net of accumulated amortization	12,937	-	12,937
Property, Plant & Equipment, net	4,698,328	14,400,152	19,098,480
Total Assets	<u>7,472,274</u>	<u>21,831,272</u>	<u>29,303,546</u>
Deferred Outflows of Resources			
Pension requirement	187,587	369,382	556,969
Total Assets and Deferred Outflows of Resources	<u>7,659,861</u>	<u>22,200,654</u>	<u>29,860,515</u>
LIABILITIES			
Current Liabilities			
Accounts payable	9,591	61,512	71,103
Accrued payroll & benefits	30,348	61,023	91,371
Prepaid user fees	-	26,083	26,083
Accrued interest	-	23,048	23,048
Due to IRS	-	7,410	7,410
Current portion lease liability	5,814	-	5,814
Current portion of long-term debt	-	341,020	341,020
Total Current Liabilities	<u>45,753</u>	<u>520,096</u>	<u>565,849</u>
Non-Current Liabilities			
Compensated absences	2,948	4,700	7,648
Premium on bond issue	-	104,026	104,026
Bonds payable	-	3,305,238	3,305,238
Lease liability	7,667	-	7,667
Net pension liability	244,289	481,036	725,325
Total Non-Current Liabilities	<u>254,904</u>	<u>3,895,000</u>	<u>4,149,904</u>
Total Liabilities	<u>300,657</u>	<u>4,415,096</u>	<u>4,715,753</u>
Deferred Inflows of Resources			
Deferred inflows of resources - lease	-	213,095	213,095
Pension requirement	301,413	593,518	894,931
Total Liabilities and Deferred Inflows of Resources	<u>602,070</u>	<u>5,221,709</u>	<u>5,823,779</u>
NET POSITION			
Invested in capital assets, net of related debt	4,698,328	10,649,868	15,348,196
Restricted cash	1,115,392	3,603,454	4,718,846
Unrestricted	1,244,071	2,725,623	3,969,694
Total Net Position	<u>\$ 7,057,791</u>	<u>\$ 16,978,945</u>	<u>\$ 24,036,736</u>

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Indian Hills General Improvement District
Statement of Activities
For the Year Ended June 30, 2022

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General government	\$ 270,865	\$ -	\$ -	\$ (270,865)	\$ -	\$ (270,865)
Public works	417,072	-	-	(417,072)	-	(417,072)
Culture & recreation	284,780	-	-	(284,780)	-	(284,780)
Total governmental activities	972,717	-	-	(972,717)	-	(972,717)
Business-Type Activities						
Water & sewer	2,075,040	2,913,500	-	-	838,460	838,460
Interest expense	113,958	-	-	-	(113,958)	(113,958)
Total business-type activities	2,188,998	2,913,500	-	-	724,502	724,502
Total	\$ 3,161,715	\$ 2,913,500	\$ -	\$ (972,717)	\$ 724,502	\$ (248,215)
GENERAL REVENUES						
Tax revenue				1,346,494	-	1,346,494
Interest earnings				1,947	8,523	10,470
Grant revenue				-	-	-
Miscellaneous revenue				22,650	17,507	40,157
Gain on asset disposition				2,159	6,277	8,436
Interfund transfers				63,137	(63,137)	-
Total General Revenue				1,436,387	(30,830)	1,405,557
Change in Net Position				463,670	693,672	1,157,342
Net Position, June 30, 2021				6,594,615	16,277,761	22,872,376
Prior Period Adjustment (Note 10)				(494)	7,512	7,018
Net Position, June 30, 2021, as restated.				6,594,121	16,285,273	22,879,394
Net Position, June 30, 2022				\$ 7,057,791	\$ 16,978,945	\$ 24,036,736

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Indian Hills General Improvement District
Balance Sheet and Reconciliation of the
Balance Sheet to the Statement of Net Position
June 30, 2022

ASSETS	
Cash and investments	\$ 2,649,365
Taxes receivable	62,306
Accounts receivable	7,162
Other assets	<u>42,176</u>
Total Assets	\$ 2,761,009
LIABILITIES	
Accounts payable	9,591
Accrued payroll & benefits	17,458
Compensated absences	<u>12,890</u>
Total Liabilities	39,939
FUND BALANCE	
Assigned	1,115,393
Non-spendable	42,176
Unassigned	<u>1,563,501</u>
Total Fund Balance	2,721,070
Total Liabilities and Fund Balance	\$ 2,761,009
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION	
Fund Balance - General Fund	\$ 2,721,070
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 funds.	9,451,228
Less accumulated depreciation	(4,752,900)
Less noncurrent compensated absences	(2,948)
Right of use assets - lease	12,937
Less lease liability	(13,481)
Deferred outflows of resources - pension requirement	187,587
Less net pension liability	(244,289)
Less deferred inflows of resources - pension requirement	<u>(301,413)</u>
Net Position of Governmental Activities	\$ 7,057,791

Indian Hills General Improvement District
General Fund
Statement of Revenue, Expenditures and Changes
In Fund Balance – Budget and Actual
And Reconciliation of Statement of Revenue,
Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2022

	<u>BUDGETED AMOUNTS</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue				
Ad Valorem taxes	\$ 986,682	\$ 986,682	\$ 1,008,804	\$ 22,122
Consolidated tax	336,473	336,473	337,690	1,217
Grants	-	-	-	-
Miscellaneous				
Interest on investments	2,000	2,000	1,947	(53)
Miscellaneous	21,700	21,700	24,809	3,109
Total Revenues	<u>1,346,855</u>	<u>1,346,855</u>	<u>1,373,250</u>	<u>26,395</u>
EXPENDITURES				
General Government				
Salaries	47,742	47,742	45,868	1,874
Benefits	19,300	19,300	36,841	(17,541)
Services & supplies	236,650	236,650	206,473	30,177
Capital outlay	5,000	5,000	-	5,000
Total General Government	<u>308,692</u>	<u>308,692</u>	<u>289,182</u>	<u>19,510</u>
Public Works				
Salaries	93,758	93,758	90,465	3,293
Benefits	36,900	36,900	50,009	(13,109)
Services & supplies	102,400	102,400	73,858	28,542
Capital outlay	402,000	402,000	116,326	285,674
Total Public Works	<u>635,058</u>	<u>635,058</u>	<u>330,658</u>	<u>304,400</u>
Culture & Recreation				
Salaries	120,258	120,258	85,421	34,837
Benefits	50,200	50,200	46,915	3,285
Services & supplies	155,900	155,900	137,663	18,237
Capital outlay	85,000	85,000	40,527	44,473
Total Culture & Recreation	<u>411,358</u>	<u>411,358</u>	<u>310,526</u>	<u>100,832</u>
Total Expenditures	<u>1,355,108</u>	<u>1,355,108</u>	<u>930,366</u>	<u>424,742</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (8,253)</u>	<u>\$ (8,253)</u>	442,884	<u>\$ 451,137</u>
FUND BALANCE, June 30, 2021			2,215,049	
Interfund Transfers			<u>63,137</u>	
FUND BALANCE, June 30, 2022			<u>\$ 2,721,070</u>	

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Indian Hills General Improvement District
General Fund
Statement of Revenue, Expenditures and Changes
In Fund Balance – Budget and Actual
And Reconciliation of Statement of Revenue,
Expenditures and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2022

RECONCILIATION OF THIS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balance - General Fund	\$ 442,884
Amount reported for governmental activities in the statement of activities are different because:	
Interfund transfers	63,137
Less current ROU asset amortization	(5,683)
Less current year depreciation	(292,690)
Less lease liability interest expense	(529)
Add back equipment lease expense	6,162
Add back capital outlay	156,853
Add back difference between pension expense and contributions	94,111
Add back change in noncurrent compensated absences	<u>(575)</u>
Change in Net Position of Governmental Activities	<u>\$ 463,670</u>

Indian Hills General Improvement District
Enterprise Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 2,898,200	\$ 3,825,250	\$ 6,723,450
Accounts receivable, net of allowance for doubtful accounts of \$4,885 and \$3,538	213,045	124,318	337,363
Other assets	118,523	24,372	142,895
Total Current Assets	<u>3,229,768</u>	<u>3,973,940</u>	<u>7,203,708</u>
Lease receivable	227,412	-	227,412
Property, Plant & Equipment, net	<u>8,077,728</u>	<u>6,322,424</u>	<u>14,400,152</u>
Total Assets	11,534,908	10,296,364	21,831,272
Deferred Outflows of Resources			
- Pension requirement	<u>178,954</u>	<u>190,428</u>	<u>369,382</u>
Total Assets and Deferred Outflows of Resources	<u>11,713,862</u>	<u>10,486,792</u>	<u>22,200,654</u>
LIABILITIES			
Current Liabilities			
Accounts payable	50,451	11,061	61,512
Accrued payroll & benefits	31,683	29,340	61,023
Prepaid user fees	15,128	10,955	26,083
Accrued interest	19,071	3,977	23,048
Due to IRS	7,410	-	7,410
Current portion of long-term debt	<u>230,884</u>	<u>110,136</u>	<u>341,020</u>
Total Current Liabilities	354,627	165,469	520,096
Non-Current Liabilities			
Compensated absences	1,909	2,791	4,700
Premium on bond issue	36,409	67,617	104,026
Note and bonds payable	1,818,538	1,486,700	3,305,238
Net pension liability	<u>233,047</u>	<u>247,989</u>	<u>481,036</u>
Total Liabilities	2,444,530	1,970,566	4,415,096
Deferred Inflows of Resources			
Deferred inflows of resources - lease	213,095	-	213,095
Pension requirement	<u>287,541</u>	<u>305,977</u>	<u>593,518</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,945,166</u>	<u>2,276,543</u>	<u>5,221,709</u>
NET POSITION			
Invested in capital assets, net of related debt	5,991,897	4,657,971	10,649,868
Restricted cash	2,006,943	1,596,511	3,603,454
Unrestricted	<u>769,856</u>	<u>1,955,767</u>	<u>2,725,623</u>
Total Net Position	<u>\$ 8,768,696</u>	<u>\$ 8,210,249</u>	<u>\$ 16,978,945</u>

See Accompanying Accountant's Audit Report & Notes to Financial Statements

Indian Hills General Improvement District
Enterprise Funds
Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
OPERATING REVENUE			
Water & sewer user fees	\$ 1,492,346	\$ 1,068,888	\$ 2,561,234
Gain on disposal of assets	6,179	98	6,277
Connection fees	176,133	176,133	352,266
Grant income	-	-	-
Miscellaneous income	17,507	-	17,507
Total Operating Revenue	<u>1,692,165</u>	<u>1,245,119</u>	<u>2,937,284</u>
OPERATING EXPENSES			
Salaries & wages	225,142	205,815	430,957
Employees benefits	44,968	48,070	93,038
Services & supplies	439,672	195,923	635,595
Depreciation	546,329	369,121	915,450
Total Operating Expenses	<u>1,256,111</u>	<u>818,929</u>	<u>2,075,040</u>
Operating Income (Loss)	<u>436,054</u>	<u>426,190</u>	<u>862,244</u>
NONOPERATING REVENUE (EXPENSES)			
Interest income	8,511	12	8,523
Interest expense	(65,753)	(48,205)	(113,958)
	<u>(57,242)</u>	<u>(48,193)</u>	<u>(105,435)</u>
Income (Loss) Before Capital Contributions and Transfers	378,812	377,997	756,809
INTERFUND TRANSFERS	<u>(84,741)</u>	<u>21,604</u>	<u>(63,137)</u>
Change In Net Positon	294,071	399,601	693,672
NET POSITION, June 30, 2021	8,467,113	7,810,648	16,277,761
Prior period adjustment (Note 10)	7,512	-	7,512
NET POSITION, June 30, 2021, as restated	<u>8,474,625</u>	<u>7,810,648</u>	<u>16,285,273</u>
NET POSITION, June 30, 2022	<u>\$ 8,768,696</u>	<u>\$ 8,210,249</u>	<u>\$ 16,978,945</u>

Indian Hills General Improvement District
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,636,636	\$ 1,232,592	\$ 2,869,228
Miscellaneous cash receipts	23,141	99	23,240
Payment of employee salaries & benefits	(337,735)	(247,919)	(585,654)
Payment of services & supplies	(423,502)	(194,395)	(617,897)
Net cash provided by operating activities	<u>898,540</u>	<u>790,377</u>	<u>1,688,917</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interfund transfers	(84,741)	21,604	(63,137)
Net cash provided (used) by non-capital financing activities	<u>(84,741)</u>	<u>21,604</u>	<u>(63,137)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(235,877)	(132,677)	(368,554)
Bond amortization premium	(1,517)	(2,817)	(4,334)
Principal paid on long-term debt	(327,167)	(106,191)	(433,358)
Interest paid on long-term debt	(71,041)	(48,778)	(119,819)
Net cash provided (used) by capital and related financing activities	<u>(635,602)</u>	<u>(290,463)</u>	<u>(926,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,213	12	1,225
Net cash provided by investing activities	<u>1,213</u>	<u>12</u>	<u>1,225</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179,410	521,530	700,940
CASH AND CASH EQUIVALENTS, June 30, 2021	<u>2,718,790</u>	<u>3,303,720</u>	<u>6,022,510</u>
CASH AND CASH EQUIVALENTS, June 30, 2022	<u><u>\$ 2,898,200</u></u>	<u><u>\$ 3,825,250</u></u>	<u><u>\$ 6,723,450</u></u>

Indian Hills General Improvement District
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2022

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 436,054	\$ 426,190	\$ 862,244
Non-cash adjustment			
Depreciation	546,329	369,121	915,450
Increase (decrease) in cash from changes in:			
Accounts receivable	(28,210)	(8,926)	(37,136)
Other assets	(108)	(3,166)	(3,274)
Accounts payable	12,989	1,955	14,944
Accrued payroll and benefits	(65,357)	5,217	(60,140)
Prepaid user fees	(889)	(763)	(1,652)
Compensated absences	(2,268)	749	(1,519)
Net cash provided by operating activities	\$ 898,540	\$ 790,377	\$ 1,688,917

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indian Hills General Improvement District (the District) is governed by an elected board of trustees and is responsible for providing water and sewer services and maintaining the streets and parks within its boundaries.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting policies of the District conform to generally accepted accounting principles. The following is a summary of such significant policies:

Reporting Entity

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the governing board.

Government-Wide and Fund Financial Statements

The statement of net position and statement of activities comprise the government-wide financial statements and report information on all the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program or function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program or function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary funds and fiduciary funds. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred. This basis also provides for matching of costs to the benefiting fiscal periods by capitalizing costs to be depreciated or amortized. Grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenues are recorded when measurable and available to finance expenditures of the fiscal period. An exception to this general rule is that principal and interest on general long-term debt are recognized as expenditures when due. Available is defined as being due and collected within the current period or within 60 days of fiscal year end. Revenues due but received after the 60 day period are recorded as receivables and deferred revenue since the revenue is not available.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures, or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District reports the following major governmental fund:

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 other funds.

Additionally, the District reports the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenue earned, costs incurred and/or net income is necessary for management accountability.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the water and sewer program and other programs and functions of the District. Elimination of these charges would distort the direct costs and program revenue reported for the various programs and functions concerned. Internal balances reflected on the statement of net assets are self balancing accounts used to balance the major funds and indicate amounts paid by the Enterprise fund on behalf of the General fund.

Amounts reported as program revenue include charges to customers and operating grants and contributions. Resources dedicated by the District are reported as general revenue as are all tax revenue.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

Amounts reported as program revenue include charges to customers and operating grants and contributions. Resources dedicated by the District are reported as general revenue as are all tax revenue.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District is the water and sewer user fees. Operating expenses include the cost of the salaries, benefits paid, administration, services and supplies.

Capital Assets

Capital assets include land, buildings, machinery and equipment, which are reported in the applicable governmental or business-type activities column in the government wide financial statements. Assets purchased or acquired with an original cost of \$3,000 or more are reported at historical costs. Donated assets are recorded at their estimated fair market value on the date donated. The cost of maintenance and repairs is charged to expense as incurred. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful life as follows:

	Years
Buildings	5 - 30
Office furniture & equipment	5 - 15
Software	3 - 5
Vehicles & equipment	5 - 15
Other equipment	6 - 15
Park equipment & improvements	15 - 30
Street improvements	10
Water & sewer system	10 - 40

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is employed as an extension of formal budgeting integration in the General fund. Encumbrances lapse at the year end and are not carried over the succeeding year.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the proportionate-to-stated-interest-requirements method.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as current expenditures of the fund receiving the proceeds.

Property Taxes

Property taxes are levied on July 1 each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the county or state and remitted to the District. Property tax revenue is recognized when it becomes available. Available includes current and prior year's property taxes collected by the District or the county within sixty days after year-end.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Compensated Absences

The District accrues a liability for compensated absences that meet all of the following criteria:

- A. The District's obligations relating to employee's rights to receive compensation for future absences is attributable to services already rendered;
- B. The obligation relates to rights that vest or accumulate;
- C. Payment of compensation is probable; and
- D. The amount can be reasonably estimated.

Vacation and sick leave may be accumulated by employees up to certain maximums and is payable upon retirement or termination. At the statement date, District personnel had accumulated vacation and sick pay of \$54,285.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows and Inflows of Resources

In addition to assets, a separate section is reported for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The changes in proportion and differences between employer contributions and proportionate share of contributions as well as contributions made after the measurement period for pensions qualify for reporting in this category.

In addition to liabilities, a separate section is reported for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Differences between expected and actual experience and between projected and actual investment earnings on pension plan investments, as well as the income related to the lease receivable, qualify for reporting in this category.

Fund Equity

In the fund financial statements, fund balance for Governmental fund are reported in classifications that comprise a hierarchy based primarily on how amounts can be spent. These include "non-spendable" which are not expected to be converted to cash, and consist of prepaid expense items, "restricted" by conditions of law, regulation grants or contract with external parties, "committed" which arise from acts of the District's Board, "assigned" which reflect an intent by management of the District or "unassigned" which is the residual amount. "Assigned" amounts are those amounts set aside to cover future capital expenditures related to replacement of fully depreciated capital assets.

The District first utilizes restricted resources to finance qualifying activities then unrestricted resources, as they are needed when amounts are available for the same use.

The District first utilizes committed resources, then assigned and then unassigned when amounts are available for the same use.

Net Position

In the fund and the government-wide financial statements, net position is presented in one of three classifications. Assets invested in capital assets are net of related debt, restricted and the residual unrestricted net assets. In the governmental environment, resources are often assigned or committed to specific purposes, indicating that those amounts are not considered available for general operations. In contrast to restricted amounts, these types of constraints are internal and can be removed or modified. Therefore, assignments and commitments are not presented in the statements of net position.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncement

During the year ended June 30, 2022, the District adopted the provisions of GASB Statement No. 87, *Leases (GASBS 87)*. The objective of this statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. This statement increases the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. The District applied GASBS 87 retrospectively for all prior periods presented, as required under the statement.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. On or before April 15, the District's Board of Trustees files tentative budget with the Nevada Department of Taxation for all funds.
2. Prior to June 1, at a public hearing, the board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of majority of the members of the Board. The final budget is then forwarded to the Nevada Tax Commission to approve the requested Ad Valorem tax rate.
3. Formal budgetary integration in the financial records is employed to enhance management control during the year for all funds.
4. Budgets for funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Appropriations lapse at year end.
5. Budgeted amounts within funds, and between funds, may be transferred if amounts do not exceed the amounts originally budgeted. Such transfers are to be approved by the Budget Officer and/or the Board of Trustees, depending on the established criteria. Budget augmentations in excess of original budgetary amounts may be made only with prior approval of the District's Board of Trustees, following a scheduled and noticed public hearing.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

In accordance with state statutes, actual expenditures may not exceed budgetary appropriations of the various functions of the General fund, or total appropriations of the Enterprise fund, except for bond repayments, short-term financing repayment and any other long-term contract expressly authorized by law or payments for the construction of public works from funds provided by the proceeds of a sale of bonds or short-term financing.

NOTE 3 - CASH AND CASH EQUIVALENTS

The District invests cash in either the state governmental deposit pool, which holds securities collateralizing deposits, or with a commercial bank, which also collateralizes all state government deposits.

The State of Nevada Local Government Investment Pool is recorded at cost, which approximates fair value and is available to be withdrawn by the District on demand. The Pool is administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. State statutes require the State Treasurer to collateralize the deposits made to it with other securities. The State of Nevada investment pool is an unrated external investment pool that does not provide information on realized or unrealized gain or loss activity. Accordingly, changes in the investment pool are reflected as net investment income in the accompanying financial statements. The District reports its investments at fair value, which total \$384,369 at June 30, 2022.

By provision of statutes, the District is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada and must be subject to withdrawal on demand.

Restricted cash in the Business-Type Activities consists of the following:

	Water Fund	Sewer Fund	Total
Reserved from connection fees	\$ 224,684	\$ 164,160	\$ 388,844
Reserved for depreciation	106,370	187,337	293,707
Reserved for water tank	16,588	-	16,588
Restricted bond funds	378,662	5,707	384,369
Reserved for rate increase	1,116,468	1,188,439	2,304,907
Reserved for construction	16,348	-	16,348
Rural Development debt service reserves	40,284	50,868	91,152
AB-198 capital reserve	107,539	-	107,539
Total Restricted Cash	<u>\$ 2,006,943</u>	<u>\$ 1,596,511</u>	<u>\$ 3,603,454</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 4 - CAPITAL ASSETS

Capital assets activity during 2022 was as follows:

	Balance June 30, 2021	Additions or Transfers in	Deletions or Transfers out	Balance June 30, 2022
Government Activities				
Capital assets, not being depreciated				
Construction in process	\$ -	\$ 65,386	\$ -	\$ 65,386
Land	236,479			236,479
Open space improvements	11,974			11,974
Trailheads & trails	110,833			110,833
Total non-depreciable assets	<u>359,286</u>	<u>65,386</u>	<u>-</u>	<u>424,672</u>
Capital assets, being depreciated				
Buildings	722,343			722,343
Office furniture & equipment	26,578			26,578
Software	16,900			16,900
Vehicles & equipment	141,701	52,840		194,541
Other equipment	315,039			315,039
Park equipment & improvements	1,076,141	38,627		1,114,768
Street improvements	6,636,387			6,636,387
Total depreciable assets	<u>8,935,089</u>	<u>91,467</u>	<u>-</u>	<u>9,026,556</u>
Total capital assets	<u>9,294,375</u>	<u>156,853</u>	<u>-</u>	<u>9,451,228</u>
Less accumulated depreciation	<u>(4,460,210)</u>	<u>(292,690)</u>		<u>(4,752,900)</u>
Governmental activities - capital assets, net	<u>\$ 4,834,165</u>	<u>\$ (135,837)</u>	<u>\$ -</u>	<u>\$ 4,698,328</u>
	Balance June 30, 2021	Additions or Transfers in	Deletions or Transfers out	Balance June 30, 2022
Business-type Activities				
Capital assets, not being depreciated				
Construction in process	\$ -	\$ 174,707	\$ -	\$ 174,707
Capital assets, being depreciated				
Water & sewer system	32,109,619	179,795		32,289,414
Buildings	337,251			337,251
Office furniture & equipment	28,846			28,846
Software	47,570			47,570
Vehicles & equipment	754,748	14,051	(5,000)	763,799
Other system improvements	849,311			849,311
Total depreciable assets	<u>34,127,345</u>	<u>193,846</u>	<u>(5,000)</u>	<u>34,316,191</u>
Total capital assets	<u>34,127,345</u>	<u>368,553</u>	<u>(5,000)</u>	<u>34,490,898</u>
Less accumulated depreciation	<u>(19,180,296)</u>	<u>(915,450)</u>	<u>5,000</u>	<u>(20,090,746)</u>
Business-type activities - capital assets, net	<u>\$ 14,947,049</u>	<u>\$ (546,897)</u>	<u>\$ -</u>	<u>\$ 14,400,152</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-type Activities	
General government	\$ 6,341	Water	\$ 546,329
Public works	236,951	Sewer	369,121
Culture & recreation	49,398		<u>\$ 915,450</u>
	<u>\$ 292,690</u>		

NOTE 5 – LEASE TRANSACTIONS

The District entered into a five year lease agreement, commencing February 6, 2021, for the use of a copy system for \$342 per month. The lease also provides for sales tax and per copy charges which vary according to usage in addition to the monthly fee. The District also entered into a lease agreement for the use of a postage meter commencing January 7, 2020, for a quarterly fee of \$576. With the adoption of GASBS 87, the District has recorded lease liabilities and related right-to-use assets for the remaining terms of the lease. The impact of the adoption of this standard on beginning net assets is reported in Note 11.

Expense recorded under these leases for the year ended June 30, 2022, consisted of interest expense of \$529 and amortization expense of \$5,683. The lease assets consist of the following as of June 30, 2022

	Balance June 30, 2021	Additions or Transfers in	Deletions or Transfers out	Balance June 30, 2022
Government Activities				
Lease assets, office equipment	\$ 28,417	\$ -	\$ -	\$ 28,417
Less accumulated amortization	(9,797)	(5,683)		(15,480)
Total right-to-use assets	<u>\$ 18,620</u>	<u>\$ (5,683)</u>	<u>\$ -</u>	<u>\$ 12,937</u>

Minimum future lease payments under the non-cancelable leases are required as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,814	\$ 349	\$ 6,163
2024	4,965	166	5,131
2025	2,702	32	2,734
2026	-	-	-
2027	-	-	-
2028 and Later	-	-	-
	<u>\$ 13,481</u>	<u>\$ 547</u>	<u>\$ 14,028</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 5 – LEASE TRANSACTIONS (CONTINUED)

Lease liability activity is as follows:

	<u>Balance June 30, 2021</u>	<u>Additions (Reductions)</u>	<u>Balance June 30, 2022</u>	<u>Due within One year</u>
GOVERNMENT ACTIVITIES				
Lease liability	\$ 19,114	\$ (5,633)	\$ 13,481	\$ 5,814

The District also derives revenue from rents received for a cell tower on District property. Under an agreement with Verizon rents received this year totaled \$12,442. The current five-year term is from April 27, 2020 and ends in 2025, with the option for extensions every five years through 2040, cancelable by the tenant at the end of the term. Annual rent increases 20% with each extension. As the tenant is reasonably certain to exercise the option to extend, the lease receivable and related deferred inflow of resources reflect the extended terms. Income recorded for the year ended June 30, 2022, under this lease consisted of interest income of \$7,298 and miscellaneous income of \$11,949.

Future rents to be received on the lease receivable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,309	\$ 7,132	\$ 12,441
2024	5,480	6,962	12,442
2025	6,072	6,785	12,857
2026	8,376	6,553	14,929
2027	8,646	6,284	14,930
2028-2032	54,272	26,847	81,119
2033-2037	81,072	16,271	97,343
2038 and Later	58,185	2,729	60,914
	<u>\$ 227,412</u>	<u>\$ 79,563</u>	<u>\$ 306,975</u>

Deferred inflows are recognized on a straight-line basis over the entire anticipated lease term. Activity in the lease receivable and deferred inflows relating to the lease are as follows:

	<u>Balance June 30, 2021</u>	<u>Net Change</u>	<u>Balance June 30, 2022</u>
BUSINESS-TYPE ACTIVITIES			
Lease receivable	\$ 232,556	\$ (5,144)	\$ 227,412
Deferred inflows - lease	\$ (225,044)	\$ 11,949	\$ (213,095)

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 6 – LONG-TERM DEBT

Bonds Payable

During the year ended June 30, 2001, the District issued a water revenue bond, series 2000, in the principal amount of \$643,500. The bond was issued for the purpose of replacement of storage, and replacement and upgrading of pipe components in the water system. Principal and interest, with a rate of 3.86%, is payable semi-annually on July 1 and January 1. The bond will mature in full on July 1, 2023. This bond issue was paid in full as of June 30, 2022.

During the year ended June 30, 2004, the District issued a water revenue bond, series 2003, in the principal amount of \$1,700,000. The bond was issued for the purpose of enhancement of the water treatment plant of the District's public water system. Principal and interest, with a rate of 3.46%, is payable semi-annually on July 1 and January 1. The bond will mature in full on January 1, 2026. Remaining principal balance due on this bond payable at June 30, 2022, was \$438,910.

During the fiscal year ended June 30, 2011, the District issued a general obligation (limited tax) water and sewer bond (additionally secured by pledged water revenue), series 2010, in the principal amount of \$1,105,630 all of which had been disbursed to the District as of June 30, 2017. The bond was issued for the purpose of acquiring, constructing, reconstructing, improving, and extending the District's water system. Principal and interest, with a rate of 2.57%, is payable semi-annually on January 1, and July 1. The bond will mature in full on July 1, 2030. Interest paid and accrued on this debt totaling \$25,628 was capitalized as part of the water system improvements. Remaining principal balance due on this bond payable at June 30, 2022 was \$612,577.

During the fiscal year ended June 30, 2012, the District obtained a term loan from the United States Department of Agriculture, in the amount of \$900,000. The loan was obtained for the purpose of acquiring, constructing, reconstructing, improving, and extending the District's water system. Principal and interest with a rate of 3.25% is payable monthly. Loan will mature in full on August 1, 2051. Remaining principal balance due on this note payable at June 30, 2022 was \$758,180.

During the fiscal year ended June 30, 2014, the District obtained a term loan from the United States Department of Agriculture, in the amount of \$1,382,000 for the purpose of replacing the interim financing and completing the District's sewer system improvements. Principal and interest with a rate of 2.75% is payable monthly. The loan will mature in full June 18, 2053. Interest paid and accrued on this debt totaling \$18,209 was capitalized as part of the sewer system improvements. Remaining principal due on this note payable at June 30, 2022 was \$1,151,451.

During the fiscal year ended June 30, 2012, the District issued a general obligation (limited tax) water bond (additionally secured by pledged revenue), series 2012, in the principal amount of \$1,710,000. The bond was issued for the purpose of refunding the series 2007 bonds issued during the year ended June 30, 2007. The refunding redeemed the remaining balance of 2007 bonds in the amount of \$1,790,000 resulting in a premium on issue recognized in the amount of \$157,647. The principal amount allocated to and secured by sewer revenues is \$1,111,500, with the remaining \$598,500 allocated to and secured by water revenues. The premium on the issue is likewise allocated \$102,471 to sewer operations and \$55,176 to water operations. Principal and interest, with a variable interest rate, is payable semi-annually on November 1, and May 1. The bond will mature in full on November 1, 2026. Remaining principal balance on this bond payable at June 30, 2022 was \$685,000.

As of June 30, 2022, the District held \$384,268 in three separate state investment pool accounts and \$2,925,378 in three separate bank accounts that were restricted for use in accordance with the bond and loan agreements.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the bonds at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
<u>Water Fund</u>			
2023	\$ 230,884	\$ 54,027	\$ 284,911
2024	236,733	55,038	291,771
2025	244,519	47,147	291,666
2026	252,500	38,991	291,491
2027	142,966	31,554	174,520
2028-2032	368,160	115,661	483,821
2033-2037	117,304	83,756	201,060
2038 and Later	456,356	113,566	569,922
	<u>2,049,422</u>	<u>539,740</u>	<u>2,589,162</u>
<u>Sewer Fund</u>			
2023	110,136	47,464	157,600
2024	110,921	43,368	154,289
2025	114,907	39,187	154,094
2026	118,913	34,856	153,769
2027	126,190	30,309	156,499
2028-2032	155,890	129,354	285,244
2033-2037	178,841	111,250	290,091
2038 and Later	681,038	143,194	824,232
	<u>1,596,836</u>	<u>578,982</u>	<u>2,175,818</u>
Total Enterprise Fund	<u>\$ 3,646,258</u>	<u>\$ 1,118,722</u>	<u>\$ 4,764,980</u>

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes in liabilities reported in long-term debt:

	Balance June 30, 2021	Additions (Reductions)	Balance June 30, 2022	Due within One year
GOVERNMENT ACTIVITIES				
Lease liability	\$ 19,114	\$ (5,633)	\$ 13,481	\$ 5,814
Compensated absences	16,908	(1,070)	15,838	12,890
	<u>\$ 36,022</u>	<u>\$ (6,703)</u>	<u>\$ 29,319</u>	<u>\$ 18,704</u>
BUSINESS-TYPE ACTIVITIES				
Compensated absences	\$ 39,966	\$ (1,519)	\$ 38,447	\$ 33,747
Premium on bond issue	108,360	(4,334)	104,026	-
Bonds and notes payable	4,079,617	(433,359)	3,646,258	341,020
	<u>\$ 4,227,943</u>	<u>\$ (439,212)</u>	<u>\$ 3,788,731</u>	<u>\$ 374,767</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 7 – PENSION PLAN

General Information About the Pension Plan

Plan Description

The Public Employees' Retirement System of Nevada (PERS or the System) administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The system was established by the Nevada Legislature in 1947, effective July 1, 1948. The system is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), 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 special provisions for members entering the System on or after January 1, 2010 and 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 as 2.5% of average compensation for each accredited year or 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% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. 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 283.575 - .579.

Vesting

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

The normal ceiling limitation on monthly benefits 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. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 7 – PENSION PLAN (CONTINUED)

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. 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. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System 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 actuarial 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 contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2021 the Statutory Employer/employee matching rate was 15.25% for Regular and 22.00% for Police/Fire. The Employer-pay contribution (EPC) rate was 29.25% for Regular and 42.50% for Police/Fire.

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

At June 30, 2022, the District reported a liability of \$725,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2021. At June 30, 2021, the District's proportion was 0.00795%.

For the year ended June 30, 2022, the District recognized pension expense of \$4,646. Amounts totaling \$98,544, resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. For the year ended June 30, 2022, the District contributed \$163,040 under the statutory requirements based upon covered payroll of \$670,813 which equates to 24.30% overall to the plan.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 7 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,344	\$ 5,105
Net difference between projected and actual earnings on pension plan investments	-	591,842
Change in assumptions	240,821	-
Changes in proportion and differences between District contributions and proportionate share of contributions	137,260	297,984
District contributions subsequent to the measurement date	<u>98,544</u>	<u>-</u>
Total	<u>\$ 556,969</u>	<u>\$ 894,931</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date, are expected to be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ (82,345)
2024	(80,995)
2025	(84,017)
2026	(90,051)
2027	54,180
2028 and later	<u>7,575</u>
	<u>\$ (275,653)</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflows and deferred inflows will be recognized over the average expected remaining service lives, which was 6.14 years for the measurement period ending June 30, 2021.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 7 – PENSION PLAN (CONTINUED)

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)*

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2021, 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:

Inflation rate	2.50%
Investment rate of return	7.25%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.20% to 9.10%, depending on service Rates include inflation and productivity increases
Consumer price index	2.50%
Other assumptions	Same as those used in the June 30, 2021 funding actuarial valuation

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016. The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts 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, 2021.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. As of June 30, 2021, PERS's long-term inflation assumption was 2.50%.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 7 – PENSION PLAN (CONTINUED)

The following was the Retirement Board’s adopted policy target asset allocation as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.50%
Domestic Fixed Income	28%	0.75%
Private Markets	12%	6.65%

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the PERS as of June 30, 2021, calculated using the discount rate of 7.25%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current discount rate:

	1% Decrease In Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase In Discount Rate (8.25%)
Net Pension Liability	\$ 1,443,420	\$ 725,325	\$ 132,333

Pension Plan Fiduciary Net Position

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

The employees of the District are covered by the Public Employees Benefits Program of the State of Nevada (PEBP) a multiple employer, self insurance trust fund. PEBP provides health insurance benefits for current and retired employees of the State of Nevada and other public employers. Chapter 287 of the Nevada Revised Statutes established the benefit provisions provided to the participants of PEBP. These benefit provisions may only be amended through legislation. The Nevada Public Employees Benefits Program issues a publicly available financial report that includes financial statements and required supplementary information for PEBP. That report may be obtained by writing to the Nevada Public Employees Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, Nevada 89701, or by calling (775) 684-7000.

The District only participates in the retirement benefits portion of the plan which provides for health insurance for retired employees. Retirement benefit costs are billed to the employer as they occur. Currently, the District has one retired employee that falls under the retirement benefit provisions. There were no amounts paid under this provision for the fiscal years ending June 30, 2022, June 30, 2021, and June 30, 2020.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2022

NOTE 9 – EXCESS EXPENDITURES OVER APPROPRIATIONS

The NRS require that governmental fund budgetary controls be exercised at the function level. For the year ended June 30, 2022, total expenditures exceeded appropriations for the following funds and/or functions, which are potential violations of the NRS:

Benefits expense governmental fund, general government function	\$	17,541
Benefits expense governmental fund, public works function	\$	13,109
Benefits expense enterprise fund, operating expense function	\$	7,114

The benefits overage is a result of GASB 68 required adjustments, which are out of the control of management. Once the required adjustments are removed as well as the adjustment for the change in the governmental fund change in long term assets and liabilities related to the pension liabilities, deferred inflows and deferred outflows related to the pension, the benefits expense in both the governmental fund and enterprise fund areas are well within budgeted amounts.

NOTE 10 – ADOPTION OF GASBS No. 87, LEASES

As discussed in Note 1, during the fiscal year ended June 30, 2022, the District adopted the provisions of GASBS No. 87, *Leases*. Under this standard, leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation or, if applied to earlier periods, the beginning of the earliest period restated. As a result of the implementation of GASBS No. 87, the District recorded a lease liability for leased office equipment and a right-of-use asset for that equipment. As those leases were both incurred in years prior to the year ended June 30, 2022, the District elected to record both the liability and right-of-use asset as of June 30, 2021, resulting in a reduction of government fund net assets in the amount of \$494, an increase in long term assets of \$18,620, and an increase in long term liabilities of \$19,114. This restatement is reflected in the statement of net position and the statement of activities.

GASBS No. 87 also requires lessors to recognize leases by recording a receivable representing the discounted cash flow of the rental income revenue stream offset by a deferred inflow of resources at the beginning of the period of implementation. As the cell tower lease was obtained in years prior to the year ended June 30, 2022, the District elected to record both the receivable and the related deferred inflow as of June 30, 2021, resulting in an increase in enterprise fund net assets in the amount of \$7,512, an increase in long term assets of \$232,556, and an increase in deferred inflows of resources of \$225,044. This restatement is reflected in the statement of net position and the statement of activities.

REQUIRED SUPPLEMENTARY INFORMATION

Indian Hills General Improvement District
Water and Sewer Enterprise Fund
Statement of Revenue, Expenditures and Changes in Net Position – Budget and Actual
For the Year Ended June 30, 2022

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
OPERATING REVENUE				
Water & sewer user fees	\$ 2,368,000	\$ 2,368,000	\$ 2,561,234	\$ 193,234
Gain on disposal of assets	-	-	6,277	6,277
Grant income	-	-	-	-
Miscellaneous income	12,442	12,442	17,507	5,065
Connection fees	51,300	51,300	352,266	300,966
Total Operating Revenue	<u>2,431,742</u>	<u>2,431,742</u>	<u>2,937,284</u>	<u>505,542</u>
OPERATING EXPENSES				
Salaries & wages	501,085	501,085	430,957	70,128
Employee benefits	190,900	190,900	198,014	(7,114)
Services & supplies	681,450	681,450	635,595	45,855
Capital outlay	577,000	577,000	345,894	231,106
Depreciation	921,000	921,000	915,450	5,550
Total Operating Expenses	<u>2,871,435</u>	<u>2,871,435</u>	<u>2,525,910</u>	<u>345,525</u>
Operating Income	(439,693)	(439,693)	411,374	851,067
NONOPERATING REVENUE (EXPENSES)				
Interest income	4,050	4,050	8,523	4,473
Interest expense	(127,783)	(127,783)	(113,958)	13,825
	<u>(123,733)</u>	<u>(123,733)</u>	<u>(105,435)</u>	<u>18,298</u>
Excess (Deficiency) before Capital Contributions and Transfers	(563,426)	(563,426)	305,939	869,365
INTERFUND TRANSFERS				
	-	-	(63,137)	(63,137)
Change in Net Position	<u>\$ (563,426)</u>	<u>\$ (563,426)</u>	242,802	<u>\$ 806,228</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:				
Add back capital outlay			345,894	
Less difference between pension expense and contributions			104,976	
Change in Net position of Enterprise Fund			<u>\$ 693,672</u>	

Indian Hills General Improvement District
Schedules of Required Supplementary Information
For the Year Ended June 30, 2022

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Nevada State Public Employees' Retirement System**

Year Ended June 30	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.01011%	\$ 1,053,893	\$ 577,813	182.39%	76.31%
2015	0.01013%	\$ 1,160,372	\$ 582,794	199.11%	75.13%
2016	0.00923%	\$ 1,241,485	\$ 546,565	227.14%	72.23%
2017	0.00938%	\$ 1,247,834	\$ 570,405	218.76%	74.42%
2018	0.01189%	\$ 1,621,168	\$ 741,598	218.60%	75.24%
2019	0.00840%	\$ 1,145,083	\$ 546,745	209.44%	76.46%
2020	0.00783%	\$ 1,090,075	\$ 531,414	205.13%	77.04%
2021	0.00795%	\$ 725,325	\$ 561,231	129.24%	86.51%

Indian Hills General Improvement District
Schedules of Required Supplementary Information
For the Year Ended June 30, 2022

SCHEDULE OF DISTRICT CONTRIBUTIONS
Nevada State Public Employees' Retirement System

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	\$ 152,535	\$ 142,046	\$ 10,489	\$ 577,813	24.58%
2015	\$ 151,925	\$ 145,533	\$ 6,392	\$ 582,794	24.97%
2016	\$ 82,017	\$ 78,432	\$ 3,585	\$ 546,565	14.35%
2017	\$ 85,610	\$ 84,584	\$ 1,026	\$ 570,405	14.83%
2018	\$ 111,727	\$ 110,609	\$ 1,118	\$ 741,598	14.91%
2019	\$ 82,470	\$ 81,104	\$ 1,366	\$ 546,745	14.83%
2020	\$ 84,637	\$ 81,562	\$ 3,075	\$ 531,414	15.35%
2021	\$ 89,140	\$ 83,629	\$ 5,511	\$ 561,231	14.90%

SUPPLEMENTARY INFORMATION

Indian Hills General Improvement District
 General Fund
 Schedule of Expenditures
 For the Year Ended June 30, 2022

(Page 1 of 2)

GENERAL GOVERNMENT	
Board of trustees	7,375
Equipment rental	6,813
Fuel expense	211
Insurance	16,442
Office expense	37,035
Other expenses	6,012
Payroll taxes and benefits	36,841
Professional fees	109,670
Repairs and maintenance	255
Safety program	312
Salaries and wages	45,868
Telephone	15,659
Travel and training	1,101
Utilities	5,588
Capital outlay	-
Total General Government	<u><u>289,182</u></u>
PUBLIC WORKS	
Board of trustees	3,688
Fuel expense	2,181
Insurance	16,295
Other expenses	673
Payroll taxes and benefits	50,009
Professional fees	16,730
Repairs and maintenance	26,492
Safety program	1,704
Salaries and wages	90,465
Telephone	747
Utilities	5,348
Capital outlay	116,326
Total Public Works	<u><u>330,658</u></u>

Indian Hills General Improvement District
 General Fund
 Schedule of Expenditures
 For the Year Ended June 30, 2022

(Page 2 of 2)

CULTURE AND RECREATION

Board of trustees	3,688
Equipment Rental	445
Fuel expense	3,082
Insurance	16,295
Other expenses	(190)
Recreation expense	6,531
Payroll taxes and benefits	46,915
Professional fees	14,672
Repairs and maintenance	33,705
Safety program	1,704
Salaries and wages	85,421
Contracted labor	1,116
Telephone	731
Travel and training	204
Utilities	55,680
Capital outlay	40,527
Total Culture and Recreation	310,526
Total Expenditures	\$ 930,366

Indian Hills General Improvement District
Water and Sewer Enterprise Fund
Schedule of Services and Supplies
For the Year Ended June 30, 2022

	Business-Type Activities		
	Water	Sewer	
SERVICE AND SUPPLIES			
Bad debt recovery	3,781	2,738	6,519
Board of trustees fees	7,375	7,375	14,750
Fuel expense	5,274	4,580	9,854
Garbage expense	(931)	7,225	6,294
Insurance	16,297	16,295	32,592
Lab Fees	5,724	7,384	13,108
Office expense	1,903	2,250	4,153
Other expense	6,807	6,018	12,825
Professional fees	62,087	35,177	97,264
Permit fees	4,868	4,371	9,239
Repairs and maintenance	36,865	30,629	67,494
Safety program	2,277	1,506	3,783
Telephone	9,807	2,167	11,974
Travel and training	1,553	1,283	2,836
Treatment chemicals	4,392	14,044	18,436
Utilities	72,586	52,881	125,467
Water Costs	199,007	-	199,007
Total Service and Supplies	\$ 439,672	\$ 195,923	\$ 635,595

REPORTS ON INTERNAL CONTROL & COMPLIANCE



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA

INDEPENDENT AUDITOR'S 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 Directors of the
Indian Hills General Improvement District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Indian Hills General Improvement District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Indian Hills General Improvement District's basic financial statements and have issued our report thereon dated November 28, 2022

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indian Hills General Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Indian Hills General Improvement 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 in 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

611 N. Nevada Street
Carson City, Nevada 89703
Phone: (775) 882-7198
Fax: (775) 883-4346

Members of: CPA Connect
Nevada Society of Certified Public Accountants
American Institute of Certified Public Accountants
Affordable Housing Association of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Indian Hills General Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Steele : Associates, LLC

Carson City, Nevada
November 28, 2022

AUDITOR'S COMMENTS



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA

To the Board of Trustees of the
Indian Hills General Improvement District

We have audited the basic financial statements of the Indian Hills General Improvement District for the year ended June 30, 2022, and have issued our report thereon dated November 28, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 8, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects in conformity with U. S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the other information in the Management's Discussion and Analysis which contains the District's financial information and report does not extend beyond the financial information identified in the audit report. We do not have an obligation to perform any procedures to corroborate any of the other information contained in the Management's Discussion and Analysis. We did, however, read the information contained therein. As a result, nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation appearing in the financial statements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Indian Hills General Improvement District are described in the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was management's determination that all accounts receivable 30 days old or less are collectible at year end. We evaluated the key factors and assumptions used to develop the estimate of collectability in determining what is reasonable in relation to the financial statements taken as a whole.

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Difficulties Encountered In Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Record adjustments necessary to comply with GASB 68 increasing net income by \$158,283.
2. Record adjustments to accounts receivable and related allowance accounts increasing net income by \$61,831.
3. Record adjustment to capitalize assets expensed in the amount of \$276,704.

The total net income effect of all adjustments proposed and recorded by management was to decrease net income by \$543,149.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

As required by generally accepted auditing standards and the terms of our engagement, in planning and performing our audit, we considered the internal control solely to determine the auditing procedures to be employed for the purpose of enabling us to express our opinion on the financial statements and not to for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Therefore, we express no opinion or other form of assurance thereon.

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 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 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 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* dated November 28, 2022, noted no significant deficiencies or material weaknesses.

It should be noted, however, that the excess expenditures over appropriations detailed in Note 9 represent potential violations of the Nevada Revised Statutes. Management should take care to monitor budgets closely and request budget changes and/or augmentation from the appropriate authorities at the State to avoid budget overruns in the future.

This information is intended solely for the use of management and the District and is not intended to be and should not be used by anyone other than these specified parties.

Steele & Associates, LLC

Carson City, Nevada
November 28, 2022