

**Indian Hills General Improvement District
Financial Statements
June 30, 2019**

INDIAN HILLS GENERAL IMPROVEMENT DISTRICT
 FINANCIAL STATEMENTS
 AND SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2019

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Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
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INDEPENDENT AUDITOR'S REPORT

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

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Hills General Improvement District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Affordable Housing Association of Certified Public Accountants

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and pension information on pages 3 through 6, 34 and 35 through 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required 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.

Other 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 38 through 40 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 11, 2019, 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 11, 2019

**Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2019**

The management's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. 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 \$76,255.
- Capital assets in the General Fund increased by \$119,710

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 24 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, 2019

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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current & other assets	\$ 2,123,824	\$ 1,742,075	\$ 5,324,530	\$ 4,659,099	\$ 7,448,354	\$ 6,401,174
Non current assets	4,528,627	4,544,646	16,445,665	17,091,365	20,974,292	21,636,011
Total assets	6,652,451	6,286,721	21,770,195	21,750,464	28,422,646	28,037,185
LIABILITIES						
Current liabilities	58,150	44,943	541,352	598,895	599,502	643,838
Non current liabilities	723,289	579,358	5,597,558	5,779,659	6,320,847	6,359,017
Total liabilities	781,439	624,301	6,138,910	6,378,554	6,920,349	7,002,855
NET POSITION						
Invested in capital assets, net of related debt	4,302,670	4,424,043	11,172,170	11,555,832	15,474,840	15,979,875
Restricted cash	835,956	500,555	2,625,382	2,280,887	3,461,338	2,781,442
Unrestricted	732,386	737,822	1,833,733	1,535,191	2,566,119	2,273,013
Total net position	\$ 5,871,012	\$ 5,662,420	\$ 15,631,285	\$ 15,371,910	\$ 21,502,297	\$ 21,034,330

The condensed Statement of Activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUE						
Charges for services	\$ -	\$ -	\$ 2,515,477	\$ 2,401,225	\$ 2,515,477	\$ 2,401,225
General revenue	1,193,035	1,103,211	31,884	15,073	1,224,919	1,118,284
Total revenue	1,193,035	1,103,211	2,547,361	2,416,298	3,740,396	3,519,509
EXPENDITURES						
General government	283,569	275,488	-	-	283,569	275,488
Public works	377,236	370,365	-	-	377,236	370,365
Culture & recreation	323,638	284,768	-	-	323,638	284,768
Water & sewer	-	-	2,132,378	2,045,402	2,132,378	2,045,402
Interest expenses	-	-	155,608	168,921	155,608	168,921
Total expenses	984,443	930,621	2,287,986	2,214,323	3,272,429	3,144,944
Change in Net Position	\$ 208,592	\$ 172,590	\$ 259,375	\$ 201,975	\$ 467,967	\$ 374,565

Indian Hills General Improvement District
Management's Discussion & Analysis (Unaudited)
June 30, 2019

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, 2019**

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, 2019, is in excess of \$125,037,709. The District's debt is currently at \$4,818,919. This debt is approximately 4.0%. 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 3% 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.

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, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 2,024,744	\$ 4,883,009	\$ 6,907,753
Taxes receivable	53,795	-	53,795
Accounts receivable, less allowance for doubtful accounts of \$0 and \$32,439	5,577	255,333	260,910
Other assets	39,708	186,188	225,896
Total Current Assets	<u>2,123,824</u>	<u>5,324,530</u>	<u>7,448,354</u>
Property, Plant & Equipment, net	4,302,670	16,108,667	20,411,337
Total Assets	<u>6,426,494</u>	<u>21,433,197</u>	<u>27,859,691</u>
Deferred Outflows of Resources			
- Pension requirement	225,957	336,998	562,955
Total Assets and Deferred Outflows of Resources	<u>6,652,451</u>	<u>21,770,195</u>	<u>28,422,646</u>
LIABILITIES			
Current Liabilities			
Accounts payable	31,582	44,689	76,271
Accrued payroll & benefits	26,568	40,576	67,144
Prepaid user fees	-	22,559	22,559
Accrued interest	-	37,980	37,980
Due to IRS	-	8,517	8,517
Current portion of long-term debt	-	387,031	387,031
Total Current Liabilities	<u>58,150</u>	<u>541,352</u>	<u>599,502</u>
Non-Current Liabilities			
Compensated absences	1,408	3,255	4,663
Premium on bond issue	-	117,578	117,578
Bonds payable	-	4,431,888	4,431,888
Net pension liability	662,409	958,759	1,621,168
Total Non-Current Liabilities	<u>663,817</u>	<u>5,511,480</u>	<u>6,175,297</u>
Total Liabilities	721,967	6,052,832	6,774,799
Deferred Inflows of Resources			
- Pension requirement	59,472	86,078	145,550
Total Liabilities and Deferred Inflows of Resources	<u>781,439</u>	<u>6,138,910</u>	<u>6,920,349</u>
NET POSITION			
Invested in capital assets, net of related debt	4,302,670	11,172,170	15,474,840
Restricted cash	835,956	2,625,382	3,461,338
Unrestricted	732,386	1,833,733	2,566,119
Total Net Position	<u>\$ 5,871,012</u>	<u>\$ 15,631,285</u>	<u>\$ 21,502,297</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, 2019

	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	\$ 283,569	\$ -	\$ -	\$ (283,569)	\$ -	\$ (283,569)
Public works	377,236	-	-	(377,236)	-	(377,236)
Culture & recreation	323,638	-	-	(323,638)	-	(323,638)
Total governmental activities	984,443	-	-	(984,443)	-	(984,443)
Business-Type Activities						
Water & sewer	2,132,378	2,515,477	-	-	383,099	383,099
Interest expense	155,608	-	-	-	(155,608)	(155,608)
Total business-type activities	2,287,986	2,515,477	-	-	227,491	227,491
Total	\$ 3,272,429	\$ 2,515,477	\$ -	\$ (984,443)	\$ 227,491	\$ (756,952)
GENERAL REVENUES						
Tax revenue				1,184,342	-	1,184,342
Interest earnings				6,593	13,917	20,510
Grant revenue				-	-	-
Miscellaneous revenue				4,848	12,719	17,567
Gain on asset disposition				-	2,500	2,500
Interfund transfers				(2,748)	2,748	-
Total General Revenue				1,193,035	31,884	1,224,919
Change in Net Position				208,592	259,375	467,967
Net Position, June 30, 2018				5,662,420	15,371,910	21,034,330
Net Position, June 30, 2019				\$ 5,871,012	\$ 15,631,285	\$ 21,502,297

Indian Hills General Improvement District
Balance Sheet and Reconciliation of the
Balance Sheet to the Statement of Net Position
June 30, 2019

ASSETS	
Cash and investments	\$ 2,024,744
Taxes receivable	53,795
Accounts receivable	5,577
Other assets	<u>39,708</u>
Total Assets	<u>\$ 2,123,824</u>
LIABILITIES	
Accounts payable	31,582
Accrued payroll & benefits	10,194
Compensated absences	<u>16,374</u>
Total Liabilities	<u>58,150</u>
FUND BALANCE	
Assigned	835,956
Non-spendable	39,708
Unassigned	<u>1,190,010</u>
Total Fund Balance	<u>2,065,674</u>
Total Liabilities and Fund Balance	<u>\$ 2,123,824</u>
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION	
Fund Balance - General Fund	\$ 2,065,674
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.	8,238,673
Less accumulated depreciation	(3,936,003)
Less noncurrent compensated absences	(1,408)
Deferred outflows of resources - pension requirement	225,957
Less net pension liability	(662,409)
Less deferred inflows of resources - pension requirement	<u>(59,472)</u>
Net Position of Governmental Activities	<u>\$ 5,871,012</u>

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, 2019

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue				
Ad Valorem taxes	\$ 887,975	\$ 887,975	\$ 885,011	\$ (2,964)
Consolidated tax	296,283	296,283	299,331	3,048
Grants	50,000	50,000	-	(50,000)
Miscellaneous				
Interest on investments	1,000	1,000	6,593	5,593
Miscellaneous	3,600	3,600	4,848	1,248
Total Revenues	<u>1,238,858</u>	<u>1,238,858</u>	<u>1,195,783</u>	<u>(43,075)</u>
EXPENDITURES				
General Government				
Salaries	62,319	48,051	46,432	1,619
Benefits	27,560	27,560	21,603	5,957
Services & supplies	194,650	208,918	191,216	17,702
Capital outlay	4,000	4,000	3,589	411
Total General Government	<u>288,529</u>	<u>288,529</u>	<u>262,840</u>	<u>25,689</u>
Public Works				
Salaries	91,521	77,253	71,534	5,719
Benefits	34,950	34,950	28,772	6,178
Services & supplies	83,913	98,181	76,887	21,294
Capital outlay	670,000	670,000	38,890	631,110
Total Public Works	<u>880,384</u>	<u>880,384</u>	<u>216,083</u>	<u>664,301</u>
Culture & Recreation				
Salaries	107,666	97,898	96,582	1,316
Benefits	38,150	38,150	37,645	505
Services & supplies	126,912	136,680	134,112	2,568
Capital outlay	100,000	100,000	77,231	22,769
Total Culture & Recreation	<u>372,728</u>	<u>372,728</u>	<u>345,570</u>	<u>27,158</u>
Total Expenditures	<u>1,541,641</u>	<u>1,541,641</u>	<u>824,493</u>	<u>717,148</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (302,783)</u>	<u>\$ (302,783)</u>	371,290	<u>\$ 674,073</u>
FUND BALANCE, June 30, 2018			1,697,132	
Interfund Transfers			<u>(2,748)</u>	
FUND BALANCE, June 30, 2019			<u>\$ 2,065,674</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, 2019

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

Net Change in Fund Balance - General Fund	\$ 371,290
Amount reported for governmental activities in the statement of activities are different because:	
Interfund transfers	(2,748)
Less current year depreciation	(241,083)
Add back capital outlay	119,710
Add back difference between pension expense and contributions	(40,285)
Add back change in noncurrent compensated absences	1,708
	1,708
Change in Net Position of Governmental Activities	\$ 208,592

Indian Hills General Improvement District
Enterprise Funds
Statement of Net Position
June 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 2,513,916	\$ 2,369,093	\$ 4,883,009
Accounts receivable, net of allowance for doubtful accounts of \$18,815 and \$13,624	156,053	99,280	255,333
Other assets	117,564	68,624	186,188
Total Current Assets	<u>2,787,533</u>	<u>2,536,997</u>	<u>5,324,530</u>
Property, Plant & Equipment, net	<u>8,937,146</u>	<u>7,171,521</u>	<u>16,108,667</u>
Total Assets	11,724,679	9,708,518	21,433,197
Deferred Outflows of Resources			
- Pension requirement	<u>174,924</u>	<u>162,074</u>	<u>336,998</u>
Total Assets and Deferred Outflows of Resources	<u>11,899,603</u>	<u>9,870,592</u>	<u>21,770,195</u>
LIABILITIES			
Current Liabilities			
Accounts payable	35,049	9,640	44,689
Accrued payroll & benefits	21,330	19,246	40,576
Prepaid user fees	13,084	9,475	22,559
Accrued interest	31,172	6,808	37,980
Due to IRS	8,517	-	8,517
Current portion of long-term debt	244,734	142,297	387,031
Total Current Liabilities	<u>353,886</u>	<u>187,466</u>	<u>541,352</u>
Non-Current Liabilities			
Compensated absences	2,160	1,095	3,255
Premium on bond issue	41,152	76,426	117,578
Note and bonds payable	2,629,847	1,802,041	4,431,888
Net pension liability	455,548	503,211	958,759
Total Liabilities	<u>3,482,593</u>	<u>2,570,239</u>	<u>6,052,832</u>
Deferred Inflows of Resources			
- Pension requirement	<u>40,900</u>	<u>45,178</u>	<u>86,078</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,523,493</u>	<u>2,615,417</u>	<u>6,138,910</u>
NET POSITION			
Invested in capital assets, net of related debt	6,021,413	5,150,757	11,172,170
Restricted cash	1,849,945	775,437	2,625,382
Unrestricted	<u>504,752</u>	<u>1,328,981</u>	<u>1,833,733</u>
Total Net Position	<u>\$ 8,376,110</u>	<u>\$ 7,255,175</u>	<u>\$ 15,631,285</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, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
OPERATING REVENUE			
Water & sewer user fees	\$ 1,457,632	\$ 1,047,585	\$ 2,505,217
Gain on disposal of assets	1,000	1,500	2,500
Connection fees	10,260	-	10,260
Grant income	-	-	-
Miscellaneous income	12,469	250	12,719
Total Operating Revenue	<u>1,481,361</u>	<u>1,049,335</u>	<u>2,530,696</u>
OPERATING EXPENSES			
Salaries & wages	191,011	189,532	380,543
Employees benefits	105,299	112,198	217,497
Services & supplies	425,276	188,449	613,725
Depreciation	550,600	370,013	920,613
Total Operating Expenses	<u>1,272,186</u>	<u>860,192</u>	<u>2,132,378</u>
Operating Income (Loss)	<u>209,175</u>	<u>189,143</u>	<u>398,318</u>
NONOPERATING REVENUE (EXPENSES)			
Interest income	13,788	129	13,917
Interest expense	(91,626)	(63,982)	(155,608)
	<u>(77,838)</u>	<u>(63,853)</u>	<u>(141,691)</u>
Income (Loss) Before Capital Contributions and Transfers	131,337	125,290	256,627
INTERFUND TRANSFERS	<u>(92,410)</u>	<u>95,158</u>	<u>2,748</u>
Change In Net Positon	38,927	220,448	259,375
NET POSITION, June 30, 2018	<u>8,337,183</u>	<u>7,034,727</u>	<u>15,371,910</u>
NET POSITION, June 30, 2019	<u>\$ 8,376,110</u>	<u>\$ 7,255,175</u>	<u>\$ 15,631,285</u>

Indian Hills General Improvement District
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,444,432	\$ 1,035,159	\$ 2,479,591
Miscellaneous cash receipts	12,469	250	12,719
Payment of employee salaries	(191,444)	(198,892)	(390,336)
Payment of employee benefits	(97,136)	(72,051)	(169,187)
Payment of services & supplies	(413,784)	(168,896)	(582,680)
Net cash provided by operating activities	<u>754,537</u>	<u>595,570</u>	<u>1,350,107</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Interfund transfers	(92,411)	95,159	2,748
Net cash provided (used) by non-capital financing activities	<u>(92,411)</u>	<u>95,159</u>	<u>2,748</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(76,294)	(33,632)	(109,926)
Bond amortization premium	(1,715)	(3,184)	(4,899)
Principal paid on long-term debt	(311,192)	(228,654)	(539,846)
Interest paid on long-term debt	(119,935)	(68,041)	(187,976)
Net cash provided (used) by capital and related financing activities	<u>(509,136)</u>	<u>(333,511)</u>	<u>(842,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	13,788	129	13,917
Net cash provided by investing activities	<u>13,788</u>	<u>129</u>	<u>13,917</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	166,778	357,347	524,125
CASH AND CASH EQUIVALENTS, June 30, 2018	<u>2,347,138</u>	<u>2,011,746</u>	<u>4,358,884</u>
CASH AND CASH EQUIVALENTS, June 30, 2019	<u>\$ 2,513,916</u>	<u>\$ 2,369,093</u>	<u>\$ 4,883,009</u>

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

Indian Hills General Improvement District
Enterprise Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

	Business-Type Activities		
	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 209,175	\$ 189,143	\$ 398,318
Non-cash adjustment			-
Depreciation	550,600	370,013	920,613
Gain on asset disposal	(1,000)	(1,500)	(2,500)
Increase (decrease) in cash from changes in:			
Accounts receivable	(3,602)	1,576	(2,026)
Other assets	(82,301)	(71,958)	(154,259)
Accounts payable	(18,793)	6,126	(12,667)
Accrued payroll and benefits	100,942	108,980	209,922
Prepaid user fees	734	892	1,626
Compensated absences	(1,218)	(7,702)	(8,920)
 Net cash provided by operating activities	 <u>\$ 754,537</u>	 <u>\$ 595,570</u>	 <u>\$ 1,350,107</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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, 2019

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, 2019

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:

	<u>Years</u>
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, 2019

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 \$45,131.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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 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, 2019

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.

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.

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.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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 \$564,153 at June 30, 2019.

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	\$ 60,524	\$ 10,260	\$ 70,784
Reserved for depreciation	112,020	123,687	235,707
Reserved for water tank	59,862	-	59,862
Restricted bond funds	558,594	5,559	564,153
Reserved for rate increase	746,866	585,105	1,331,971
Reserved for construction	16,348	-	16,348
Rural Development debt service reserves	40,284	33,753	74,037
Rural Development short lived asset reserves	180,169	17,073	197,242
AB-198 capital reserve	75,278	-	75,278
	<u>\$ 1,849,945</u>	<u>\$ 775,437</u>	<u>\$ 2,625,382</u>
Total Restricted Cash			

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital assets activity during 2019 was as follows:

	Balance June 30, 2018	Additions or Transfers in	Deletions or Transfers out	Balance June 30, 2019
<u>Government Activities</u>				
Capital assets, not being depreciated				
Construction in process	\$ -	\$ 38,890		\$ 38,890
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>38,890</u>	<u>-</u>	<u>398,176</u>
Capital assets, being depreciated				
Buildings	722,343			722,343
Office furniture & equipment	20,963			20,963
Software	16,900			16,900
Vehicles & equipment	99,234			99,234
Other equipment	133,517	3,589		137,106
Park equipment & improvements	998,910	77,231		1,076,141
Street improvements	5,767,810			5,767,810
Total depreciable assets	<u>7,759,677</u>	<u>80,820</u>	<u>-</u>	<u>7,840,497</u>
Total capital assets	<u>8,118,963</u>	<u>119,710</u>	<u>-</u>	<u>8,238,673</u>
Less accumulated depreciation	<u>(3,694,920)</u>	<u>(241,083)</u>		<u>(3,936,003)</u>
Governmental activities - capital assets, net	<u>\$ 4,424,043</u>	<u>\$ (121,373)</u>	<u>\$ -</u>	<u>\$ 4,302,670</u>
	Balance June 30, 2018	Additions or Transfers in	Deletions or Transfers out	Balance June 30, 2019
<u>Business-type Activities</u>				
Capital assets, not being depreciated				
Construction in process	\$ -	\$ 34,200		\$ 34,200
Capital assets, being depreciated				
Water & sewer system	31,668,027			31,668,027
Buildings	337,251			337,251
Office furniture & equipment	28,846			28,846
Software	17,345			17,345
Vehicles & equipment	486,863	78,227	(36,172)	528,918
Other system improvements	849,311			849,311
Total depreciable assets	<u>33,387,643</u>	<u>78,227</u>	<u>(36,172)</u>	<u>33,429,698</u>
Total capital assets	<u>33,387,643</u>	<u>112,427</u>	<u>(36,172)</u>	<u>33,463,898</u>
Less accumulated depreciation	<u>(16,470,790)</u>	<u>(920,613)</u>	<u>36,172</u>	<u>(17,355,231)</u>
Business-type activities - capital assets, net	<u>\$ 16,916,853</u>	<u>\$ (808,186)</u>	<u>\$ -</u>	<u>\$ 16,108,667</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-type Activities	
General government	\$ 8,069	Water	\$ 550,599
Public works	186,220	Sewer	370,014
Culture & recreation	46,794		
	<u>\$ 241,083</u>		<u>\$ 920,613</u>

NOTE 5 – LEASE TRANSACTIONS

The District entered into a five year lease agreement, commencing January 1, 2011, for the use of a copy system for \$459 per month. The lease also provides for sales tax and per copy charges which vary according to usage in addition to the monthly fee.

Minimum future lease payments under the non-cancelable operating lease have the remaining terms in excess of one year of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 6,920
2021	4,087
2022	2,063
2023	2,063
2024 and later	1,032
	<u>\$ 16,165</u>

NOTE 6 – LONG-TERM DEBT

Bonds Payable

During the year ended June 30, 2000, the District issued a general obligation (limited tax) sewer bond (additionally secured by pledged sewer revenue), series 1999, in the principal amount of \$1,300,000. The bond was issued for the purpose of construction, reconstructing, improving and extending the sanitary sewer system of the District. Principal and interest, with a rate of 3.48%, is payable semi-annually on July 1 and January 1. The bond will mature in full July 1, 2019. Remaining principal balance due on the bond payable at June 30, 2019 was \$47,125.

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. Remaining principal balance due on this bond payable at June 30, 2019, was \$179,813.

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.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

Remaining principal balance due on this bond payable at June 30, 2019, was \$730,750.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

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, 2019 was \$798,935.

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, 2019 was \$802,834.

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, 2019 was \$1,224,462.

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, 2019 was \$1,035,000.

As of June 30, 2019, the District held \$564,153 in three separate state investment pool accounts and \$1,795,522 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, 2019

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the bonds at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
<u>Water Fund</u>			
2020	\$ 244,734	\$ 90,809	\$ 335,543
2021	253,259	82,459	335,718
2022	263,761	73,777	337,538
2023	272,749	64,755	337,504
2024	258,273	55,454	313,727
2025-2029	828,392	171,225	999,617
2030-2034	224,404	98,044	322,448
2035 and Later	529,009	161,765	690,774
	<u>2,874,581</u>	<u>798,288</u>	<u>3,672,869</u>
<u>Sewer Fund</u>			
2020	142,297	59,677	201,974
2021	99,081	55,273	154,354
2022	106,258	51,476	157,734
2023	110,205	47,464	157,669
2024	110,921	43,368	154,289
2025-2029	419,809	158,650	578,459
2030-2034	164,694	120,551	285,245
2035 and Later	791,073	206,248	997,321
	<u>1,944,338</u>	<u>742,707</u>	<u>2,687,045</u>
Total Enterprise Fund	<u>\$ 4,818,919</u>	<u>\$ 1,540,995</u>	<u>\$ 6,359,914</u>

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes in liabilities reported in long-term debt:

	Balance June 30, 2018	Additions (Reductions)	Balance June 30, 2019	Due within One year
GOVERNMENT ACTIVITIES				
Compensated absences	\$ 28,315	\$ (10,533)	\$ 17,782	\$ 16,374
BUSINESS-TYPE ACTIVITIES				
Compensated absences	\$ 36,270	\$ (8,921)	\$ 27,349	\$ 24,094
Premium on bond issue	122,478	(4,900)	117,578	-
Bonds and notes payable	5,238,543	(419,624)	4,818,919	387,031
	<u>\$ 5,397,291</u>	<u>\$ (433,445)</u>	<u>\$ 4,963,846</u>	<u>\$ 411,125</u>

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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, 2019

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, 2017 the Statutory Employer/employee matching rate was 14.5% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate was 28% for Regular and 40.50% for Police/Fire.

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

At June 30, 2019, the District reported a liability of \$1,621,168 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the District's proportion was 0.01189%.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2019, the District recognized pension expense of \$222,931. Amounts totaling \$134,334, 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, 2019. For the year ended June 30, 2019, the District contributed \$134,334 under the statutory requirements based upon covered payroll of \$576,062 which equates to 23.32% overall to the plan. At June 30, 2019, 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	\$ 50,787	\$ 75,250
Net difference between projected and actual earnings on pension plan investments	-	7,718
Change in assumptions	85,425	-
Changes in proportion and differences between District contributions and proportionate share of contributions	292,408	62,582
District contributions subsequent to the measurement date	134,334	-
Total	<u>\$ 562,954</u>	<u>\$ 145,550</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>	
2020	\$ 37,115
2021	9,885
2022	(25,445)
2023	13,771
2024	15,789
2025 and later	2,141
	<u>\$ 53,256</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 6.22 years for the measurement period ending June 30, 2018.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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, 2018, 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	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer price index	2.75%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2017. The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. 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, 2018.

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, 2018, PERS's long-term inflation assumption was 2.75%. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

NOTE 7 – PENSION PLAN (CONTINUED)

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, 2018, calculated using the discount rate of 7.50%, 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 (6.50%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	In Discount	(7.50%)	In Discount
	Rate (6.50%)	(7.50%)	Rate (8.50%)
Net Pension Liability	<u>\$ 2,472,764</u>	<u>\$ 1,621,528</u>	<u>\$ 914,200</u>

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, 2019, June 30, 2018, and June 30, 2017.

Indian Hills General Improvement District
Notes to Financial Statements
June 30, 2019

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, 2019, total expenditures exceeded appropriations for the following funds and/or functions, which are potential violations of the NRS:

Depreciation enterprise fund, operating expense function	\$ 14,973
Services & supplies enterprise fund, operating expense function	\$ 45,449

These over expenditures were funded by available revenues in excess of expenditures in the respective funds. The enterprise fund expenditures overall fell below budgeted appropriations, easily covering the excess expenditures in the areas detailed above.

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, 2019

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUE				
Water & sewer user fees	\$ 2,621,000	\$ 2,621,000	\$ 2,505,217	\$ (115,783)
Gain on disposal of assets	-	-	2,500	2,500
Grant income	-	-	-	-
Misceellaneous income	10,368	10,368	12,719	2,351
Connection fees	-	-	10,260	10,260
Total Operating Revenue	<u>2,631,368</u>	<u>2,631,368</u>	<u>2,530,696</u>	<u>(100,672)</u>
OPERATING EXPENSES				
Salaries & wages	459,435	430,899	380,543	50,356
Employee benefits	209,600	209,600	169,148	40,452
Services & supplies	539,740	568,276	613,725	(45,449)
Capital outlay	400,000	400,000	112,427	287,573
Depreciation	905,640	905,640	920,613	(14,973)
Total Operating Expenses	<u>2,514,415</u>	<u>2,514,415</u>	<u>2,196,456</u>	<u>317,959</u>
Operating Income	116,953	116,953	334,240	217,287
NONOPERATING REVENUE (EXPENSES)				
Interest income	7,030	7,030	13,917	6,887
Interest expense	(165,274)	(165,274)	(155,608)	9,666
	<u>(158,244)</u>	<u>(158,244)</u>	<u>(141,691)</u>	<u>16,553</u>
Excess (Deficiency) before Capital Contributions and Transfers	(41,291)	(41,291)	192,549	233,840
INTERFUND TRANSFERS				
	-	-	2,748	2,748
Change in Net Position	<u>\$ (41,291)</u>	<u>\$ (41,291)</u>	195,297	<u>\$ 236,588</u>
RECONCILIATION TO STATEMENT OF ACTIVITIES:				
Add back capital outlay			112,427	
Less difference between pension expense and contributions			(48,349)	
Change in Net position of Enterprise Fund			<u>\$ 259,375</u>	

Indian Hills General Improvement District
 Schedules of Required Supplementary Information
 For the Year Ended June 30, 2019

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

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability (asset)	0.01189%	0.00938%	0.00923%	0.01013%	0.01011%
District's proportionate share of the net pension liability (asset)	\$ 1,621,168	\$ 1,247,834	\$ 1,241,485	\$ 1,160,372	\$ 1,053,893
District's covered-employee payroll	\$ 741,598	\$ 570,404	\$ 555,448	\$ 582,789	\$ 577,817
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.60%	218.76%	223.51%	199.11%	182.39%
Plan fiduciary net position as a percentage of the total pension liability	75.21%	74.42%	72.23%	75.13%	76.31%

Indian Hills General Improvement District
Schedules of Required Supplementary Information
For the Year Ended June 30, 2019

SCHEDULE OF DISTRICT CONTRIBUTIONS
Nevada State Public Employees' Retirement System

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Actuarially determined contribution	\$ 111,727	\$ 85,610	\$ 82,017	\$ 151,930	\$ 152,540
Relation to the actuarially determined contributions	<u>110,609</u>	<u>84,584</u>	<u>79,706</u>	<u>145,538</u>	<u>142,045</u>
Contribution deficiency (excess)	<u>\$ 1,118</u>	<u>\$ 1,026</u>	<u>\$ 2,311</u>	<u>\$ 6,392</u>	<u>\$ 10,495</u>
District's covered-employee payroll	\$ 741,598	\$ 570,404	\$ 555,448	\$ 582,789	\$ 577,817
Contributions as a percentage of covered-employee payroll	14.91%	14.83%	14.35%	24.97%	24.58%

SUPPLEMENTARY INFORMATION

Indian Hills General Improvement District
 General Fund
 Schedule of Expenditures
 For the Year Ended June 30, 2019

(Page 1 of 2)

GENERAL GOVERNMENT

Board of trustees	7,500
Equipment rental	6,737
Fuel expense	116
Insurance	14,940
Office expense	34,969
Other expenses	6,373
Payroll taxes and benefits	21,603
Professional fees	105,532
Repairs and maintenance	766
Safety program	220
Salaries and wages	46,432
Telephone	7,380
Travel and training	701
Utilities	5,982
Capital outlay	3,589
Total General Government	262,840

PUBLIC WORKS

Board of trustees	3,750
Fuel expense	2,757
Insurance	14,877
Other expenses	2,276
Payroll taxes and benefits	28,772
Professional fees	22,622
Repairs and maintenance	22,049
Safety program	795
Salaries and wages	71,534
Telephone	1,812
Utilities	5,949
Capital outlay	38,890
Total Public Works	216,083

Indian Hills General Improvement District
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2019

(Page 2 of 2)

CULTURE AND RECREATION

Board of trustees	3,750
Equipment Rental	404
Fuel expense	3,175
Insurance	15,877
Other expenses	1,363
Recreation expense	4,300
Payroll taxes and benefits	37,645
Professional fees	19,348
Repairs and maintenance	30,503
Safety program	746
Salaries and wages	96,582
Contracted labor	60
Telephone	683
Travel and training	353
Utilities	53,550
Capital outlay	77,231
Total Culture and Recreation	<u>345,570</u>
 Total Expenditures	 <u>\$ 824,493</u>

Indian Hills General Improvement District
Water and Sewer Enterprise Fund
Schedule of Services and Supplies
For the Year Ended June 30, 2019

	Business-Type Activities		
	Water	Sewer	
SERVICE AND SUPPLIES			
Bad debt recovery	20,614	14,927	35,541
Board of trustees fees	7,500	7,500	15,000
Fuel expense	4,915	4,554	9,469
Garbage expense	172	8,657	8,829
Insurance	14,877	14,877	29,754
Lab Fees	4,689	5,659	10,348
Office expense	1,747	1,565	3,312
Other expense	6,681	6,072	12,753
Professional fees	49,446	28,043	77,489
Permit fees	3,334	3,914	7,248
Repairs and maintenance	35,718	25,651	61,369
Safety program	2,094	1,397	3,491
Telephone	7,688	1,820	9,508
Travel and training	1,115	1,383	2,498
Treatment chemicals	2,497	11,026	13,523
Utilities	59,326	51,404	110,730
Water Costs	202,863	-	202,863
Total Service and Supplies	\$ 425,276	\$ 188,449	\$ 613,725

REPORTS ON INTERNAL CONTROL & COMPLIANCE



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
Benjamin C. Steele, CPA CGMA Emeritus

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, 2019, 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 11, 2019.

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.

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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.

Stahl Associates, LLC

Carson City, Nevada
November 11, 2019

AUDITOR'S COMMENTS



Jonathan S. Steele, CPA CGMA

Vanessa L. Davis, CPA CGMA
Benjamin C. Steele, CPA CGMA Emeritus

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, 2019 and have issued our report thereon dated November 11, 2019. 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 January 27, 2017, 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. GASB Statement No. 82, an amendment of GASB No. 67, No 68 and No. 73 was adopted as of the beginning of the current period. 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 reducing net income by \$88,597.
2. Adjust user fees revenue and record bad debt expense in the amount of \$70,542.
3. Reduce accounts payable for duplicate transactions in the amount of \$37,854.

The total net income effect of all adjustments proposed and recorded by management was to decrease net income by \$142,588.

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 11, 2019.

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 11, 2019, 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.

Stable Associates, LLC

Carson City, Nevada
November 11, 2019

