



Financial Statements
June 30, 2021

Palomino Valley General Improvement District

Palomino Valley General Improvement District

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Independent Auditor's Report

To the Board of Trustees
Palomino Valley General Improvement District
Sparks, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the fund information of Palomino Valley General Improvement District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the fund information of the Palomino Valley General Improvement District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4-6, 20, and 21-22, 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.

Prior Year Partial Comparative Information

The statement of revenue, expenditures, and changes in fund balance - budget and actual related to the June 30, 2020 financial statements is presented for purposes of additional analysis and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The statement referred to above is consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
October 22, 2021

PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2021

As management of the Palomino Valley General Improvement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

Financial Highlights

- ◆ The assets and deferred outflows of the Palomino Valley General Improvement District exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$726,980. Of this amount \$281,722 is *unrestricted net position* that may be used to meet the District's ongoing obligations to citizens and creditors. See page 7.
- ◆ The District's *total net position* increased by \$113,751 during the current year.
- ◆ The District's governmental funds reported a combined fund balance of \$509,261, an increase of \$130,665 from prior year. Of this amount, \$347,468 is assigned for subsequent year expenditures and \$161,793 is unassigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Palomino Valley General Improvement District's financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The government-wide financial statements and the fund statements are presented in a columnar format since the District only has one fund to report on pages 7 and 8. This report also contains required supplementary information in addition to the basic financial statements themselves.

The District uses the modified accrual basis of accounting for internal financial statement reporting. The financial statements have been prepared in accordance with generally accepted accounting principles as they apply to governmental units. The financial statements include a statement of net position and governmental fund balance sheet, a statement of activities and governmental fund revenue, expenditures and changes in fund balance and notes to the financial statements.

The statement of net position and governmental fund balance sheet presents the financial position of the District on both the modified accrual basis under the general fund and the full accrual basis as net position. This statement provides information on the District's assets and liabilities with the difference reported as net position and information about the nature and amount of resources and obligations at year-end. Over time, increases and decreases in net position are one indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities and governmental fund revenue, expenditures and changes in fund balance present the results of the activities over the course of the fiscal year and information as to how the fund balance and net position changed during the most recent year. The fund balance changes under the modified accrual method when revenue is received or the expenditure is made, while changes in net position under the full accrual method are recorded as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The District also adopts annual appropriated budgets for its general fund. Budgetary comparison statements on page 20 have been provided to demonstrate compliance with the budget.

PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2021

Statement of Net Position

<u>Years Ended June 30,</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 434,752	\$ 311,597
Due from other governments	107,659	88,750
Capital assets	<u>445,258</u>	<u>463,538</u>
Total assets	<u>987,669</u>	<u>863,885</u>
Deferred outflows of resources	<u>57,721</u>	<u>35,903</u>
Total assets and deferred outflows of resources	1,045,390	899,788
Liabilities	261,965	215,300
Deferred inflows of resources	<u>56,445</u>	<u>71,259</u>
Total liabilities and deferred inflows of resources	<u>318,410</u>	<u>286,559</u>
Net Position	<u>\$ 726,980</u>	<u>\$ 613,229</u>

The largest portion of the Palomino Valley General Improvement District's net position (61%) reflects its investment in capital assets (e.g. buildings, water rights, machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance of *unrestricted net position* (\$281,722), after the investment in capital assets, may be used to meet the District's ongoing obligations to its citizens and creditors.

Statement of Activities

<u>Years Ended June 30,</u>	<u>2021</u>	<u>2020</u>
Tax revenue	\$ 840,557	\$ 746,810
Investment income	48	96
Other income	<u>31,194</u>	<u>8,115</u>
Total revenue	<u>\$ 871,799</u>	<u>\$ 755,021</u>

PALOMINO VALLEY GENERAL IMPROVEMENT DISTRICT

Management’s Discussion and Analysis

June 30, 2021

Revenue: Total revenue received by the District for the year ended June 30, 2021 was \$871,799 representing a \$116,778 increase over the year ended June 30, 2020. The increase is due to FEMA disaster funds received and increased tax revenues.

<u>Years Ended June 30,</u>	<u>2021</u>	<u>2020</u>
Public works	<u>\$ 758,048</u>	<u>\$ 872,399</u>

Expenses: Operating expenses for the year ended June 30, 2021 totaled \$758,048 representing a decrease over the year ended June 30, 2020 of \$114,351. The decrease is primarily due to road maintenance expenses in the current year.

General Fund Budgetary Highlights

Taxes are the general fund’s primary sources of revenue. This includes property tax revenue of \$308,744 state consolidated tax revenue of \$487,865 and fair share taxes of \$43,014. Actual general fund revenue was 3.4% less than budgeted. Expenditures were less than budget by 30.9% due primarily to lower than expected salaries and services and supplies.

Capital Asset and Debt Administration

At year-end, The Palomino Valley General Improvement District’s investment in capital assets from its governmental activities totaled \$445,258, representing a decrease from the year ended June 30, 2020 of \$18,280. The decrease is primarily due to depreciation expense recognized.

Economic Factors and Next Year’s Budget and Rates

The PVGID’s fiscal year 2022 (FY22) property tax revenues are projected to be higher than fiscal year 2021 (FY21) by a modest \$18,300. CTX revenues for FY22 are projected to be \$567,465. For FY21, the LGTA revenue is budgeted for \$38,000.

For FY21, the District received a portion of its losses from the Federal Emergency Management Agency (FEMA) for flood repairs due to the flooding in January 2017. Therefore, the District’s FY22 budget includes \$20,000 for the remaining losses that the District has requested from FEMA reimbursement and the State of Nevada’s disaster funding (12.5%).

The tax rate for FY22 remains at 0.4198 per \$100 assessed value.

Requests for Information

This financial report is designed to provide a general overview of the Palomino Valley General Improvement District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District President, Palomino Valley General Improvement District, 9732 Pyramid Highway #407, Sparks, Nevada 89441.

Palomino Valley General Improvement District
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2021

	General Fund	Adjustments (Note 7)	Statement of Net Position
Assets			
Cash	\$ 434,752	\$ -	\$ 434,752
Due from other governments	103,545	4,114	107,659
Capital assets, net of accumulated depreciation	-	445,258	445,258
Total assets	<u>538,297</u>	<u>449,372</u>	<u>987,669</u>
Deferred Outflows of Resources - Pension Requirement	-	57,721	57,721
	<u>\$ 538,297</u>	<u>507,093</u>	<u>1,045,390</u>
Liabilities			
Accounts payable	\$ 22,450	-	22,450
Accrued payroll and related taxes and benefits	6,423	-	6,423
Accrued compensated absences	163	6,614	6,777
Net pension liability	-	226,315	226,315
Total liabilities	<u>29,036</u>	<u>232,929</u>	<u>261,965</u>
Deferred Inflows of Resources - Pension Requirement	-	56,445	56,445
Fund Balance/Net Position			
Fund balance			
Assigned for subsequent year expenditures	347,468	(347,468)	-
Unassigned	161,793	(161,793)	-
Total fund balance	<u>509,261</u>	<u>(509,261)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 538,297</u>		
Net position			
Invested in capital assets		445,258	445,258
Unrestricted		281,722	281,722
Total Net Position		<u>\$ 726,980</u>	<u>\$ 726,980</u>

Palomino Valley General Improvement District
Statement of Activities and Governmental Fund Revenue, Expenditures, and Changes in Fund Balance
June 30, 2021

	General Fund	Adjustments (Note 7)	Statement of Activities
Expenditures/Expenses			
District operations	\$ 717,629	\$ 40,419	\$ 758,048
Capital outlay	22,571	(22,571)	-
Total expenditures/expenses	<u>740,200</u>	<u>17,848</u>	<u>758,048</u>
General Revenue			
Tax revenue	839,623	934	840,557
Other income	31,194	-	31,194
Investment income	48	-	48
Total general revenue	<u>870,865</u>	<u>934</u>	<u>871,799</u>
Excess of Revenue over Expenditures	130,665	(130,665)	-
Change in Net Position	-	113,751	113,751
Fund Balance/Net Position			
Beginning of year	<u>378,596</u>	<u>234,633</u>	<u>613,229</u>
End of year	<u>\$ 509,261</u>	<u>\$ 217,719</u>	<u>\$ 726,980</u>

Note 1 - Summary of Significant Accounting Policies

The Palomino Valley General Improvement District's (District) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The accompanying financial statements include certain prior-year comparative information but does not include a full disclosure of transactions for the year ended June 30, 2020. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reporting Entity

The District was formed in 1973. It has been charged with the oversight responsibility and control over the operation, repair and maintenance of the accepted roads within the District located in Palomino Valley, Nevada. The District is governed by a Board of Trustees that is elected by the District taxpayers.

The District receives funding from local government sources and must comply with the existing requirements of those funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since its Board of Trustees is elected by the public and has decision-making authority, authority to levy taxes, power to designate management, ability to significantly influence operations, and primary accountability for fiscal matters.

The District has no component units that are required to be combined in the financial statements.

Basic Financial Statements – Government-Wide Statements

The basic financial statements include both government-wide and fund financial information. The government-wide financial statements are reflected on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Basic Financial Statements - Fund Accounting

The financial transactions of the District are reported in the general fund. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. The District's general fund is a governmental fund type. Governmental funds are accounted for on a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. The recorded fund balance (net current assets) is considered a measure of "available spendable resources". Operating statements for governmental funds present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Basis of Presentation

The District is defined as a single-program special-purpose entity under GASB Statement No. 14, paragraph 13.

This classification allows for the preparation of GASB 34 financial statements under an optional reporting method which combines the fund and government-wide statements into a single presentation. Under standard GASB 34 methodology, the government-wide statement of net position and statement of activities are presented independently from the respective fund balance sheet and statement of revenues, expenditures, and fund balance. A reconciliation of adjustments provided on the modified financial statements demonstrates the changes from the fund financial statements to the government-wide financial statements in order to assist the reader in evaluating these statements. The District has utilized this optional method of presentation.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District maintains its accounting records for its governmental fund types on the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when measurable and available to finance expenditures of the fiscal period. Available is defined as being due and collected within the current period or within 60 days after fiscal year-end.

Budgets and Budgetary Accounting

The District adheres to the Local Government Budget Act incorporated within the Nevada Revised Statutes. These Statutes provide for the preparation, filing, notice, public hearing, and adoption in connection with the budgetary process of Nevada local government. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amendments must be approved by the Board of Trustees. All annual appropriations lapse at year-end.

On or before April 15, the Board of Trustees files a tentative budget with the Nevada Department of Taxation. Public hearings on the tentative budget are held and a final budget must be prepared and adopted no later than June 1st.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as cash and short-term, highly liquid investments, generally with original maturities of three months or less.

Cash is maintained in one commercial bank in Reno, Nevada. The funds are deposited in a commercial bank that participates in the state collateral pool program and thereby secures all cash and cash equivalents deposited with the bank. Therefore, the District does not need to have a deposit policy related to custodial credit risk.

Due from Other Governments

Due from other governments represents amounts receivable for property, consolidated, and fair share taxes.

The District has not established an allowance for doubtful accounts for amounts receivable since management does not anticipate any material collection loss with respect to remaining balances.

Capital Assets

Property and equipment with a cost of \$1,000 or more and a life greater than one year are capitalized and stated at cost. Contributed assets are recorded at their acquisition value at the date of contribution.

For purposes of the government-wide financial statements, depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The District's capital assets consist of buildings, furniture and fixtures, machinery and equipment, vehicles, land and water rights. Depreciable lives range from 5 to 45 years.

The District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2021.

In the fund financial statements, capital assets used in operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net position or fund balance.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused paid time-off and comp time. Paid time-off and comp time are accrued when earned in the government-wide financial statements and when paid within sixty days subsequent to year-end from current available resources in the fund financial statements.

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 the 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.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation.
- Restricted net position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District has no items that are considered to be restricted net position.
- Unrestricted net position– all other net position that do not meet the definition of “invested in capital assets” or “restricted.”

In the governmental fund financial statement, fund balances are classified as follows:

- Nonspendable - represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The District has no nonspendable fund balances.
- Restricted – represents amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions. The District has no restricted fund balances.
- Committed – represents amounts which can be used only for specific purposes determined by the members of the governing Board's formal action through a resolution or action. The District has no committed funds.

- Assigned - represents amounts that are intended by the District for specific purposes but do not require action by the governing Board. The District's assigned funds represent the amounts budgeted for subsequent year's opening fund balance.
- Unassigned – represents all amounts not included in spendable classifications.

The District's policy is to first apply expenditures against non-spendable fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources.

Tax Abatements

The District receives ad valorem taxes on real property that is collected by Washoe County. The taxes are subject to certain abatements based on state statute requirements. During the year ended June 30, 2021, \$41,833 of taxes were abated for residents.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources 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.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported fund balance/net position.

Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

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

Note 3 - Contingencies and Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

Note 4 - Capital Assets

Capital asset activity consists of the following for the year ended June 30:

	2020	Increases	Decreases	Reclass	2021
Capital assets, not being depreciated					
Land	\$ 39,113	\$ -	\$ -	\$ -	\$ 39,113
Water rights	37,550	-	-	-	37,550
	<u>76,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,663</u>
Capital assets, being depreciated					
Buildings	180,384	-	-	27,068	207,452
Furniture and fixtures	705	-	-	-	705
Machinery and equipment	737,541	7,571	(645)	(49,668)	694,799
Vehicles	258,650	15,000	-	22,600	296,250
	<u>1,177,280</u>	<u>22,571</u>	<u>(645)</u>	<u>-</u>	<u>1,199,206</u>
Less accumulated depreciation					
Buildings	52,750	4,548	-	15,434	72,732
Furniture and fixtures	705	-	-	-	705
Machinery and equipment	549,972	21,492	(645)	(18,987)	551,832
Vehicles	186,978	14,811	-	3,553	205,342
	<u>790,405</u>	<u>40,851</u>	<u>(645)</u>	<u>-</u>	<u>830,611</u>
Total capital assets, being depreciated, net	<u>386,875</u>	<u>(18,280)</u>	<u>-</u>	<u>-</u>	<u>368,595</u>
Net Capital Assets	<u>\$ 463,538</u>	<u>\$ (18,280)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,258</u>

Note 5 - Long-Term Liabilities

The following is a summary of changes in the District's long-term liabilities:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Current Portion
Accrued compensated absences	\$ 4,756	\$ 2,021	\$ -	\$ 6,777	\$ 163

Note 6 - Pensions**General Information About the Pension Plan****Plan Description**

PERS (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 for members entering the System on or after July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
- Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.
- Post-retirement increases are provided by authority of NRS 286.575 – 286.579.

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 20 years of service or at age 55 with 30 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.

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 actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.
- For the fiscal year ended June 30, 2021, the Statutory Employer/employee matching rate was 15.25% for Regular employees.
- The Employer-pay contribution (EPC) rate was 29.25% for statutory employer/employee matching rate for June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$226,315 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020. At June 30, 2020, the District's proportion was .00162%, which was an increase of .0002% from its proportion measured at June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$14,918. Amounts totaling \$18,547 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, 2021. For the year ended June 30, 2021, the District contributed \$18,547 under the statute's requirement based on covered payroll of \$124,600, which equates to 14.89% overall to the plan.

Palomino Valley General Improvement District

Notes to Financial Statements

June 30, 2021

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,031	\$ 2,922
Change of assumptions	6,357	-
Net difference between principal and actual investment earnings on pension plan investments	-	8,549
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,786	44,974
Contributions subsequent to the measurement date	18,547	-
	<u>\$ 57,721</u>	<u>\$ 56,445</u>

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

<u>Years Ending June 30,</u>	
2021	\$ (8,546)
2022	(4,144)
2023	(4,010)
2024	(4,181)
2025	2,992
2026	618
	<u>\$ (17,271)</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 outflow and deferred inflows will be recognized over the average expected remaining services lives, which was 6.13 years for the measurement period ending June 30, 2021.

Reconciliation of the net pension liability at June 30, 2021 is as follows:

Beginning net pension liability	\$ 193,222
Pension expense	15,008
Employer contributions	(16,933)
Current year net deferred (inflows) and outflows	<u>35,018</u>
Ending net pension liability	<u>\$ 226,315</u>

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	2.75%
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, 2020 funding actuarial valuation

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience review completed in 2021.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2021. 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, 2021, 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, 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. 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%

*As of June 30, 2020, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2021, calculated using the discount rate of 7.5%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net pension liability	\$ 352,964	\$ 226,315	\$ 121,016

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 7 - Conversion to Government-Wide Financial Statements

Adjustments on the face of the financial statements were made to the fund balance sheet and statement of revenue, expenditures, and changes in fund balance in order to reconcile the fund financial statements to the government-wide statements of net position and activities.

For the statement of net position, these adjustments detail the effect of due from other governments of \$4,114, the capitalization of fixed assets of \$1,275,869, accumulated depreciation of \$830,611, deferred outflows of resources due to the pension requirements of \$57,721, compensated absences of \$6,614, net pension liability of \$226,315, and deferred inflows of resources due to the pension requirements of \$56,445.

For the statement of activities, these adjustments detail the effect to district operations of \$40,419, capital outlay of \$22,571, and tax revenue of \$934.

Palomino Valley General Improvement District
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
Year Ended June 30, 2021

	2021			Variance To Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final			(Memorandum Only)
Revenue					
General revenue					
Property taxes	\$ 301,627	\$ 301,627	\$ 308,744	\$ 7,117	\$ 275,817
Consolidated taxes	502,198	502,198	487,865	(14,333)	433,365
Fair share taxes	38,000	38,000	43,014	5,014	39,026
FEMA	20,000	60,000	29,127	(30,873)	-
Other	100	100	2,115	2,015	1,486
Total revenue	861,925	901,925	870,865	(31,060)	749,694
Expenditures					
Public works					
Salaries	188,000	188,000	131,988	56,012	120,219
Employee benefits	65,600	65,600	68,676	(3,076)	66,964
Services and supplies	704,362	744,362	516,965	227,397	649,671
Capital outlay	75,000	75,000	22,571	52,429	67,616
Debt service	(425)	(425)	-	(425)	-
Total expenditures	1,032,537	1,072,537	740,200	332,337	904,470
Excess (Deficiency) of Revenue Over (Under) Expenditures	(170,612)	(170,612)	130,665	301,277	(154,776)
Other Financing Sources					
Proceeds from capital asset disposal	-	-	-	-	6,725
Change in Fund Balance	(170,612)	(170,612)	130,665	301,277	(148,051)
Fund Balance, Beginning of Year	230,612	230,612	378,596	147,984	526,647
Fund Balance, End of Year	\$ 60,000	\$ 60,000	\$ 509,261	\$ 449,261	\$ 378,596

Palomino Valley General Improvement District
 Schedule of Changes in Net Pension Liability
 Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.00162%	0.00142%	0.00819%	0.00191%	0.00194%	0.00188%	0.00185%
Proportionate share of the net pension liability	\$ 226,315	\$ 193,222	\$ 258,407	\$ 253,449	\$ 260,857	\$ 215,574	\$ 192,619
Covered payroll	\$ 114,320	\$ 96,863	\$ 125,164	\$ 122,177	\$ 120,264	\$ 112,765	\$ 112,765
Proportionate share of the net pension liability as a percentage of covered payroll	197.97%	199.48%	206.45%	207.44%	216.90%	191.17%	170.81%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	76.46%	75.24%	72.20%	72.20%	75.10%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

Palomino Valley General Improvement District
 Schedule of Contributions
 Last Ten Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 18,547	\$ 16,933	\$ 12,481	\$ 17,523	\$ 17,081	\$ 16,837	\$ 14,519
Contributions in relation to the contractually required contributions	\$ (18,547)	\$ (16,933)	\$ (12,481)	\$ (17,523)	\$ (17,081)	\$ (16,837)	\$ (14,519)
Covered payroll	\$ 124,600	\$ 114,320	\$ 96,863	\$ 125,164	\$ 122,177	\$ 120,264	\$ 112,765
Contributions as a percentage of covered payroll	14.89%	14.81%	12.89%	14.00%	13.98%	14.00%	12.88%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.



**Independent Auditors’ Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Trustees
Palomino Valley General Improvement District
Sparks, Nevada

We have audited, 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, the financial statements of the governmental activities and the fund information of Palomino Valley General Improvement District (the “District”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Reno, Nevada
October 22, 2021



Auditors' Comments

To the Board of Trustees
Palomino Valley General Improvement District
Sparks, Nevada

In connection with our audit of the financial statements of the governmental activities and the fund information of Palomino Valley General Improvement District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Current Year Statute Compliance

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

Progress on Prior Year Statute Compliance

The District monitored all significant constraints on its financial administration during the year ended June 30, 2021.

Current Year Recommendations

No material weaknesses or significant deficiencies reported.

Progress on Prior Year Recommendations

No material weaknesses or significant deficiencies were noted.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada
October 22, 2021