Financial Statements
June 30, 2022

# Palomino Valley General Improvement District

# Independent Auditor's Report

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

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities and the fund information of the Palomino Valley General Improvement District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

### *Basis for Opinions*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the statement of revenue, expenditures, and changes in fund balance – budget and actual, the schedule of changes in net pension liability and the schedule of contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Prior Year Partial Comparative Information***

The statement of revenue, expenditures, and changes in fund balance - budget and actual related to the June 30, 2021 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, 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the June 30, 2021 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 25, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
October 25, 2022

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, 2022.

**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 $940,706. Of this amount $423,202 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 $213,726 during the current year.
- The District's governmental funds reported a combined fund balance of $635,760, an increase of $126,499 from prior year. Of this amount, $440,690 is assigned for subsequent year expenditures and $195,070 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 22 have been provided to demonstrate compliance with the budget.

**Statement of Net Position**

| Years Ended June 30, | 2022 | 2021 |
|---|---|---|
| Cash | $ 553,767 | $ 434,752 |
| Due from other governments | 115,532 | 107,659 |
| Capital assets | 517,504 | 445,258 |
| Total assets | 1,186,803 | 987,669 |
| Deferred outflows of resources | 128,226 | 57,721 |
| Total assets and deferred outflows of resources | 1,315,029 | 1,045,390 |
| Liabilities | 207,457 | 261,965 |
| Deferred inflows of resources | 166,866 | 56,445 |
| Total liabilities and deferred inflows of resources | 374,323 | 318,410 |
| Net Position | $ 940,706 | $ 726,980 |

The largest portion of the Palomino Valley General Improvement District's net position (55%) reflects its investment in capital assets (e.g., buildings, water rights, machinery and equipment, and vehicles). 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* ($423,202), after the investment in capital assets, may be used to meet the District's ongoing obligations to its citizens and creditors.

**Statement of Activities**

| Years Ended June 30, | 2022 | 2021 |
|---|---|---|
| Tax revenue | $ 902,532 | $ 840,557 |
| Investment income | 51 | 48 |
| Other income | 21,696 | 31,194 |
| Total revenue | $ 924,279 | $ 871,799 |

Revenue: Total revenue received by the District for the year ended June 30, 2022 was $924,279 representing a $52,480 increase over the year ended June 30, 2021. The increase is due to increased tax revenues.

| Years Ended June 30, | 2022 | 2021 |
|---|---|---|
| Public works | $ 710,553 | $ 758,048 |

Expenses: Operating expenses for the year ended June 30, 2022 totaled $710,553 representing a decrease over the year ended June 30, 2021 of $47,495. 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 of $321,482, state consolidated tax revenue of $535,517, and fair share taxes of $49,287. Actual general fund revenue was 3.9% less than budgeted. Expenditures were less than budget by 35.0% due primarily to lower expected 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 $517,504, representing an increase from the year ended June 30, 2021 of $72,246. The increase is primarily due to additions offset by depreciation expense recognized.

## Economic Factors and Next Year's Budget and Rates

The PVGID's fiscal year 2023 (FY23) property tax revenues are projected to be higher than fiscal year 2022 (FY22) by a modest $19,000. CTX revenues for FY23 are projected to be $645,531. For FY23, the LGTA revenue is budgeted for $40,000.

In 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. The District's FY23 budget includes $20,000 for the remaining losses that the District has requested from the State of Nevada's Disaster Relief Account funding (12.5%).

The tax rate for FY23 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.

| | General Fund | Adjustments (Note 7) | Statement of Net Position |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 553,767 | $ - | $ 553,767 |
| Due from other governments | 115,532 | - | 115,532 |
| Capital assets, not being depreciated | - | 76,663 | 76,663 |
| Capital assets being appreciated, net of accumulated depreciation | - | 440,841 | 440,841 |
| Total assets | 669,299 | 517,504 | 1,186,803 |
| **Deferred Outflows of Resources - Pension Requirement** | - | 128,226 | 128,226 |
| | $ 669,299 | 645,730 | 1,315,029 |
| **Liabilities** | | | |
| Accounts payable | $ 23,705 | - | 23,705 |
| Accrued payroll and related taxes and benefits | 8,636 | - | 8,636 |
| Accrued compensated absences | 1,198 | 12,323 | 13,521 |
| Net pension liability | - | 161,595 | 161,595 |
| Total liabilities | 33,539 | 173,918 | 207,457 |
| **Deferred Inflows of Resources - Pension Requirement** | - | 166,866 | 166,866 |
| **Fund Balance/Net Position** | | | |
| Fund balance | | | |
| Assigned for subsequent year expenditures | 440,690 | (440,690) | - |
| Unassigned | 195,070 | (195,070) | - |
| Total fund balance | 635,760 | (635,760) | - |
| Total liabilities and fund balance | $ 669,299 | | |
| Net position | | | |
| Investment in capital assets | | 517,504 | 517,504 |
| Unrestricted | | 423,202 | 423,202 |
| **Total Net Position** | | $ 940,706 | $ 940,706 |

| | General Fund | Adjustments (Note 7) | Statement of Activities |
|---|---|---|---|
| Expenditures/Expenses | | | |
| Public works | | | |
| District operations | $ 684,021 | $ 26,532 | $ 710,553 |
| Capital outlay | 117,873 | (117,873) | - |
| Total expenditures/expenses | 801,894 | (91,341) | 710,553 |
| General Revenue | | | |
| Tax revenue | 906,646 | (4,114) | 902,532 |
| Other income | 1,696 | 20,000 | 21,696 |
| Investment income | 51 | - | 51 |
| Total general revenue | 908,393 | 15,886 | 924,279 |
| Excess of Revenue over Expenditures | 106,499 | 107,227 | 213,726 |
| Other Financing Sources | | | |
| Sale of capital assets | 20,000 | (20,000) | - |
| Change in Net Position | 126,499 | 87,227 | 213,726 |
| Fund Balance/Net Position | | | |
| Beginning of year | 509,261 | 217,719 | 726,980 |
| End of year | $ 635,760 | $ 304,946 | $ 940,706 |

## 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, 2021. 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, 2021, 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 sheet. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred inflow of resources account is established. Thus, in subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed and revenue is recognized. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, postemployment benefits, and claims and judgments are recorded only when payment is due.

**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, 2022.

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

**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 deferred outflow amounts related to 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. The deferred inflow amounts related to pensions 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:

- Investment 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 “investment 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 other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the District considers restricted funds to have been spent first. When expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used, committed funds, if any, are to be spent first, assigned funds second, and unassigned funds last.

**Tax Abatement**

The District's tax revenues were reduced by $8,308 under agreements entered into by the State Nevada. The state agreements include a partial abatement of one or more of personal property and local sales and use taxes imposed on aircraft, components of aircraft and other personal property used for certain purposes related to aircraft, a partial abatement of one or more of property and local sales and use taxes imposed on a new or expanded data center and on renewable energy facilities, and use taxes imposed on eligible machinery or equipment used by certain new or expanded businesses.

**Property Taxes**

All real property in the District is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The valuation of the property and its improvements is being assessed at 35 percent of "taxable value" as defined by statute. The amount of tax levied is determined by multiplying the assessed value by the tax rate applicable to the area in which the property is located.

Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied.

Taxes may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January, and March, to the Treasurer of Washoe County. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two-year waiting period, if taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest, and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation and tax rates described above.

The major classifications of personal property are commercial and mobile homes. In Washoe County, taxes on motor vehicles are collected by a State agency and remitted to the local governments in the County as part of the Consolidated Tax distribution.

**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.

## 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:

| | 2021 | Increases | Decreases | 2022 |
|---|---|---|---|---|
| Capital assets, not being depreciated | | | | |
| Land | $ 39,113 | $ - | $ - | $ 39,113 |
| Water rights | 37,550 | - | - | 37,550 |
| | 76,663 | - | - | 76,663 |
| Capital assets, being depreciated | | | | |
| Buildings | 207,452 | 9,606 | - | 217,058 |
| Furniture and fixtures | 705 | - | - | 705 |
| Machinery and equipment | 694,799 | 45,100 | (115,584) | 624,315 |
| Vehicles | 296,250 | 63,167 | - | 359,417 |
| | 1,199,206 | 117,873 | (115,584) | 1,201,495 |
| Less accumulated depreciation | | | | |
| Buildings | 72,732 | 4,714 | - | 77,446 |
| Furniture and fixtures | 705 | - | - | 705 |
| Machinery and equipment | 551,832 | 24,301 | (115,584) | 460,549 |
| Vehicles | 205,342 | 16,612 | - | 221,954 |
| | 830,611 | 45,627 | (115,584) | 760,654 |
| Total capital assets, being depreciated, net | 368,595 | 72,246 | - | 440,841 |
| Net Capital Assets | $ 445,258 | $ 72,246 | $ - | $ 517,504 |

The increase in accumulated depreciation includes depreciation expense of $45,627 charged to the public works function.

## Note 5 - Long-Term Liabilities

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

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 | Current Portion |
|---|---|---|---|---|---|
| Accrued compensated absences | $ 6,777 | $ 14,003 | $ (7,259) | $ 13,521 | $ 1,198 |

## Note 6 - Pensions

### General Information About the Pension Plan

### Plan Description

The District contributes to the Public Employees' Retirement System of the State of Nevada ("PERS"). 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 30 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 30 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 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. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member’s account. If EPC was selected, the member cannot convert to the Employee/Employer Contribution plan.
- 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 Actuarial 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, 2022, the Statutory Employer/Employee matching rate for Regular members was 15.50%. For the fiscal year ended June 30, 2021, the Statutory Employer/Employee matching rate for Regular members was 15.25%. The Employer-Pay Contribution (EPC) rate was 29.75% for Regular members for the fiscal year ended June 30, 2022. The Employer-Pay Contribution (EPC) rate was 29.25% for Regular members for the fiscal year ended June 30, 2021.
- The District’s contributions were $20,008 for the year ended June 30, 2022.

**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* |
|---|---|---|
| U.S. stocks | 42% | 5.50% |
| International stocks | 18% | 5.50% |
| U.S. bonds | 28% | 0.75% |
| Primate markets | 12% | 6.65% |
| | 100% | |

*As of June 30, 2021, PERS' long-term inflation assumption was 2.50%.

**Net Pension Liability**

At June 30, 2022, the District reported a liability of $161,595 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their employer relative to the total employer contributions for all employers for the period ended June 30, 2021. At June 30, 2021, the District's proportion was .00177%, which was an increase of .00015% from its proportion measured at June 30, 2020.

**Discount Rate and Pension Liability Discount Rate Sensitivity**

The following presents the net pension liability of the District as of June 30, 2022, calculated using the discount rate of 7.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current discount rate:

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|---|---|---|---|
| Net pension liability | $ 321,730 | $ 161,595 | $ 29,496 |

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the PERS Annual Comprehensive Financial Report ("ACFR"). Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS ACFR available on the PERS website at www.nvpers.org under Quick Links – Publications.

**Actuarial Assumptions**

The District's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation rate | 2.50% |
| Payroll growth | 3.50% |
| Investment rate of return | 7.25% |
| Productivity pay increase | 0.50% |
| Projected salary increases | Regular: 4.20% to 9.10%, depending on service<br>Rates include inflation and productivity increases |
| Consumer price index | 2.50% |
| Other assumptions | Same as those used in the June 30, 2021 funding actuarial valuation |

Mortality rates for healthy regular members and contingent beneficiaries were based on Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 15% for females. For ages before age 40, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables. For ages 40 through 50, the rates were smoothed between the above tables. Mortality rates for heathy police/fire members were based on Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 5% for females. For ages before age 35, mortality rates are based on Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table. For ages 35 through 45, the rates were smoothed between the above tables.

Mortality rates for disabled regular members were based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 20% for males and 15% for females. Mortality rates for disabled police/fire members were based on Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 30% for males and 10% for females.

Mortality rates for current beneficiaries were based on Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table with rates increased by 15% for males and 30% for females. For ages before age 35, mortality rates are based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table. For ages 35 through 45, the rates were smoothed between the above tables.

Mortality rates for pre-retirement regular members were based on Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table. Morality rates for pre-retirement police/fire members were based on Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table.

The mortality tables were projected generationally with the two-dimensional mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience study for the period July 1, 2016, through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except the projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Change in Assumptions – The PERS plan reflects the following change in assumptions from June 30, 2020, to June 30, 2021:

- The inflation rate decreased from 2.75% to 2.50%.
- Payroll growth decreased from 5.00% to 3.50%.
- Investment rate of return decreased from 7.50% to 7.25%.
- The consumer price index decreased from 2.75% to 2.50%.
- Mortality rates were changed from Headcount-Weighted RP-2014 Tables to Pub-2010 Mortality Tables.
- Projected salary increases declined from 4.25% to 9.15% to 4.20% to 9.10% for Regular members and increased from 4.55% to 13.90% to 4.60% to 14.50% for Police/Fire members.
- Future mortality improvement was changed from 6 years to the Generational Projection Scale MP-2020.

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

For the year ended June 30, 2022, the District recognized pension expense of $4,795.

At June 30, 2022, 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 | $ 17,900 | $ 1,137 |
| Change of assumptions | 53,652 | - |
| Net difference between principal and actual investment earnings on pension plan investments | - | 131,856 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 36,666 | 33,873 |
| Contributions subsequent to the measurement date | 20,008 | - |
| | $ 128,226 | $ 166,866 |

The $20,008 reported as deferred outflows of resources related to pensions, resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) is 6.14 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

| Years Ending June 30, | |
|---|---|
| 2023 | $ (20,969) |
| 2024 | (20,809) |
| 2025 | (21,037) |
| 2026 | (13,975) |
| 2027 | 15,989 |
| Thereafter | 2,153 |
| | $ (58,648) |

## 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 include the following:

- Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements. This resulted in an adjustment of $76,663 for capital assets not being depreciated, and $1,201,495 for capital assets being depreciated net of ($760,654) for accumulated depreciation, or $440,841.
- Deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements. This resulted in an adjustment of $128,226 for deferred outflows of resources related to pensions.
- Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the fund financial statements. This resulted in:
    - An adjustment of $12,323 for compensated absences; and
    - An adjustment of $161,595 for the net pension liability.
- Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This resulted in an adjustment of $166,866 for deferred inflows of resources related to pensions.

For the statement of activities, these adjustments include the following:

- Expenses reported in the statement of activities that do not require the use that do not require the use of current financial resources are not reported as expenditures in governmental funds. This resulted in a net adjustment of $26,532, comprised of the following:
    - An adjustment of $45,627 for depreciation expense;
    - An adjustment of $5,708 for the change in non-current compensated absences; and
    - An adjustment of ($24,803) for the change in the pension related balances.
- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The District had $117,873 in capital outlay during the year ended June 30, 2022.
- Governmental funds report only available revenue. However, in the statement of activities all revenue earned is reported. This resulted in an adjustment of ($4,114) for the impact of prior year revenue that was received after the available period.
- Governmental funds report the sale of capital assets as an other financing source. However, in the statement of activities, this is recorded as other income. This resulted in a classification adjustment of $20,000 between the two lines.

| | 2022 | | | | 2021 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | | Variance To Final Budget | Actual (Memorandum Only) |
| | Original | Final | Actual | | |
| Revenue | | | | | |
| General revenue | | | | | |
| Property taxes | $ 319,934 | $ 319,934 | $ 321,842 | $ 1,908 | $ 308,744 |
| Consolidated taxes | 567,465 | 567,465 | 535,517 | (31,948) | 487,865 |
| Fair share taxes | 38,000 | 38,000 | 49,287 | 11,287 | 43,014 |
| FEMA | 20,000 | 20,000 | - | (20,000) | 29,127 |
| Other | 100 | 100 | 1,747 | 1,647 | 2,115 |
| Total revenue | 945,499 | 945,499 | 908,393 | (37,106) | 870,865 |
| Expenditures | | | | | |
| Public works | | | | | |
| Salaries | 170,900 | 170,900 | 138,450 | 32,450 | 131,988 |
| Employee benefits | 76,000 | 76,000 | 71,070 | 4,930 | 68,676 |
| Services and supplies | 836,067 | 836,067 | 474,501 | 361,566 | 516,965 |
| Capital outlay | 150,000 | 150,000 | 117,873 | 32,127 | 22,571 |
| Total expenditures | 1,232,967 | 1,232,967 | 801,894 | 431,073 | 740,200 |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | (287,468) | (287,468) | 106,499 | 393,967 | 130,665 |
| Other Financing Sources | | | | | |
| Sale of capital assets | - | - | 20,000 | 20,000 | - |
| Change in Fund Balance | (287,468) | (287,468) | 126,499 | 413,967 | 130,665 |
| Fund Balance, Beginning of Year | 347,468 | 347,468 | 509,261 | 161,793 | 378,596 |
| Fund Balance, End of Year | $ 60,000 | $ 60,000 | $ 635,760 | $ 575,760 | $ 509,261 |

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability | 0.00177% | 0.00162% | 0.00142% | 0.00819% | 0.00191% | 0.00194% | 0.00188% |
| Proportionate share of the net pension liability | $ 161,595 | $ 226,315 | $ 193,222 | $ 258,407 | $ 253,449 | $ 260,857 | $ 215,574 |
| Covered payroll | $ 132,395 | $ 114,320 | $ 96,863 | $ 125,164 | $ 122,177 | $ 120,264 | $ 112,765 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 122.06% | 197.97% | 199.48% | 206.45% | 207.44% | 216.90% | 191.17% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.51% | 77.04% | 76.46% | 75.24% | 72.20% | 72.20% | 75.10% |

* 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.

## Notes to Schedule:

The following table presents significant assumption changes:

| | 2021 | 2020 through 2017 | 2016 through 2014 |
|---|---|---|---|
| Inflation rate | 2.50% | 2.75% | 3.50% |
| Payroll growth | 3.50% | 5.00% | 5.00% |
| Investment rate of return | 7.25% | 7.50% | 8.00% |
| Productivity pay increase | 0.50% | 0.50% | 0.75% |
| Projected salary increases | | | |
| Regular** | 4.20% to 9.10% | 4.25% to 9.15% | 4.60% to 9.75% |
| Police/Fire** | 4.60% to 14.50% | 4.55% to 13.90% | 5.25% to 14.50% |
| Consumer price index | 2.50% | 2.75% | 3.50% |
| Mortality rates | | | |
| Healthy | Pub-2010 General and Safety Healthy Retiree and Employee | Headcount-Weighted RP-2014 Healthy | RP-2000 Combined Healthy Mortality Table |
| Disabled | Pub-2010 Non-Safety and Safety Disabled Retiree Amount-Weighted | Headcount-Weighted RP-2014 Disabled | RP-2000 Disabled Retiree Mortality Table |
| Current beneficiaries*** | Pub-2010 Contingent Survivor and General Employee | Headcount-Weighted RP-2014 Healthy | N/A |
| Pre-retirement*** | Pub-2010 General and Safety Employee | Headcount-Weighted RP-2014 Employee | N/A |
| Future mortality improvement | Generational Projection Scale MP-2020 | 6 years | N/A |

** Depending on service. Rates include inflation and productivity increases.
*** Amount-Weighted Above-Median.

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 20,008 | $ 18,547 | $ 16,933 | $ 12,481 | $ 17,523 | $ 17,081 | $ 16,837 |
| Contributions in relation to the contractually required contributions | $ (20,008) | $ (18,547) | $ (16,933) | $ (12,481) | $ (17,523) | $ (17,081) | $ (16,837) |
| Covered payroll | $ 132,395 | $ 124,600 | $ 114,320 | $ 96,863 | $ 125,164 | $ 122,177 | $ 120,264 |
| Contributions as a percentage of covered payroll | 15.11% | 14.89% | 14.81% | 12.89% | 14.00% | 13.98% | 14.00% |

* 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 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 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, 2022, 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 25, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

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.

Eide Bailly LLP

Reno, Nevada
October 25, 2022

**Auditor's 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 (the "District") as of and for the year ended June 30, 2022, 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, 2022.

**Current Year Recommendations**
There are no current year recommendations.

**Progress on Prior Year Recommendations**
There were no prior year recommendations.

Eide Bailly LLP

Reno, Nevada
October 25, 2022