# Clark County Water Reclamation District

A Component Unit of Clark County, Nevada

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2016



#### **Clark County Water Reclamation District**

A Component Unit of Clark County, Nevada

#### COMPREHENSIVE ANNUAL FINANCIAL REPORT



#### CLARK COUNTY WATER RECLAMATION DISTRICT 5857 East Flamingo Road Las Vegas, Nevada 89122 (702) 434-6600

www.cleanwaterteam.com

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

Prepared by the Finance Service Section Under the Supervision of Brett R. Borek, Financial Services Manager

#### COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2016

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# Introductory Section

The
"Clean
Water Team"



Clark County Water Reclamation District Flamingo Water Resource Center

# CLARK COUNTY WATER RECLAMATION DISTRICT COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

#### **Clark County Water Reclamation District Officials**

A Board of Trustees, consisting of seven members, governs the Clark County Water Reclamation District (the District). Each member also sits on the seven-member Clark County Commission. Current Trustees of the District Board are as follows:



(L-R) Steve Sisolak – Vice-Chair, Mary Beth Scow, Susan Brager, Chris Giunchigliani, Marilyn Kirkpatrick, Lawrence Weekly, Larry Brown - Chair

#### Other Elected Officials

Laura Fitzpatrick Treasurer

Lynn Goya District Secretary

**District Administrative Officials** 

Thomas A. Minwegen General Manager

Daniel Fischer Deputy General Manager, Plant Operations and Laboratory

Shawn Mollus Deputy General Manager, Engineering and Construction

Mark Binney Assistant General Manager, Finance and Technology Solutions

Richard Donahue Assistant General Manager, Collection System and Maintenance

Marty Flynn Assistant to the General Manager, Customer Care



## **Clark County Water Reclamation District**

December 7, 2016

Ex Officio Board of Trustees Board of County Commissioners Clark County Water Reclamation District 500 South Grand Central Parkway Las Vegas, Nevada 89155-1601

Honorable Trustees and Rate Payers of the Clark County Water Reclamation District:

We wish to express our appreciation to the Board for their leadership and support in planning and coordinating the operations of the Clark County Water Reclamation District (the District). We are pleased to present the District's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2016.

This report was prepared by the District's Finance Service Group following guidelines set forth by the Governmental Accounting Standards Board (GASB) with financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States.

Management assumes full responsibility for both the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor and Kern, Certified Public Accountants, have issued an unmodified ("clean") opinion on the District's basic financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follow the independent auditor's report and provide a narrative introduction, overview, and analysis of the basic financial statements. The MD&A and the financial statements complement this letter of transmittal and should be read in conjunction with it.

#### **District Information**

The purpose of the District is to ensure the collection, treatment, and reclamation of wastewater so it can be safely returned to the environment. The District was established as a General Improvement District under Nevada Revised Statute (NRS 318) in 1954 and, as such, is a political subdivision of the State. The District has been granted the authority to levy taxes, sell bonds, create assessment districts, and the right of eminent domain. The District's bond covenants provide that rates and charges be sufficient to cover operation and maintenance costs and general expenses, including principal and interest payments on outstanding bonds.

The District is governed by a seven-member ex-officio Board of Trustees (the Board), which is comprised of members of the Clark County Commission. The Commissioners are elected from geographical districts on a partisan basis for staggered four-year terms. The Board elects a chairperson and a vice-chairperson who serve as the Board's presiding officers. The Board of Trustees has the power to set the District's rates and charges. Currently, the District's Chairperson is Commissioner Lawrence Brown III, and the Vice-Chairperson is Commissioner Steve Sisolak.

As a General Improvement District, the District was established in a manner similar to private business enterprises; where the cost of providing goods and services on a continuing basis is financed primarily through user charges. To that end, rates and charges should be sufficient to recover all revenue requirements (both operating and capital) of the District. The District follows the customer User Charge System guidelines which are required as an Environmental Protection Agency grant-assisted wastewater facility in accordance with the Code of Federal Regulations Section 40 Part 35.

The District employs the accrual basis for recording and reporting financial transactions. Therefore, revenues and expenses are recorded in the period in which they are incurred. During the fiscal year, funds will be encumbered upon approval of individual purchase orders. At fiscal year-end, encumbrances lapse on unfilled orders for operations and maintenance items. Items or services received after year end are charged to the next fiscal year. The acquisition, repairs and improvement of the wastewater facilities required to provide services may be financed from existing cash resources, the issuance of bonds, state revolving loans, the receipt of grants and other financing mechanisms.

The District's facilities in all service areas consist of a network of over 2,067 miles of pipelines for the conveyance of wastewater to facilities for treatment in the unincorporated areas of Clark County including the resort destinations on the Las Vegas Strip. The District also operates facilities in service areas outside of the Las Vegas Valley, including Laughlin, Searchlight, Moapa Valley, Blue Diamond, and Indian Springs as shown on the Page VIII Service Area Map. Wastewater is conveyed to the treatment facilities, where it undergoes a series of physical, biological and chemical processes that meet or exceed federal, state and local discharge standards.

All major sewer lines within the system were constructed after 1954. Approximately 55% of the District's sewer lines have been installed since 1987. The District's wastewater treatment systems service 250,969 active accounts: 241,459 are residential accounts and 9,510 are commercial accounts. A total of 246,858 accounts are in the Las Vegas Valley, 2,845 are in Laughlin, and 1,266 are accounts in all other service areas.

#### Local Economy

According to the University of Nevada Las Vegas' Center for Business and Economic Research (CBER):

- Clark County visitor volume increased 3.6% over 2015
- McCarran International Airport passengers increased 5.7% over 2015
- Seasonally adjusted employment increased 0.9% over 2015 while unemployment decreased to 6.4% from 2015

#### Long-Term Financial Planning and Major Initiatives

The District maintains both a Five-Year and a Long-Term Comprehensive Financial Plan. Included in both plans are the current and projected capital improvement program (CIP) costs, revenue projections, expenditure projections, and rate modeling. The District's CIP is a plan that includes rehabilitation and replacement of existing infrastructure, new infrastructure, and expansion of existing infrastructure due to service area growth or capacity requirements.

These comprehensive plans link the District's physical development planning with the fiscal planning. The Five-Year and Long-Term Financial Plans allow for adjustments to be made based on changes in activity, requirements, and needs, while providing the District with the ability to maintain strong and stable designated unrestricted cash reserves.

The District's annual sewer service charges pay for services, supplies, personnel, annual replacement and rehabilitation debt service, and capital rehabilitation and replacement. The District uses a universal rate system, where all service areas are charged the same annual amount for sewer service fees per Equivalent

Board of County Commissioners December 7, 2016

Residential Unit (ERU). A single family residence has a billing value of 1.0 ERU; all other residential and commercial accounts are derived from that base value. The District's annual sewer service rate on July 1, 2016 was \$221.09 per ERU.

System Development Approval (SDA) fees are connection fees the District charges for each ERU that connects to the wastewater facilities. SDA fees are due and payable in advance of connection to the District's facilities. It is the practice of the District to use SDA revenues to fund the District's capital expansion program, capital equipment related to expansion of existing infrastructure due to service area growth or capacity requirements and expansion related debt. Page VII provides an overview of the District's Sources and uses of Funds.

As of June 30, 2016, the Five-Year Capital Improvement Plan (FY16/17 through FY 20/21) totaled \$549 million. This amount reflects the various capital projects that are expected to be designed and/or constructed over the next five years to rehabilitate existing infrastructure and to meet District expansion needs. The District plans to spend \$265 million for replacement or rehabilitation and \$176 million on capacity expansion projects in the Las Vegas Valley. For the service areas outside the Las Vegas Valley, the District plans to spend \$31 million for capacity expansion and rehabilitation projects. Management of the total capital improvement program is budgeted at \$36 million. Capital Equipment is budgeted at \$41 Million for various new and replacement equipment.

#### **Relevant Financial Policies**

#### **Debt Administration**

In accordance with NRS 350.013 Subsection (1)(c), the District annually submits its Debt Management Policy to the State Department of Taxation and the Debt Management Commission. The purpose of the policy is to manage the issuance of the District's debt obligations and to maintain the District's ability to incur debt and other long-term obligations at favorable interest rates for capital improvements, facilities, and equipment.

It is the general intent of the District that rates and charges are adequate to provide for all costs and that reliance on ad valorem taxes is avoided. Historically, there has been no reliance on ad valorem taxes to support the District's operations or debt service. There is no plan or intention to call upon ad valorem taxes to support the District's debt or other financial requirements. The District's Debt Management Policy can be viewed on the District's web site at http://www.cleanwaterteam.com.

Credit ratings indicate to potential investors whether an entity is considered a good credit risk. Credit ratings issued by the bond rating agencies are a major factor in determining the cost of borrowed funds in the municipal bond market and other debt financing mechanisms. The District currently holds an AAA bond rating with a stable outlook from Standard and Poor's and an Aal rating from Moody's Investor Services. These ratings reflect the District's strong financial position, stable revenues, and effective financial planning.

Each time the District issues bonds through a competitive sale, a Continuing Disclosure Certificate must be executed. The Continuing Disclosure Certificate outlines the District's responsibilities with regard to complying with Securities and Exchange Commission (SEC) Rule 15c2-12(b)(5). As of July 1, 2009, the Municipal Securities Rulemaking Board (MSRB) requires all municipal issuers to electronically file Annual Reports and Material Event Notices through the Electronic Municipal Market Access (EMMA) System which are available at <a href="http://emma.msrb.org">http://emma.msrb.org</a>. The District continues to be in compliance with this requirement.

#### **Designated Unrestricted Reserves**

Pursuant to current policy, the District maintains several designated unrestricted reserves. Designated Unrestricted Reserves are available for appropriation, but the funds have been earmarked for a particular purpose. Designated unrestricted funds can be designated to reflect the District's management priorities, such as completion of capital improvement projects or providing for unknown contingent liabilities.

#### Restricted Reserves

It is the District's policy to maintain restricted fund balance reserves. These reserves are used to segregate financial resources of a fund reserve that are not available to liquidate liabilities of the current period. The District's current restricted reserves include bond reserves being held by the Clark County Treasurer's office, and workers' compensation insurance fund.

#### Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Clark County Water Reclamation District for its CAFR for the year ended June 30, 2015. The District has received this prestigious award for the last thirty consecutive years. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the Certificate of Achievement program requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort and dedicated service of the accounting and finance service sections. Our appreciation is also extended to all District staff for their assistance and contribution to the preparation of this report.

Respectfully submitted,

Shomas a. Minweger

Thomas A. Minwegen General Manager

BOARD OF TRUSTEES

Lawrence L. Brown III, Chair. Steve Sisolak, Vice Chair.

Susan Brager. Marilyn Kirkpatrick. Chris Giunchigliani. Mary Beth Scow. Lawrence Weekly

Tom Minwegen, General Manager

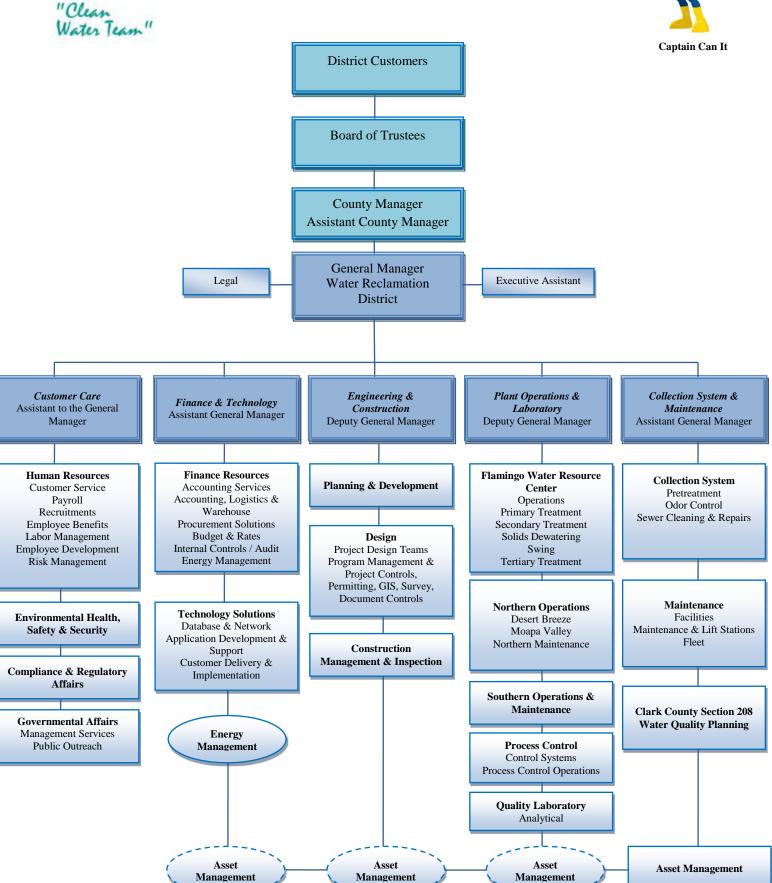
5857 East Flamingo Road. Las Vegas, Nevada 89122. (702) 434-6600. (800) 782-4324 cleanwaterteam.com



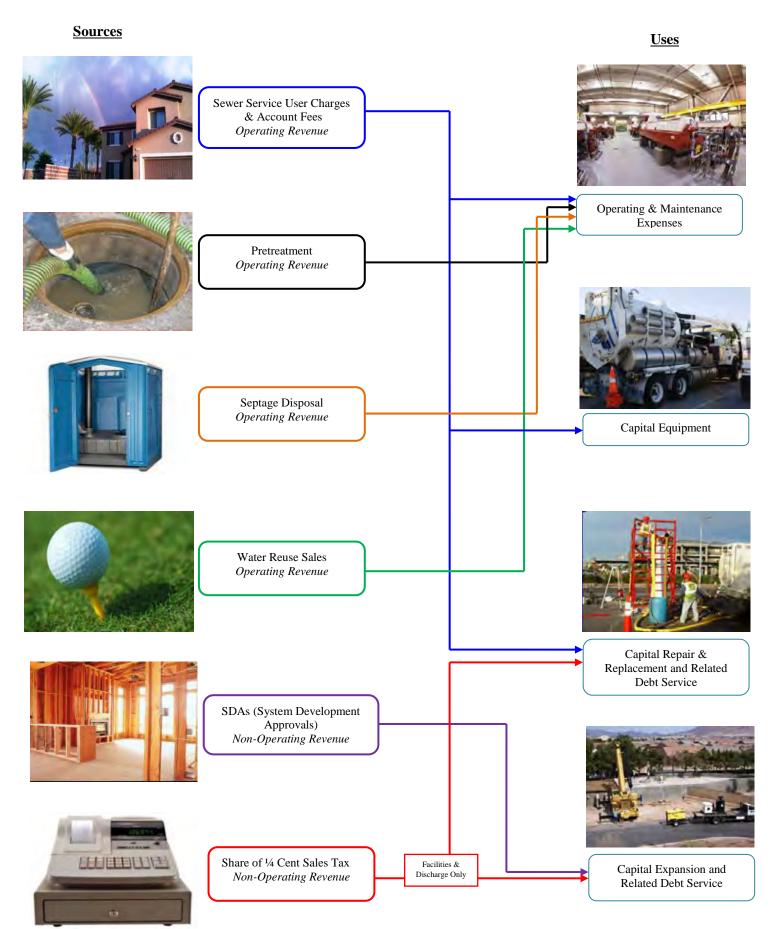
# Clark County

### Water Reclamation District

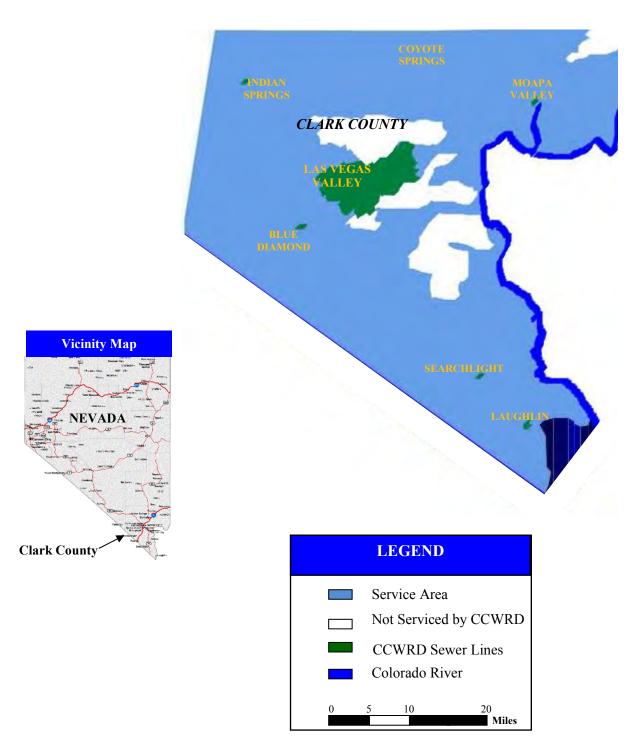




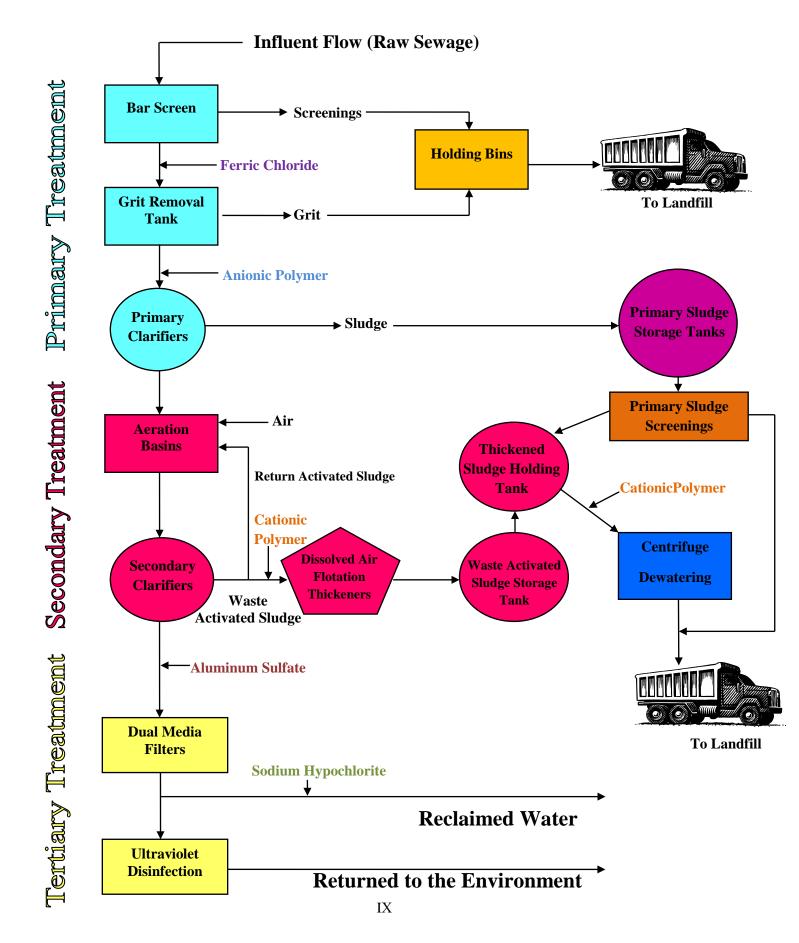
### Clark County Water Reclamation District Sources and Uses of Funds



# Clark County Water Reclamation District Service Area Map



# Clark County Water Reclamation District Flamingo Water Resource Center Treatment Process





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

# Clark County Water Reclamation District Nevada

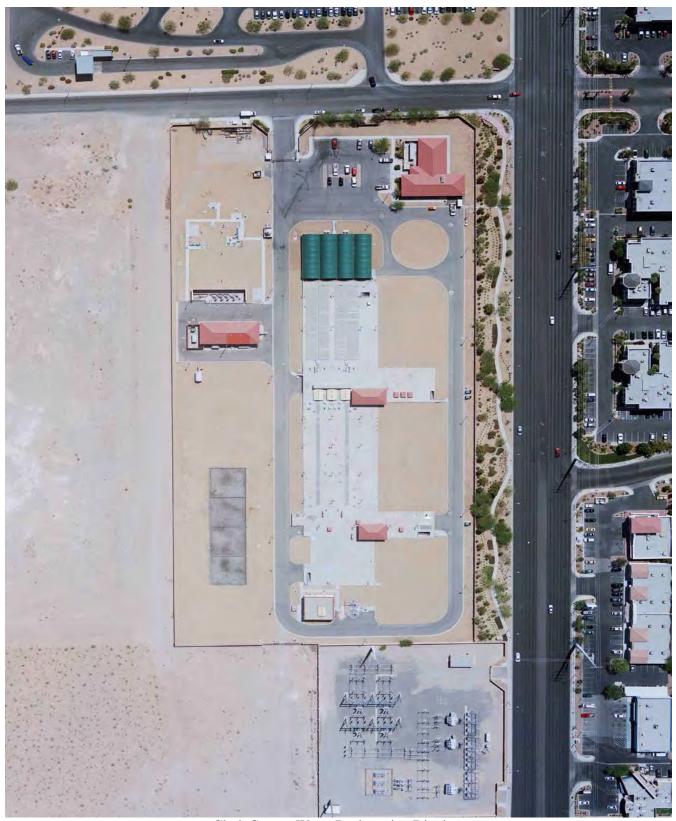
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

# Financial Section (Audited)

The
"Clean
Water Team"



Clark County Water Reclamation District Desert Breeze Water Resource Center



## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable Clark County Water Reclamation District Board of Trustees Clark County Water Reclamation District Las Vegas, Nevada

We have audited the accompanying financial statements of the Clark County Water Reclamation District (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

An audit performed in accordance with applicable professional standards is a process designed to obtain reasonable assurance about whether the District's basic financial statements are free from material misstatement. This process involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic financial statements to enable the design of 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, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the basic financial statements.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of the basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility.** Our responsibility is to express an opinion on the basic 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 basic financial statements are free from material misstatement.

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

**Opinion.** In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment benefits other than pensions, schedule of funding progress, proportionate share of the collective net pension liability information, proportionate share of statutorily required pension contribution information and on pages 3-8 and 37-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards. In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2016, 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.

Viery Bowler Taylor & Kern
Las Vegas, Nevada
December 7, 2016

#### CLARK COUNTY WATER RECLAMATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016, 2015, AND 2014

As management of the Clark County Water Reclamation District (the 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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements which follow this section.

#### Financial Highlights 2016, 2015, and 2014

- Total Net Position increased by \$68 million (4%) for a total of \$2 billion at June 30, 2016. During fiscal year(s) ended 2015 and 2014, total net position increased by \$66 (4%) and \$23 (2%) million respectively for a total of \$1.6 billion and \$1.6 billion.
- Change in Net Position increased by \$2 million (2%) for a total of \$67 million for fiscal year 2016. During fiscal year(s) ended 2015 and 2014 change in net position decreased by \$4 million (-6%) and increased by \$32 million (86%) respectively for a total of \$66 million and \$70 million.
- Capital Assets, Net of Accumulated Depreciation increased by \$220 million (13%) for a total of \$1.9 billion at June 30, 2016. During fiscal year(s) ended 2015 and 2014 capital assets, net of accumulated depreciation, increased \$111 million (7%) and \$31 million (2%) respectively for a total of \$1.7 billion and \$1.5 billion.

#### **Overview of the Financial Statements**

The District uses accrual basis accounting, and accounts for all assets used in the production of services offered. The financial statements of the District are self-contained and may be used by its Board of Trustees, rate payers, creditors, investors, legislators or the general public to evaluate the performance of the District in a manner similar to that used to evaluate private sector businesses.

The District is required to present three basic financial statements. The Statement of Net Position, which outlines all of the District's financial and capital resources, and serves as the District's statement of financial position. The Statement of Net Position uses the format of: assets, plus deferred outflows of resources, minus liabilities, plus deferred inflows of resources, equal net position. The Statement of Revenue, Expenses, and Changes in Net Position presents basic information regarding the District's financial activities and provides insight to the user regarding the sources of funding for the District's operations. The Statement of Cash Flows reports cash receipts and disbursements during the reporting year for operating activities, capital and related financing activities, and investing activities. All statements are prepared in accordance with accounting principles generally accepted in the United States.

#### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 12-36 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide Post-Employment Benefits Other Than Pensions (OPEB) to its employees and its proportionate share of net pension liability and schedule of contributions related to pension. Required supplementary information can be found on page 37 of this report.

#### **Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial condition. In the case of the District, assets exceeded liabilities by \$1.7, \$1.6, and \$1.6 billion in 2016, 2015 and 2014, respectively. See Net Position (Table 1), for a summary of the District's net position over the last three years.

| Table 1 - Net Position           | Year Ended       | Year Ended       |                         |                  |                       |
|----------------------------------|------------------|------------------|-------------------------|------------------|-----------------------|
|                                  | June 30, 2016    | June 30, 2015    | Increase (Decrease)     | June 30, 2014    | Increase (Decrease)   |
| Current and other assets         | \$ 437,981,957   | \$ 586,301,235   | \$ (148,319,278) -25.3% | \$ 612,828,354   | \$ (26,527,119) -4.3% |
| Capital assets                   | 1,875,570,754    | 1,655,931,378    | 219,639,376 13.3%       | 1,545,153,232    | 110,778,146 7.2%      |
| Total Assets                     | 2,313,552,711    | 2,242,232,614    | 71,320,098 3.2%         | 2,157,981,587    | 84,251,027 3.9%       |
| Deferred Loss on Bond Refunding  | 12,777,948       | -                | 12,777,948 0.0%         | -                | - 0.0%                |
| Deferred Outflows/Pension Plan   | 8,258,090        | 6,622,811        | 1,635,279 24.7%         | 6,039,644        | 583,167 100.0%        |
| Current and other liabilities    | 64,021,838       | 68,653,290       | (4,631,452) -6.7%       | 44,530,998       | 24,122,292 54.2%      |
| Long-term liabilities            | 548,624,446      | 521,373,491      | 27,250,955 5.2%         | 537,259,484      | (15,885,993) -3.0%    |
| Total Liabilities                | 612,646,284      | 590,026,781      | 22,619,503 3.8%         | 581,790,482      | 8,236,299 1.4%        |
| Deferred Inflows/Pension Plan    | 6,000,687        | 10,776,979       | (4,776,292) 100.0%      | -                | 10,776,979 0.0%       |
| Net Position:                    |                  |                  |                         |                  |                       |
| Net investment in capital assets | 1,356,091,577    | 1,152,486,134    | 203,605,443 17.7%       | 1,057,541,097    | 94,945,037 9.0%       |
| Restricted                       | 18,172,668       | 12,882,961       | 5,289,707 41.1%         | 11,981,142       | 901,819 7.5%          |
| Unrestricted                     | 341,677,533      | 482,682,569      | (141,005,036) -29.2%    | 512,708,509      | (30,025,940) -5.9%    |
| Total Net Position               | \$ 1,715,941,778 | \$ 1,648,051,664 | \$ 67,890,114 4.1%      | \$ 1,582,230,748 | \$ 65,820,916 4.2%    |

As outlined in the above table, total net position is comprised of three distinct components: net investment in capital assets, restricted and unrestricted. By far, the largest portion of the District's net position \$1.4 billion, reflects its investment in capital assets. This portion represents the capital assets net of any outstanding debt that is directly attributable to the acquisition, construction or improvement of those assets. The District uses those capital assets to provide services to rate payers; consequently, those assets are not available for future spending.

An additional portion of the District's net position, approximately \$18 million, represents resources that are subject to constraints due to legislative restrictions or other external restrictions. The remaining balance of \$342 million is unrestricted and may be used when restricted assets are depleted to meet ongoing obligations to rate payers and creditors which are not funded by restricted resources or for use in the event of a facility emergency.

The District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions* during fiscal year ended June 30, 2015 and has allocated its proportionate share of the Public Employees Retirement System's (PERS) net pension asset (liability), deferred outflows of resources, deferred inflows of resources, and pension expense.

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net position. The same situation held true for the two previous fiscal years.

#### Fiscal Year Ended 2016 Summary:

- Total assets increased \$72 million (3%) over fiscal year ended 2015 as a result of an increase in capital assets.
- Total liabilities increased \$23 million (4%) over fiscal year ended 2015 primarily due to increases in construction contracts payable, pension liability, bond refunding and accounts payable.

#### Fiscal Year Ended 2015 Summary:

- Total assets increased \$84 million (4%) over fiscal year ended 2014 as a result of increases in current assets and total capital assets.
- Total liabilities increased \$8 million (1%) over fiscal year ended 2014 primarily due to a increases in construction contracts payable, bonds payable and net pension liability.

Changes in the District's net position can be determined by a review of the following condensed Statements of Revenue, Expenses and Change in Net Position (Table 2).

| Operating Revenues:         \$ 143,142,433         \$ 142,374,180         \$ 768,252         0.%         \$ 139,716,364         \$ 2,677,816         7.83           Other         2,441,918         2,454,643         (1,222)         0.%         \$ 3,793,279         (1,338,630)         3.78           Total Operating Revenues:         145,584,531         144,828,823         785,529         0.%         \$ 3,793,279         (1,338,630)         3.83           SOA revenue         19,481,062         24,013,884         (4,532,822)         1.8%         \$ 31,461,511         7,474,627         2.78           SOA revenue         17,177,74         17,078,167         639,887         3,7%         15,911,06         11,66,461         7.3%           Soal sta apportionment         17,177,74         17,078,167         639,887         3,7%         15,911,06         11,66,41         7.3%           Note increase (decrease) in the fair         12,227,614         433,479         49,961,07         (587,90)         13,88         18,82,969         11,83,179         43,961,07         12,88         18,82,969         11,83,179         43,961,07         12,88         18,82,969         12,88,179         13,88         18,82,969         12,88,179         13,88         18,82,969         12,88,179         13,88  | Table 2 - Change in Net Position                 | Year Ended<br>June 30, 2016 | Year Ended<br>June 30, 2015 | Increase (Decrease) | Year Ended<br>June 30, 2014 | Increase (Decrease)                   |
|---|--|-----------------------------|-----------------------------|---------------------|-----------------------------|---------------------------------------|
| Other         2,441,918         2,454,643         (12,725)         0.5%         3,793,279         (1,338,636)         3.38           Total Operating Revenues         145,584,351         144,828,823         755,529         0.5%         143,509,643         13,191,80         0.9%           Non-Operating Revenues         19,481,062         24,013,884         (4,532,822)         18.9%         31,461,511         (7,447,627)         23,7%           Saks tax apportionment         15,041,177         6353,418         (4,532,822)         18.9%         31,461,511         (7,447,627)         23,7%           Net increase (decrease) in the fair         value of unrestricted investment         19,297,76         22,16,807         (287,031)         12.9%         2,086,425         13,0382         6.2%           Other - Net         1(247,980)         30,798         (1,549,778)         513,5%         1882,996         (1,581,171)         84,096           Total Revenues         433,847,29         49,964,074         65,593,361         3,2%         573,669,533         (7,402,879)         12.9%           Total Revenues         42,504,234         22,345,906         21,58,327         9.7%         22,280,786         65,120         0.3%           Salaries         24,504,234         23,45,906 </th <th>Operating Revenues:</th> <th></th> <th></th> <th></th> <th></th> <th></th>  | Operating Revenues:                              |                             |                             |                     |                             |                                       |
| Non-Operating Revenues   145.584,351   144.828,823   755.529   0.5%   143.509,643   1.319,180   0.9%  | Sewer service charges                            | \$ 143,142,433              | \$ 142,374,180              | \$ 768,252 0.5%     | \$ 139,716,364              | \$ 2,657,816 1.9%                     |
| Non-Operating Revenues   145.884.351   144.828.823   755.529   0.5%   143.509.643   1.319.180   0.9%  | Other  | 2,441,918                   | 2,454,643                   | (12,725) -0.5%      | 3,793,279                   | (1,338,636) -35.3%                    |
| SDA revenue   | Total Operating Revenues                         |                             |                             |                     |                             |                                       |
| Sales tax apportionment         17,717,754         17,078,167         635,887         3.7%         15,911,706         1,166,461         7.3%           Investment income         5,504,117         6,533,418         (849,301)         -13,4%         6,024,342         329,076         5,5%           Net increase (decrease) in the fair         value of unrestricted investment         1,929,776         2,216,807         (287,031)         -12,9%         2,086,425         130,382         6,2%           Other - Net         (1,247,980)         301,798         (1,549,778)         -513,5%         1,882,969         (1,581,171)         84,0%           Total Non-Operating Revenues         43,384,729         49,964,074         (6,579,346)         -13,2%         57,366,953         (7,402,879)         -12,9%           Total Revenues         188,969,080         194,792,897         (5,823,817)         -3,0%         200,876,596         (6,083,700)         -3,0%           Expenses:         5341,752         42,504,234         22,345,906         2,158,327         9,7%         22,280,786         65,120         0,3%           Benefits         8,372,845         8,261,396         111,449         1,3%         8,596,198         (348,402)         3,9%           Othiside services         7,597,305  | Non-Operating Revenues:                          |                             |                             |                     |                             |                                       |
| Investment income   5.504,117   6.353,418   (849,301) - 13.4%   6.024,342   329,076   5.5%     Net increase (decrease) in the fair value of unrestricted investment   1.929,776   2.216,807   (287,031) - 12.9%   2.086,425   130,382   6.2%     Other - Net   (1.247,980)   301,798   (1.549,778) - 513.5%   1.882,969   (1.581,171)   84.0%     Total Rovenues   43,384,729   49,964,074   (6.57),346   -13.2%   57,366,953   (7.402,879)   -12.9%     Total Revenues   188,969,080   194,792,897   (5.823,817)   -3.0%   200,876,596   (6.083,700)   -3.0%     Expenses:   | SDA revenue                                      | 19,481,062                  | 24,013,884                  | (4,532,822) -18.9%  | 31,461,511                  | (7,447,627) -23.7%                    |
| Net increase (decrease) in the fair value of unrestricted investment   1,929,776   2,216,807   (287,031) - 12.9%   2,086,425   130,382   6.2%   100 cher - Net   (1,247,980)   301,798   (1,549,778) - 513.5%   1,882,969   (1,581,171)   -84,0%   (1,581,172)   -84,0%   -84,0%   (1,581,172)   -84,0% | Sales tax apportionment                          | 17,717,754                  | 17,078,167                  | 639,587 3.7%        | 15,911,706                  | 1,166,461 7.3%                        |
| value of umrestricted investment         1,929,776         2,216,807         (287,011)         1-2.9%         2,086,425         130,382         6.2%           Other - Net         (1,247,980)         301,798         (1,549,778)         513,5%         1,882,969         (1,581,171)         -84.0%           Total Non-Operating Revenues         43,384,729         49,964,074         (6,579,346)         -13.2%         573,66953         (7,402,879)         -12.9%           Total Revenues         188,969,080         194,792,897         (5,823,817)         -3.0%         200,876,596         (6,083,700)         -3.0%           Expenses:         50,000         2,158,327         9.7%         22,280,786         65,120         0.3%           Benefits         8,372,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3.9%           Other post employment benefits         2,256,041         2,486,393         (203,522)         -9.3%         2,613,469         (17,776)         -4.9%           Other post employment benefits         2,256,041         2,486,393         (230,322)         -9.3%         2,613,469         (17,776)         -4.9%           Othistics ervices         7,597,305         7,593,357         543,735         7.7% <t< td=""><td>Investment income</td><td>5,504,117</td><td>6,353,418</td><td>(849,301) -13.4%</td><td>6,024,342</td><td>329,076 5.5%</td></t<>  | Investment income                                | 5,504,117                   | 6,353,418                   | (849,301) -13.4%    | 6,024,342                   | 329,076 5.5%                          |
| Other - Net         (1,247,980)         301,798         (1,549,778)         513,5%         1,882,969         (1,581,171)         -84,0%           Total Non-Operating Revenues         43,384,729         49,964,074         (6,579,346)         1-3.2%         573,366,953         (7,402,879)         -12,9%           Total Revenues         188,969,080         194,792,897         (5,823,817)         3.0%         200,876,596         (6,083,700)         -3.0%           Expenses:         2         4,504,234         22,345,906         2,158,327         9,7%         22,280,786         65,120         0.3%           Benefits         8,572,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3,9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         9,3%         2,613,469         (17,707)         4,9%           Other services         7,597,305         7,053,570         543,735         7,7%         6,585,336         468,234         7,1%           Chemicals         4,870,869         5,186,742         (315,873)         6,115,822         (929,080)         -15,2%           Other expenses         2,195,097         6,160,644         (3,965,547)         6,585,365         11,8% </td <td>Net increase (decrease) in the fair</td> <td></td> <td></td> <td></td> <td></td> <td></td>  | Net increase (decrease) in the fair              |                             |                             |                     |                             |                                       |
| Other - Net         (1,247,980)         301,798         (1,549,778)         513,5%         1,882,969         (1,581,171)         -84,0%           Total Non-Operating Revenues         43,384,729         49,964,074         (6,579,346)         13.2%         57,366,953         (7,402,879)         -12.9%           Expenses:         188,969,080         194,792,897         (5,823,817)         3.0%         200,876,596         (6,083,700)         3.0%           Expenses:         2         4,504,234         22,345,906         2,158,327         9.7%         22,280,786         65,120         0.3%           Benefits         8,572,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3,9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         9.3%         2,613,469         (17,707)         4,9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         9.3%         2,613,469         (17,707)         4,9%           Other post employment benefits         2,256,041         1,2486,393         (230,352)         9.3%         2,613,469         (17,707)         4,9%           Utilities         1,3486         3,158,357         1,348,348   | value of unrestricted investment                 | 1,929,776                   | 2.216.807                   | (287.031) -12.9%    | 2.086.425                   | 130.382 6.2%                          |
| Total Non-Operating Revenues  |  |                             |                             | . , ,               |                             | , , , , , , , , , , , , , , , , , , , |
| Expenses:   |  |                             |                             |                     |                             |                                       |
| Salaries         24,504,234         22,345,906         2,158,327         9.7%         22,280,786         65,120         0.3%           Benefits         8,372,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3,9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         9-3%         2,613,469         (127,076)         4.9%           Utilities         10,830,647         11,265,489         (434,841)         -3.9%         10,440,207         825,282         7.9%           Outside services         7,597,305         7,053,370         543,735         7.7%         65,853,366         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         6-11%         6,115,822         (929,080)         -15.2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5893,990         (510,062)         8.7         60,644         (3,965,547)         64,4%         6,376,168         (215,524)         -3,4%         Supplies         4,188,204         2,277,092         1,381,183         49.7%         1,389,483         49.7%         1,389,483         49.7%         1,349,493         2,24,49         9.2  | = =  |                             |                             |                     |                             |                                       |
| Salaries         24,504,234         22,345,906         2,158,327         9.7%         22,280,786         65,120         0.3%           Benefits         8,372,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3,9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         9-3%         2,613,469         (127,076)         4.9%           Utilities         10,830,647         11,265,489         (434,841)         -3.9%         10,440,207         825,282         7.9%           Outside services         7,597,305         7,053,370         543,735         7.7%         65,853,366         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         6-11%         6,115,822         (929,080)         -15.2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5893,990         (510,062)         8.7         60,644         (3,965,547)         64,4%         6,376,168         (215,524)         -3,4%         Supplies         4,188,204         2,277,092         1,381,183         49.7%         1,389,483         49.7%         1,389,483         49.7%         1,349,493         2,24,49         9.2  | _  |                             |                             |                     |                             |                                       |
| Benefits         8,372,845         8,261,396         111,449         1.3%         8,596,198         (334,802)         -3.9%           Other post employment benefits         2,256,041         2,486,393         (230,352)         -9.3%         2,613,469         (127,076)         -4.9%           Utilities         10,830,647         11,265,489         (434,841)         -3.9%         10,440,207         825,282         7.9%           Outside services         7,597,305         7,597,305         7,597,305         543,735         7,7%         6,585,336         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         -6.1%         6,115,822         (929,080)         -15,2%           Maintenance         4,750,373         5,383,928         (633,556)         1.1.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,47)         -6.4,4%         6,376,168         (215,524)         -3.4           Supplies         4,158,204         2,777,022         1,381,183         49,7%         1,380,948         1,396,074         101,1%           Impartment and other losses         5,990,564         2,997,433         2,291,318         49,7%         5,   | •  | 24.504.224                  | 22.245.005                  | 2.150.225 0.50      | 22 200 504                  | 57.100 0.00V                          |
| Other post employment benefits         2,256,041         2,486,393         (230,352)         -9.3%         2,613,469         (127,076)         4.9%           Utilities         10,830,647         11,265,489         (434,841)         -3.9%         10,440,207         825,282         7.9%           Outside services         7,597,305         7,053,570         543,735         7.7%         6,585,336         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         -6.1%         6,115,822         (929,080)         -15,2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,547)         -64.4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,277,4022         1,318,183         49,7%         13,80,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760  |  |                             |                             |                     | , ,                         | ,                                     |
| Utilities         10,830,647         11,265,489         (434,841)         -3.9%         10,440,207         825,282         7.9%           Outside services         7,597,305         7,053,570         543,735         7.7%         6,585,336         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         -6.1%         6,115,822         (929,080)         -15,2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,547)         -64,4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428<  |  |                             |                             |                     | , ,                         | . , ,                                 |
| Outside services         7,597,305         7,053,570         543,735         7.7%         6,585,336         468,234         7.1%           Chemicals         4,870,869         5,186,742         (315,873)         -6.1%         6,115,822         (929,080)         -15.2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,547)         -64.4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168  |  |                             |                             |                     |                             | . , ,                                 |
| Chemicals         4,870,869         5,186,742         (315,873)         -6.1%         6,115,822         (929,080)         -15.2%           Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,547)         -64.4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         165,14,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:         7         -         -         -         -         -  |  | - , ,                       |                             |                     |                             |                                       |
| Maintenance         4,750,373         5,383,928         (633,556)         -11.8%         5,893,990         (510,062)         -8.7%           Other expenses         2,195,097         6,160,644         (3,965,547)         -64.4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:         51,375,748         36,528,528         14,847,221  |  |                             | , ,                         |                     | , ,                         |                                       |
| Other expenses         2,195,097         6,160,644         (3,965,547)         -64.4%         6,376,168         (215,524)         -3.4%           Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101,1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,881         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:         Contributed assets         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114   |  |                             |                             |                     |                             |                                       |
| Supplies         4,158,204         2,777,022         1,381,183         49.7%         1,380,948         1,396,074         101.1%           Impairment and other losses         5,990,564         2,997,433         2,993,131         99.9%         2,744,934         252,499         9.2%           Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:  |  | , ,                         | , ,                         | . , ,               | , ,                         |                                       |
| Impairment and other losses   5,990,564   2,997,433   2,993,131   99.9%   2,744,934   252,499   9.2%     Depreciation   87,587,851   79,492,040   8,095,812   10.2%   75,643,760   3,848,280   5.1%     Interest Expense   9,340,684   12,089,946   (2,749,262)   -22.7%   10,578,550   1,511,396   14.3%     Total Expenses   172,454,714   165,500,509   6,954,205   4.2%   159,250,168   6,250,341   3.9%     Income Before Capital Contributions   16,514,366   29,292,388   (12,778,021)   -43.6%   41,626,428   (12,334,040)   -29.6%     Capital Contributions:  |  |                             |                             | (-)                 |                             | , , ,                                 |
| Depreciation         87,587,851         79,492,040         8,095,812         10.2%         75,643,760         3,848,280         5.1%           Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114         65,820,916         2,069,198         3.1%         69,756,482         (3,935,566)         -5.6%           Net Position, Beginning of the Year, as Reported Adjustments         1,648,051,664         1,645,710,143         2,341,521         0.1%         1,573,208,727         72,501,416         4.6%           Net Position, Beginning of the Year, as Adjusted         1,648,051,664         1,582,230,748         65,820,916         4.2%         1,512,474,266         69,756,482         4.6%   | 11   | , , -                       | , ,                         |                     | , ,                         |                                       |
| Interest Expense         9,340,684         12,089,946         (2,749,262)         -22.7%         10,578,550         1,511,396         14.3%           Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions:         The contributions:         The contributions of the Year, as Reported Adjustments         14,847,221         40.6%         41,626,428         (12,334,040)         -29.6%           Change in Net Position         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114         65,820,916         2,069,198         3.1%         69,756,482         (3,935,566)         -5.6%           Net Position, Beginning of the Year, as Reported Adjustments         1,648,051,664         1,645,710,143         2,341,521         0.1%         1,573,208,727         72,501,416         4.6%           Net Position, Beginning of the Year, as Adjusted         1,648,051,664         1,582,230,748         65,820,916         4.2%         1,512,474,266 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td></t<>   |  |                             |                             |                     |                             |                                       |
| Total Expenses         172,454,714         165,500,509         6,954,205         4.2%         159,250,168         6,250,341         3.9%           Income Before Capital Contributions         16,514,366         29,292,388         (12,778,021)         -43.6%         41,626,428         (12,334,040)         -29.6%           Capital Contributions: Grant revenue         -         -         -         0.0%         -         -         0.0%           Contributed assets         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114         65,820,916         2,069,198         3.1%         69,756,482         (3,935,566)         -5.6%           Net Position, Beginning of the Year, as Reported Adjustments         -         (63,479,395)         63,479,395         -100.0%         (60,734,461)         (2,744,934)         4.5%           Net Position, Beginning of the Year, as Adjusted         1,648,051,664         1,582,230,748         65,820,916         4.2%         1,512,474,266         69,756,482         4.6%  | 1  |                             |                             |                     |                             |                                       |
| Capital Contributions: Grant revenue Contributed assets  51,375,748  36,528,528  14,847,221  40,6%  28,130,054  8,398,474  29,9%  Change in Net Position  67,890,114  65,820,916  2,069,198  3.1%  69,756,482  (3,935,566)  -5.6%  Net Position, Beginning of the Year, as Reported Adjustments  - (63,479,395)  63,479,395  100,0%  (60,734,461)  (2,744,934)  4.5%  Net Position, Beginning of the Year, as Adjusted  1,648,051,664  1,582,230,748  65,820,916  4.2%  1,512,474,266  69,756,482  4.6%   |  |                             |                             |                     |                             |                                       |
| Grant revenue         -         -         -         0.0%         -         -         0.0%           Contributed assets         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114         65,820,916         2,069,198         3.1%         69,756,482         (3,935,566)         -5.6%           Net Position, Beginning of the Year, as Reported Adjustments         1,648,051,664         1,645,710,143         2,341,521         0.1%         1,573,208,727         72,501,416         4.6%           Net Position, Beginning of the Year, as Adjusted         1,648,051,664         1,582,230,748         65,820,916         4.2%         1,512,474,266         69,756,482         4.6%  | Income Before Capital Contributions              | 16,514,366                  | 29,292,388                  | (12,778,021) -43.6% | 41,626,428                  | (12,334,040) -29.6%                   |
| Contributed assets         51,375,748         36,528,528         14,847,221         40.6%         28,130,054         8,398,474         29.9%           Change in Net Position         67,890,114         65,820,916         2,069,198         3.1%         69,756,482         (3,935,566)         -5.6%           Net Position, Beginning of the Year, as Reported Adjustments         1,648,051,664         1,645,710,143         2,341,521         0.1%         1,573,208,727         72,501,416         4.6%           Net Position, Beginning of the Year, as Adjusted         1,648,051,664         1,582,230,748         65,820,916         4.2%         1,512,474,266         69,756,482         4.6%  |  |                             |                             |                     |                             |                                       |
| Change in Net Position 67,890,114 65,820,916 2,069,198 3.1% 69,756,482 (3,935,566) -5.6%  Net Position, Beginning of the Year, as Reported 1,648,051,664 1,645,710,143 2,341,521 0.1% 1,573,208,727 72,501,416 4.6% Adjustments - (63,479,395) 63,479,395 -100.0% (60,734,461) (2,744,934) 4.5%  Net Position, Beginning of the Year, as Adjusted 1,648,051,664 1,582,230,748 65,820,916 4.2% 1,512,474,266 69,756,482 4.6%   |  | -                           | -                           |                     | -                           |                                       |
| Net Position, Beginning of the Year, as Reported Adjustments - \( \begin{array}{cccccccccccccccccccccccccccccccccccc  | Contributed assets                               | 51,375,748                  | 36,528,528                  | 14,847,221 40.6%    | 28,130,054                  | 8,398,474 29.9%                       |
| Adjustments - (63,479,395) 63,479,395 -100.0% (60,734,461) (2,744,934) 4.5%<br>Net Position, Beginning of the Year, as Adjusted 1,648,051,664 1,582,230,748 65,820,916 4.2% 1,512,474,266 69,756,482 4.6%   | Change in Net Position                           | 67,890,114                  | 65,820,916                  | 2,069,198 3.1%      | 69,756,482                  | (3,935,566) -5.6%                     |
| Net Position, Beginning of the Year, as Adjusted 1,648,051,664 1,582,230,748 65,820,916 4.2% 1,512,474,266 69,756,482 4.6%  | Net Position, Beginning of the Year, as Reported | 1,648,051,664               | 1,645,710,143               | 2,341,521 0.1%      | 1,573,208,727               | 72,501,416 4.6%                       |
|   | Adjustments                                      |                             | (63,479,395)                | 63,479,395 -100.0%  | (60,734,461)                | (2,744,934) 4.5%                      |
| Net Position, End of Year         \$ 1,715,941,778         \$ 1,648,051,664         \$ 67,890,114         4.1%         \$ 1,582,230,748         \$ 65,820,916         4.2%  | Net Position, Beginning of the Year, as Adjusted | 1,648,051,664               | 1,582,230,748               | 65,820,916 4.2%     | 1,512,474,266               | 69,756,482 4.6%                       |
|   | Net Position, End of Year                        | \$ 1,715,941,778            | \$ 1,648,051,664            | \$ 67,890,114 4.1%  | \$ 1,582,230,748            | \$ 65,820,916 4.2%                    |

The primary source of operating revenues, sewer service charges, totaled \$143 million (98%). Operating revenues also include water reuse sales, pretreatment inspection fees, septage waste processing fees and miscellaneous fees. Operating revenues fund all operational expenses including repair and maintenance, rehabilitation and replacement of the District's infrastructure and equipment, and associated debt service.

The primary source of non-operating revenues, System Development Approvals (SDA), was \$20 million (48%). Non-operating revenues are used to fund the expansion of capital infrastructure and equipment related to service area growth and capacity requirements and associated debt service. The other major sources of non-operating revenues are sales tax apportionment \$18 million (43%) and investment income \$6 million (14%). Other non-operating revenue decreased by \$2 million due to the disposal of impaired assets.

The most significant dollar decrease in operating expenses was \$4 million (-64%) in other expense. The decrease is a result of other expenses related to Creech. The most significant dollar increase excluding

depreciation expense was in payroll, supplies and impairment and other losses. Supplies expense increased \$1.4 million (50%) primarily due to technology maintenance contracts and related supplies.

Due to the number of capital assets placed into service, depreciation expense increased \$8 million (10%). Contributed assets totaled approximately \$51 million, \$37 million and \$28 million for fiscal years ended 2016, 2015, and 2014 respectively.

#### Fiscal Year Ended 2016 Summary:

- Total operating revenues increased \$1 million (1%) over fiscal year ended 2015 as a result of increases in sewer service revenue.
- Total non-operating revenues decreased \$7 million (-13%) over fiscal year ended 2015 as a result of decreases in SDA and other revenue received.
- Total revenues decreased \$6 million (-3%) over fiscal year ended 2015.
- Total operating expenses excluding depreciation of \$88 million, increased \$2 million (2%) primarily due to increases in payroll, supplies and impairment and other losses.
- Non-operating expenses decreased by \$3 million (-23%) due to a decrease in interest expense net of capitalized interest.
- Total expenses increased \$7 million (4%) over fiscal year ended 2015.

#### Fiscal Year Ended 2015 Summary:

- Total operating revenues increased \$1 million (1%) over fiscal year ended 2014 as a result of increases in sewer service revenue.
- Total non-operating revenues decreased \$7 million (-13%) over fiscal year ended 2014 as a result of decreases in SDA and other revenue received.
- Total revenues decreased \$6 million (-3%) over fiscal year ended 2014.
- Total operating expenses excluding depreciation of \$80 million, increased \$891 thousand (1%) primarily due to increases in utilities, supplies and impairment and other losses.
- Non-operating expenses increased by \$2 million (14%) due to an increase in interest expense net of capitalized interest.
- Total expenses increased \$6 million (4%) over fiscal year ended 2014.

#### **Capital Assets and Debt Administration**

The following represents the District's investment in capital assets, net of depreciation as of June 30:

| Table 3 -Capital Assets, Net of Accumulated Depre  | eciation  |   | Restated  |   |   |  |  |
|--|---|---|---|---|---|--|--|
|  | Year Ended  | Year Ended  |   |   |   |  |  |
|  | June 30, 2016   | June 30, 2015   | Increase (Decrease)   | June 30, 2014   | Increase (Decrease)   |  |  |
| Land and rights of way   | \$ 7,957,477  | \$ 7,950,977  | \$ 6,500 0.1%   | \$ 7,947,397  | \$ 3,580  | 0.0%                                     |  |
| Land improvements  | 8,366,719   | 4,789,159   | 3,577,560 74.7%   | 4,919,467   | (130,308)   | -2.6%                                    |  |
| Buildings and Wastewater treatment facilities  | 610,061,478   | 596,939,350   | 13,122,129 2.2%   | 617,626,130   | (20,686,781)  | -3.3%                                    |  |
| Wastewater conveyance lines  | 682,767,243   | 637,890,424   | 44,876,819 7.0%   | 598,302,399   | 39,588,025  | 6.6%                                     |  |
| Equipment  | 168,011,255   | 105,993,291   | 62,017,964 58.5%  | 114,136,962   | (8,143,671)   | -7.1%                                    |  |
| Work In Progress   | 398,406,582   | 302,368,177   | 96,038,405 31.8%  | 202,220,878   | 100,147,299   | 49.5%                                    |  |
| Total  | \$ 1,875,570,754  | \$ 1,655,931,378  | \$ 219,639,377 13.3%  | \$ 1,545,153,233  | \$ 110,778,145  | 7.2%                                     |  |
| Land improvements Buildings and Wastewater treatment facilities Wastewater conveyance lines Equipment Work In Progress | 8,366,719<br>610,061,478<br>682,767,243<br>168,011,255<br>398,406,582 | 4,789,159<br>596,939,350<br>637,890,424<br>105,993,291<br>302,368,177 | 3,577,560 74.7%<br>13,122,129 2.2%<br>44,876,819 7.0%<br>62,017,964 58.5%<br>96,038,405 31.8% | 4,919,467<br>617,626,130<br>598,302,399<br>114,136,962<br>202,220,878 | (130,308)<br>(20,686,781)<br>39,588,025<br>(8,143,671)<br>100,147,299 | -2.6%<br>-3.3%<br>6.6%<br>-7.1%<br>49.5% |  |

The District's investment in capital assets as of June 30, 2016 was \$1.9 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, treatment facilities, wastewater conveyance lines, equipment, and construction in progress. This represents an increase of \$220 million (13%) and is directly attributable to an increase in capital assets being depreciated. See further analysis in the notes to the financial statements within Note D of Detailed Note Disclosures.

Major capital asset events during fiscal year 2016 included the following:

- Completion of the Membrane / Ozonation Facility project (\$75.3 million)
- Completion of the Central Plant Secondary Clarifiers Rehabilitation project (\$8.1 million)
- Completion of the Collection System Services Facility project (\$8.1 million)

The District's investment in capital assets as of June 30, 2015 was \$1.7 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings, treatment facilities, wastewater conveyance lines, equipment, and construction in progress. This represents an increase of \$111 million (7%).

Major capital asset events during fiscal year 2015 included the following:

- Completion of the Las Vegas Valley Manhole & Pipe Rehabilitation project (\$11.8 million)
- Completion of the Bio-filter Rehabilitation Central Plant project (\$8.3 million)
- Completion of the Desert Breeze Clarifier Rehabilitation project (\$4.8 million)

#### **Long Term Debt**

The acquisition, construction and rehabilitation of the District's infrastructure and facilities required to provide services are financed from existing cash resources, State Revolving Loans, grants, and the issuance of bonds. The District's General Obligation/Revenue backed bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged to the payment of principal and interest thereon. Principal and interest are paid from net pledged revenues of the District, and are secured by the District's ability to access ad valorem taxes. Net pledged revenues are defined as gross revenues of the District less operation and maintenance expenses. Historically, there has been no reliance on taxes to support the District's operations or debt service. No change in this practice is contemplated at this time.

The District conducts an assessment of its financial plan on an annual basis. The District's bond covenants provide that rates and charges be sufficient to cover operation and maintenance costs and general expenses, which include debt service (principal and interest) on outstanding bonds and loans secured by bonds. System Development Approval (SDA) fees and sales tax revenues are spent first when funding capital projects along with a percentage of cash as determined by the District's financial plan. The District has issued the following bonds for the purpose of financing capital projects:

| S  | Series 2007 | Series 2008       | S  | eries 2009 A | S  | eries 2009 B |
|----|-------------|-------------------|----|--------------|----|--------------|
| \$ | 55,000,000  | \$<br>115,825,000 | \$ | 135,000,000  | \$ | 125,000,000  |

The District also issued a 2009C bond to the State of Nevada as collateral for a 0% interest Federal American Reinvestment and Recovery Act program (ARRA) loan. The ARRA loan from the State of Nevada, in the amount of \$5.7 million, partially funded the construction of the Indian Springs Collection and Treatment Facility. The District is currently in the process of repaying the ARRA loan.

In fiscal year 2011, the District issued a \$40 million 2011A bond to the State of Nevada as collateral for funding received through the State's Revolving Loan Fund. The original issue amount represents the total amount of authorization. The District had drawn down the entire authorized \$40 million at June 30, 2013. The District is currently in the process of repaying the State's Revolving Loan Fund.

In July 2012, the District issued a \$30 million 2012A bond to the State of Nevada as collateral for funding received through the State's Revolving Loan Fund. The original issue amount represents the total amount of authorization. At June 30, 2016 the District had drawn down the authorized \$30 million. See section II. Detailed Note Disclosures, Note K.

In July 2015, the District issued Series 2015, \$104 million Clark County Water Reclamation District, Nevada General Obligation (Limited Tax) Water Reclamation Refunding Bonds (Additionally Secured by Pledged Revenues). Proceeds of the 2015 Bonds were used to advance refund a portion of the District's General Obligation (Limited Tax) Water Reclamation Bonds (Additionally Secured by Pledged Revenues), Series 2008; and pay the costs of issuing the 2015 Bonds.

In August 2016, the District issued Series 2016, \$269 million Clark County Water Reclamation District, Nevada General Obligation (Limited Tax) Water Reclamation Refunding Bonds (Additionally Secured by

Pledged Revenues). Proceeds of the 2016 Bonds were used to advance refund a portion of the District's General Obligation (Limited Tax) Water Reclamation Bonds (Additionally Secured by Pledged Revenues), Series 2007 and Series 2009 A&B; and pay the costs of issuing the 2016 Bonds.

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

According to the University of Nevada Las Vegas' (UNLV) Center for Business and Economic Research (CBER), "While the coincident index has fully recovered from the recession, Southern Nevada business activity, tourism and construction indices show that the Southern Nevada economy has still not fully recovered". Commercial growth, especially along the Las Vegas Strip, plays a significant role in the District's revenue stream. The District closely monitors the trend of commercial projects and the effect on revenues and adjusts its capital improvement plan accordingly.

The District's Fiscal Year (FY) 2016-2017 Operations & Maintenance (O&M) and Capital Budgets will provide funding to support the collection, treatment, and reclamation of commercial and residential wastewater for the service area. As an industrial operation, the District continues to have greater expenditures for capital infrastructure, power and chemicals. The FY 2016-2017 budgets will address the needs of the District's rate payers and the general public and will allow the District to meet its obligation in protecting the public health and providing reliable collection and treatment systems. With continued teamwork and sound fiscal management, the District will continue to be in a position to proactively, effectively and responsibly plan and prepare for the future. The goal for the Operations and Maintenance budget is to maintain current service levels while continuing to develop a budget that better reflects actual expense activity. The rates charged by the District are among the very lowest in the western region. A reduction of 4% in sewer services rates was approved by the Board of Trustees effective July 1, 2013. The District's goal is to sustain that rate reduction for 5 years. Because the District depends on the rates for almost all of its income, the budget is linked to the rates charged. The 2016-17 annual sewer service rates remain at \$221.09 per Equivalent Residential Unit (ERU).

#### **Contacting the District's Financial Management**

This financial report is designed to provide users, including our rate payers and creditors, with a general overview of the District's finances and to demonstrate the District's financial accountability for the money it receives from its rate payers. If you have any questions about this report or need additional financial information, contact the Clark County Water Reclamation District, Attention: Brett R. Borek, Financial Services Manager, 5857 E. Flamingo Road, Las Vegas, NV 89122. E-mail: bborek@cleanwaterteam.com Telephone: (702) 668-8101.

| Assets Current Assets  | 2016  | 2015   |
|--|---|--|
| Current Assets: Cash and cash equivalents  | \$ 13,031,007                                       | \$ 36,565,881  |
| Accounts receivable, net of allowance for  | \$ 13,031,007                                       | \$ 36,565,881  |
| doubtful accounts \$767,764 and \$306,763  | 8,934,498   | 7,592,402  |
| Supply inventories   | 2,259,964   | 2,325,867  |
| Interest receivable  | 1,364,955   | 1,304,130  |
| Investments  | 364,596,775   | 496,527,716  |
| Prepaid expenses   | 736,995   | 472,142  |
| Total Unrestricted Current Assets  | 390,924,194   | 544,788,138  |
| Restricted Current Assets:   | · · · · · · · · · · · · · · · · · · ·               |  |
| Cash and cash equivalents, restricted  | 28,456,786  | 24,248,075   |
| Sales tax receivable   | 2,995,845   | 2,914,466  |
| Worker's compensation certificate of deposit   | 154,530   | 116,444  |
| Total Restricted Current Assets  | 31,607,161  | 27,278,985   |
| Total Current Assets   | 422,531,355   | 572,067,123  |
| Noncurrent Assets  |   |  |
| Capital Assets:  |   |  |
| Property, plant and equipment  | 2,407,010,713                                       | 2,197,273,172  |
| Less accumulated depreciation  | 937,804,018   | 851,660,948  |
|  | 1,469,206,695                                       | 1,345,612,224  |
| Land and rights of way   | 7,957,477   | 7,950,977  |
| Construction in progress   | 398,406,582   | 302,368,177  |
| Total Capital Assets, Net  | 1,875,570,754                                       | 1,655,931,378  |
| Other non-current assets   | 76,356  | 79,992   |
| Other long-term receivables, net of reserve for  |   |  |
| water reuse sales \$7,506,461 and \$4,913,370  | 15,374,246  | 14,154,120   |
| Total NonCurrent Assets  | 1,891,021,356                                       | 1,670,165,490  |
| Total Assets   | 2,313,552,711                                       | 2,242,232,613  |
| Deferred Outflows of Resources:  |   |  |
| Deferred loss on bond refunding  | 12,777,948  | -  |
| Deferred amounts related to pension plan   | 8,258,090   | 6,622,811  |
| Total Deferred Outflows of Resources   | 21,036,038  | 6,622,811  |
| Liabilities  |   |  |
| Current Liabilities:   |   |  |
| Payable From Unrestricted Assets   |   |  |
| Accounts payable   | 2,826,050   | 4,055,620  |
| Construction contracts payable   | 29,457,168  | 35,956,991   |
| Accrued expenses   | 1,585,219   | 1,240,927  |
| Accumulated compensated absences   | 1,199,688   | 1,034,692  |
| Other liabilities  | 4,160,815   | 2,836,108  |
| Total Payable From Unrestricted Assets   | 39,228,940  | 45,124,338   |
| Payable From Restricted Assets   |   |  |
| Accrued bond interest payable  | 11,197,113  | 11,711,168   |
| Current maturities of bonds payable  | 13,076,816  | 11,298,815   |
| Short-term portion of sales tax payable  | 447,476   | 447,476  |
| Clean Water Coalition Trustee Funds  Total Payable From Restricted Assets  | 71,493<br>24,792,898                                | 71,493   |
| ·  | 24,792,090  | 23,528,952   |
| Total Current Liabilities  | 64,021,838  | 68,653,290   |
| Noncurrent Liabilities:  |   |  |
| Long-term portion of accumulated compensated absences  | 4,169,906   | 4,070,538  |
| Accrued other post employment benefits   | 19,264,176  | 17,008,135   |
| Net pension liability  | 46,378,911  | 41,788,009   |
| Bonds payable, net of current maturities   | 477,021,549   | 456,269,430  |
| Long-term portion of sales tax payable   | 1,789,904   | 2,237,379  |
| Total Noncurrent Liabilities   | 548,624,446   | 521,373,491  |
|  | 612,646,284   | 590,026,781  |
| Total Liabilties   |   |  |
|  |   |  |
|  | 6,000,687   | 10,776,979   |
| Deferred Inflows of Resources:   | 6,000,687<br>6,000,687                              |  |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources  |   | 10,776,979   |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources Net Position:  |   |  |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources Net Position: Net investment in capital assets Restricted:                             | 6,000,687<br>1,356,091,577                          | 1,152,486,134  |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources Net Position: Net investment in capital assets Restricted: Debt service                | 6,000,687<br>1,356,091,577<br>17,259,673            | 10,776,979<br>1,152,486,134<br>12,536,906            |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources Net Position: Net investment in capital assets Restricted: Debt service Capital assets | 6,000,687<br>1,356,091,577<br>17,259,673<br>912,995 | 10,776,979<br>1,152,486,134<br>12,536,906<br>346,055 |
| Deferred Inflows of Resources: Deferred amounts related to pension plan Total Deferred Inflows of Resources  Net Position: Net investment in capital assets Restricted: Debt service               | 6,000,687<br>1,356,091,577<br>17,259,673            | 10,776,979<br>1,152,486,134<br>12,536,906            |

#### Clark County Water Reclamation District Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2016 and 2015

| Years Ended June 30, 2016 and 2015                        | <br>2016            | 2015             |  |  |  |
|---|---------------------|------------------|--|--|--|
| Operating Revenues  |                     |                  |  |  |  |
| Sewer service charges                                     | \$<br>143,142,433   | \$ 142,374,180   |  |  |  |
| Water reuse sales   | 938,717             | 1,121,695        |  |  |  |
| Pretreatment fees   | 445,570             | 443,736          |  |  |  |
| Septage fees  | 377,563             | 317,161          |  |  |  |
| Other   | <br>680,068         | 572,051          |  |  |  |
| <b>Total Operating Revenues</b>                           | 145,584,351         | 144,828,823      |  |  |  |
| Operating Expenses  |                     |                  |  |  |  |
| Salaries  | 24,504,234          | 22,345,906       |  |  |  |
| Benefits  | 8,372,845           | 8,261,396        |  |  |  |
| Post employment benefits other than pensions              | 2,256,041           | 2,486,393        |  |  |  |
| Utilities   | 10,830,647          | 11,265,489       |  |  |  |
| Outside services  | 7,597,305           | 7,053,570        |  |  |  |
| Chemicals   | 4,870,869           | 5,186,742        |  |  |  |
| Maintenance   | 4,750,373           | 5,383,928        |  |  |  |
| Other expenses  | 2,195,097           | 6,160,644        |  |  |  |
| Supplies  | 4,158,204           | 2,777,022        |  |  |  |
| Impairments and other losses                              | 5,990,564           | 2,997,433        |  |  |  |
| Depreciation  | 87,587,851          | 79,492,040       |  |  |  |
| <b>Total Operating Expenses</b>                           | 163,114,030         | 153,410,563      |  |  |  |
| <b>Income (Loss) From Operations</b>                      | (17,529,679)        | (8,581,740)      |  |  |  |
| <b>Non-Operating Revenues (Expenses):</b>                 |                     |                  |  |  |  |
| Unrestricted investment earnings                          | 5,173,864           | 6,194,788        |  |  |  |
| Net increase (decrease) in the fair value of unrestricted |                     |                  |  |  |  |
| investment  | 1,929,776           | 2,216,807        |  |  |  |
| Restricted investment earnings                            | 330,253             | 158,630          |  |  |  |
| SDA revenue (net refunds and allowances of \$2,230,914    |                     |                  |  |  |  |
| and \$173,244)  | 19,481,062          | 24,013,884       |  |  |  |
| Sales tax apportionment                                   | 17,717,754          | 17,078,167       |  |  |  |
| Interest expense- bonds, net of capitalized               | (9,340,684)         | (12,089,946)     |  |  |  |
| Other non-operating revenue/expenses, net                 | (1,247,980)         | 301,798          |  |  |  |
| Total Non-Operating Revenues (Expenses)                   | 34,044,045          | 37,874,128       |  |  |  |
| Income Before Capital Contributions                       | 16,514,366          | 29,292,388       |  |  |  |
| <b>Capital Contributions</b>                              |                     |                  |  |  |  |
| Contributed assets  | 51,375,748          | 36,528,528       |  |  |  |
| <b>Total Capital Contributions</b>                        | 51,375,748          | 36,528,528       |  |  |  |
| Change in Net Position                                    | 67,890,114          | 65,820,916       |  |  |  |
| Net Position, Beginning of the Year                       | <br>1,648,051,664   | 1,582,230,748    |  |  |  |
| Net Position, End of Year                                 | \$<br>1,715,941,778 | \$ 1,648,051,664 |  |  |  |
|   |                     |                  |  |  |  |

See Notes to Financial Statements

| Tears Ended June 30, 2010 and 2013                                     | 2016                   | 2015           |
|--|------------------------|----------------|
| Cash Flows From Operating Activities:                                  | 2010                   | 2010           |
| Net Pension Liabilities  | \$ 4,590,902           | \$ 10,193,812  |
| Net Pension Inflows/Outflows of PERS Contributions/Deferrals           | (6,411,571)            | (10,937,596)   |
| Cash flows from customers  | 136,568,225            | 143,521,915    |
| Cash flows from governmental organizations                             | 6,652,875              | 5,532,039      |
| Payments for services and supplies                                     | (73,284,577)           | (69,684,411)   |
| Net Cash Provided by Operating Activities                              | 68,115,854             | 78,625,759     |
| Cash Flows from Capital and Related Financing Activities:              |                        |                |
| Sales tax apportionment - restricted to capital expenditure by statute | 17,188,901             | 16,468,226     |
| System development approvals received                                  | 19,282,092             | 24,048,386     |
| Proceeds from capital debt   | 20,703,437             | 4,442,672      |
| Acquisition, construction or improvement of capital assets             | (259,304,403)          | (132,398,672)  |
| Principal payments on loans for capital assets                         | (11,674,127)           | (10,641,866)   |
| Interest payments on loans for capital assets                          | (12,901,639)           | (11,444,503)   |
| Net Cash Used in Capital and Related Financing Activities              | (226,705,739)          | (109,525,758)  |
| Cash Flows from Investing Activities:                                  |                        |                |
| Proceeds from sale of investments                                      | 613,103,088            | 642,746,413    |
| Interest on investments  | 9,302,844              | 10,916,604     |
| Purchases of investments   | (483,101,923)          | (633,408,076)  |
| Paying Agent Fee   | (2,200)                | (500)          |
| Workers comp certificate of deposit                                    | (38,087)               | (113)          |
| Net Cash Provided by Investing Activities                              | 139,263,722            | 20,254,328     |
| Net increase (decrease) in cash and cash equivalents                   | (19,326,163)           | (10,645,671)   |
| Cash and cash equivalents, beginning of year                           | 60,813,956             | 71,459,626     |
| Cash and cash equivalents, end of year                                 | \$ 41,487,793          | \$ 60,813,956  |
| Cash and Cash Equivalent Balances:                                     |                        |                |
| Unrestricted cash and cash equivalents                                 | \$ 13,031,007          | \$ 36,565,881  |
| Restricted cash and cash equivalents                                   | 28,456,786             | 24,248,075     |
| Cash and Cash Equivalents, End of Year                                 | \$ 41,487,793          | \$ 60,813,956  |
| Reconciliation of Income (Loss) from Operations to Net Cash Provided   |                        |                |
| by Operating Activities:   |                        |                |
| Income (Loss) from operations Adjustments:                             | <b>\$</b> (17,529,679) | \$ (8,581,740) |
| Depreciation   | 87,587,851             | 79,492,040     |
| Increase (decrease) in net pension liability                           | 4,590,902              | (4,897,952)    |
| Miscellaneous nonoperating expenses                                    | (519,279)              | 195,907        |
| (Increase) Decrease in accounts receivable                             | (2,363,251)            | 4,225,131      |
| Decrease in supply inventories   | 65,901                 | 38,427         |
| Increase in prepaid expenses   | (264,854)              | (27,507)       |
| Increase in deferred outflows of resources for pensions                | (1,635,279)            | (6,622,811)    |
| Increase (Decrease) in deferred inflows of resources for pensions      | (4,776,292)            | 10,776,979     |
| Increase in other liabilities  | 1,324,708              | 473,372        |
| Increase in accounts payable and accrued expenses                      | 1,635,126              | 3,553,914      |
| Net Cash Provided by Operating Activities                              | \$ 68,115,854          | \$ 78,625,759  |
| Noncash Investing and Capital and Related Financing Activities:        |                        |                |
| Contributed assets   | \$ 51,375,748          | \$ 36,528,528  |
| Property, plant and equipment purchased on account                     | 29,457,168             | 35,956,991     |
| Adjustment of investments to carrying value                            | 2,987,367              | 1,057,591      |

#### I. Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governments and as defined by the Governmental Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The significant accounting and reporting policies for the District are discussed below.

#### A. Reporting Entity

GASB Statement No. 61, The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14, The Financial Reporting Entity and No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, defines the reporting entity as the primary government and organizations for which the primary government is financially accountable. Financial accountability is defined as: the appointment of a voting majority of the component units governing body by the primary government; the primary government has the ability to impose its will; the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. Since the Board of County Commissioners is the ex-officio Board of Trustees of the District, they have the ability to influence and control operations. The County considers the District as a component unit and the financial statements of the District have been included in the County's Comprehensive Annual Financial Report (CAFR). However, because the District provides sewer services to the public for a fee and is fiscally independent of the County; it is a self-supporting entity. The District also receives separate Board approval for these financial statements and files them separately with the State of Nevada Department of Taxation; therefore the District is the reporting entity. No entities were determined to be component units of the District.

#### **B.** Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The economic resource measurement focus and the accrual basis of accounting are used by the District. Under this basis of accounting, all assets and all liabilities associated with the operation of the District are included on the Statements of Net Position. Revenues are recognized as soon as they are both measurable and available and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Earned but unbilled receivables are recorded as revenue. The District considers revenues earned through user charges to be operating revenues. Revenues earned from SDA fees, sales taxes, capital and investing activities are considered non-operating revenue. Expenses associated with operating the physical facilities are considered operating expenses. When both restricted and unrestricted resources are available for a particular use, it is the District's practice to use restricted resources first, and then unrestricted resources as they are needed.

#### C. Budgetary Information

#### 1. Budgetary Basis of Accounting

Prior to April 15, the County Manager submits to the Nevada State Department of Taxation the tentative budget for the next fiscal year, commencing on July 1. The budget, as submitted, contains the proposed expenses and means of financing them. The Nevada State Department of Taxation notifies the County of its acceptance of the budget. A special public hearing is set, per Nevada Revised Statute (NRS), for the third Monday in May. After all changes have been noted and hearings closed, the Board of County Commissioners, ex-officio Board of Trustees, adopts the budget on or before June 1. The County considers the District to be a component unit of the County and the District's annual budget is included with the County's annual budget. Increases to the budget (augmentations) are accomplished through a letter of adjustment submitted to the County Finance Director, to be included in the next quarterly economic condition survey. This process is revenue driven; therefore, total expenditures cannot be increased without additional previously unbudgeted resources being clearly identified. The letter must be filed prior to fiscal year end. The NRS requires budget controls to be exercised at the function level. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. All operating appropriations lapse at the end of the fiscal year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

#### D. Assets, Liabilities, Deferred Outflows/Inflows of resources, and Net Position

#### 1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### 2. Investments

The District's formal investment policy is designed to ensure conformity with NRS 355 and to limit exposure to investment risks. When investing monies, the Clark County Treasurer, ex-officio Treasurer of the District, is required to be in conformity with NRS 355 and written policies adopted by the Board of County Commissioners dictating allowable investments and the safeguarding of those investments. The District's investments are held in the District's name and are reported at fair value regardless of the length of time remaining to maturity. Interest revenue is increased or decreased in relation to this adjustment for unrealized gain or loss.

#### 3. Inventories and Prepaid Items

Inventories (supplies, parts, and equipment) are recorded using the purchasing method, which charges the related pre-defined budgetary account upon acquisition. Supply inventories consist primarily of materials and supplies and are valued at average cost. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

#### 4. Capital Assets

System Development Approval (SDA) revenues are used to fund capital expansion and expansion related debt service. The Capital Improvement and Capital Expansion plans are projected for a minimum of a

five-year period. The District's five-year Capital Improvement Plan and Debt Management Policy along with a statement of current and contemplated debt (Indebtedness Report) are submitted to the Nevada State Department of Taxation and the Clark County Debt Management Commission annually in accordance with NRS 350.013(1)(c). Capital assets are recorded at historical cost. Donated property (capital contribution) is valued at its estimated fair value on the date donated. Bond interest costs are capitalized as part of the cost of construction when appropriate. Labor and supporting benefit costs expended to support capital projects may be capitalized as part of the project cost. Inexhaustible capital assets, such as land, are not depreciated. Equipment items with a historical cost of less than \$5,000 are not capitalized. The cost of normal maintenance and repairs of District assets that do not add to the value of the asset or materially extend the asset's life are not capitalized. Betterments that extend the useful life of assets are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. District assets including infrastructure and wastewater conveyance lines are depreciated using the straight-line method over the following estimated useful lives:

| Capital Asset Classifications | Lives |
|-------------------------------|-------|
| Buildings                     | 10-50 |
| Machinery and Equipment       | 1-10  |
| Vehicles                      | 5-10  |
| Wastewater Conveyance Lines   | 50    |

#### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For this reporting period, the District only has one item that qualifies for reporting in this category. It is the changes in proportion and differences between actual contributions and proportionate share of contributions related to pensions reported in the Statement of Net Position. This amount is deferred and amortized over the average expected remaining service life of all employees that are provided with pension benefits. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For this reporting period, the District has several items that qualify for reporting in this category: 1) the differences between expected and actual experience and changes of assumptions, which are deferred and amortized over the average expected remaining service life, of all employees that are provided with pension benefits, 2) the net difference between projected and actual earnings on investments, which are deferred and amortized over five years, and 3) contributions made subsequent to the measurement date, which are deferred for one year.

#### 6. Net Position Flow Assumption

In the current year, net position represents the difference between assets and liabilities, and deferred inflows and outflows in the following categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Resources are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Board of Trustees on behalf of the District or through external restrictions imposed by creditors, grantors or laws and regulations of the State or Federal governments. In order to calculate the amounts to report as restricted-net position and unrestricted-net position a flow assumption must be made about the order in which the resources are considered to be

applied. It is the District's practice to consider restricted-net position to have been depleted before unrestricted-net position is applied. Funds set aside for payment of bond principal and interest were classified as restricted, due to debt service needs. The unspent portion of bond proceeds are classified as restricted to payment of capital expenditures per bond resolutions. Amounts accrued for sales tax receipts not received at year end are classified as restricted in accordance with current District policy. Funds received during the year are used for capital expenditures. Loaned Securities are restricted based upon certain agreements.

#### E. Revenues and Expenditures/Expenses

#### 1. Revenues/Tax Roll

Sewer services are billed in advance on July 1 for the fiscal year ending June 30. In accordance with NRS 318.201, *Procedure for Collection of Service Charges on Tax Roll*, the District elects to have accounts receivable that are delinquent collected on the Clark County tax roll. For fiscal year ended 2016 and 2015, \$5,290,019 and \$5,510,542 of the delinquent accounts receivable were placed on the tax roll. As of June 30, 2016, the outstanding tax rolled balances, which includes all previous years' balances, totaled \$5,915,845.

#### 2. Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from the District. Such benefits are accrued when incurred.

#### 3. Pensions

The District uses the same basis used in the Public Employees' Retirement System of Nevada's (PERS) Comprehensive Annual Financial Report, for reporting its proportionate share of the PERS collective net position liability, deferred outflows and inflows of resources related to pensions, and pension expense, including information related PERS fiduciary net position and related additions/deductions. Benefit payments (including refunds of employee contributions) are recognized by PERS when due and payable in accordance with the benefit terms. PERS investments are reported at fair value.

#### **II. Detailed Note Disclosures**

#### A. Cash Held With Financial Institutions

The bank balance at June 30, 2016 was \$7,734,270 and the book balance was \$8,052,381. At June 30, 2015, the bank balance was \$35,776,526 and the book balance was \$35,504,146. The bank balance is fully insured or collateralized by the Office of the State Treasurer's Nevada Collateral Pool.

The underlying securities are held by the investment's counterparty, not in the name of the District. Biannually, the District transfers funds to the Clark County Treasurer for principal and interest payments on the District's debt service. At June 30, 2016, there was \$28,456,786 held on our behalf. At June 30, 2015, the balance was \$24,248,075.

#### **B.** Investments

The Clark County Treasurer, as ex-officio Treasurer for the District, performs the District's investment function as outlined in an inter-local agreement. The types of investments utilized for the District's portfolio are various federal agency securities, commercial paper, certificates of deposit, and money market funds. Nevada Revised Statute 682A-Investments, authorizes the County Treasurer to invest in obligations of the U.S. Treasury and U.S. agencies having maturity dates that do not extend more than 10 years from the date of purchase, negotiable notes or short term negotiable bonds issued by other local governments of the State of Nevada and bankers acceptances not exceeding 180 days maturity and eligible by law for rediscount with the Federal Reserve Banks (purchases are subject to 10% of the funds available for local government investment). All District investments have maturity dates that do not extend more than 10 years from the date of purchase. Certain bond covenants require the County and its component units to invest with security dealers who are primary dealers when investing in repurchase agreements. Primary dealers are dealers that submit daily reports of market and positions and monthly financial statements to the Federal Reserve of New York and are subject to its formal oversight. Securities purchased by the County and its component units are delivered against payment and held in a custodial safekeeping account with the trust department of a bank designated by the County.

At June 30, 2016 the District had the following investments (rating is based on Moody's index):

|                         | Rep | orted Amount/ |                |    |           |    |           |    |     |    |            |    |            |                  |
|-------------------------|-----|---------------|----------------|----|-----------|----|-----------|----|-----|----|------------|----|------------|------------------|
| Investments:            |     | Fair Value    | Aaa            |    | Aa1       |    | Aa2 A     |    | Aa3 |    | A1         | A2 |            | NR               |
| U.S. Treasuries         | \$  | 100,640,600   | \$ 100,640,600 | \$ | -         | \$ | -         | \$ | -   | \$ | -          | \$ | -          | \$<br>-          |
| U.S. Agencies           |     | 140,996,800   | 140,996,800    |    | -         |    | -         |    | -   |    | -          |    | -          | -                |
| Corporate Notes         |     | 65,375,030    | 5,094,900      |    | 5,012,300 |    | 7,018,390 |    | -   |    | 32,032,160 |    | 16,217,280 | -                |
| Asset-Backed Securities |     | 57,584,345    | 43,941,724     |    | -         |    | -         |    | -   |    | -          |    | -          | 13,642,621       |
| Money Market Funds      |     | 4,978,626     | 4,978,626      | _  |           |    |           |    | -   |    | _          | _  | _          |                  |
| Totals                  | \$  | 369,575,401   | \$ 295,652,650 | \$ | 5,012,300 | \$ | 7,018,390 | \$ |     | \$ | 32,032,160 | \$ | 16,217,280 | \$<br>13,642,621 |

At June 30, 2015 the District had the following investments (rating is based on Moody's index):

|                         | Rep | orted Amount/ |                |    |           |    |           |    |           |    |            |    |            |                  |  |    |
|-------------------------|-----|---------------|----------------|----|-----------|----|-----------|----|-----------|----|------------|----|------------|------------------|--|----|
| Investments:            |     | Fair Value    | Aaa            |    | Aa1       |    | Aa1       |    | Aa2       |    | Aa3        | A1 |            | A2               |  | NR |
| U.S. Treasuries         | \$  | 100,103,200   | \$ 100,103,200 | \$ | -         | \$ | -         | \$ | -         | \$ | -          | \$ | -          | \$<br>-          |  |    |
| U.S. Agencies           |     | 255,088,100   | 255,088,100    |    | -         |    | -         |    | -         |    | -          |    | -          | -                |  |    |
| Corporate Notes         |     | 87,867,671    | 5,006,500      |    | 9,928,050 |    | 5,039,160 |    | 5,037,290 |    | 27,520,510 |    | 35,336,161 | -                |  |    |
| Asset-Backed Securities |     | 53,468,745    | 34,476,215     |    | -         |    | -         |    | -         |    | -          |    | -          | 18,992,530       |  |    |
| Money Market Funds      |     | 1,061,735     | 1,061,735      |    |           |    | -         |    | <u>-</u>  |    | -          |    |            | <br>             |  |    |
| Totals                  | \$  | 497,589,451   | \$ 395,735,750 | \$ | 9,928,050 | \$ | 5,039,160 | \$ | 5,037,290 | \$ | 27,520,510 | \$ | 35,336,161 | \$<br>18,992,530 |  |    |

In accordance with GASB Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows:

- Level 1. Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2. Inputs are other observable inputs.
- Level 3. Inputs are unobservable.

The fair value measurement level within the hierarchy is based on the lowest of any input that is deemed significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

At year end, the District's Level 1 investments (comprised of U.S. Treasury obligations) were valued based on quoted market prices provided by recognized broker dealers and Level 2 investments (comprised of U.S. Agency obligations, Money Market Funds, Corporate Notes, and Asset-Backed Securities) were valued, by recognized broker dealers, based on a matrix pricing model that maximizes the use of observable inputs for similar securities.

At June 30, 2016, the fair value of the District's investments were categorized by maturity as follows:

|                                   | Investment Maturities in Years |               |                   |            |                |  |  |
|-----------------------------------|--------------------------------|---------------|-------------------|------------|----------------|--|--|
| Investment Type                   | Fair Value                     | Less than 1   | 1 to 3            | 3 to 5     | Greater than 5 |  |  |
| U.S. Treasuries (Level 1)         | \$ 100,640,600 \$              | - \$          | 100,640,600 \$    | - \$       | -              |  |  |
| U.S. Agency Obligations (Level 2) | 140,996,800                    | 30,010,800    | 90,689,400        | 20,296,600 | -              |  |  |
| Money Market Funds (Level 2)      | 4,978,626                      | 4,978,626     | -                 | -          | -              |  |  |
| Corporate Notes (Level 2)         | 65,375,030                     | -             | 65,375,030        | -          | -              |  |  |
| Asset-Backed Securities (Level 2) | 57,584,345                     | <u> </u>      | 37,568,845        | 20,015,500 |                |  |  |
| Total Investments                 | \$ 369,575,401                 | \$ 34,989,426 | \$ 294,273,875 \$ | 40,312,100 | \$ -           |  |  |

At June 30, 2015, the fair value of the District's investments were categorized by maturity as follows:

|                                   | Investment Maturities in Years |             |    |              |    |    |             |    |                   |     |             |
|-----------------------------------|--------------------------------|-------------|----|--------------|----|----|-------------|----|-------------------|-----|-------------|
| Investment Type                   |                                | Fair Value  |    | Less than 1  |    |    | 1 to 3      |    | 3 to 5            | Gre | ater than 5 |
| U.S. Treasuries (Level 1)         | \$                             | 100,103,200 | \$ | -            | \$ |    | 39,981,200  | \$ | 60,122,000 \$     |     | -           |
| U.S. Agency Obligations (Level 2) |                                | 255,088,100 |    | -            |    |    | 175,104,300 |    | 79,983,800        |     | -           |
| Money Market Funds (Level 2)      |                                | 1,061,735   |    | 1,061,735    |    |    | -           |    | -                 |     | -           |
| Corporate Notes (Level 2)         |                                | 87,867,671  |    | -            |    |    | 71,756,331  |    | 16,111,340        |     | -           |
| Asset-Backed Securities (Level 2) |                                | 53,468,745  | _  | -            |    |    | 8,995,380   | _  | 39,502,815        |     | 4,970,550   |
| Total Investments                 | \$                             | 497,589,451 | _  | \$ 1,061,735 | _  | \$ | 295,837,211 | _  | \$<br>195,719,955 | \$  | 4,970,550   |

#### **Interest Rate Risk**

Interest rate risk is defined as the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Through its investment policy, the County Treasurer's office manages its exposure to fair value losses arising from increasing rates by limiting the average weighted duration of its investment pool portfolio to less than 2.5 years. This strategy works to provide the cash flow and liquidity needed for operations.

#### **Credit Risk**

Credit risk is defined as the risk that another party to a deposit or investment transaction (counterparty) will fail to fulfill its obligation. Credit risk can be associated with the issuer of a security, with a financial institution holding deposits or with a party holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments into a single investment type or with any single counterparty.

#### **Concentration of Credit Risk**

The District places no limits on the amount that can be invested in any one issuer beyond that stipulated by the NRS. Investments in any one issuer that represent 5% or more of the District's total investments at June 30 were as follows:

|                                  |                 | Reported Amount/ | % of          | Reported Amount/ | % of          |
|----------------------------------|-----------------|------------------|---------------|------------------|---------------|
|                                  |                 | Fair Value       | Total         | Fair Value       | Total         |
| <u>Issuer</u>                    | Investment Type | June 30, 2016    | June 30, 2016 | June 30, 2015    | June 30, 2015 |
| Us Treasury Notes                | Treasure Note   | \$ 100,640,600   | 27.2%         | \$ 100,103,200   | 20.1%         |
| Federal Farm Credit Bank         | U.S. Agencies   | 45,138,900       | 12.2%         | 40,018,000       | 8.0%          |
| Federal Home Loan Bank           | U.S. Agencies   | 30,304,400       | 8.2%          | 20,023,800       | 4.0%          |
| Federal Home Loan Mortgage Corp  | . U.S. Agencies | 20,211,400       | 5.5%          | 60,037,800       | 12.1%         |
| Federal National Mortgage Assoc. | U.S. Agencies   | 45,342,100       | 12.3%         | 135,008,500      | 27.1%         |
| Totals                           |                 | \$ 241,637,400   |               | \$ 355,191,300   |               |

#### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the County's Investment policy, \$366,588,033 was held on behalf of the District in 2016 and \$496,531,860 in 2015.

#### C. Restricted Assets

The District's bond fund maintains periodic deposits sufficient to provide for payments of principal and interest on debt; as such obligations mature, per NRS 350.660. The bond fund is required by the various bond covenants. Any unspent bond proceeds are restricted to payment of capital expenditures per bond resolutions; at this time there are no unspent bond proceeds. Sales tax revenue, ¼ of 1% sales tax allocation, is restricted by statute to capital expenditures for the expansion of existing plant infrastructure. The District received \$17.7 million in sales tax revenue during fiscal year 2016 and \$17.1 million during fiscal year 2015. In lieu of providing a security bond to the Nevada Department of Insurance, the District has a cash deposit of \$38,000 and a certificate of deposit for \$116,000 pledged to the Nevada Department of Insurance.

### **D.** Capital Assets

Capital Assets are summarized as follows at June 30, 2016:

|   | Beginning<br>Balance 06/30/15 | Increases                 | Decreases        | Ending<br>Balance 06/30/16 | Estimated<br>Life in Years |
|---|-------------------------------|---------------------------|------------------|----------------------------|----------------------------|
| Capital Assets, Being Depreciated:            |                               |                           |                  |                            |                            |
| Buildings and Wastewater treatment facilities | \$ 1,108,264,095              | \$ 59,827,995             | \$ (2,326,225)   | \$ 1,165,765,865           | 10-50                      |
| Land improvements                             | 5,505,174                     | 4,251,148                 | -                | 9,756,322                  | 10-20                      |
| Wastewater conveyance lines                   | 873,405,510                   | 66,142,947                | (2,582,239)      | 936,966,218                | 50                         |
| Equipment                                     | 210,098,393                   | 85,367,405                | (943,491)        | 294,522,308                | 1-10                       |
| Total Capital Assets Being Depreciated        | 2,197,273,172                 | 2,197,273,172 215,589,495 |                  | 2,407,010,713              |                            |
| Less Accumulated Depreciation for:            |                               |                           |                  |                            |                            |
| Buildings and Wastewater treatment facilities | (511,324,745)                 | (44,882,792)              | 503,150          | (555,704,387)              |                            |
| Land improvements                             | (716,014)                     | (673,589)                 | -                | (1,389,603)                |                            |
| Wastewater conveyance lines                   | (235,515,084)                 | (18,683,891)              | -                | (254,198,975)              |                            |
| Equipment                                     | (104,105,104)                 | (23,347,580)              | 941,633          | (126,511,051)              |                            |
| Total Accumulated Depreciation                | (851,660,948)                 | (87,587,852)              | 1,444,783        | (937,804,018)              |                            |
| Net Capital Assets Being Depreciated          | 1,345,612,224                 | 128,001,643               | (4,407,172)      | 1,469,206,695              |                            |
| Capital Assets Not Being Depreciated:         |                               |                           |                  |                            |                            |
| Land and rights of way                        | 7,950,977                     | 6,500                     | -                | 7,957,477                  |                            |
| Construction in progress                      | 302,368,177                   | 281,066,781               | (185,028,375)    | 398,406,582                |                            |
| Total Capital Assets, Not Being Depreciated   | 310,319,154                   | 281,073,281               | (185,028,375)    | 406,364,059                |                            |
| Total Capital Assets, Net                     | \$ 1,655,931,378              | \$ 409,074,924            | \$ (189,435,547) | \$ 1,875,570,754           |                            |

### Capital Assets are summarized as follows at June 30, 2015:

|   |    | Restated<br>Beginning |                   |    |              | Ending           | Estimated     |
|---|----|-----------------------|-------------------|----|--------------|------------------|---------------|
|   | В  | alance 06/30/14       | Increases         |    | Decreases    | Balance 06/30/15 | Life in Years |
| Capital Assets, Being Depreciated:            |    |                       | <br>              |    |              |                  |               |
| Buildings and Wastewater treatment facilities | \$ | 1,086,670,791         | \$<br>21,869,779  | \$ | (276,475)    | \$ 1,108,264,094 | 10-50         |
| Land improvements                             |    | 5,298,008             | 207,166           |    | -            | 5,505,174        | 10-20         |
| Wastewater conveyance lines                   |    | 816,142,402           | 57,284,721        |    | (21,613)     | 873,405,510      | 50            |
| Equipment                                     |    | 201,404,826           | 11,033,262        |    | (2,339,693)  | 210,098,394      | 1-10          |
| Total Capital Assets Being Depreciated        |    | 2,109,516,027         | 90,394,928        |    | (2,637,781)  | 2,197,273,172    |               |
| Less Accumulated Depreciation for:            |    |                       |                   |    |              |                  |               |
| Buildings and Wastewater treatment facilities |    | (469,044,661)         | (42,459,829)      |    | 179,745      | (511,324,745)    |               |
| Land improvements                             |    | (378,541)             | (337,473)         |    | -            | (716,014)        |               |
| Wastewater conveyance lines                   |    | (217,840,003)         | (17,677,387)      |    | 2,305        | (235,515,085)    |               |
| Equipment                                     |    | (87,267,865)          | (19,017,351)      |    | 2,180,112    | (104,105,104)    |               |
| Total Accumulated Depreciation                |    | (774,531,070)         | (79,492,040)      |    | 2,362,162    | (851,660,948)    |               |
| Net Capital Assets Being Depreciated          |    | 1,334,984,957         | <br>10,902,888    |    | (275,620)    | 1,345,612,224    |               |
| Capital Assets Not Being Depreciated:         |    |                       |                   |    |              |                  |               |
| Land and rights of way                        |    | 7,947,397             | 3,580             |    | -            | 7,950,977        |               |
| Construction in progress                      |    | 202,220,878           | 154,239,799       |    | (54,092,500) | 302,368,177      |               |
| Total Capital Assets, Not Being Depreciated   |    | 210,168,275           | 154,243,379       | _  | (54,092,500) | 310,319,154      |               |
| Total Capital Assets, Net                     | \$ | 1,545,153,232         | \$<br>165,146,267 | \$ | (54,368,120) | \$ 1,655,931,378 |               |

### E. Long-Term Receivables

On January 19, 2010, the District entered into an agreement with the United States Air Force (USAF) for the purpose of connecting the Creech Air Force Base (CAFB) sewer system to the District's collection and treatment system. The District is responsible for sewage collection and treatment for the community of Indian Springs. Compensation due to the District consists of two components: a sewer service charge and an initial service charge. On September 1, 2013 the District began receiving sewage flows from the CAFB sewer system. The initial service charge will recover the capital costs associated with the design and construction of the CAFB facilities as well as the capital recovery for 0.25 million gallons per day of capacity. The initial service charge is to be repaid on a monthly basis over a twenty year term at an annual interest rate of 5.42% beginning September 1, 2013 as a note receivable (the Note). The USAF is currently reviewing the detail of the initial service charge. While \$9.4 million of the initial service charge has been confirmed, the remaining \$2.1 million is under further review. At this time, the District has no evidence to support establishing an allowance for these costs as collection on this receivable is expected. Once the review is complete; the initial service charge repayment will begin. The \$2.1 million is classified as long-term since payment is not expected to be made within a year during the normal operating cycle of the District

The Note Receivable as of June 30 were as follows:

|                         | 2016             | 2015          |
|-------------------------|------------------|---------------|
| Note Receivable         | \$<br>11,342,929 | \$ 11,090,816 |
| Less Short Term Portion | (1,663,507)      | (636,227)     |
| Long-Term Receivable    | \$<br>9,679,422  | \$ 10,454,589 |

As of June 30, 2016 and 2015, accrued interest recorded on the receivable was \$521,747 and \$156,879 respectively.

Additionally, the District has long-term receivables that are due upon receipt from the Las Vegas Valley Water District (LVVWD) in accordance with a cooperative agreement (the Agreement) for the reimbursement of operation, maintenance, and capital costs of the Desert Breeze Water Resource Center. The receivables are carried net of an allowance for uncollectable amounts maintained for estimated losses. Management determines the adequacy of this allowance by continually evaluating the receivables considering the District's policy regarding receivables and uncollectable amounts. This obligation has been classified as noncurrent because it is not reasonably expected to be paid within a year during the normal operating cycle of the District.

LVVWD long-term receivables as of June 30 were as follows:

|                      | <br>2016         | 2015         |
|----------------------|------------------|--------------|
| Long-Term Receivable | \$<br>11,205,992 | \$ 8,612,901 |
| Less Allowance       | <br>(7,506,461)  | (4,913,370)  |
| Net Receivable       | \$<br>3,699,531  | \$ 3,699,531 |
|                      |                  |              |

There was no accrued interest recorded on the LVVWD receivable.

The District entered into an interlocal agreement with Clark County and, as of June 30, 2016, has a receivable due of \$2,352,219 of which \$356,927 is due within one year, in addition to accrued interest of \$11,761. The receivable bears interest at a rate of 2% with payments due quarterly until 2022. The District received payments of principal and interest totaling \$100,327 during the year.

### F. Pension Plans

### State of Nevada Public Employees' Retirements System

The District's employees are covered by the State of Nevada Public Employees' Retirement System (PERS). PERS was established on July 1, 1947, by the Nevada Legislature and is governed by the Public Employees Retirement Board whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit retirement plan. The District does not exercise any control over PERS. NRS 286.110 states that: "Respective participating public employers are not liable for any obligation of PERS." Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the participant's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled to 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 PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579, which for members entering the system before January 1, 2010, is equal to the lesser of:

- 1) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or
- 2) The average percentage increase in the Consumer Price Index (or other PERS Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph 1, above, if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other PERS Board approved index) for the period between retirement and the date of increase.

For members entering the system on or after January 1, 2010, the post-retirement increases are the same as above, except that the increases do not exceed 4% per year. Regular members 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 PERS 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. 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. Members become fully vested as to benefits upon completion of five years of service.

The authority for establishing and amending the obligation to make contributions and member contribution rates rests with NRS. 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 or can make contributions by a payroll deduction matched by the employer.

PERS'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. PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The 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, 2016 and June 30, 2015 the Statutory Employer/employee matching rate was 13.25% and the EPC rate was 25.75%. Effective July 1, 2015 through June 30, 2017, the required contribution rates for regular members will be 14.5% and 28% for employer/employee matching and EPC, respectively.

PERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information. This report is available on the PER's website, www.nvpers.org under publications.

PERS collective net pension liability was measured as of June 30, 2015 and June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For this purpose, certain actuarial valuation assumptions are stipulated by GASB and may vary from those used to determine the prospective funding contribution rates.

The total PERS pension liability was determined using the following actuarial assumptions for both years (based on the results of an experience review completed in 2013), applied to all periods included in the measurement:

| Actuarial valuation date   | June 30, 2015 / June 30, 2014                      |
|----------------------------|--|
| Inflation rate             | 3.50%  |
| Payroll growth             | 5.00%, including inflation                         |
| Investment rate of return  | 8.00%, including inflation                         |
| Discount rate              | 8.00%  |
| Productivity pay increase  | 0.75%  |
| Consumer Price Index       | 3.50%  |
| Actuarial cost method      | Entry age normal and level percentage of payroll   |
| Projected salary increases | Regular: 4.60% to 9.75%, depending on service      |
|                            | Rates include inflation and productivity increases |

At June 30, 2015 and June 30, 2014, assumed mortality rates and projected life expectancies for selected ages were as follows:

| Regular Members |         |          |          |            |  |
|-----------------|---------|----------|----------|------------|--|
|                 | Mortali | ty Rates | Expected | d Years of |  |
| Age             | Males   | Females  | Males    | Females    |  |
| 40              | 0.10%   | 0.05%    | 41.1     | 44.4       |  |
| 50              | 0.17%   | 0.12%    | 31.6     | 34.7       |  |
| 60              | 0.55%   | 0.42%    | 22.4     | 25.4       |  |
| 70              | 1.82%   | 1.39%    | 14.3     | 17         |  |
| 80              | 5.65%   | 3.79%    | 7.7      | 10.1       |  |

The mortality rates and projected life expectancies are based on the following:

- For non-disabled male regular members-RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA
- For non-disabled female regular members-RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year
- For all non-disabled police/fire members-RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year
- For all disabled regular members and all disabled police/fire members-RP-2000-Disable Retiree Mortality Table projected to 2013 with Scale AA, set forward three years

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

The following target asset allocation policy was adopted as of June 30, 2014:

|                       |            | Long-Term       |
|-----------------------|------------|-----------------|
|                       |            | Geometric       |
|                       | Target     | Expected Real   |
| Asset Class           | Allocation | Rate of Return* |
| Domestic Equity       | 42%        | 5.50%           |
| International Equity  | 18%        | 5.75%           |
| Domestic Fixed Income | 30%        | 0.25%           |
| Private Markets       | 10%        | 6.80%           |
|                       | 100%       | =               |
|                       |            | =               |

<sup>\*</sup>These geometric return rates are comined to produce the long-term expected rate of return by adding the long-term expected inflation rate of 3.5%.

The discount rate used to measure the total pension liability was 8% as of June 30, 2015 and June 30, 2014. 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, 2015 and June 30, 2014, 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 (8%) was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as the District's proportionate share of what the net pension liability would be if it were calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

|                              |                  | Discount Rate |                  |
|------------------------------|------------------|---------------|------------------|
|                              | 1% Decrease (7%) | (8%)          | 1% Increase (9%) |
| Net Pension Liability (2016) | \$ 70,672,092    | \$ 46,378,911 | \$ 26,177,367    |
| Net Pension Liability (2015) | \$ 64,984,923    | \$ 41,788,009 | \$ 22,505,466    |

Detailed information about PERS fiduciary net position is available in the PERS Comprehensive Annual Financial Report (CAFR), available on the PERS website, www.nvpers.org under publications. PERS fiduciary net position and addition to/deductions from it have been determined on the same basis used in the PERS CAFR. PERS financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for fiduciary funds. 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. As of June 30, 2016 and June 30, 2015, the District's proportionate share of the collective net pension liability was \$46,378,911 and \$41,788,009 which represents 0.4047% and 0.4010% of the collective net pension liability, respectively. Contributions for employer pay dates within the fiscal year ending June 30, 2015 and June 30, 2014, were used as the basis for determining each employer's proportionate share. 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, 2015 and June 30, 2014.

For the year ended June 30, 2016 and June 30, 2015, the District's pension expense was \$5,343,162 and \$5,503,145, respectively and its reported deferred outflows and inflows of resources related to pensions as of June 30 were as follows:

|   | 2016              |                     | 20                | )15                 |  |
|---|-------------------|---------------------|-------------------|---------------------|--|
|   |                   |                     |                   |                     |  |
|   | Deferred Outflows | Deferred Inflows of | Deferred Outflows | Deferred Inflows of |  |
|   | of Resources      | Resources           | of Resources      | Resources           |  |
|   |                   |                     |                   |                     |  |
| Difference between expected and actual experience | \$ -              | \$ 3,488,497        | \$ -              | \$ 1,999,786        |  |
| Net differences between projected and actual      |                   |                     |                   |                     |  |
| investment earnings on pension plan investments   | -                 | 2,512,190           | -                 | 8,777,193           |  |
| Changes in proportion and differences between     |                   |                     |                   |                     |  |
| employer contributions and proportionate share of |                   |                     |                   |                     |  |
| contributions                                     | 1,094,405         | -                   | 375,882           | -                   |  |
| Contributions subsequent to the measurement date  | 7,163,685         | -                   | 6,246,929         | -                   |  |
| Total   | \$ 8,258,090      | \$ 6,000,687        | \$ 6,622,811      | \$ 10,776,979       |  |

At June 30, 2016 and June 30, 2015 the average expected remaining service life is 6.55 years and 6.7 years respectively.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$7,163,685 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30: |                   |
|---------------------|-------------------|
| 2017                | \$<br>(1,524,504) |
| 2018                | (1,524,504)       |
| 2019                | (1,524,504)       |
| 2020                | 286,431           |
| 2021                | (471,403)         |
| Thereafter          | <br>(147,798)     |
| Total               | \$<br>(4,906,282) |

Changes in the District's net pension liability were as follows:

| Reconciliation of Net Pension Liability          | 2016             | 2015             |
|--|------------------|------------------|
| Beginning Net Pension Liability                  | \$<br>41,788,009 | \$<br>52,725,605 |
| Pension Expense                                  | 5,343,162        | 5,503,145        |
| Employer Contributions                           | (6,247,076)      | (6,039,644)      |
| Net Change in Deferred Outflows and Inflows      | 5,494,815        | (10,401,097)     |
| Recognition of Prior Deferred (Inflows) Outflows | -                | -                |
| Ending Net Pensions Liability                    | \$<br>46,378,910 | \$<br>41,788,009 |

At June 30, 2016 and June 30, 2015, \$551,258 and \$469,801 was payable to PERS equal to the June 30, 2016 and June 30, 2015 required contributions that was included in accounts payable, respectively

### **G.** Postemployment Benefits Other than Pensions (OPEB)

### Plan Information

In accordance with NRS, retirees of the District may continue insurance through the Clark County Retiree Health Program (County Plan), if enrolled in PERS and an active employee at the time of retirement. Within the County Plan retirees may choose between the Clark County Self-Funded Group Medical and Dental Benefits Plan (Self-Funded Plan), and Health Plan of Nevada (HPN), a fully insured health maintenance organization (HMO) plan.

This plan is an agent multiple-employer defined benefit OPEB plan. Enrollment in the state program of insurance for active employees was closed as of September 1, 2008. This program, the Public Employee Benefit Program (PEBP), is an agent multiple-employer defined benefit OPEB plan.

Each plan provides medical, dental and vision benefits to eligible active and retired employees and beneficiaries. Except for the PEBP, benefit provisions are established and amended through negotiations between the District and the employee union. PEBP benefit provisions are established and may be amended by the Nevada State Legislature. The Self-Funded plan is administered as a qualifying trust or equivalent arrangement, and is included in the Clark County CAFR as an internal service fund (the Self-Funded Group Insurance Fund), as required by the NRS.

The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. The Self-Funded and PEBP reports may be obtained by writing or calling the plans at the following addresses or numbers:

Clark County, Nevada PO Box 551210 500 S. Grand Central Parkway Las Vegas, NV 89155-1210 (702) 455-0000 Public Employee Benefit Plan 901 South Stewart Street, Suite 101 Carson City, Nevada 89701 (800) 326-5496

### **Funding Policy and Annual OPEB Cost**

For the Self-funded and HPN programs, contribution requirements of plan members and the District are established and may be amended through negotiations between the District Board of Trustees and the Service Employees International Union. The District pays approximately 90% of monthly premiums for active employee coverage, an average of \$750 and \$774 per active employee for the years ended June 30, 2016 and 2015, respectively. Retirees in the Self-Funded and HPN programs receive no direct subsidy from the District. Under state law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the District.

The District is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who have enrolled in this plan. In 2016, retirees were eligible for a \$121 per month subsidy after five years of service with a Nevada state or local government entity. The maximum subsidy of \$773 per month is earned after 20 years of combined service with any eligible entity. In 2015, retirees were eligible for subsidies ranging from \$115 to \$636 over the same years of service requirement. The subsidy is set by the State Legislature. The annual OPEB cost for each plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The District's annual OPEB cost for the current year and the related information for each plan are as follows:

|  | Self-Funded/HPN | PEBP       |
|--|-----------------|------------|
| Annual required contribution (ARC)         | \$ 3,078,182    | \$ 102,057 |
| Interest on net OPEB obligation            | 658,493         | 21,832     |
| Adjustment to annual required contribution | (952,020)       | (31,564)   |
| Annual OPEB Cost                           | 2,784,655       | 92,325     |
| Contributions made                         | (545,294)       | (75,645)   |
| Increase/decrease in net OPEB obligation   | 2,239,361       | 16,680     |
| Net OPEB obligation, beginning of year     | 16,902,852      | 105,283    |
| Net OPEB obligation, end of year           | \$ 19,142,213   | \$ 121,963 |

The District's OPEB expense as of June 30, 2016 is calculated as follows:

| Self-        |   |   |
|--------------|---|---|
| Funded/HPN   | <u>PEBP</u>                             | <u>Total</u>  |
| \$ 2,784,655 | \$ 92,325                               | \$ 2,876,980  |
| (545,294)    | (75,645)                                | (620,939)   |
| \$ 2,239,361 | \$ 16,680                               | \$ 2,256,041  |
|              | Funded/HPN<br>\$ 2,784,655<br>(545,294) | Funded/HPN       PEBP         \$ 2,784,655       \$ 92,325         (545,294)       (75,645) |

The District's annual OPEB cost, the percentage of annual cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

| Fiscal Year     |                  | Percentage of Annual OPEB | Net                    |
|-----------------|------------------|---------------------------|------------------------|
| <u>Ended</u>    | Annual OPEB Cost | Cost Contributed          | <b>OPEB Obligation</b> |
|                 |                  |                           |                        |
| Self-Funded/HPN |                  |                           |                        |
| 06/30/14        | 3,152,628        | 19.0%                     | 14,440,532             |
| 06/30/15        | 3,007,615        | 18.1%                     | 16,902,852             |
| 06/30/16        | 2,784,655        | 19.6%                     | 19,142,213             |
|                 |                  |                           |                        |
| <u>PEBP</u>     |                  |                           |                        |
| 06/30/14        | 164,685          | 63.1%                     | 81,210                 |
| 06/30/15        | 99,717           | 75.9%                     | 105,283                |
| 06/30/16        | 92,325           | 81.9%                     | 121,963                |

### **Funded status and funding progress**

The funded status of the plans as of the most recent actuarial valuation date, July 1, 2014 is as follows:

|  | Sel | f-Funded/HPN | <u>PEBP</u>     |
|--|-----|--------------|-----------------|
| Actuarial accrued liability (AAL)              | \$  | 29,493,485   | \$<br>1,835,359 |
| Actuarial value of plan assets                 |     |              | <br>            |
| Unfunded actuarial accrued liability (UAAL)    | \$  | 29,493,485   | \$<br>1,835,359 |
| Funded ratio (actuarial value of plan assets/A | AL) | 0%           | 0%              |
| Covered payroll (active plan members)          | \$  | 24,779,783   | \$<br>0         |
| UAAL as a percentage of covered payroll        |     | 119%         | N/A             |

PEBP closed to new District participants as of September 1, 2008; therefore covered payroll is zero.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members at that point. Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used are as follows:

| Actuarial valuation date      | <u>Self-Funded/HPN</u><br>07/01/14 | <u>PEBP</u><br>07/01/14 |
|-------------------------------|------------------------------------|-------------------------|
| Actuarial cost method         | Entry age, normal                  | Entry age, normal       |
| Amortization method           | Level dollar                       | Level dollar            |
| Remaining amortization period | 30 years, open                     | 30 years, open          |
| Asset valuation method        | N/A, no assets in trust            | N/A, no assets in trust |
| Actuarial assumptions:        |                                    |                         |
| Inflation rate                | N/A                                | N/A                     |
| Investment rate of return     | 4.0%                               | 4.0%                    |
| Projected salary increases    | N/A                                | N/A                     |
| Healthcare inflation rate     | 7% initial                         | 7% initial              |
|                               | 5% ultimate                        | 5% ultimate             |

### **H.** Construction Commitments

As of June 30, 2016, the remaining obligated balance of construction contracts in progress was \$173,627,893.

Construction contracts payable are as follows at June 30:

|                                  | 2016          | 2015          |
|----------------------------------|---------------|---------------|
| Construction contracts retention | \$ 12,015,406 | \$ 6,792,989  |
| Construction contracts payable   | 17,441,762    | 29,164,002    |
| Total Construction Payables      | \$ 29,457,168 | \$ 35,956,991 |

### I. Risk Management and Worker's Compensation Coverage - Self-Funded Program

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains a risk management program to assess coverage of potential risks of loss.

Under this program, the District believes it is more economical to manage risks internally with regard to its workers' compensation coverage. For all other risks, such as general, automobile and excess liabilities the District purchases insurance coverage subject to self-insured retentions. The District completed an update of the annual appraisal of District structures in April 2015. The valuation provided a thorough inventory of above-ground structures and replacement costs. The District's property insurance policy was revised to reflect these valuations, establishing a blanket valuation of \$1,112,137,270. The District hires a third party to act as claims administrator of the worker's compensation program. The self-insurance coverage includes the purchase of an insurance policy to cover workers' compensation claims for the District that exceed \$750,000 per person. As of June 30, 2016, a liability of \$1,034,259 was accrued to provide for unpaid claims. The accrued liability represents the approximate maximum number of claims

expected for the year. For the last four fiscal years, no settlement amounts have exceeded insurance coverage.

Changes in the District's claims liability amount in fiscal 2016 and 2015 are as follows:

|      | Be                          | ginning of |                           |            |              |         |                    |               |       |   |    |               |
|------|-----------------------------|------------|---------------------------|------------|--------------|---------|--------------------|---------------|-------|---|----|---------------|
|      | Fiscal Year Claims Incurred |            | Prior Period Changes Curr |            | Current Year |         |                    | End of Fiscal |       |   |    |               |
|      | ]                           | Liability  | Dur                       | ing Period | in Estimates |         | Payments on Claims |               | Other |   | Y  | ear Liability |
| 2016 | \$                          | 829,817    | \$                        | 135,769    | \$           | 302,663 | \$                 | (233,989)     | \$    | - | \$ | 1,034,259     |
| 2015 |                             | 703,014    |                           | 118,461    |              | 194,588 |                    | (186,246)     |       | - |    | 829,817       |

The District has designated and set aside \$634,000 in its investment balances at June 30, 2016 and 2015 respectively for future workers' compensation losses. In lieu of providing a security bond to the Nevada Department of Insurance (NDI), the District currently holds a cash deposit of \$38,000 and a purchased certificate of deposit for \$116,000 pledged to the NDI.

### J. Net Bond Interest Expense

The District utilized debt proceeds, in addition to excess revenues, in constructing, improving and expanding its wastewater treatment facilities. The interest cost related to this debt is capitalized as part of the historical cost of constructing the applicable assets.

Net bond interest expense is as follows for the years ended June 30:

|                                 | 2016          | 2015          |
|---------------------------------|---------------|---------------|
| Bond interest expense           | \$ 21,728,269 | \$ 23,384,183 |
| Less Capitalized interest       | (12,387,585)  | _(11,294,237) |
| Total Net Bond Interest Expense | \$ 9,340,684  | \$12,089,946  |

### **K.** Long-Term Liabilities

### **General Obligation Bonds**

Outstanding District general obligation bonds (additionally secured by pledged revenue) are rated an "AAA" by Standard & Poor's Corporation and "Aa1" by Moody's. The net proceeds of all bond issuances have been used to finance portions of one or more capital improvement projects.

At June 30, 2016, outstanding bonds payable of the District were as follows:

|  | 2015           | Payments      | 2016           | Due Within One Year |
|--|----------------|---------------|----------------|---------------------|
| 2007 Series 4.00% - 4.75% general obligation bonds, due in annual installments from 2012 through 2037 Original issue amount \$55,000,000 on 11/13/2007           | \$ 52,395,000  | \$ 1,330,000  | \$ 51,065,000  | \$ 1,385,000        |
| 2008 Series 4.00% - 6.00% general obligation bonds, due in annual installments from 2013 through 2038 Original issue amount \$115,825,000 on 11/20/2008          | 110,875,000    | 2,630,000     | 8,610,000      | 2,740,000           |
| 2009A Series 4.00% - 5.25% general obligation bonds, due in annual installments from 2013 through 2038 Original issue amount \$135,000,000 on 04/01/2009         | 130,410,000    | 2,455,000     | 127,955,000    | 2,600,000           |
| 2009B Series 4.00% - 5.75% general obligation bonds, due in annual installments from 2013 through 2038 Original issue amount \$125,000,000 on 04/01/2009         | 120,255,000    | 2,530,000     | 117,725,000    | 2,660,000           |
| State Revolving Loan Bond - ARRA (2009C) 0.00% , due in semi-annual installments from 2012 through 2029 Original issue amount \$5,744,780 on 10/16/2009          | 4,502,666      | 310,529       | 4,192,137      | 310,529             |
| State Revolving Loan Bond (2011A) 3.1875%, due in semi-annual installments from 2014 through 2030 Original issue amount \$40,000,000 on 03/25/2011               | 37,371,222     | 1,823,088     | 35,548,134 (1) | 1,881,662           |
| State Revolving Loan Bond (2012A) 2.3562%, due in semi-annual installments from 01/01/2016 through 2032 Original issue amount \$30,000,000 on 07/13/2012         | 9,152,202      | 595,510       | 29,404,489 (2) | 1,499,625           |
| 2015 Series Refunding 3.25% - 5.00% general obligation bor<br>in annual installments from 2019 through 2038<br>Original issue amount \$103,625,000 on 08/04/2015 | nds, due<br>-  | -             | 103,625,000    | -                   |
| Total  | \$ 464,961,090 | \$ 11,674,127 | \$ 478,124,760 | \$ 13,076,816       |

<sup>(1)</sup> The 2011A bond was issued to the State of Nevada as collateral for a low interest loan through the State Revolving Loan Fund.

### **Advance Refunding**

In August 2015, the District issued Series 2015, \$103.6 million Clark County Water Reclamation District, Nevada General Obligation (Limited Tax) Water Reclamation Refunding Bonds (Additionally Secured by Pledged Revenues) to reduce the interest rates. Proceeds of the 2015 Bonds were used to advance refund a portion of the District's General Obligation (Limited Tax) Water Reclamation Bonds (Additionally Secured by Pledged Revenues), Series 2008; and pay the costs of issuing the 2015 Bonds. The \$103,625,000 bond is payable at an interest rate ranging between 3.25% and 5.00% over twenty years, with the first interest payment was due January 1, 2016, and the final payment due July 1, 2038. The refunding will result in a net present value savings of \$12.3 million.

The reacquisition price exceeded the net carrying amount by \$3.99 million. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the series 2008 bonds are considered defeased and the liability for those bonds has been removed from the District's statement of net position.

<sup>(2)</sup> The 2012A bond was issued to the State of Nevada as collateral for a low interest loan through the State Revolving Loan Fund.

### **Pledged Revenues**

The District's General Obligation/Revenue Supported Bonds constitute direct and general obligations of the District, and the full faith and credit of the District is pledged to the payment of principal and interest thereon, subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes. The bonds are backed by the District's ability to levy general ad valorem taxes on all taxable property serviced by the District. The bonds are additionally secured by certain pledged revenues derived by the District after operation and maintenance expenses are deducted (Net Pledged Revenues). Historically, the District has not levied an ad valorem tax because the District's revenues have always been sufficient to pay debt service on all of the District's bonds and obligations; however, in any year in which those revenues are insufficient to pay debt service, the District is obligated to levy ad valorem taxes to pay debt service. The total remaining principal and interest payments for the District's bonds was \$775,719,848 as of June 30, 2016. In fiscal year 2016, Net Pledged Revenues received totaled \$96,973,128 and the required debt service totaled \$33,916,450.

The following table outlines the total amount of annual debt service for years 2017 through 2021 and provides total debt service in five year increments for year 2021 through final maturity.

| Year<br>Ending<br>June 30      | General<br>Obligation<br>Principal | Interest       | Total Requirements |  |  |
|--------------------------------|------------------------------------|----------------|--------------------|--|--|
| 2017                           | \$ 13,076,816                      | \$ 22,078,141  | \$ 35,154,957      |  |  |
| 2018                           | 13,623,495                         | 21,532,299     | 35,155,794         |  |  |
| 2019                           | 14,226,701                         | 20,928,518     | 35,155,219         |  |  |
| 2020                           | 15,237,761                         | 20,294,320     | 35,532,081         |  |  |
| 2021                           | 15,911,759                         | 19,619,209     | 35,530,968         |  |  |
| 2022-2026                      | 91,117,843                         | 86,536,002     | 177,653,845        |  |  |
| 2027-2031                      | 113,700,992                        | 63,657,530     | 177,358,522        |  |  |
| 2032-2036                      | 117,369,392                        | 36,392,463     | 153,761,855        |  |  |
| 2037-2039                      | 83,860,000                         | 6,556,606      | 90,416,606         |  |  |
| Total Annual Bond Requirements | \$ 478,124,760                     | \$ 297,595,087 | \$ 775,719,848     |  |  |

### **Changes in Long-Term Liabilities**

Long term liability activity for the year ended June 30, 2016 was as follows:

|  | Beginning Balance 06/30/15 | 6 6            |                  | Ending<br>Balance 06/30/16 | Due Within<br>One Year |
|--|----------------------------|----------------|------------------|----------------------------|------------------------|
| Bonds Payable:                                   |                            |                |                  |                            |                        |
| General obligation bonds                         | \$ 464,961,090             | \$ 124,472,797 | \$ (111,309,127) | \$ 478,124,760             | \$ 13,076,816          |
| Plus Deferred Amounts: For Issuance premiums     | 3,493,611                  | 10,548,647     | (543,765)        | 13,498,493                 | -                      |
| Less Deferred Amounts:<br>For Issuance discounts | (886,455)                  | (677,325)      | 38,892           | (1,524,888)                | _                      |
| Total Bonds Payable                              | 467,568,246                | 134,344,119    | (111,814,000)    | 490,098,365                | 13,076,816             |
| Compensated absences                             | 5,102,814                  | 825,742        | (570,319)        | 5,358,237                  | 1,199,688              |
| Catastrophic Leave Balance                       | 2,416                      | 8,941          |                  | 11,357                     |                        |
| Long-Term liabilities                            | \$ 472,673,476             | \$ 135,178,802 | \$ (112,384,319) | \$ 495,467,959             | \$ 14,276,504          |

### Long term liability activity for the year ended June 30, 2015 was as follows:

|   | Beginning Balance 06/30/14 | Additions    | Reductions      | Ending<br>Balance 06/30/15 | Due Within One Year |  |
|---|----------------------------|--------------|-----------------|----------------------------|---------------------|--|
| Bonds Payable:  |                            |              |                 |                            |                     |  |
| General obligation bonds  | \$ 471,160,284             | \$ 4,442,671 | \$ (10,641,866) | \$ 464,961,090             | \$ 11,298,815       |  |
| Plus Deferred Amounts: For Issuance premiums Less Deferred Amounts: | 3,642,531                  | -            | (148,920)       | 3,493,611                  | -                   |  |
| For Issuance discounts  | (925,347)                  |              | 38,892          | (886,455)                  |                     |  |
| Total Bonds Payable   | 473,877,468                | 4,442,671    | (10,751,894)    | 467,568,246                | 11,298,815          |  |
| Compensated absences  | 5,141,981                  | 516,072      | (555,239)       | 5,102,814                  | 1,034,692           |  |
| Catastrophic Leave Balance  | 8,229                      |              | (5,813)         | 2,416                      |                     |  |
| Long-Term liabilities   | \$ 479,027,678             | \$ 4,958,743 | \$ (11,312,946) | \$ 472,673,475             | \$ 12,333,506       |  |

### L. Reserve Policies

### **Designated Unrestricted Reserves**

The District currently maintains a single fund for all sewer revenues, expenditures, and cash balances. However, financial obligations are separated into operating and capital cost centers. This segregation reflects the differing activities of the cost centers and allows for a clear picture of the District's operating and capital requirements and the funding sources available for each. Further, separately identifying operating and capital needs assists in establishing appropriate levels of operating and capital reserves which are a necessary and appropriate part of fiscal prudent management for the District. Operating reserves are designed to provide a liquidity cushion against variability and timing of expenditures and receipts, unanticipated cash operating expenses, or less than expected revenues. The District's Operating and Maintenance Reserve will be equal to 90 days prior year actual O&M expenditures.

The repair and replacement of the District's conveyance and treatment facilities is critical to the ongoing operation of the District and the safety of the community and environment. A capital contingency reserve is a fund set aside in case of emergency, should a piece of equipment or a portion of the District's infrastructure fail unexpectedly. This reserve fund amount is set at the lesser of: (1) the value of total asset original cost/asset average useful life; or (2) \$50 million.

Nevada Revised Statue (NRS) 354.6115 provides for the creation of a fund to stabilize the operations of local governments, including public utilities. Monies the District transfers to this fund may only be used if the total actual revenue of the District falls short of the total anticipated revenue or expenditures incurred by the District to mitigate the effects of natural disaster. The District's budget stabilization reserve will also provide resources that will allow for rate stability. The District's Budget Stabilization Reserve will be equal to 5% of our current budgeted operations and maintenance expenditures.

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the District began to record a liability for Other Post-Employment Benefits (OPEB) obligations in fiscal year 2008. GASB standards do not require employers to advance fund OPEB. However, the District initiated this reserve fund allowing for the opportunity to begin advance funding in the future. This reserve fund amount will be equal to the Net OPEB Obligation (NOO). The NOO is determined by the annual OPEB cost less the actual contribution amount added to the previous year's NOO. Funds are set aside in the worker's compensation insurance reserve for potential losses. The fund is classified as designated unrestricted funds since their use is limited (but not mandated) to the payment of any claims. Annual worker's compensation insurance reserves will be equal to the annual maximum out of pocket expense, per event in any given year, less the amount of the workers' compensation insurance security deposit.

### **Restricted Reserves**

Funds set aside for payment of general obligation debt and revenue bonds will be classified as restricted assets since their use is limited by applicable bond covenants. A bond reserve account is established in compliance with the District's bond resolutions to meet possible deficiencies in the bond fund (debt service). The annual bond debt service reserve fund will be equal to the annual amount due for principal and interest. Pursuant to NRS 616B.330(2), each self-insured employer must deposit with the Commissioner of the State of Nevada, Division of Insurance, a bond, or other security, executed by the employer as principal, and by a corporation qualified under the laws of this State, payable to the State of Nevada, and conditioned upon the payment of compensation for injuries and occupational diseases to employees. The security amount, and therefore the reserve fund, may change as directed by the Commissioner. In accordance with the cooperative agreement between the District and the Clean Water Coalition (CWC) dated October 1, 2011, the CWC paid the District \$100,000 to be held in trust and used to pay any direct expenses which may be incurred by the Trustee Agency upon termination of the CWC agency. The District has been designated as the Trustee Agency. The amount of this reserve will be all unspent CWC funds at the beginning of any fiscal year.

### M. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### N. Contingencies

In the ordinary course of its operations, claims may be filed against the District. Although unable to estimate the amount of likely losses, if any, it is the opinion of management that because of its insurance and other risk management practices these claims will not result in any material adverse effect on the District's financial position or operations. Historically, no provision has been made for any such losses in these matters. The District does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

### O. New Pronouncements

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for periods beginning after June 15, 2016. This statement addresses the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Management has completed its assessment of this statement and determined that it will not have a material effect on the District's financial position or changes therein.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective for periods beginning after June 15, 2017. This statement addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet completed its assessment of this statement.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for periods beginning after December 15, 2015. This statement addresses the need for financial statements prepared by state and local governments in conformity with generally accepted accounting principles to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. Management has not yet completed its assessment of this statement.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*, effective for periods beginning after December 15, 2015. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Management has completed its assessment of this statement and determined that it will not have a material effect on the District's financial position or changes therein.

In June 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for periods beginning after June 15, 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. Management has completed its assessment of this statement and determined that it will not have a material effect on the District's financial position or changes therein.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for periods beginning after December 15, 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a

government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Management has completed its assessment of this statement and determined that it will not have a material effect on the District's financial position or changes therein.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, effective for periods beginning after June 15, 2016. This Statement addresses issues regarding 1) the presentation of payroll-related measures in required supplementary information, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has not yet completed its assessment of this statement.

### P. Subsequent Event

On July 19 2016, the District issued the 2016 General Obligation (Limited Tax) Water Reclamation Refunding Bonds (the "2016 Bonds"). The 2016 Bonds were being issued to: (i) advance refund \$48,240,000 of the District's General Obligation (Limited Tax) Water Reclamation Bonds Series 2007, maturing July 1, 2018 through July 1, 2037, (ii) advance refund \$116,595,000 of the District's General Obligation (Limited Tax) Water Reclamation Series 2009A, maturing July 1, 2020 through July 1, 2038, (iii) advance refund \$106,240,000 of the District's General Obligation (Limited Tax) Water Reclamation Bonds Series 2009B, maturing July 1, 2020 through July 1, 2038, and (iv) pay the costs of issuing the 2016 Bonds. The 2016 Bonds are payable at an interest rate ranging between 3.00% and 5.00% over twenty-two years, with the first payment due January 1, 2017, and the final payment due July 1, 2038. The refunding will result in a net present value savings of \$55.4 million.

# Required Supplementary Information (Audited)

The
"Clean
Water Team"

Clark County Water Reclamation District Required Supplementary Information Schedule of OPEB Funding Progress

| Actuarial Valuation Date Self-Fu |     |    | Actuarial Accrued Liability (AAL) Entry Age (b) |    | funded AAL<br>AAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) |            | UAAL as Percentage of Covered Payroll [(b-a)/c] |
|----------------------------------|-----|----|---|----|--------------------------|--------------------|---------------------|------------|---|
| 07/01/10                         | -   | \$ | 27,989,590                                      | \$ | 27,989,590               | 0%                 | \$                  | 24,886,480 | 112.47%   |
| 07/01/12                         |     |    | 35,480,603                                      |    | 35,480,603               | 0%                 |                     | 23,141,075 | 153.32%   |
| 07/01/14                         |     |    | 29,493,485                                      |    | 29,493,485               | 0%                 |                     | 24,779,783 | 119.02%   |
| PE                               | EBP |    |   |    |                          |                    |                     |            |   |
| 07/01/10                         | -   | \$ | 2,204,784                                       | \$ | 2,204,784                | 0%                 |                     | (a)        | n/a   |
| 07/01/12                         | -   |    | 2,827,135                                       |    | 2,827,135                | 0%                 |                     | (a)        | n/a   |
| 07/01/14                         | -   |    | 1,835,359                                       |    | 1,835,359                | 0%                 |                     | (a)        | n/a   |

Note: (a) Effective 09/01/2008 no additional active employees can be added to the PEBP program, therefore, there are no covered payrolls associated with this program after that date.

# Clark County Water Reclamation District Required Supplementary Information Schedule of Proportionate Share of Net Pension Liability For the Year Ended June 30, 2016 and Last Nine Fiscal Years

|  |    | 6/30/2015  | 6/30/2014        |
|--|----|------------|------------------|
| Proportion of the net pension liability  | (  | 0.40472%   | 0.40096%         |
| Proportionate share of the net pension liability   | \$ | 46,378,911 | \$<br>41,788,009 |
| Covered-employee payroll   | \$ | 28,201,754 | \$<br>23,947,775 |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll |    | 164.45%    | 174.50%          |
| Plan's fiduciary net position (in millions)  | \$ | 34,610,700 | \$<br>33,575,100 |
| Plan fiduciary net position as a percentage of the total pension liability                   |    | 75.13%     | 76.31%           |

<sup>\*</sup>Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

# Clark County Water Reclamation District Required Supplementary Information Proportionate Share of Statutorily Required Pension Contribution Information For the Year Ended June 30, 2016 and Last Nine Fiscal Years

| Contractually required contribution (actuarially determined)          | \$ | 6,247,076   | \$ 6,073,199  |
|---|----|-------------|---------------|
| Contributions in relation to the actuarially determined contributions |    | 7,171,104   | 6,246,929     |
| Contribution deficiency (excess)                                      | \$ | (924,028)   | \$ (173,730)  |
| Covered payroll   | \$ | 26,805,607  | \$24,779,783  |
| Contributions as a percentage of covered-employee payroll             |    | 26.75%      | 25.21%        |
| Notes to Schedule<br>Valuation Date:                                  | Ju | ne 30, 2015 | June 30, 2014 |

<sup>\*</sup>Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

# Supplementary Information (Audited)

The
"Clean
Water Team"

### Clark County Water Reclamation District Schedule of Capital Assets Year Ended June 30, 2016 and 2015

| June 30, 2015  | Increases      | Cost<br>Decreases | Assets<br>June 30, 2016 | Depreciation<br>June 30, 2015 | Depreciation<br>Increases | Depreciation<br>Decreases | Accumulated<br>Depreciation<br>June 30, 2016 | Net Capital<br>Assets<br>me 30, 2016 |
|--|----------------|-------------------|-------------------------|-------------------------------|---------------------------|---------------------------|--|--------------------------------------|
| Land and Rights of Way \$ 7,950,977                                | \$ 6,500       | \$ -              | \$ 7,957,477            | \$ -                          | \$ -                      | \$ -                      | \$ -   | \$<br>7,957,477                      |
| Land Improvements 5,505,174  | 4,251,148      |                   | 9,756,322               | 716,014                       | 673,589                   |                           | 1,389,603                                    | 8,366,719                            |
| Total Land and Improvements 13,456,151                             | 4,257,648      |                   | 17,713,799              | 716,014                       | 673,589                   |                           | 1,389,603                                    | 16,324,196                           |
| Buildings and Wastewater Treatment Facilities:                     |                |                   |                         |                               |                           |                           |  |                                      |
| Flamingo Water Resource Center 988,912,058                         | 58,321,398     | (2,326,225)       | 1,044,907,231           | 448,050,816                   | 40,442,045                | (503,150)                 | 487,989,712                                  | 556,917,519                          |
| Laughlin Water Resource Center 79,296,107                          | 1,506,597      | -                 | 80,802,704              | 54,320,071                    | 3,100,505                 | -                         | 57,420,576                                   | 23,382,128                           |
| Blue Diamond Treatment Ponds 717,821                               | -              | -                 | 717,821                 | 716,262                       | 154                       | -                         | 716,416                                      | 1,405                                |
| Indian Springs Treatment Facility 14,102,153                       | -              | -                 | 14,102,153              | 1,903,284                     | 499,284                   | -                         | 2,402,568                                    | 11,699,585                           |
| Moapa Valley Treatment Facility 22,101,471                         | -              | -                 | 22,101,471              | 5,764,048                     | 694,573                   | -                         | 6,458,621                                    | 15,642,850                           |
| Searchlight Treatment Ponds 3,134,485                              |                |                   | 3,134,485               | 570,264                       | 146,230                   |                           | 716,494                                      | 2,417,991                            |
| Total Buildings and Wastewater Treatment 1,108,264,095 Facilities: | 59,827,995     | (2,326,225)       | 1,165,765,865           | 511,324,745                   | 44,882,792                | (503,150)                 | 555,704,387                                  | 610,061,478                          |
| Wastewater Conveyance Lines:                                       |                |                   |                         |                               |                           |                           |  |                                      |
| Flamingo Water Resource Center 463,502,691                         | 10,629,615     | -                 | 474,132,306             | 130,397,361                   | 9,650,325                 | -                         | 140,047,686                                  | 334,084,620                          |
| Laughlin Water Resource Center 14,366,533                          | -              | -                 | 14,366,533              | 2,608,594                     | 286,887                   | -                         | 2,895,481                                    | 11,471,052                           |
| Wastewater Lines 356,036,002                                       | 55,513,332     | (2,582,239)       | 408,967,095             | 97,458,439                    | 7,636,901                 | -                         | 105,095,340                                  | 303,871,755                          |
| Indian Springs Treatment Facility 4,886,926                        | -              | -                 | 4,886,926               | 1,180,665                     | 184,379                   | -                         | 1,365,044                                    | 3,521,882                            |
| Moapa Valley Treatment Facility 30,890,445                         | -              | -                 | 30,890,445              | 2,922,342                     | 617,809                   | -                         | 3,540,151                                    | 27,350,294                           |
| Searchlight Treatment Ponds 3,722,913                              | -              | -                 | 3,722,913               | 947,683                       | 307,590                   | -                         | 1,255,273                                    | 2,467,640                            |
| Total Wastewater Conveyance Lines: 873,405,510                     | 66,142,947     | (2,582,239)       | 936,966,218             | 235,515,084                   | 18,683,891                |                           | 254,198,975                                  | <br>682,767,243                      |
| Equipment 210,098,393  | 85,367,405     | (943,491)         | 294,522,307             | 104,105,104                   | 23,347,580                | (941,633)                 | 126,511,052                                  | 168,011,255                          |
| Work in Progress 302,368,177                                       | 281,066,781    | (185,028,375)     | 398,406,583             | -                             |                           |                           | -  | 398,406,583                          |
| Total \$ 2,507,592,326   | \$ 496,662,776 | \$ (190,880,330)  | \$ 2,813,374,772        | \$ 851,660,948                | \$ 87,587,852             | \$ (1,444,783)            | \$ 937,804,018                               | \$<br>1,875,570,754                  |

Clark County Water Reclamation District Schedule of Revenues and Expenses Compared to Budget

| Schedule of Revenues and Expenses Compared to Budget                 | 2016             | 2016             | ***            | 2017             |
|--|------------------|------------------|----------------|------------------|
| Year Ended June 30, 2016   | 2016             | 2016             | Variance to    | 2015             |
| (with Comparative Actual Amounts for Year Ended June 30, 2015)       | Budget           | Actual           | Budget         | Actual           |
| Operating Revenues:  | ¢ 145 297 452    | ¢ 142 142 422    | e (2.144.020)  | ¢ 142.274.190    |
| Sewer service charges Water reuse sales                              | \$ 145,286,453   | \$ 143,142,433   | \$ (2,144,020) | \$ 142,374,180   |
|  | 2,380,866        | 938,717          | (1,442,149)    | 1,121,695        |
| Pretreatment fees  | 431,324          | 445,570          | 14,246         | 443,736          |
| Septage fees   | 350,000          | 377,563          | 27,563         | 317,161          |
| Other Tatal Counting Programs  | 600,000          | 680,068          | 80,068         | 572,051          |
| Total Operating Revenues   | 149,048,643      | 145,584,351      | (3,464,292)    | 144,828,823      |
| Operating Expenses:  |                  |                  |                |                  |
| Salaries   | 23,904,248       | 24,504,234       | 599,986        | 22,345,906       |
| Benefits   | 10,136,952       | 8,372,845        | (1,764,107)    | 8,261,396        |
| Post employment benefits other than pension                          | 3,000,000        | 2,256,041        | (743,959)      | 2,486,393        |
| Utilities  | 11,657,402       | 10,830,647       | (826,755)      | 11,265,489       |
| Outside services   | 6,808,032        | 7,597,305        | 789,273        | 7,053,570        |
| Chemicals  | 6,759,360        | 4,870,869        | (1,888,491)    | 5,186,742        |
| Maintenance  | 5,445,134        | 4,750,373        | (694,761)      | 5,383,928        |
| Other expenses   | 3,369,145        | 2,195,097        | (1,174,048)    | 6,160,644        |
| Supplies   | 4,038,061        | 4,158,204        | 120,143        | 2,777,022        |
| Impairments and other losses   | -                | 5,990,564        | 5,990,564      | 2,997,433        |
| Depreciation   | 89,931,151       | 87,587,851       | (2,343,300)    | 79,492,040       |
| Total Operating Expenses   | 165,049,485      | 163,114,030      | (1,935,456)    | 153,410,563      |
| Income (Loss) from Operations  | (16,000,842)     | (17,529,679)     | (1,528,836)    | (8,581,740)      |
| Non-Operating Revenue (Expense):                                     |                  |                  |                |                  |
| Unrestricted investment earnings                                     | 8,500,000        | 5,173,864        | (3,326,136)    | 6,194,788        |
| Net increase (decrease) in the fair value of unrestricted investment | -                | 1,929,776        | 1,929,776      | 2,216,807        |
| Restricted investment earnings                                       | _                | 330,253          | 330,253        | 158,630          |
| SDA revenue  | 11,000,000       | 19,481,062       | 8,481,062      | 24,013,884       |
| Sales tax apportionment  | 16,000,000       | 17,717,754       | 1,717,754      | 17,078,167       |
| Interest expense-bonds, net of capitalized                           | (23,595,723)     | (9,340,684)      | 14,255,039     | (12,089,946)     |
| Other non-operating revenue/expenses, net                            | -                | (1,247,980)      | (1,247,980)    | 301,798          |
| Total Non-Operating Revenue (Expense)                                | 11,904,277       | 34,044,045       | 22,139,767     | 37,874,128       |
| Income Before Capital Contributions                                  | (4,096,565)      | 16,514,366       | 20,610,931     | 29,292,388       |
| Capital Contributions  |                  |                  |                |                  |
| Grant revenue  | 82,800           | _                | (82,800)       | -                |
| Contributed assets   | 13,180,732       | 51,375,748       | 38,195,016     | 36,528,528       |
|  |                  |                  |                |                  |
| Change in Net Position   | 9,166,967        | 67,890,114       | 58,723,147     | 65,820,916       |
| Net Position, Beginning of the Year                                  | 1,648,051,664    | 1,648,051,664    |                | 1,582,230,748    |
| Net Position, End of Year  | \$ 1,657,218,631 | \$ 1,715,941,778 | \$ 58,723,146  | \$ 1,648,051,664 |

### Clark County Water Reclamation District Schedule of Cash Flows Compared to Budget Years Ended June 30, 2016 and 2015

| Years Ended June 30, 2016 and 2015                            |    |               |    |               |    |               |    |               |
|---|----|---------------|----|---------------|----|---------------|----|---------------|
|   |    | 2016          |    | 2016          |    | Variance      |    | 2015          |
|   |    | Budget        |    | Actual        |    | to Budget     |    | Actual        |
| Cash Flows from Operating Activities: Net pension liabilities | \$ |               |    | 4,590,902     | \$ | 4,590,902     | \$ | 10.193.812    |
| Net cash inflows/outflows from PERS contributions/deferrals   | Ф  | -             | \$ | (6,411,571)   | Ф  | (6,411,571)   | Ф  | (10,937,596)  |
| Cash flows from customers                                     |    | 149,048,643   | Ф  | 136,568,225   |    | (12,480,418)  |    | 143,521,915   |
| Cash flows from governmental organizations                    |    | 142,040,043   |    | 6,652,875     |    | 6,652,875     |    | 5,532,039     |
| Payments by other sources                                     |    | _             |    | (6,509,847)   |    | (6,509,847)   |    | (2,801,527)   |
| Payments to employees for services and benefits               |    | (37,041,200)  |    | (32,268,423)  |    | 4,772,777     |    | (30,629,676)  |
| Payments from (to) governmental organizations for services    |    | (57,011,200)  |    | (12,340,020)  |    | (12,340,020)  |    | (7,317,143)   |
| Payments for services and supplies                            |    | (38,077,134)  |    | (22,166,287)  |    | 15,910,847    |    | (28,936,064)  |
| Net Cash Provided by Operating Activities                     |    | 73,930,309    |    | 68,115,854    | _  | (5,814,455)   |    | 78,625,760    |
| Cash Flows from Capital and Related Financing Activities:     |    |               |    |               |    |               |    |               |
| Grant revenue   |    | 82,800        |    | -             |    | (82,800)      |    | _             |
| Sales tax apportionment                                       |    | 16,000,000    |    | 17,188,901    |    | 1,188,901     |    | 16,468,226    |
| System development approvals received                         |    | 11,000,000    |    | 19,282,092    |    | 8,282,092     |    | 24,048,386    |
| Proceeds from capital debt                                    |    | 19,048,879    |    | 20,703,437    |    | 1,654,558     |    | 4,442,672     |
| Acquisition, construction or improvement of capital assets    |    | (181,794,343) |    | (259,304,403) |    | (77,510,060)  |    | (132,398,672) |
| Principal payment on loans for capital assets                 |    | (11,827,689)  |    | (11,674,127)  |    | 153,562       |    | (10,641,866)  |
| Interest payment on loans for capital assets                  |    | (23,595,723)  |    | (12,901,639)  |    | 10,694,084    |    | (11,444,503)  |
| Loan to Clark County  |    | (6,322,110)   |    |               | _  | 6,322,110     |    |               |
| Net Cash Used in Capital and Related Financing Activities     | _  | (177,408,186) |    | (226,705,739) | _  | (49,297,553)  |    | (109,525,757) |
| Cash Flows from Investing Activities:                         |    |               |    |               |    |               |    |               |
| Proceeds from sale of investments                             |    | 279,822,681   |    | 613,103,088   |    | 333,280,407   |    | 642,746,413   |
| Interest on investments                                       |    | 8,500,000     |    | 9,302,844     |    | 802,844       |    | 10,916,604    |
| Purchases of investments                                      |    | (227,467,250) |    | (483,101,923) |    | (255,634,673) |    | (633,408,076) |
| BNY paying agent fee  |    | -             |    | (2,200)       |    | (2,200)       |    | (500)         |
| Workers compensation certificate of deposit                   |    | -             |    | (38,087)      |    | (38,087)      |    | (113)         |
| Net Cash Provided (Used) in Investing Activities              | _  | 60,855,431    |    | 139,263,722   | _  | 78,408,291    |    | 20,254,328    |
| Net Increase (Decrease) in Cash and Cash Equivalents          |    | (42,622,446)  |    | (19,326,163)  |    | 23,296,283    |    | (10,645,670)  |
| Cash and Cash Equivalents, Beginning of Year                  |    | 45,047,723    |    | 60,813,956    |    | 15,766,233    |    | 71,459,626    |
| Cash and Cash Equivalents, End of Year                        | \$ | 2,425,277     | \$ | 41,487,793    | \$ | 39,062,516    | \$ | 60,813,956    |
| Cash and Cash Equivalents Balances:                           |    |               |    |               |    |               |    |               |
| Unrestricted cash and cash equivalents                        | \$ | 2,425,277     | \$ | 13,031,007    | \$ | 10,605,730    | \$ | 36,565,881    |
| Restricted cash and cash equivalents                          |    |               |    | 28,456,786    |    | 28,456,786    |    | 24,248,075    |
| Cash and Cash Equivalents, End of Year                        | \$ | 2,425,277     | \$ | 41,487,793    | \$ | 39,062,516    | \$ | 60,813,956    |

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### Clark County Water Reclamation District Classification of Users and Revenues Year Ended June 30, 2016

Searchlight

| Year Ended June 30, 2016                                       | NIl                 | 7D111. + 1.71. 1           |                |
|--|---------------------|----------------------------|----------------|
|  | July 1, 2016        | ERU's* billed July 1, 2015 | July 1, 2015   |
| Residential Services   | <i>buly</i> 1, 2010 | vary 1, 2013               |                |
| Single Family  | 189,301             | 187,015                    | \$ 41,347,069  |
| Multiple Resident  | 94,000              | 92,541                     | 20,459,934     |
| Mobile Homes   | 15,357              | 16,312                     | 3,606,420      |
| Recreational Vehicle Parks                                     | 1,114               | 1,091                      | 241,099        |
| Commercial Services  |                     |                            |                |
| Hotels/Resorts/Casinos   | 199,402             | 204,287                    | 45,165,769     |
| Casinos  | 405                 | 423                        | 93,521         |
| Restaurants and/or on-premise bars                             | 12,232              | 12,377                     | 2,736,427      |
| Theme parks  | 4,354               | 2,575                      | 569,318        |
| Hospitals: medical and surgical                                | 1,472               | 2,423                      | 535,657        |
| Convalescent and rest homes                                    | 1,472               | 1,451                      | 320,691        |
| Schools  | 15,285              | 17,050                     | 3,769,673      |
| Churches   | 1,980               | 1,991                      | 440,190        |
| Large Commercial   |                     |                            |                |
| Car wash   | 1,449               | 1,105                      | 244,356        |
| Laundry  | 1,295               | 1,408                      | 311,260        |
| Miscellaneous  |                     |                            |                |
| Type A   | 7,501               | 7,667                      | 1,695,097      |
| Type B   | 40,593              | 40,830                     | 9,027,148      |
| Type C   | 31,192              | 31,758                     | 7,021,443      |
| Type D   | 6,203               | 6,254                      | 1,382,752      |
| Total billed at July 1, 2015 for the year ended June 30, 2016  | 624,607             | 628,558                    | 138,967,824    |
| Billings for service added during the year ended June 30, 2016 |                     |                            | 1,426,113      |
| Service charges for the year ended June 30, 2016               |                     |                            | 2,385,364      |
| Total revenues for sewer services excluding fees not based on  |                     |                            |                |
| ERU's  |                     |                            | 142,779,301    |
| Reduction in sewer service revenue                             |                     |                            | (1,903)        |
| Other fees not based on ERU's                                  |                     |                            | 365,035        |
| Total Sewer Service Charges for the Year Ended June 30, 2016   |                     |                            | \$ 143,142,433 |
| * Equivalent Residential Units: 1 ERU = 90,000 Gallons         |                     |                            |                |
| Area rates per ERU   | July 1, 2016        | July 1, 2015               |                |
| Las Vegas Valley   | \$ 221.09           | \$ 221.09                  |                |
| Blue Diamond   | 221.09              | 221.09                     |                |
| Indian Springs   | 221.09              | 221.09                     |                |
| Laughlin   | 221.09              | 221.09                     |                |
| Overton  | 221.09              | 221.09                     |                |
| 0 17.1.  | 221.00              | 221.00                     |                |

221.09

221.09

# Statistical Section (Unaudited)

The
"Clean
Water Team"

### STATISTICAL SECTION

This part of the Clark County Water Reclamation District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

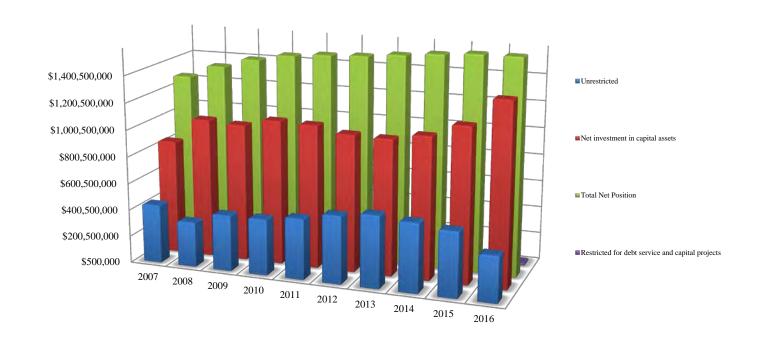
| Contents   | age |
|--|-----|
| Financial Trends   | 44  |
| These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.              |     |
| Revenue Capacity   | 47  |
| These schedules contain information to help the reader assess the District's most significant local revenue sources.   |     |
| Debt Capacity  | 50  |
| This schedule presents information to help the reader assess the affordability of the  |     |
| District's current levels of outstanding debt and the District's ability to issue additional debt in the future.   |     |
| Operating Information  | 51  |
| These schedules contain service and infrastructure data to help the reader understand  |     |
| how the information in the District's financial report relates to the services the District provides and the activities it performs.                                 |     |
| Demographic and Economic Information   | 55  |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. |     |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

### Clark County Water Reclamation District Summary of Net Position Last Ten Fiscal Years

Net investment in capital assets Restricted for debt service and capital projects Unrestricted Total Net Position

| <br>2007            | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                | 2016                |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                     |                     |                     |                     |                     | Restated            | Restated            | Restated            |                     |                     |
| \$<br>850,666,393   | \$<br>1,038,477,851 | \$<br>1,021,788,757 | \$<br>1,075,343,625 | \$<br>1,066,697,040 | \$<br>1,021,883,382 | \$<br>1,012,588,221 | \$<br>1,057,541,097 | \$<br>1,152,486,134 | \$<br>1,356,091,578 |
| 4,194,603           | 12,948,688          | 16,290,910          | 9,075,922           | 6,280,245           | 9,104,043           | 10,592,125          | 11,981,142          | 12,882,961          | 17,782,245          |
| <br>437,579,067     | 334,661,557         | 416,624,489         | 417,775,634         | 451,145,151         | 503,574,724         | 535,979,881         | 512,708,509         | 482,682,569         | <br>341,457,031     |
| \$<br>1,292,440,063 | \$<br>1,386,088,096 | \$<br>1,454,704,156 | \$<br>1,502,195,181 | \$<br>1,524,122,436 | \$<br>1,534,562,149 | \$<br>1,559,160,227 | \$<br>1,582,230,748 | \$<br>1,648,051,664 | \$<br>1,715,330,854 |

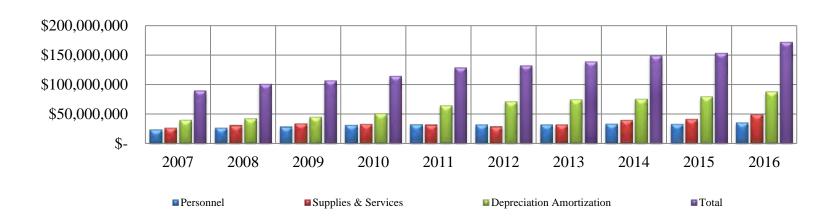


### Clark County Water Reclamation District Changes in Net Position Last Ten Fiscal Years

|  | 2007           | 2008             | 2009           | 2010           | 2011                  | 2012                | 2013           | 2014           | 2015           | 2016        |
|--|----------------|------------------|----------------|----------------|-----------------------|---------------------|----------------|----------------|----------------|-------------|
| Operating Revenues:                          |                |                  |                |                |                       | Restated            | Restated       | Restated       |                |             |
| Service Fees                                 | \$ 94,134,198  | \$ 97,153,925 \$ | 106,046,049 \$ | 119,932,937 \$ | 130,974,469 \$        | 133,122,260 \$      | 143,275,939 \$ | 139,716,364 \$ | 142,374,180 \$ | 143,142,433 |
| Other  | 5,592,183      | 5,984,633        | 5,780,669      | 4,855,669      | 3,780,073             | 3,229,158           | 4,344,636      | 3,793,279      | 2,454,643      | 2,441,918   |
| Total Operating Revenues                     | 99,726,381     | 103,138,558      | 111,826,718    | 124,788,606    | 134,754,542           | 136,351,418         | 147,620,575    | 143,509,643    | 144,828,823    | 145,584,351 |
| Non-Operating Revenues:                      |                |                  |                |                |                       |                     |                |                |                | <u>.</u>    |
| SDA revenue                                  | 59,633,785     | 37,611,376       | 16,353,536     | 9,150,261      | 9,218,329             | 10,549,916          | 18,972,735     | 31,461,511     | 24,013,884     | 19,481,062  |
| Sales tax apportionment                      | 16,116,023     | 15,595,269       | 13,482,807     | 12,242,174     | 13,134,404            | 14,055,242          | 14,870,001     | 15,911,706     | 17,078,167     | 17,327,331  |
| Investment income                            | 23,216,190     | 33,367,205       | 21,842,465     | 13,767,249     | 8,468,947             | 8,878,470           | 4,398,963      | 6,024,342      | 6,353,418      | 5,504,117   |
| Net increase (decrease) in the fair value of |                |                  |                |                | (2,028,410)           | (3,169,527)         | (5,631,409)    | 2,086,425      | 2,216,807      | 1,929,777   |
| unrestricted investment                      | _              | -                | -              | -              | (2,020,410)           | (3,109,327)         | (3,031,409)    | 2,000,423      | 2,210,607      | 1,525,777   |
| Other  | 571,185        | 611,644          | 272,900        | 215,942        | 451                   | (158,322)           | (13,478)       | 1,882,969      | 301,798        | (3,912,611) |
| Total Non-Operating Revenues                 | 99,537,183     | 87,185,494       | 51,951,708     | 35,375,626     | 28,793,721            | 30,155,779          | 32,596,812     | 57,366,953     | 49,964,074     | 40,329,676  |
| Total Revenues                               | 199,263,564    | 190,324,052      | 163,778,426    | 160,164,232    | 163,548,263           | 166,507,197         | 180,217,387    | 200,876,596    | 194,792,897    | 185,914,027 |
| Operating Expenses:                          |                |                  |                |                |                       |                     |                |                |                |             |
| Salaries                                     | 16,963,262     | 19,925,077       | 21,052,947     | 22,468,145     | 22,490,527            | 20,967,989          | 21,730,773     | 22,280,786     | 22,345,906     | 24,423,612  |
| Benefits                                     | 6,022,814      | 5,796,778        | 6,695,433      | 6,955,613      | 7,539,884             | 7,722,124           | 7,952,525      | 8,596,198      | 8,261,396      | 8,673,968   |
| Other post employment benefits               | -              | 1,349,373        | 1,044,482      | 1,535,705      | 2,505,669             | 2,859,575           | 2,613,469      | 2,613,469      | 2,486,393      | 2,256,041   |
| Utilities                                    | 11,634,100     | 12,034,580       | 11,634,902     | 12,270,437     | 12,629,495            | 10,239,274          | 9,749,587      | 10,440,207     | 11,265,489     | 10,830,647  |
| Outside services                             | 4,425,025      | 6,640,975        | 6,306,470      | 7,433,909      | 6,351,481             | 4,690,745           | 5,218,462      | 6,585,336      | 7,053,570      | 7,597,305   |
| Chemicals                                    | 4,062,598      | 4,684,631        | 6,658,655      | 5,277,019      | 5,039,405             | 5,443,455           | 5,738,662      | 6,115,822      | 5,186,742      | 4,870,869   |
| Maintenance                                  | 3,581,393      | 4,053,703        | 4,908,706      | 4,358,995      | 4,870,339             | 4,812,371           | 5,375,121      | 5,893,990      | 5,383,928      | 4,750,373   |
| Other expenses                               | 1,319,895      | 1,979,360        | 1,967,831      | 1,886,372      | 2,015,994             | 2,086,233           | 2,519,369      | 6,376,168      | 6,160,644      | 2,195,097   |
| Supplies                                     | 2,185,888      | 1,381,396        | 1,676,175      | 1,539,659      | 1,403,353             | 2,025,589           | 2,040,399      | 1,380,948      | 2,777,022      | 4,158,204   |
| Bad debt expense                             | -              | -                | 689,358        | 779,566        | -                     | -                   | -              | -              | -              | 5,908,170   |
| Impairment and other losses                  |                | -                | -              | -              | -                     | -                   | 1,126,222      | 2,744,934      | 2,997,433      | 87,587,852  |
| Depreciation                                 | 39,407,516     | 42,402,545       | 44,849,343     | 50,285,130     | 63,893,458            | 70,999,964          | 74,793,101     | 75,643,760     | 79,492,040     | 9,340,684   |
| Total Operating Expenses                     | 89,602,491     | 100,248,418      | 107,484,302    | 114,790,550    | 128,739,605           | 131,847,319         | 138,857,690    | 148,671,618    | 153,410,563    | 172,592,822 |
| Total Non-Operating Expenses                 | 1,945,328      | 8,890,231        | 1,876,337      | 1,358,845      | 24,133,089            | 21,235,841          | 15,800,402     | 10,578,550     | 12,089,946     |             |
| Total Expenses                               | 91,547,819     | 109,138,649      | 109,360,639    | 116,149,395    | 152,872,694           | 153,083,160         | 154,658,092    | 159,250,168    | 165,500,509    | 172,592,822 |
| Income Before Capital Contributions          | 107,715,745    | 81,185,403       | 54,417,787     | 44,014,837     | 10,675,569            | 13,424,037          | 25,559,295     | 41,626,428     | 29,292,388     | 13,321,205  |
|  | ,,             | ~-,-~-,.~~       | ,,             | .,,            | -,,                   | z, .= .,            | -,,            | -,,            | . ,,           | -,,-30      |
| Capital Contributions: Grant revenue         | 86,436         | 18,453           | 60,771         | 267,180        | 235,872               | 86,448              | 413,236        |                |                |             |
| Contributed assets                           | 15,176,213     | 12,457,110       | 14,137,502     | 3,209,008      | 235,872<br>14,595,621 | 86,448<br>9,987,987 | 11,547,824     | 28 120 054     | 36,528,528     | 53,957,985  |
| Contributed assets                           | 13,170,213     | 14,437,110       | 14,137,302     | 3,207,000      | 14,393,041            | 7,701,701           | 11,347,024     | 28,130,054     | 30,320,320     | 20,150,1505 |
| Total Change in Net Position                 | \$ 122,978,394 | \$ 93,660,966 \$ | 68,616,060 \$  | 47,491,025 \$  | 25,507,062 \$         | 23,498,472 \$       | 37,520,355 \$  | 69,756,482 \$  | 65,820,916 \$  | 67,279,190  |

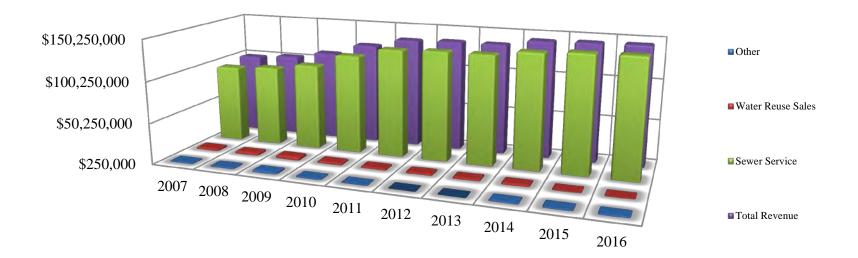
## Clark County Water Reclamation District Operating Expense by Function Last Ten Fiscal Years

|             |    |            | % of   | S  | Supplies and | % of   | Depreciation  | % of   |                  |
|-------------|----|------------|--------|----|--------------|--------|---------------|--------|------------------|
| Fiscal Year |    | Personnel  | Annual |    | Services     | Annual | Amortization  | Annual | Total            |
|             |    | _          |        |    |              |        |               |        | _                |
| 2007        | \$ | 22,986,076 | 25.65% | \$ | 27,208,899   | 30.37% | \$ 39,407,516 | 43.98% | \$<br>89,602,491 |
| 2008        |    | 27,071,228 | 27.00% |    | 30,774,645   | 30.70% | 42,402,545    | 42.30% | 100,248,418      |
| 2009        |    | 28,792,862 | 26.79% |    | 33,842,097   | 31.49% | 44,849,343    | 41.73% | 107,484,302      |
| 2010        |    | 30,959,463 | 26.97% |    | 33,545,958   | 29.22% | 50,285,130    | 43.81% | 114,790,551      |
| 2011        |    | 32,536,080 | 25.27% |    | 32,310,067   | 25.10% | 63,893,458    | 49.63% | 128,739,605      |
| 2012        |    | 31,549,688 | 23.93% |    | 29,297,667   | 22.22% | 70,999,964    | 53.85% | 131,847,319      |
| 2013        |    | 32,296,767 | 23.26% |    | 31,767,820   | 22.88% | 74,793,101    | 53.86% | 138,857,688      |
| 2014        |    | 33,490,453 | 22.53% |    | 39,537,405   | 26.59% | 75,643,760    | 50.88% | 148,671,618      |
| 2015        |    | 33,093,695 | 21.57% |    | 40,824,828   | 26.61% | 79,492,040    | 51.82% | 153,410,563      |
| 2016        |    | 35,353,621 | 20.48% |    | 49,651,349   | 28.77% | 87,587,852    | 50.75% | 172,592,822      |



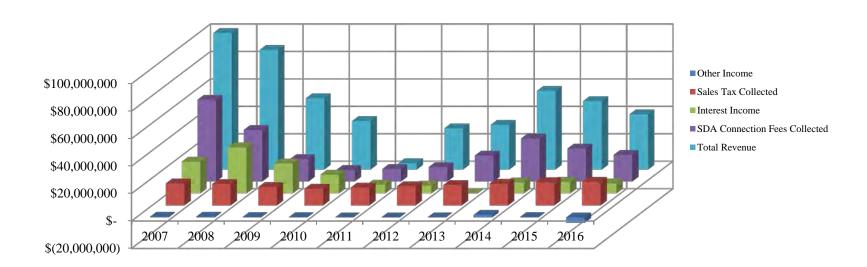
### Clark County Water Reclamation District Operating Revenue by Source Last Ten Fiscal Years

|             | Sewer         | % of   | W  | ater Reuse | % of   |                 | % of  | Total            |
|-------------|---------------|--------|----|------------|--------|-----------------|-------|------------------|
| Fiscal Year | Service       | Annual |    | Sales      | Annual | Other           | Other | Revenue          |
|             |               |        |    |            |        |                 |       |                  |
| 2007        | \$ 95,373,330 | 95.64% | \$ | 2,923,078  | 2.93%  | \$<br>1,429,973 | 1.43% | \$<br>99,726,381 |
| 2008        | 98,360,197    | 95.37% |    | 3,272,165  | 3.17%  | 1,506,196       | 1.46% | 103,138,558      |
| 2009        | 107,315,344   | 95.97% |    | 3,272,151  | 2.93%  | 1,239,223       | 1.11% | 111,826,718      |
| 2010        | 121,097,362   | 97.04% |    | 2,620,050  | 2.10%  | 1,071,194       | 0.86% | 124,788,606      |
| 2011        | 132,127,719   | 98.05% |    | 2,086,213  | 1.55%  | 540,610         | 0.40% | 134,754,542      |
| 2012        | 133,786,521   | 98.12% |    | 2,274,004  | 1.67%  | 290,893         | 0.21% | 136,351,418      |
| 2013        | 143,275,939   | 97.06% |    | 2,195,074  | 1.49%  | 2,149,562       | 1.46% | 147,620,575      |
| 2014        | 139,716,364   | 97.36% |    | 2,357,845  | 1.64%  | 1,435,434       | 1.00% | 143,509,643      |
| 2015        | 142,374,180   | 98.31% |    | 1,121,695  | 0.77%  | 1,332,948       | 0.92% | 144,828,823      |
| 2016        | 143,142,433   | 98.32% |    | 938,717    | 0.64%  | 1,503,201       | 1.03% | 145,584,351      |



### Clark County Water Reclamatin District Non-Operating Revenue by Source Last Ten Fiscal Years

| Fiscal Year | SDA<br>Connection<br>Sees Collected | Interest<br>Income | Sales Tax<br>Collected |    | Other<br>Income | Total<br>Revenue |            |  |
|-------------|-------------------------------------|--------------------|------------------------|----|-----------------|------------------|------------|--|
| 2007        | \$<br>59,633,785                    | \$ 23,216,190      | \$<br>16,116,023       | \$ | 571,185         | \$               | 99,537,183 |  |
| 2008        | 37,611,376                          | 33,367,205         | 15,595,269             |    | 611,644         |                  | 87,185,494 |  |
| 2009        | 16,353,536                          | 21,842,465         | 13,482,807             |    | 272,900         |                  | 51,951,708 |  |
| 2010        | 9,150,261                           | 13,767,249         | 12,242,174             |    | 215,942         |                  | 35,375,626 |  |
| 2011        | 9,218,329                           | 6,440,537          | 13,134,404             | (2 | 24,133,089)     |                  | 4,660,181  |  |
| 2012        | 10,549,916                          | 5,708,943          | 14,055,242             |    | (158,322)       |                  | 30,155,779 |  |
| 2013        | 18,972,735                          | (1,232,445)        | 14,870,001             |    | (13,478)        |                  | 32,596,813 |  |
| 2014        | 31,461,511                          | 8,110,767          | 15,911,706             |    | 1,882,969       |                  | 57,366,953 |  |
| 2015        | 24,013,884                          | 8,570,225          | 17,078,167             |    | 301,798         |                  | 49,964,074 |  |
| 2016        | 19,481,062                          | 7,433,894          | 17,327,331             | (  | (3,912,611)     |                  | 40,329,676 |  |



### Clark County Water Reclamation District Ten Largest Customers Current Year and Ten Years Ago

|   | 2016 |                          |                              | 2006                             |      |                          |                              |                                  |
|---|------|--------------------------|------------------------------|----------------------------------|------|--------------------------|------------------------------|----------------------------------|
| Customer  | Rank | ERU's Billed<br>7/1/2016 | Percentage of<br>Total ERU's | Dollar Amount<br>Billed 7/1/2016 | Rank | ERU's Billed<br>7/1/2006 | Percentage of<br>Total ERU's | Dollar Amount<br>Billed 7/1/2006 |
| MGP Lessor LLC (Mandalay Bay Resort & Casino)   | 1    | 10,092.910               | 1.58%                        | \$ 2,231,441                     | 1    | \$ 8,484                 | 1.64%                        | \$ 1,456,942                     |
| ARIA Resort & Casino Holdings LLC (City Center) | 2    | 9,749.665                | 1.52%                        | 2,149,135                        | -    | -                        | _                            |                                  |
| MGM Grand Hotel                                 | 3    | 8,189.490                | 1.28%                        | 1,810,014                        | 2    | 7,784                    | 1.50%                        | 1,336,690                        |
| Caesars Palace Hotel & Casino                   | 4    | 7,830.340                | 1.22%                        | 1,688,520                        | 5    | 6,141                    | 1.19%                        | 1,054,464                        |
| Venetian Casino Resort LLC                      | 5    | 7,515.420                | 1.17%                        | 1,654,205                        | 4    | 6,247                    | 1.21%                        | 1,072,708                        |
| Bellagio LLC                                    | 6    | 6,932.255                | 1.08%                        | 1,531,770                        | 3    | 6,862                    | 1.33%                        | 1,178,372                        |
| Nellis Air Force Base                           | 7    | 5,580.072                | 0.87%                        | 1,252,613                        | 7    | 5,096                    | 0.99%                        | 875,075                          |
| Wynn Las Vegas Hotel/Casino                     | 8    | 5,469.555                | 0.86%                        | 1,218,921                        | 6    | 5,447                    | 1.05%                        | 935,315                          |
| Cosmopolitan of Las Vegas                       | 9    | 5,187.070                | 0.81%                        | 1,150,375                        | -    | -                        | _                            |                                  |
| The Mirage Casino and Hotel                     | 10   | 5,000.605                | 0.78%                        | 1,103,597                        | 9    | 4,707                    | 0.91%                        | 808,266                          |
| Luxor   | -    | -                        | -                            | -                                | 8    | 4,722                    | 0.91%                        | 810,867                          |
| Rio Suite Hotel and Casino                      | -    | -                        | -                            | -                                | 10   | 4,485                    | 0.87%                        | 770,150                          |

Source: District Finance Service Group

## Clark County Water Reclamation District Ratios of Outstanding Debt Last Ten Fiscal Years

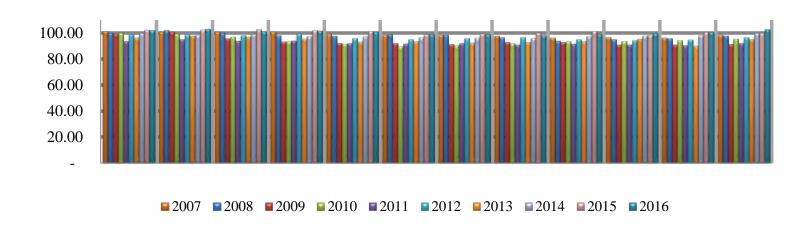
| Fiscal<br>Year | General<br>Obligation<br>Bonds | Issuance<br>Premiums /<br>Discounts | Revenue<br>Bonds | Total<br>Debt | Percentage<br>of Personal<br>Income * | Per<br>Capita |
|----------------|--------------------------------|-------------------------------------|------------------|---------------|---------------------------------------|---------------|
| 2007           | \$ 37,700,000                  | \$ 1,615,373                        | \$ -             | \$ 39,315,373 | 0.06                                  | \$ 20         |
| 2008           | 87,150,000                     | 1,093,262                           | -                | 88,243,262    | 0.11                                  | 44.43         |
| 2009           | 457,150,000                    | 3,933,317                           | -                | 461,083,317   | 0.63                                  | 212.87        |
| 2010           | 456,784,780                    | 3,495,428                           | -                | 460,280,208   | 0.64                                  | 216.91        |
| 2011           | 452,008,449                    | 3,161,731                           | -                | 455,170,180   | 0.65                                  | 231.05        |
| 2012           | 456,767,672                    | 2,937,240                           | -                | 459,704,912   | 0.63                                  | 228.86        |
| 2013           | 480,558,254                    | 2,827,212                           | -                | 483,385,466   | 0.64                                  | 237.92        |
| 2014           | 471,160,284                    | 2,717,184                           | -                | 473,877,468   | 0.58                                  | 228.96        |
| 2015*          | 464,961,090                    | 2,607,155                           | -                | 467,568,245   | 0.57                                  | 221.09        |
| 2016*          | 478,124,759                    | 11,973,606                          | -                | 490,098,365   | 0.60                                  | 231.75        |

Source: District Finance Service Group

<sup>\*</sup> The Percentage of Personal Income is not available; therefore, Percentage of Personal income from 2014 is used as an estimate Details regarding the District's outstanding debt can be found in the notes to the financial statements.

# Clark County Water Reclamation District Flamingo Water Resource Center Average Daily Flows (Per Million Gallons) Last Ten Fiscal Years

|                       | 2007   | 2008   | 2009   | 2010  | 2011  | 2012  | 2013  | 2014  | 2015   | 2016   |
|-----------------------|--------|--------|--------|-------|-------|-------|-------|-------|--------|--------|
| July                  | 101.45 | 99.83  | 99.52  | 99.82 | 93.53 | 98.81 | 96.50 | 99.99 | 102.19 | 102.01 |
| August                | 100.70 | 102.05 | 100.92 | 99.25 | 94.71 | 98.53 | 98.06 | 98.44 | 102.46 | 102.79 |
| September             | 100.74 | 99.80  | 95.76  | 96.90 | 93.87 | 97.79 | 96.75 | 98.93 | 102.86 | 100.98 |
| October               | 100.89 | 97.86  | 93.15  | 93.52 | 94.02 | 99.58 | 95.50 | 97.47 | 102.04 | 101.85 |
| November              | 99.19  | 97.72  | 92.11  | 91.34 | 91.90 | 96.06 | 93.21 | 97.28 | 101.48 | 100.75 |
| December              | 98.24  | 98.93  | 92.07  | 89.71 | 91.68 | 94.95 | 93.45 | 96.56 | 98.66  | 98.69  |
| January               | 98.31  | 98.23  | 91.52  | 90.69 | 91.91 | 95.78 | 92.58 | 96.51 | 99.55  | 98.82  |
| February              | 98.08  | 96.35  | 93.00  | 92.07 | 91.06 | 96.42 | 92.44 | 95.97 | 99.77  | 98.45  |
| March                 | 96.55  | 93.96  | 93.07  | 93.25 | 91.49 | 94.93 | 93.65 | 97.59 | 101.36 | 98.93  |
| April                 | 96.93  | 94.74  | 91.25  | 93.59 | 91.11 | 94.24 | 95.26 | 97.99 | 98.42  | 100.04 |
| May                   | 96.43  | 95.76  | 91.05  | 94.27 | 90.37 | 95.06 | 90.18 | 97.89 | 100.52 | 100.52 |
| June                  | 98.61  | 97.99  | 91.58  | 95.44 | 92.19 | 96.20 | 94.85 | 99.90 | 100.09 | 102.83 |
| <b>Annual Average</b> | 98.84  | 97.77  | 93.75  | 94.15 | 92.32 | 96.53 | 94.37 | 97.88 | 100.78 | 100.56 |



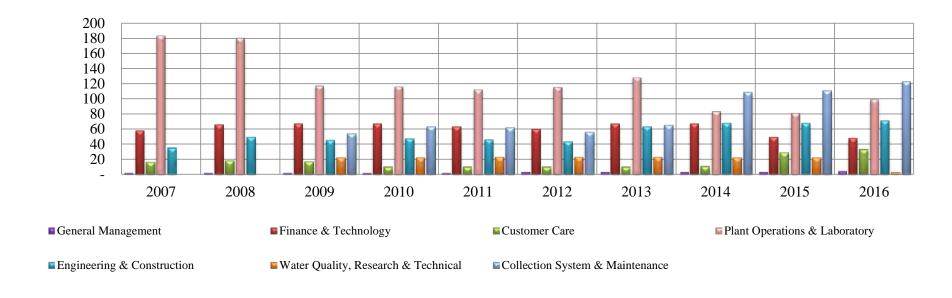
### Clark County Water Reclamation District Schedule of Insurance Policies in Force Year Ended June 30, 2016

| Amount of Policy  | Description of Risk Covered                             | Insurer                                | Expiration Date   |
|---|---|--|-------------------|
| Statutory Limit   | Excess Workmen's Compensation (\$750,000 SIR)           | New Your Marine & General Ins.<br>Co.  | September 1, 2016 |
| \$1,000,000   | Employer's Liability                                    |  |                   |
| \$40,000,000<br>511D LV Wash Improvement Project  | Course of Construction (\$100,000 deductible)           | Darwin National Assurance Co.          | July 17, 2017     |
| \$50,000,000  | Course of Construction                                  | Great American Ins. Co. of New<br>York | September 1, 2016 |
| any one site  | (\$20,000 deductible)                                   |  |                   |
| \$1,000,000 Each Event<br>\$2,000,000 General Total<br>\$2,000,000 Products & Completed work<br>\$1,000,000 Personal Injury<br>\$1,000,000 Adv Injury<br>Med Exp Excluded<br>\$1,000,000 Sewer Backup | Comphrehensive General<br>Liability<br>(\$50,000 SIR)   | Argonaut Insurance Co.                 | September 1, 2016 |
| \$1,000,000 CSL   | Comprehensive Business<br>Automobile<br>(\$50,000 SIR)  | Argonaut Insurance Co.                 | September 1, 2016 |
| \$100,000   | Comprehensive Crime (\$50,000 Deductible)               | Argonaut Insurance Co.                 | September 1, 2016 |
| \$1,000,000,000   | Property Damage (Fire)                                  | Alliant Property Insurance Program     | July 1, 2017      |
| \$1,000,000   | Blanket Earnings & Exp (\$50,000 deductible)            |  |                   |
| \$10,000,000  | Commercial Umbrella<br>Coverage                         | Argonaut Insurance Co.                 | September 1, 2016 |
| \$4,092,713   | Scheduled Equipment (\$2,500 deductible)                | Alliant Property Insurance Program     | July 1, 2017      |
| \$1,000,000 Each wrongful act   | Employee Benefits Liability (\$50,000 SIR)              | Argonaut Insurance Co.                 | September 1, 2016 |
| \$250,000   | Accounts Receivable (\$50,000 Deductible)               | Alliant Property Insurance Program     | July 1, 2017      |
| \$1,500,000   | EDP - Computer System (\$50,000 Deductible)             | Alliant Property Insurance Program     | July 1, 2017      |
| \$6,000,000   | Utility Deposit Bond<br>Southern Nevada Water Authority | Great American Insurance Co.           | December 20, 2017 |
| \$2,000,000   | Cyber Liability Aggregate Limit (\$50,000 Retention)    | Lloyd's of London                      | July 1, 2017      |

Source: District Customer Care Service Group

## Clark County Water Reclamation District Full -Time Equivalent Employees by Service Center Last Ten Fiscal Years

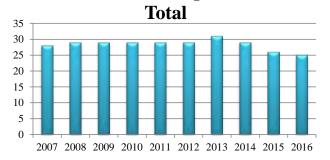
| Service Centers                     | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|------|------|------|------|------|------|------|------|------|------|
| General Management                  | 2    | 2    | 2    | 2    | 2    | 3    | 3    | 3    | 3    | 4    |
| Finance & Technology Solutions      | 58   | 66   | 67   | 67   | 63   | 60   | 67   | 67   | 49   | 48   |
| Customer Care                       | 16   | 18   | 17   | 10   | 10   | 10   | 10   | 11   | 29   | 33   |
| Plant Operations & Laboratory       | 184  | 181  | 118  | 117  | 113  | 116  | 129  | 84   | 82   | 100  |
| Engineering & Construction          | 35   | 49   | 45   | 47   | 46   | 43   | 63   | 68   | 68   | 71   |
| Water Quality, Research & Technical | 0    | 0    | 22   | 22   | 23   | 23   | 23   | 22   | 22   | 3    |
| Collection System & Maintenance     | 0    | 0    | 54   | 63   | 62   | 56   | 65   | 109  | 111  | 123  |
| Total                               | 295  | 316  | 325  | 328  | 319  | 311  | 360  | 364  | 364  | 382  |



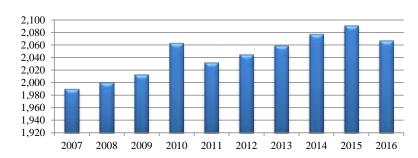
### Clark County Water Reclamation District Capital Asset Statistics by Function Last Ten Fiscal Years

| _                             | 2007        | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016        |
|-------------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
| Sewer Lift/Pump Station Total | 28          | 29     | 29     | 29     | 29     | 29     | 21     | 29     | 26     | 25          |
| Miles of Sewer Pipelines      | 28<br>1,990 | 2,000  | 2,013  | 2,063  | 2,032  | 2,045  | 2,059  | 2,078  | 2,091  | 25<br>2,067 |
| Sewer Manhole Total           | 41,071      | 41,537 | 41,828 | 42,666 | 43,031 | 43,531 | 42,424 | 42,294 | 43,716 | 43,822      |

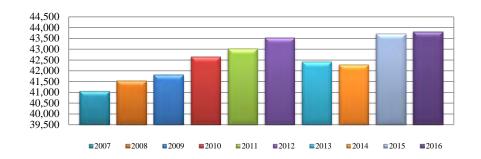
## **Sewer Lift/Pump Station**



## **Miles of Sewer Pipelines**



### **Sewer Manhole Total**



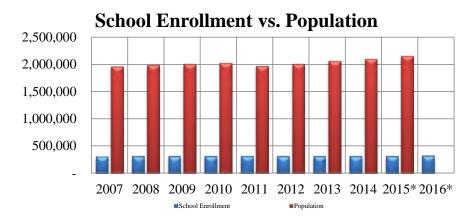
## Clark County Water Reclamation District Clark County Demographic Statistics Last Ten Fiscal Years

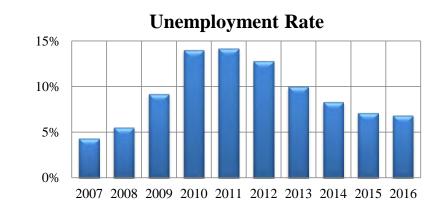
| Year | Population <sup>1</sup> | Personal Income <sup>2</sup> | Per Capita<br>Income <sup>2</sup> | School<br>Enrollment <sup>3</sup> | Unemployment Rate 4 |
|------|-------------------------|------------------------------|-----------------------------------|-----------------------------------|---------------------|
|      |                         |                              |                                   |                                   |                     |
| 2006 | 1,912,654               | \$ 74,077,089,42             | 0 \$ 38,734                       | 291,510                           | 3.9%                |
| 2007 | 1,963,687               | 78,439,477,21                | 5 39,725                          | 302,763                           | 4.3%                |
| 2008 | 1,986,146               | 79,286,948,32                | 0 39,249                          | 308,783                           | 5.5%                |
| 2009 | 2,006,347               | 69,854,528,00                | 0 36,711                          | 311,240                           | 9.2%                |
| 2010 | 2,023,102               | 69,800,237,00                | 0 35,723                          | 309,476                           | 14.0%               |
| 2011 | 1,972,514               | 70,289,097,00                | 0 35,680                          | 309,893                           | 14.2%               |
| 2012 | 2,008,654               | 73,379,049,00                | 0 36,676                          | 308,377                           | 12.8%               |
| 2013 | 2,062,253               | 77,298,937,00                | 0 38,091                          | 307,574                           | 10.0%               |
| 2014 | 2,102,238               | 81,821,005,00                | 0 39,533                          | 311,029                           | 8.3%                |
| 2015 | 2,147,641               | not available                | not available                     | 314,636                           | 7.1%                |
| 2016 | not available           | not available                | not available                     | 324,997                           | 6.8%                |

#### Source:

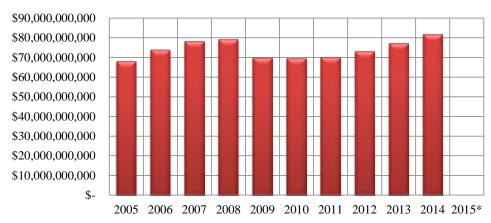
- (1) University of Nevada, Las Vegas Center For Business & Economic Research (Las Vegas/Clark County Economic Data)
- (2) University of Nevada, Las Vegas Center For Business & Economic Research (Las Vegas/Clark County Economic Data)
- (3) Clark County School District
- (4) Nevada Department of Employment Security

## **Clark County Demographic Statistics Charts**

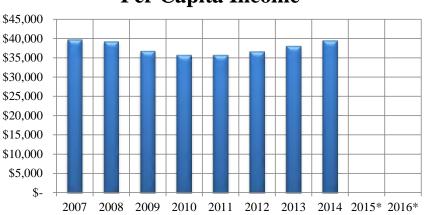




## **Personal Income**



## **Per Capita Income**



Source:

Population-Clark County Department of Comprehensive Planning

Personal Income-University of Nevada, Las Vegas (data revisions per Bureau of Economic Analysis)

Per Capita Income-University of Nevada, Las Vegas (data revisions per Bureau of Economic Analysis)

School Enrollment-Clark County School District

Unemployment Rate-Nevada Department of Employment Security

\*2016 Population information is not yet available

\*2016 and 2015 Personal Income and Per Capita information is not yet available

## Clark County Water Reclamation District Clark County Principal Employers Current Year and Ten Years Ago

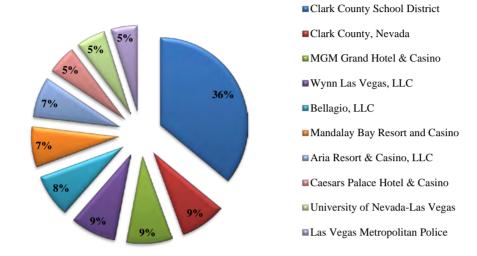
|   |           | 2016   |   |           | 2006   |   |
|---|-----------|--------|---|-----------|--------|---|
| Employer  | Employees | Rank   | Percentage of<br>Total County<br>Employment | Employees | Rank   | Percentage of<br>Total County<br>Employment |
| Clark County School District                    | 35,000    | 1      | 4.00%                                       | 35,000    | 1      | 3.84%                                       |
| Clark County, Nevada                            | 8,250     | 2      | 0.94%                                       | 9,750     | 2      | 1.07%                                       |
| MGM Grand Hotel & Casino                        | 8,250     | 3      | 0.94%                                       | 8,750     | 5      | 0.96%                                       |
| Wynn Las Vegas, LLC                             | 8,250     | 4      | 0.94%                                       | 8,750     | 4      | 0.96%                                       |
| Bellagio, LLC                                   | 7,750     | 5      | 0.89%                                       | 8,750     | 3      | 0.96%                                       |
| Mandalay Bay Resort and Casino                  | 7,250     | 6      | 0.83%                                       | 7,750     | 6      | 0.85%                                       |
| Aria Resort & Casino, LLC                       | 7,250     | 7      | 0.83%                                       | -         | _      | -   |
| Caesars Palace Hotel & Casino                   | 5,250     | 8      | 0.60%                                       | -         | -      | -   |
| University of Nevada-Las Vegas                  | 5,250     | 9      | 0.60%                                       | 4,750     | 10     | 0.52%                                       |
| Las Vegas Metropolitan Police                   | 4,750     | 10     | 0.54%                                       | -         | -      | -   |
| Venetian Casino Resorts LLC                     | -         |        | -   | 5,750     | 7      | 0.63%                                       |
| GNS Corporation                                 | -         |        | -   | 5,750     | 8      | 0.63%                                       |
| Desert Palace INC                               | -         | _      | -   | 5,750     | 9      | 0.63%                                       |
| Total for Principal Employers                   | 97,250    | -<br>= | 11.1%                                       | 100,750   | -<br>= | 11.1%                                       |
| Total Employment in Clark County as of June 30: | 873,930   |        |   | 911,635   |        |   |

Number of employees estimated using midpoint range.

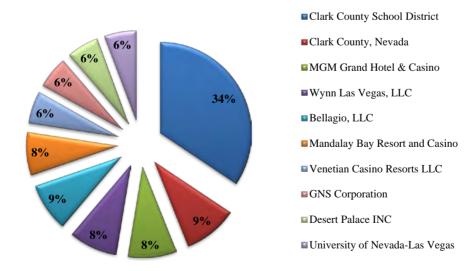
Source: State of Nevada - Department of Employment, Training and Rehabilitation

## **Principal Employers Charts**

## 2016 Clark County Principal Employers



## 2006 Clark County Principal Employers



#### **Technical Terms**

AAL Actuarial Accrued Liability
ARC Annual Required Contribution

ARRA American Reinvestment and Recovery Act

CAFB Creech Air Force Base

CAFR Comprehensive Annual Financial Report
CBER Center for Business and Economic Research

CIP Capital Improvement Program

COUNTY PLAN Clark County Retiree Health Program

CWC Clean Water Coalition

DBWRC Desert Breeze Water Resource Center EMMA Electronic Municipal Market Access

EPC Employer-Pay Contribution
ERU Equivalent Residential Unit

FASB Financial Accounting Standards Board

FY Fiscal Year

GAAP Generally Accepted Accounting Principles
GASB Governmental Accounting Standards Board
GFOA Government Finance Officers Association

HMO Health Maintenance Organization

HPN Health Plan of Nevada

LVVWD Las Vegas Valley Water District
MD&A Management Discussion and Analysis

MGD Million Gallons per Day

MSRB Municipal Securities Rulemaking Board

N/A Not Applicable

NDI Nevada Department of Insurance

NOO
Net OPEB Obligation
NRS
Nevada Revised Statute
O&M
Operations and Maintenance
OPEB
Other Post-Employment Benefits
PEBP
Public Employee Benefit Program
PERS
Public Employees Retirement System

SCOP Systems Conveyance and Operations Program

SDA System Development Approval
SEC Securities and Exchange Commission

Self-Funded Plan Clark County Self-Funded Group Medical and Dental Benefits Plan

SNWA Southern Nevada Water Authority

The Board Board of Trustees
The County Clark County, Nevada

The District Clark County Water Reclamation District

The System State of Nevada Public Employees' Retirement System

UNLV University of Nevada Las Vegas

USAF United States Air Force

# Comments of Independent Auditors

The
"Clean
Water Team"



# 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

Honorable Clark County Water Reclamation District Board of Trustees Clark County Water Reclamation District Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clark County Water Reclamation District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting. In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic 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 District's basic 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016 - 001 through 2016 - 004, that we consider to be material weaknesses.

Compliance and Other Matters. As part of obtaining reasonable assurance about whether the District's basic 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 determination of basic financial statement amounts, including whether the funds established by the District, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District's Responses to Findings. The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the District in a separate letter dated December 7, 2016.

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

Chiny Bowler Taylor! Ken Las Vegas, Nevada December 7, 2016

# SINGLE AUDIT INFORMATION

The "Clean Water Team"



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Honorable Clark County Water Reclamation District Board of Trustees Clark County Water Reclamation District Las Vegas, Nevada

We have audited the compliance of the Clark County Water Reclamation District (the District) with the types of compliance requirements described in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility. The District's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility. Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program. In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance. The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over

compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. We have audited the financial statements of the District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 7, 2016, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

la Taylor 1 Kem

Las Vegas, Nevada December 7, 2016

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

| Federal Grantor/Pass-through Entity/Cluster or Program Title   | Federal CFDA<br>Number      | Pass-through Entity<br>Identifying Number                       | Amount Passed<br>Through to<br>Subrecipients | Total Federal<br>Expenditures   |
|--|-----------------------------|---|--|---------------------------------|
| United States Environmental Protection Agency  |                             |   |  |                                 |
| State of Nevada, Division of Environmental Protection<br>Capitalization Grants for Clean Water<br>Water Quality Management Planning<br>Water Quality Management Planning | 66.458*<br>66.454<br>66.454 | SRF CW-1202<br>Agreement DEP-S 15-004<br>Agreement DEP-S 15-018 | \$   | \$ 5,709,539<br>2,620<br>10,065 |
| Total United States Environmental Protection Agency  |                             |   |  | 5,722,224                       |
| Total federal expenditures   |                             |   | \$   | \$ <u>5,722,224</u>             |

<sup>\*</sup> A major program

#### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

#### FOR THE YEAR ENDED JUNE 30, 2016

#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Clark County Water Reclamation District (the District) under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

#### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3. Indirect Cost Rate**

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 4. Outstanding Loan Balances

The federal loan program, Federal CFDA #66.458 Capitalization Grants for Clean Water State Revolving Funds is administered directly by the State of Nevada, and balance and transactions relating to this program is included in the District's basic financial statements. The outstanding balance of that loan at the beginning of the year and loans made during the year, if any, are included in the federal expenditures presented in the Schedule. At June 30, 2016, the outstanding loan balance related to the federal awards was \$5,420,466.

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

#### FOR THE YEAR ENDED JUNE 30, 2016

#### Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting

Material weaknesses identified Yes

Significant deficiencies identified that are not considered to be material weaknesses None reported

Noncompliance material to financial statements

Federal Awards

Internal control over major programs

Material weaknesses identified No

Significant deficiencies identified that are not considered to be material weaknesses None reported Type of auditors' report issued on compliance for major programs Unmodified

Audit findings required to be reported in accordance with 2 CFR 200.516(a) No

Identification of major programs

CFDA number 66.458

Capitalization Grants for Clean Water State Name of federal program or cluster

Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs \$750,000 No

Auditee qualified as low-risk auditee

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

#### FOR THE YEAR ENDED JUNE 30, 2016

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and Government Auditing Standards

| _   |     | - |   |    |
|-----|-----|---|---|----|
| 2.0 | n 1 | 6 | M | ١1 |
|     |     |   |   |    |

Criteria or specific requirement Account reconciliations are prepared and reconciled timely, and are independently reviewed/approved.

Condition and context Controls have not been put in place which are intended to ensure that financial statement accounts are

reconciled timely. As an example, the income bank account reconciliations (previously communicated in the prior year) remained unreconciled for 14 months. Other accounts such as selected receivable accounts, capital asset accounts, payroll and related accrual accounts, and revenue accounts were not reconciled timely. This control deficiency appears to be pervasive because multiple

areas of the balance sheet are affected.

Effect A number of significant audit adjustments were required to correct the financial statements as described

above.

Cause Controls have not been designed or complied with to provide reasonable assurance that financial

statement accounts are reconciled timely and presented accurately.

Recommendation We recommend that management adopt and monitor compliance with policies procedures designed to

address these matters.

Management's response Management informed us that it has developed, documented and implement policies and procedures

designed to address this matter; monitor to ensure compliance with the policies and procedures; and

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

#### FOR THE YEAR ENDED JUNE 30, 2016

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)

| 20 | 16 | 5 | - 1 | n | 12 |
|----|----|---|-----|---|----|
|    |    |   |     |   |    |

Criteria or specific requirement Capitalized projects should be reviewed periodically to ensure that completed projects have been placed

in service and all current projects continue to be viable, not impaired and presented in the financial statements in accordance with accounting principles generally accepted in the United States.

Condition and context A proper evaluation was not performed to determine that capitalization projects were complete and

accurate. As a result, five projects of significant value were discontinued during the year, but their accumulated costs were not expensed. In addition, material accumulated costs for one project were not transferred into service in the correct period resulting in the need for an adjustment to

depreciation expense.

Effect Significant audit adjustments made to property and equipment and depreciation expense were required

to correct the financial statements.

Cause Controls have not been complied with to provide reasonable assurance that capital projects are placed in

service, viable and not impaired.

Recommendation We recommend that management adopt and monitor compliance with policies procedures designed to

address these matters.

Management's response Management informed us that it has developed, documented and implement policies and procedures

designed to address this matter; monitor to ensure compliance with the policies and procedures; and

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

#### FOR THE YEAR ENDED JUNE 30, 2016

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)

| 201 | 6 - | 003 |
|-----|-----|-----|
|     |     |     |

Criteria or specific requirement Revenues should be recorded presented in the financial statements in accordance with accounting

principles generally accepted in the United States.

Condition and context A proper evaluation was not performed to determine that revenues are billed and recognized in the

period in which they are earned. Consequently, there was a significant amount of unbilled revenue discovered during the year, which appears to have been the result of transition difficulties associated

with personnel turnover.

Effect Significant audit adjustments were made to the financial statements to properly record revenue in

accordance with accounting principles generally accepted in the United States.

Cause Controls have not been complied with to provide reasonable assurance that revenues are properly

presented in the financial statements.

Recommendation We recommend that management adopt and monitor compliance with policies procedures designed to

address these matters.

Management's response Management informed us that it has developed, documented and implement policies and procedures

designed to address this matter; monitor to ensure compliance with the policies and procedures; and

#### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

#### FOR THE YEAR ENDED JUNE 30, 2016

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards* (continued)

| 20 | 1. | 6  |   | Λ | 1/ |
|----|----|----|---|---|----|
| 20 |    | () | - | w | 74 |

Criteria or specific requirement Collection of receivables should be actively pursued and thus afford for proper safeguarding of assets in

accordance with accounting principles generally accepted in the United States.

Condition and context The control currently in place that is intended to ensure that timely collection of receivables is actively

pursued is not effective and thus does not afford proper safeguarding of the District's assets. As a result, a significant refund payment made to the District was not deposited timely because it was misplaced in a drawer and discovered by accounting a year later. Further, amounts due to the District for services rendered primarily to two customers from both local and federal governmental entities remain in dispute after several years. If not aggressively pursued, settled and collected, these

receivables could ultimately be determined uncollectable and result in material losses.

Effect Significant audit adjustments to the financial statements could result if amounts are ultimately

determined to be uncollectable.

Cause Controls currently in place that are intended to ensure that timely collection of receivables is actively

pursued is not effective and thus does not afford proper safeguarding of the District's assets.

Recommendation We recommend that management adopt and monitor compliance with policies procedures designed to

address these matters.

Management's response Management informed us that it has developed, documented and implement policies and procedures

designed to address this matter; monitor to ensure compliance with the policies and procedures; and

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

#### FOR THE YEAR ENDED JUNE 30, 2016

Section III - Findings and questioned costs for federal awards, including audit findings required by 2 CFR 200.516(a)

None reported

#### SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

#### FOR THE YEAR ENDED JUNE 30, 2015

Section II – Findings relating to the financial statements, which are required to be reported in accordance with auditing standards generally accepted in the United States and Government Auditing Standards

2015 - 001

Criteria or specific requirement Capitalized projects should be reviewed periodically to ensure they continue to be viable projects, not

impaired and presented in the financial statements in accordance with accounting principles generally

accepted in the United States.

Condition and context A proper evaluation was not performed to determine that capitalized projects were complete and

accurate.

Current status The finding is repeated a 2016-002.

Reasons for this finding's recurrence The policies and procedures developed, documented and implement to address this matter were not

complied with during the year.

Planned corrective action Management informed us that they will adopt and monitor compliance with policies and procedures

designed to address these matters and will complete additional staff training on this matter.

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Section III – Findings and questioned costs for federal awards, including audit findings as defined in Circular A-133 Section .510(a) and/or findings required by 2 CFR 200.516(a)

None reported