

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2022

DRAFT

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
JUNE 30, 2022

---

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-7
FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – General Fund	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	11
Budgetary Comparison Schedule – General Fund	12
Notes to Financial Statements	13-20
REPORT ON INTERNAL CONTROL AND COMPLIANCE	21
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 <i>Government Auditing Standards</i>	22-23
REPORTING REQUIREMENTS	
Schedule of Findings and Responses	24
Schedule of Prior Audit Findings and Responses	25

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Carson-Truckee Water Conservancy District

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and the general fund of Carson-Truckee Water Conservancy District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Carson-Truckee Water Conservancy District as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 4 through 7 and page 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2022 on our consideration of Carson-Truckee Water Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Carson-Truckee Water Conservancy District's internal control over financial reporting and compliance.

Reno, Nevada  
[REDACTED], 2022

DRAFT

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 827,082
Investments	961,390
Due from other governments	
Fair share receivable	11,921
Consolidated tax	68,727
Deposit	750
Total current assets	1,869,870
Noncurrent assets	
Capital assets, net of accumulated depreciation	35,750
Right to use asset, net of accumulated amortization	4,362
Total noncurrent assets	40,112
Total assets	1,909,982
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	10,617
Unearned revenue	12,991
Current portion of lease liability	5,982
Total liabilities	29,590
<b>NET POSITION</b>	
Net investment in capital assets	35,750
Unrestricted	1,844,642
Total net position	\$ 1,880,392

See accompanying notes

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	192,352	\$ -	\$ (192,352)
Total governmental activities	<u>\$ 192,352</u>	<u>\$ -</u>	(192,352)
General revenues:			
Consolidated tax			395,933
Fair share			54,165
Investment income			2,248
Miscellaneous			8,197
Total general revenues			<u>460,543</u>
Change in net position			268,191
NET POSITION, beginning of year, as previously reported			1,614,818
Lease restatement			<u>(2,617)</u>
NET POSITION, beginning of year, as restated			<u>1,612,201</u>
NET POSITION, end of year			<u>\$ 1,880,392</u>

See accompanying notes

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
BALANCE SHEET - GENERAL FUND  
JUNE 30, 2022

<b>ASSETS</b>		
Cash	\$	827,082
Investments		961,390
Due from other governments		
Fair share receivable		11,921
Consolidated tax		68,727
Deposit		<u>750</u>
Total assets		<u><u>\$ 1,869,870</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$	10,617
Unearned revenue		<u>12,991</u>
Total liabilities		23,608
<b>FUND BALANCES</b>		
Unassigned		<u>1,846,262</u>
Total fund balance		<u>1,846,262</u>
Total liabilities and fund balance		<u><u>\$ 1,869,870</u></u>
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION:</b>		
Total fund balances - general fund		\$ 1,846,262
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the general fund		
These assets consist of:		
River flow model	\$	71,500
Website		11,134
Less accumulated depreciation		<u>(46,884)</u>
		35,750
Right of use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Right of use assets	\$	37,928
Less accumulated amortization		<u>(33,566)</u>
		4,362
Other liabilities do not use current financial resources and, therefore, are not reported in the governmental funds		
Lease liability		<u>(5,982)</u>
Net position of governmental activities		<u><u>\$ 1,880,392</u></u>

See accompanying notes

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

REVENUES	
Intergovernmental	\$ 450,098
Interest	2,248
Miscellaneous	8,197
Total revenues	<u>460,543</u>
EXPENDITURES	
General government	<u>175,474</u>
Total expenditures	175,474
Net change in fund balance	285,069
FUND BALANCE, beginning of year	<u>1,561,193</u>
FUND BALANCE, end of year	<u><u>\$1,846,262</u></u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES	
Net change in fund balance - general fund	\$ 285,069
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities the cost of those assets are depreciated over their estimated useful lives.	
Current year depreciation	(17,875)
Amortization expense for right of use asset	(7,586)
The repayment of the principal on long-term lease liabilities is an expenditure in governmental funds, but the repayment reduces liabilities on the Statement of Net Position.	
Principal payments on long-term lease liability	<u>8,583</u>
Change in net position for governmental activities	<u><u>\$ 268,191</u></u>

See accompanying notes

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)
<b>REVENUES</b>				
Intergovernmental				
Consolidated tax	\$ 369,704	\$ 369,704	\$ 395,933	\$ 26,229
AB104, fair share revenue	9,545	9,545	54,165	44,620
Total intergovernmental	<u>379,249</u>	<u>379,249</u>	<u>450,098</u>	<u>70,849</u>
Miscellaneous				
Interest	8,000	8,000	2,248	(5,752)
Other	1,000	1,000	8,197	7,197
Total miscellaneous	<u>9,000</u>	<u>9,000</u>	<u>10,445</u>	<u>1,445</u>
Total revenue	388,249	388,249	460,543	72,294
<b>EXPENDITURES</b>				
Employee benefits and payroll taxes	2,900	2,900	1,153	1,747
Services and supplies				
Accounting and audit	10,000	10,000	9,800	200
Advertising	2,000	2,000	302	1,698
Bank fees	100	100	-	100
Consulting	10,000	10,000	1,825	8,175
Contract services	41,100	52,600	41,000	11,600
Directors' fees and expense	12,640	12,640	6,428	6,212
Dues and subscriptions	-	-	200	(200)
Engineering services	75,000	75,000	45,205	29,795
Grant expense	207,009	195,509	50,912	144,597
Insurance	6,000	6,000	3,013	2,987
Legal services	7,000	7,000	4,800	2,200
Miscellaneous	1,000	1,000	-	1,000
Office expense	2,000	2,000	943	1,057
Rent	10,000	10,000	8,914	1,086
Telephone	1,500	1,500	979	521
Total expenditures	<u>388,249</u>	<u>388,249</u>	<u>175,474</u>	<u>212,775</u>
Net change in fund balance	-	-	285,069	285,069
FUND BALANCE, beginning of year	<u>1,394,518</u>	<u>1,394,518</u>	<u>1,561,193</u>	<u>166,675</u>
FUND BALANCE, end of year	<u>\$ 1,394,518</u>	<u>\$ 1,394,518</u>	<u>\$ 1,846,262</u>	<u>\$ 451,744</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

DRAFT

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Carson-Truckee Water Conservancy District (the District) was formed in 1958 for the purpose of contracting with the United States Department of the Interior and distributing water to users within its boundaries. The District is geographically located in six Nevada counties: Washoe, Storey, Carson City, Churchill, Douglas and Lyon.

The financial statements have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

The financial statements present the financial position, results of operations, changes in fund balance, and change in net position of the fund under the direct jurisdiction of the Board of Directors of the District. The District is not considered a component unit of any other governmental entity nor are there any other governmental units, which could be considered component units of the District.

Basis of Presentation and Accounting

GASB Statement Number 34 mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. It also requires that certain capital assets be recorded at cost less accumulated depreciation. GASB Statement Number 54 establishes criteria for classifying governmental fund balances into specifically defined classifications.

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's one major fund, the General Fund). The District's General Fund is classified as governmental activities.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District reports one major governmental fund, the General Fund, which is the District's general operating fund and is used to account for all financial resources.

The District maintains its accounting records for the governmental fund using the current financial resources measurement focus and the modified accrual basis of accounting. This method provides for recognizing expenditures at the time liabilities are incurred, while revenue is recorded when "measurable and available" to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenue available if it is collected within 60 days after year-end.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Most major sources of revenue reported in governmental funds are susceptible to accrual under the modified accrual basis of accounting. Below is a summary of revenue recognition policies for all major revenue sources:

Type of Revenue	Accrued When Measurable and Available	Recognized When Received	Accrued When Earned
Consolidated tax	X		
Fair share revenue	X		
Interest			X
Miscellaneous		X	

Cash and Investments

Cash balances from the General Fund are invested as permitted by law. Pursuant to NRS 541.140, the District may invest in Treasury notes or bonds of the United States or any state, county or municipal corporation. The District may also invest in the Local Government Investment Pool (LGIP). The District's investment in the LGIP is equal to its original investment plus monthly allocations of interest income and realized/unrealized gains and losses, which is the same as the value of the pool shares.

Concentrations of Credit Risk

The District maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

Inventory of Consumable Supplies

Management of the District has elected to consider expenditures for supplies held for consumption as charges against appropriations at the time of purchase. Any inventory of such supplies at year end is immaterial and, accordingly, is not recognized as an asset in these financial statements.

Capital Assets

Capital assets purchased or acquired with an original cost of \$800 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. The cost of maintenance and repairs is charged to income as incurred. When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives of four years for the river flow model and three years for the website.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 87 - Leases Implementation

In June 2017, the GASB issued Statement No. 87, Leases, which is effective starting with the current fiscal year. The objective of the Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and to recognize inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The effect of implementing this Statement amounted to a decrease of \$2,617 in unrestricted net position. Beginning net position for the year ended June 30, 2021 has been restated to reflect the implementation of this Statement.

Unearned Revenue

Unearned revenue in connection with resources that have been received, but not year earned, is reported as a liability.

Use of Estimates

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

Net Position Classification

There are three types of net position in the statements of net position:

- *Net investment in capital assets* - consists of capital asset balances less accumulated depreciation and reduced by outstanding balances of debt used to acquire, construct, or improve those assets.
- *Restricted net position* - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. There was no restricted net position at June 30, 2022.
- *Unrestricted net position* - consists of all other net positions that do not meet the definition of the above two components and are available for the District's general use.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), establishes criteria for classifying governmental fund balances into specifically defined classification. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. GASB 54 requires the District to classify and report amounts in the appropriate fund balance classification. The District's accounting policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classification (continued)

Under GASB 54, fund balances are required to be reported according to the following classifications:

**Non-spendable Fund Balance.** Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact such as a trust that must be retained in perpetuity.

**Restricted Fund Balance.** This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. There was no restricted fund balance at June 30, 2022.

**Committed Fund Balance.** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the state legislature – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the state legislature removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There was no committed fund balance at June 30, 2022.

**Assigned Fund Balance.** This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds that are not classified as non-spendable and are neither restricted nor committed. There was no assigned fund balance at June 30, 2022.

**Unassigned Fund Balance.** This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The District's policy is to first apply expenditures against assigned fund balances and then to unassigned balances. On an annual basis assigned fund balances are determined based upon available resources. There were no assigned fund balances at June 30, 2022.

The District's Board of Directors has adopted, via resolution passed by the Board of Directors, a policy regarding the fund balance in the General Fund. This policy calls for a minimum unassigned General fund balance equivalent to \$350,000 for use in emergency situations or when required spending exceeds current year funding.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Accounting

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

- On or before April 15, the Board of Directors files a tentative budget with the Nevada Department of Taxation for all funds.
- Public hearings on the tentative budget are held on the third Thursday in May.
- Prior to June 1, at a public hearing the Board of Directors indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board of Directors. The final budget must then be forwarded to the Nevada Tax Commission for the final hearings and approval.
- Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at year-end.

The budget reflected in the financial statement has been amended from the original final amounts in accordance with State statutes.

In accordance with State statute, actual expenditures generally may not exceed appropriations of the general governmental function of the General Fund.

NOTE 2 - CASH AND INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 1, Level 2, or Level 3 inputs.

The District's cash and investments, including the recurring fair value measurement of investments, are as follows at June 30, 2022:

	<u>Carrying Amount</u>
Total Investments	
State of Nevada LGIP	\$ 961,390
Total cash	<u>827,082</u>
Total cash and investments	<u>\$ 1,788,472</u>

The District is a voluntary participant in the State of Nevada LGIP, which has regulatory oversight from the Board of Finance of the State of Nevada. The District's investment in the LGIP is equal to its original investments plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The District's investment in the LGIP is reported at fair value. Fair value is determined on a daily basis. NRS 355.170 sets forth acceptable investments for Nevada local governments. The District has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk – the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. The LGIP is an unrated external investment pool and as noted above, the District does not have a formal investment policy that specifies minimum acceptable credit ratings beyond those specified in the statute.

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the District's deposits may not be returned. Of bank balances totaling \$832,571, \$257,277 was covered by the FDIC at June 30, 2022.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Capital assets being depreciated	\$ 82,634	--	( -- )	\$ 82,634
Less accumulated depreciation	<u>29,009</u>	<u>17,875</u>	( -- )	<u>46,884</u>
Governmental capital assets, net	<u>\$ 53,625</u>	<u>\$ (17,875)</u>	<u>\$ ( -- )</u>	<u>\$ 35,750</u>

Depreciation expense of \$17,875 was charged to the general government function for the year ended June 30, 2022.

NOTE 4 - RISK MANAGEMENT

The District, like all governmental entities, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Pool (the Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members.

The District pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$10,000,000 per insured event with the \$10,000,000 annual aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sub limits established for earthquake, flood, equipment breakdown, and money and securities.

The District continues to carry commercial insurance for other risks of loss, including specific risks of loss not covered by the Pool (bonding). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 5 - OPERATING LEASE

The District, jointly with another District, entered into an agreement to lease office space at 1005 Terminal Way for 60 months commencing April 1, 2018. The lease terminates March 31, 2023. Under the terms of the lease, the District paid a monthly base fee of \$1,063 for the initial 6 months and then the base fee increased to \$1,514, increasing 3.0% annually on the anniversary of the agreement.

At June 30, 2022, the District has recognized a right to use asset of \$37,928, accumulated amortization of \$4,362 and a lease liability of \$5,982 related to this agreement. During the fiscal year, the District recorded \$7,586 in amortization expense and \$331 in interest expense for the right to use the office space.

The following schedule shows future obligations under this lease:

	Principal	Interest	Total
2023	\$ 5,982	\$ 75	\$ 6,057

The District amortized the right to use asset as follows during the year ended June 30, 2022:

	July 1, 2021	Additions	Deletions	June 30, 2022
Right to use asset				
Office space	\$ 37,928	\$ -	\$ -	\$ 37,928
Accumulated Amortization				
Office space	(25,980)	(7,586)	-	(33,566)
	\$ 11,948	\$ (7,586)	\$ -	\$ 4,362

NOTE 6 - TAX ABATEMENT

The District's Consolidated Tax revenues were reduced by \$16,490 under agreements entered into by the State of Nevada.

NOTE 7 - COMPLIANCE WITH NEVADA REVISED STATUTES AND NEVADA ADMINISTRATIVE CODE

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

REPORT ON INTERNAL CONTROL AND COMPLIANCE

DRAFT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Carson-Truckee Water Conservancy District  
Reno, 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 governmental activities and the General Fund of Carson-Truckee Water Conservancy District as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise Carson-Truckee Water Conservancy District's basic financial statements, and have issued our report thereon dated [REDACTED], 2022.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Carson-Truckee Water Conservancy 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carson-Truckee Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carson-Truckee Water Conservancy District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2022-001, to be a material weakness.

**Report on Compliance and Other Matters**

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

**Carson-Truckee Water Conservancy District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Carson-Truckee Water Conservancy District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Carson-Truckee Water Conservancy District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Reno, Nevada

\_\_\_\_\_, 2022

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2022

---

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2022-001

**Material Weakness in Internal Control over Financial Reporting - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)**

*Criteria:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements. Additionally, during the course of our engagement, we proposed material adjustments to recorded account balances.

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited or to adjust account balances at year end for accruals and receivables. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for a government the size of the District, the preparation of financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, in a timely manner by the District's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

*Effect:* Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by District personnel.

*Cause:* Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the District has chosen to contract with Barnard, Vogler and Co. to prepare its financial statements and related financial statement disclosures.

*Recommendation:* It is not recommended that the District engage the services of a second accounting firm to assist in preparing its governmental financial statements and related financial statement disclosures solely to avoid having a significant deficiency or material weakness as it is not assured that the benefit of engaging a second firm would outweigh the costs. The District's staff should monitor year end accruals and receivables to ensure that there are no material adjustments at year end.

*View of Responsible Officials:* Due to limited staff, the District has chosen to contract with Barnard, Vogler and Co. to prepare its financial statements and related financial statement disclosures. The District is satisfied the most cost efficient approach is to outsource the financial statement preparation function. Therefore, the District will continue to contract with the external auditor to prepare the District's financial statements.

CARSON-TRUCKEE WATER CONSERVANCY DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2022

---

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES

Finding 2021-001

**Material Weakness in Internal Control over Financial Reporting - Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)**

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited or to adjust account balances at year end for accruals and receivables. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Although this circumstance is not unusual for a government the size of the District, the preparation of financial statements as part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, in a timely manner by the District's internal control. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

*Current Status:* This is a continued finding for the 2022 year. See Finding 2022-001.