

Moapa Valley Water District
ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Moapa Valley Water District
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June 30, 2016

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Independent Auditors' Report

Directors and Members of the Board
Moapa Valley Water District
Overton, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Moapa Valley Water 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund, of Moapa Valley Water District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Moapa Valley Water District's financial statements for the year ended June 30, 2015, and our report dated November 17, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules related to pensions, as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the Moapa Valley Water District's basic financial statements. The budgetary comparison information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and related 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016, on our consideration of Moapa Valley Water 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 Moapa Valley Water District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Mesquite, Nevada
October 4, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Moapa Valley Water District
Management's Discussion and Analysis
June 30, 2016

As management of Moapa Valley Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

*Total net position for the District increased by \$320,576.

*Unrestricted net position for the District decreased by \$874,560.

*Operating revenues increased by \$189,132.

*Operating expenses decreased by \$6,334,732.

*Net operating items increased by \$191,011.

BASIC FINANCIAL STATEMENTS

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The financial statements presented in this report are those required of an enterprise fund and consist of (1) the statement of net position, (2) the statement of revenues, expenses, and changes in net position, (3) the statement of cash flows, and (4) the notes to the financial statements.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. However, other non-financial factors need to be considered as well.

The statement of revenues, expenses, and changes in net position (the income statement) presents information about the amounts of revenues, expenses, and resulting net income for the year. Net income is the change in net position. All items of income and expense are reported as soon as the underlying event giving rise to those items occurs, regardless of the when cash is received or paid.

The statement of cash flows starts with the amounts of net income and removes the non-cash portion (the receivables and payables which did not provide or use cash), thus converting the amounts to a cash basis.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Moapa Valley Water District
Management's Discussion and Analysis
June 30, 2016

FINANCIAL ANALYSIS

Moapa Valley Water District's Net Position

	Current Year	Previous Year	Change
Current and other assets	\$ 7,504,320	\$ 7,841,656	\$ (337,336)
Net capital assets	20,977,842	20,703,355	274,487
Deferred outflows of resources	355,071	280,253	74,818
Total assets and deferred outflows	<u>28,837,233</u>	<u>28,825,264</u>	<u>11,969</u>
Long-term debt	7,401,800	8,009,410	(607,610)
Other liabilities	2,624,536	2,192,540	431,996
Deferred inflows of resources	320,022	453,014	(132,992)
Total liabilities and deferred inflows	<u>10,346,358</u>	<u>10,654,965</u>	<u>(308,607)</u>
Net position:			
Net investment in capital assets	13,576,042	12,693,945	882,097
Restricted	549,172	236,133	313,039
Unrestricted	4,365,661	5,240,221	(874,560)
Total net position	<u>\$ 18,490,875</u>	<u>\$ 18,170,299</u>	<u>\$ 320,576</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$18,490,875, an increase of \$320,576 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year are \$4,365,661, which represents a decrease of \$874,560 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Moapa Valley Water District
Management's Discussion and Analysis
June 30, 2016

FINANCIAL ANALYSIS (continued)

Moapa Valley Water District's Change in Net Position

	<u>Current Year</u>	<u>Previous Year</u>	<u>Change</u>
Operating income:			
Service income	\$ 3,018,495	\$ 3,029,363	\$ (10,868)
SNWA contract	200,000	-	200,000
Total operating income	<u>3,218,495</u>	<u>3,029,363</u>	<u>189,132</u>
Operating expenses:			
Depreciation and amortization expense	726,005	715,397	10,608
Other operating expense	2,357,148	2,536,182	(179,035)
Total operating expense	<u>3,083,153</u>	<u>3,251,579</u>	<u>(168,426)</u>
Net operating income (loss)	<u>135,342</u>	<u>(222,216)</u>	<u>357,558</u>
Non-operating items:			
Revenues	499,159	421,563	77,596
Expenses	313,925	427,341	(113,415)
Total non-operating items	<u>185,234</u>	<u>(5,778)</u>	<u>191,011</u>
Net income (loss)	<u>\$ 320,576</u>	<u>\$ (227,994)</u>	<u>\$ 548,570</u>

Service income decreased by \$10,868 from the previous year. SNWA contract income increased by \$200,000.

Depreciation and amortization expense increased from the amount of the previous year by \$10,608. Other operating expenses decreased by \$179,035 compared to the previous year, resulting in a yearly net operating income of \$135,342.

Non-operating items increased by \$191,011 compared to the previous year.

BUDGETARY HIGHLIGHTS

The District operates as an enterprise fund and is required to comply with the operating budget on an entity-wide basis.

	<u>Original</u>	<u>Amended</u>	<u>Actual</u>
Revenues	\$ 3,679,000	\$ 3,679,000	\$ 3,717,654
Expenses	3,592,261	3,592,261	3,397,079
Net income	<u>\$ 86,739</u>	<u>\$ 86,739</u>	<u>\$ 320,576</u>

Moapa Valley Water District
Management's Discussion and Analysis
June 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

Moapa Valley Water District's Capital Assets (net of depreciation)

	Current Year	Previous Year	Change
Net Capital Assets:			
Land and land rights	\$ 218,296	\$ 218,296	\$ -
Water shares	2,097,355	1,997,355	100,000
Buildings and improvements	673,443	753,287	(79,844)
Equipment and distributions system	17,881,670	17,706,500	175,170
Furniture and fixtures	2,234	4,409	(2,175)
Vehicles	75,686	22,049	53,637
Construction in progress	29,158	1,460	27,698
Total	<u>\$ 20,977,842</u>	<u>\$ 20,703,355</u>	<u>\$ 274,487</u>

Additional information regarding capital assets may be found in the notes to financial statements.

Moapa Valley Water District's Outstanding Debt

	Current Year	Previous Year	Change
Long-term debt:			
2005 GO Water Refunding Bonds	\$ -	\$ 2,865,000	\$ (2,865,000)
2013A Refunding Bond	810,000	905,000	(95,000)
2015 GO Refunding Bonds	2,355,000	-	2,355,000
2008 GO Water Bonds	1,104,018	1,180,558	(76,540)
1995 USDA Water Revenue	1,059,600	1,092,780	(33,180)
2010 USDA Water Revenue	1,670,047	1,692,086	(22,039)
Less deferred bond issue costs	(5,870)	(6,604)	734
Plus deferred issuance premium	409,006	280,591	128,415
Total	<u>\$ 7,401,800</u>	<u>\$ 8,009,410</u>	<u>\$ (607,610)</u>

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the District are expected for the next year. Budgets have been set using the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Moapa Valley Water District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should contact the District's office at 601 N. Moapa Valley Boulevard, Overton, Nevada 89040.

BASIC FINANCIAL STATEMENTS

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Moapa Valley Water District
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2016

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,291,996	\$ 5,406,447
Cash and cash equivalents - designated	1,421,613	937,463
Accounts receivable, net	369,527	359,492
Due from other governmental units	61,340	59,127
Inventory	757,419	750,482
Prepaid expense	53,253	51,541
Total current assets	6,955,148	7,564,552
Non-current assets:		
Restricted cash and cash equivalents	549,172	277,104
Capital assets:		
Not being depreciated	247,454	219,756
Net of accumulated depreciation	20,730,388	20,483,600
Total non-current assets	21,527,014	20,980,459
Total assets	28,482,162	28,545,011
Deferred outflows of resources - pensions	355,071	280,253
Total assets and deferred outflows of resources	\$ 28,837,233	\$ 28,825,264
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 242,884	\$ 82,842
Accrued payroll & payroll taxes	62,854	39,651
Customer security deposits	12,540	15,240
Prepaid installations	102,675	102,675
Accrued interest payable	85,476	56,294
Compensated absences	154,781	139,266
Bonds payable - current portion	541,597	526,759
Total current liabilities	1,202,808	962,726
Non-current liabilities:		
Bonds payable - long-term portion	6,860,203	7,482,652
Net pension liability	1,963,325	1,756,573
Total non-current liabilities	8,823,528	9,239,225
Total liabilities	10,026,336	10,201,951
Deferred inflows of resources - pensions	254,023	453,014
Deferred inflows of resources - refunding bonds	65,999	-
Total liabilities and deferred inflows of resources	10,346,358	10,654,965
NET POSITION:		
Net investment in capital assets	13,576,042	12,693,945
Restricted	549,172	236,133
Unrestricted - designated	1,507,172	937,463
Unrestricted - undesignated	2,858,489	4,302,758
Total net position	18,490,875	18,170,299
Total liabilities, deferred inflows of resources, and net position	\$ 28,837,233	\$ 28,825,264

The notes to the financial statements are an integral part of this statement.

Moapa Valley Water District
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2016

	2016	2015
Operating income:		
Water user fees	\$ 3,018,495	\$ 3,029,363
SNWA contract revenue	200,000	-
Total operating revenue	3,218,495	3,029,363
Operating expenses:		
Salaries and wages	1,061,276	1,039,790
Employee benefits	421,198	408,901
Resource development & protection	98,365	165,155
Regulatory compliance	41,441	30,424
Distribution system operations	16,203	52,895
Distribution system maintenance	151,393	191,842
Treatment operations	93,110	127,720
Treatment maintenance	10,439	12,268
Customer account expense	38,839	42,661
General administrative	411,156	431,186
Depreciation and amortization expense	726,005	715,397
340A contract	13,728	33,343
Total operating expense	3,083,153	3,251,579
Net operating income (loss)	135,342	(222,216)
Non-operating income (expense):		
Interest income	6,769	22,974
Impact fees	23,784	1,253
Intergovernmental revenue	352,212	339,404
Miscellaneous income	81,516	35,685
Other non-operating income	30,879	20,896
Gain/(loss) on disposal of assets	4,000	1,351
Miscellaneous expense	(43,724)	(99,550)
Interest expense	(270,202)	(327,790)
Total non-operating income (expense)	185,234	(5,778)
Change in net position	320,576	(227,994)
Net position - beginning	18,170,299	18,398,293
Net position - ending	\$ 18,490,875	\$ 18,170,299

The notes to the financial statements are an integral part of this statement.

Moapa Valley Water District
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 3,005,760	\$ 3,023,270
Cash paid to suppliers	(719,412)	(1,056,229)
Cash paid to employees	(1,472,956)	(1,320,157)
Cash received for SNWA contract	200,000	-
Cash paid for 340A O&M	(41,724)	(161,743)
Net cash provided (used) in operating activities	971,668	485,141
Cash flows from noncapital financing activities:		
Net cash provided (used) in noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Cash payments for long-term debt	(3,244,973)	(538,698)
Proceeds from long-term debt	2,703,361	-
Cash payments for capital assets	(1,000,492)	(410,791)
Proceeds from the sale of capital assets	4,000	1,351
Cash from impact fees	23,784	1,253
Intergovernmental revenue	349,999	337,264
Miscellaneous expense	(43,724)	(99,550)
Miscellaneous income	81,516	35,685
Other non-operating income	30,879	20,896
Cash payments for long-term debt interest	(241,020)	(333,700)
Net cash provided (used) in capital and related financing activities	(1,336,670)	(986,291)
Cash flows from investing activities:		
Cash received from interest earned	6,769	22,974
Net cash provided (used) in investing activities	6,769	22,974
Net increase (decrease) in cash	(358,233)	(478,176)
Cash balance, beginning	6,621,013	7,099,190
Cash balance, ending	\$ 6,262,781	\$ 6,621,013
Cash reported on the statement of net position:		
Cash and cash equivalents	\$ 4,291,996	\$ 5,406,447
Cash and cash equivalents - designated	1,421,613	937,463
Restricted cash and cash equivalents	549,172	277,104
Total cash and cash equivalents	\$ 6,262,781	\$ 6,621,013

The notes to the financial statements are an integral part of this statement.

Moapa Valley Water District
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2016

**Reconciliation of Operating Income to Net
Cash Provided (Used) In Operating Activities:**

	2016	2015
Net operating income (loss)	\$ 135,342	\$ (222,216)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:		
Depreciation and amortization	726,005	715,397
Changes in assets and liabilities:		
(Increase) decrease in receivables	(10,036)	(4,943)
(Increase) decrease in inventory	(6,937)	68,885
(Increase) decrease in prepaid insurance	(1,712)	(51,541)
(Increase) decrease in deferred outflows	(74,818)	(24,875)
Increase (decrease) in accounts payable	366,795	(470,206)
Increase (decrease) in accrued payroll and taxes	23,203	7,164
Increase (decrease) in compensated absences	15,514	15,612
Increase (decrease) in security deposits	(2,699)	(1,150)
Increase (decrease) in deferred inflows	(198,991)	453,014
Net cash provided (used) in operating activities	<u>\$ 971,668</u>	<u>\$ 485,141</u>

The notes to the financial statements are an integral part of this statement.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Moapa Valley Water District (the District) is a political subdivision of the State of Nevada governed by a five-member board of directors elected in conjunction with the general election of Clark County. The District provides water services to the unincorporated townships of Glendale, Logandale, Moapa and Overton. Effective July 22, 1983 the assets and liabilities of the Moapa Valley Water Company and the Overton Water District were merged into a single entity to create the District.

1-B. Government-wide financial statements

Government-wide financial statements display information about the District as a whole. The financial statements presented are those required of an enterprise fund and consist of the statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows. The District is considered a special-purpose government engaged in business-type activities and records all of the transactions related to its activities in a single enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges. No fiduciary funds or components that are fiduciary in nature are included.

1-C. Measurement focus, basis of accounting, and financial statement presentation

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement. The operating statement of an enterprise fund focuses on changes in, or the flow of, *economic* resources. With this measurement focus, all assets and liabilities associated with the operation of the fund, both current and non-current, are included on the statement of net position. Thus, net position (total assets and deferred outflows less total liabilities and deferred inflows) are used as a practical measure of economic resources.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. As a practical matter, a fund's basis of accounting is inseparably tied to its measurement focus. Funds that focus on total economic resources employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 they are needed.

1-D. Assets, liabilities, and net position or equity

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. Cash and investments

Cash balances are invested as permitted by law. Investments are recorded at lower of cost or market.

Pursuant to NRS 355.170, the District may only invest in the following types of securities:

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposits from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.
- Other securities expressly provided by other statutes, including repurchase agreements.

3. Receivables and payables

Accounts receivable represent water usage billings for which payment has not yet been received. Due to the nature of such receivables and the District's ability to collect them, an allowance for doubtful accounts has not been provided.

4. Inventories and prepaid items

Inventories are valued at cost using the weighted average method. The inventory consists of water parts.

At various times, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Restricted assets & net position

The difference between total assets and total liabilities represents equity or net position. Net position presented in the statement of net position is subdivided into four categories: net investment in capital assets; restricted net position; unrestricted-designated net position; and unrestricted net position. Restricted net position is comprised of required reserves as dictated by applicable bond covenants and the Nevada Capital Improvement Grants Program.

Unrestricted-designated net position represents resources set aside at the direction of the board for special purposes.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1-D. Assets, liabilities, and net position or equity (continued)

6. Capital assets

All purchased capital assets, which include property, plant, and equipment, are carried at cost or estimated historical cost. Contributed capital assets are valued at estimated fair market value on the date received. Capital assets are defined as items with an initial, individual cost of more than \$5,000 and an expected life of more than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction phase of capital assets, if directly related to the construction, is included as part of the capitalized amount of the assets constructed. There was no interest capitalized during the current year.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	15-40
Distribution system	7-40
Wells	10-40
Equipment	5-15
Trucks and autos	5
Office equipment	3-7

7. Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities.

8. Compensated absences

The District has a policy allowing compensated benefits to permanent employees for both sick and vacation leave. At year-end, the compensated absence liability is \$154,781.

9. Use of estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

10. Prior year summarized comparative information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1-D. Assets, liabilities, and net position or equity (continued)

11. Restricted net position

The District's restricted net position was comprised of the following balances at year-end:

1995 Water Revenue Bond Renewal and Replacement Reserve	\$ 87,899
2010 Water Revenue Bond Operations and Maintenance Reserve	59,333
2010 Water Revenue Bond Short-Lived Assets Reserve	48,970
2010 Water Revenue Bond Capital Replacement Reserve	49,300
Nevada Capital Improvement Grant Reserve	<u>303,670</u>
Total restricted net position	<u>\$ 579,172</u>

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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. The District reports deferred outflows relating to pension as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District reports deferred inflows relating to pensions as required by GASB 68. In addition, the District reports deferred inflows related to refunding bonds issued during the year.

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A. Budgetary information

The District adheres to the Local Government Budget Act incorporated within state statutes, which include the following major procedures to establish the budgetary data which is reflected in these financial statements.

1. On or before April 15, the District's Board of Directors files a tentative budget with the Nevada Department of Taxation.
2. Public hearings on the tentative budget are held on the third Thursday in May.
3. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board and by adopting a resolution. The final budget must then be forwarded to the Nevada State Tax Commission for final hearings and approval.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

2-A. Budgetary information (continued)

4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. The budget is adopted on a basis consistent with General Accepted Account Principles (GAAP). Appropriations lapse at year end.
6. Budget amounts may be transferred if amounts do not exceed the original budget. Such transfers are to be approved with a resolution by the Board of Directors. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the Moapa Valley Water District Board of Directors, following a properly scheduled public hearing.

In accordance with State Statute and the Nevada Administrative Code, actual expenses may not exceed the sum of budgeted operating and non-operating expenses.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2016 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 7,716
Demand deposits	6,255,064
Total cash	\$ 6,262,781

Cash and investments listed above are classified in the accompanying government-wide statement of net position as follows:

Cash and cash equivalents	\$ 4,291,996
Cash and cash equivalents - designated	1,421,613
Restricted cash and cash equivalents (non-current)	549,172
Total cash and cash equivalents	\$ 6,262,781

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

Deposits and investments of the District are governed by the Nevada Revised Statutes (NRS). The following are discussions of the District's exposure to various risks related to its cash management activities:

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2016 none of the District's bank balance of \$6,324,374 was exposed to custodial credit risk because it was all insured or collateralized. Deposits not insured by FDIC or NCUA are collateralized because the District belongs to the Nevada Pooled Collateral program.

Investments

The provisions of State law (NRS 355.170) govern the investment of public funds. As of June 30, 2016 the District had no investments.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3-B. Receivables

The allowance policy is described in Note 1-D-3. Receivables as of year-end for the District's funds are shown below:

Customers	\$ 369,527
Total accounts receivable	<u>\$ 369,527</u>

3-C. Capital assets

A summary of capital asset activity is listed below:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 218,296	\$ -	\$ -	\$ 218,296
Water shares	1,997,355	100,000	-	2,097,355
Construction in progress	1,460	27,698	-	29,158
Total capital assets, not being depreciated	<u>2,217,111</u>	<u>127,698</u>	<u>-</u>	<u>2,344,809</u>
Capital assets, being depreciated:				
Buildings and improvements	1,473,996	-	-	1,473,996
Equipment and distributions system	26,748,544	792,235	-	27,540,779
Furniture and fixtures	171,246	7,404	-	178,650
Vehicles	474,547	73,155	(51,146)	496,556
Intangible assets	12,495	-	-	12,495
Total capital assets, being depreciated	<u>28,880,828</u>	<u>872,794</u>	<u>(51,146)</u>	<u>29,702,476</u>
Less accumulated depreciation for:				
Buildings and improvements	720,709	79,844	-	800,553
Equipment and distributions system	9,042,044	617,065	-	9,659,109
Furniture and fixtures	166,837	9,579	-	176,416
Vehicles	452,498	19,518	(51,146)	420,870
Intangible assets	12,495	-	-	12,495
Total accumulated depreciation	<u>10,394,584</u>	<u>726,005</u>	<u>(51,146)</u>	<u>11,069,443</u>
Total capital assets being depreciated, net	<u>18,486,244</u>	<u>146,788</u>	<u>-</u>	<u>18,633,032</u>
Capital assets, net	<u>\$ 20,703,355</u>	<u>\$ 274,487</u>	<u>\$ -</u>	<u>\$ 20,977,842</u>

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3-D. Long-term debt

Business-type activities:	Original Principal	% Rate	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
2005 GO Water Refunding Bonds							
Matures 2015	\$4,315,000	5.00	\$ 2,865,000	-	2,865,000	-	-
2013A Refunding Bonds							
Matures 2023	1,075,000	5.00	905,000	-	95,000	810,000	100,000
2015 GO Refunding Bonds							
Matures 2026	2,355,000	4.46	-	2,355,000	-	2,355,000	305,000
2008 GO Water Bonds							
Matures 2028	1,500,000	2.78	1,180,558	-	76,540	1,104,018	78,682
1995 USDA Water Revenue							
Matures 2035	1,500,000	5.125	1,092,780	-	33,180	1,059,600	34,920
2010 USDA Water Revenue							
Matures 2050	1,798,760	4.25	1,692,086	-	22,039	1,670,047	22,994
Less deferred bond issue costs			(6,604)	-	(734)	(5,870)	-
Plus deferred issuance premiums			280,590	282,363	153,948	409,005	-
Total business-type activity							
long-term liabilities			\$ 8,009,410	2,637,363	3,244,973	7,401,800	541,596

All bonds are revenue bonds secured by the revenue of the water system.

On November 3 2015, the District issued \$2,355,000 of (Limited Tax) Water Refunding Bonds Series 2015 to refund the District's (Limited Tax) Water Refunding Bonds Series 2005. The transaction resulted in an economic gain (the present value of future cash-flows) of \$283,518 and a reduction of \$316,470 in future debt service payments. The interest rates on the new refunding bonds range from 2 to 5 percent. Annual principal payments and semi-annual interest payments are payable through February 1, 2026.

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2017	541,597	295,198	836,795
2018	551,629	279,066	830,695
2019	591,861	253,084	844,945
2020	612,303	225,267	837,570
2021	642,964	196,481	839,445
2022 - 2026	1,843,070	672,781	2,515,851
2027 - 2031	725,313	402,669	1,127,982
2032 - 2036	528,817	259,961	788,778
2037 - 2041	292,902	175,518	468,420
2042 - 2046	362,115	106,305	468,420
2047 - 2050	306,094	24,643	330,737
Total	\$ 6,998,665	2,890,973	9,889,638

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District's insurance protection is provided by Willis. The coverage limit is \$10 million and the deductible is \$500.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

4-C. Deferred compensation plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The District is not required to contribute or match any amounts withheld from employees' compensation. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the District, or subject to the claims of the District's general creditors.

4-D. Other Post Employment Benefits

Management has reviewed the outstanding liability for Other Post Employment Benefits (OPEB) as of June 30, 2016 and has determined that the amount is not material to the financial statements.

4-E. General Information about the Pension Plan

Plan description:

PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits provided:

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-E. General Information about the Pension Plan (continued)

Monthly benefit allowances for Regular 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 Regular members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579.

Vesting:

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 the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions:

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2016, 2015, and 2014 the Statutory Employer/employee matching rate was 13.25% for the Regular. The Employer-pay contribution (EPC) rate was 28.00% for the year ended June 30, 2016 and 25.75% for the years ended June 30, 2015 and 2014 for Regular. The District's contribution amounts were as follows:

Year Ended June 30,	Regular Fund
2014	\$ 255,289
2015	264,453
2016	295,609

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-E. General Information about the Pension Plan (continued)

Investment Policy:

The System's 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 System. The following was the Board adopted policy target asset allocation as of June 30, 2015:

Asset Class	Allocation	Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

*As of June 30, 2015, PERS' long-term inflation assumption was 3.5%

Pension Liability:

Net Pension Liability

At June 30, 2016, the District reported a liability of \$1,963,325 for its proportionate share of the PERS' net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015. The District's Net Pension Liability allocation was as follows:

	Proportionate Share
2014	0.01685%
2015	0.01713%
Increase (Decrease)	0.00028%

Pension Liability Discount Rate Sensitivity

The following presents the proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension liability	\$ 2,991,714	\$ 1,963,325	\$ 1,108,148

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-E. General Information about the Pension Plan (continued)

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in June 30, 2015 funding Actuarial valuation

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% 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, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

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

For the year ended June 30, 2016 the District recognized pension expense for PERS of \$228,552. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 147,676
Net difference between projected and actual earnings on pension plan investments	-	106,347
Changes in proportion and differences between contributions and proportionate share of contributions	59,462	-
Subtotal	59,462	254,023
Contributions subsequent to the measurement date	295,609	-
Total	<u>\$ 355,071</u>	<u>\$ 254,023</u>

Moapa Valley Water District
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-E. General Information about the Pension Plan (continued)

The \$295,609 reported as deferred outflows of resources related to PERS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (inflows) of Resources
2017	\$ (60,455)
2018	(60,455)
2019	(60,455)
2020	11,359
2021	(18,694)
2022	(5,861)
Thereafter	-
	\$ (194,561)

Additional Information:

Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PER's website at www.nvpers.org under Quick Links-Publications.

REQUIRED SUPPLEMENTARY INFORMATION

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Moapa Valley Water District
Schedule of the Proportionate Share of the Net Pension Liability
 For the Fiscal Year Ended June 30, 2016
 Last 10 Fiscal Years*

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Proportion of the net pension liability	0.017130 %	0.01685 %
Proportionate share of the net pension liability	\$ 1,963,325	\$ 1,756,537
Covered employee payroll	\$ 1,027,002	\$ 1,027,002
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.17 %	171.04 %
Plan fiduciary net position as a percentage of the total pension liability	75.1 %	76.30 %

* The District implemented GASB 68 in fiscal year 2015. Not all 10 year prior information is not available.

Moapa Valley Water District
Schedule of Contributions
 For the Fiscal Year Ended June 30, 2016
 Last 10 Fiscal Years*

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 264,453	\$ 255,289
Contributions in relation to the contractually required contribution	<u>\$ (264,453)</u>	<u>\$ (255,289)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 1,027,002	\$ 991,414
Contributions as a percentage of covered-employee payroll **	25.75 %	25.75 %

* The District implemented GASB 68 in fiscal year 2015. Not all 10 year prior information is not available.
 ** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

SUPPLEMENTARY INFORMATION

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Moapa Valley Water District
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Operating income:				
Water user fees	\$ 3,051,500	\$ 3,051,500	\$ 3,018,495	\$ (33,005)
SNWA contract revenue	200,000	200,000	200,000	-
Total operating income	<u>3,251,500</u>	<u>3,251,500</u>	<u>3,218,495</u>	<u>(33,005)</u>
Operating expenses:				
Salaries and wages	1,100,000	1,100,000	1,061,276	38,724
Employee benefits	500,000	500,000	421,198	78,802
Resource development & protection	111,000	111,000	98,365	12,635
Regulatory compliance	40,500	40,500	41,441	(941)
Distribution system operations	25,500	25,500	16,203	9,297
Distribution system maintenance	140,000	140,000	151,393	(11,393)
Treatment operations	62,000	62,000	93,110	(31,110)
Treatment maintenance	15,000	15,000	10,439	4,561
Customer account expense	50,500	50,500	38,839	11,661
General administrative	490,000	490,000	411,156	78,844
Depreciation and amortization expense	710,000	710,000	726,005	(16,005)
340A contract	10,000	10,000	13,728	(3,728)
Total operating expense	<u>3,254,500</u>	<u>3,254,500</u>	<u>3,083,153</u>	<u>171,347</u>
Net operating income (loss)	<u>(3,000)</u>	<u>(3,000)</u>	<u>135,342</u>	<u>138,342</u>
Net-operating income (expense):				
Interest income	7,500	7,500	6,769	(731)
Impact fees	3,000	3,000	23,784	20,784
Intergovernmental revenue	310,000	310,000	352,212	42,212
Miscellaneous income	-	-	81,516	81,516
Other non-operating income	107,000	107,000	30,879	(76,121)
Gain/(loss) on disposal of assets	-	-	4,000	(43,724)
Miscellaneous expense	-	-	(43,724)	67,559
Interest expense	(337,761)	(337,761)	(270,202)	(67,559)
Total non-operating income (expense)	<u>89,739</u>	<u>89,739</u>	<u>185,234</u>	<u>95,495</u>
Change in net position	<u>86,739</u>	<u>86,739</u>	<u>320,576</u>	<u>233,837</u>
Net position - beginning	18,170,299	18,170,299	18,170,299	-
Net position - ending	<u>\$ 18,257,038</u>	<u>\$ 18,257,038</u>	<u>\$ 18,490,875</u>	<u>233,837</u>

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**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***

Directors and Members of the Board
Moapa Valley Water District
Overton, 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 business-type activities and the major fund of Moapa Valley Water District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Moapa Valley Water District's basic financial statements and have issued our report thereon dated October 4, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
Mesquite, Nevada
October 4, 2016

Independent Auditor's Report on State Legal Compliance

Directors and Members of the Board
Moapa Valley Water District
Overton, Nevada

We have audited the basic financial statements of Moapa Valley Water District, for the year ended June 30, 2016, and have issued our report thereon dated October 4, 2016. Our audit also included test work on Moapa Valley Water District's compliance with selected requirements identified in the State of Nevada Revised Statutes (NRS) including, but not limited to, NRS section 354.624 and section 354.6241.

The management of Moapa Valley Water District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit and make specific statements regarding funds established and the status of prior year findings and recommendations; accordingly, we make the following statements:

The District has established one Enterprise Fund in accordance with NRS 354.625. The District appears to be using the funds expressly for the purposes for which it was created and in accordance with NRS 354.624. The fund is being administered in accordance with Generally Accepted Accounting Principles and the reserves, as applicable, appear reasonable and necessary to carry out the purposes of the fund. Sources of revenues available and retained earnings or net position are reflected in the fund financial statement.

The statutory and regulatory requirements of the funds are as follows:

Enterprise Fund: Board of director's intended purpose and County resolution

The District has resolved prior year audit finding 2015-001. We noted no new instances of noncompliance during the fiscal year.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Moapa Valley Water District complied, in all material respects, with the requirements identified above for the year ended June 30, 2016.

The District has no funds to be reported pursuant to NRS 354.6107 through NRS 354.6113 and NRS 354.589155.

This report is intended solely for the use of Moapa Valley Water District, the State of Nevada, and other audit agencies and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
Mesquite, Nevada
October 4, 2016