

**Minden  
Gardnerville  
Sanitation  
District**



STATE OF NEVADA  
DEPARTMENT OF TAXATION

Web Site: <http://tax.nv.gov>

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Carson City, Nevada 89706-7937  
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4600 Kietzke Lane  
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STEVE SISOLAK  
*Governor*  
JAMES C. DEVOLLD  
*Chair, Nevada Tax Commission*  
MELANIE YOUNG  
*Executive Director*

LAS VEGAS OFFICE  
Grant Sawyer Office Building, Suite 1300  
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Las Vegas, Nevada 89101  
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE  
2550 Paseo Verde Parkway, Suite 180  
Henderson, Nevada 89074  
Phone: (702) 486-2300  
Fax: (702) 486-3377

January 23, 2020

Frank Johnson, General Manager  
Minden Gardnerville Sanitation District  
P. O. Box 568  
Minden, NV 89423

Re: Annual Audit Report – Fiscal Year 2016, 2017, 2018, 2019

Dear Mr. Johnson:

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The Department must also identify all violations of statute and/or regulations reported therein.

The Department has completed its review of your audit report and NO violations of statute and/or regulations were noted.

If you should have any questions, please do not hesitate to call me at 775-684-2077. My e-mail address is [kgransbery@tax.state.nv.us](mailto:kgransbery@tax.state.nv.us)

Sincerely,

A handwritten signature in blue ink that reads "Keri Gransbery".

Keri Gransbery  
Budget Analyst  
Local Government Finance  
Department of Taxation



RECEIVED  
DEC 27 2019  
STATE OF NEVADA  
DEPARTMENT OF TAXATION

December 27, 2019

State of Nevada  
Department of Taxation  
Local Government Finance  
1550 E College Pkwy.  
Carson City, NV 89706-9737

Attn: Kelly Langley

Dear Kelly:

Enclosed are two copies of the June 30, 2016 audit for the Minden-Gardnerville Sanitation District which has been compiled by the firm of Casey Neilon, Inc. The audit was reviewed and approved by the Board of Trustees at the special meeting on December 26, 2019.

Sincerely,

Sarah M. King  
Administrative Assistant



**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**JUNE 30, 2016**

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
JUNE 30, 2016**

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**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MINDEN, NEVADA**

**District Officials For  
Fiscal Year Ended June 30, 2016**

**Board of Trustees**

**Raymond Wilson**  
Chairman

**Barbara Smallwood**  
Vice-Chairman and Secretary

**Robert Allgeier**  
Treasurer

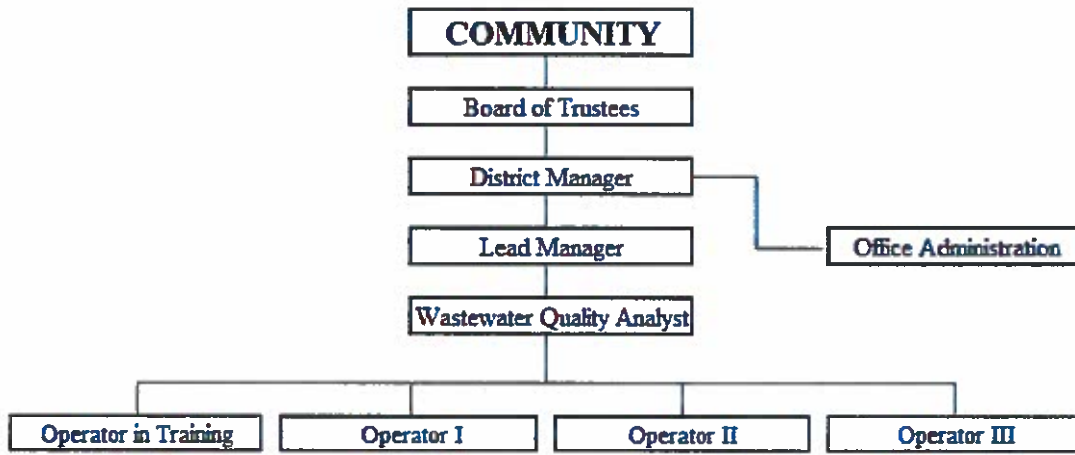
**Mark R. Dudley**  
Member

**Michael B. King**  
Member

**Administrative Officials**

**Frank T. Johnson**  
District Manager

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
ORGANIZATION CHART  
JUNE 30, 2016**





*Casey Neilson, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of the  
Minden Gardnerville Sanitation District

***Report on the Financial Statements***

We have audited the accompanying financial statements of Minden Gardnerville Sanitation District (the "District") for the year ended June 30, 2016 and notes to the financial statements, which collectively comprise the District's 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 an opinion 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 opinion.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Minden Gardnerville Sanitation District as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified Opinion***

The District carries a material balance in their inventory which is made up of various pieces of miscellaneous parts and equipment. There are no inventory records dating back to the period under audit and no physical count was done at the balance sheet date. We were unable to obtain sufficient appropriate evidence about the carrying amount of the District's inventory. Consequently, we were unable to validate the balance of inventory and therefore do not know if any adjustments to the account are necessary.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages 4-7 and 26-28, 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 pension and other post-employment benefits 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 this required 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 District's basic financial statements. The introductory section and schedule of operating expenses and non-operating revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and non-operating revenues are the responsibility of management and were derived from and relate 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 schedule of operating expenses and non-operating revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019 on our consideration of Minden Gardnerville Sanitation 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 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 Minden Gardnerville Sanitation District's internal control over financial reporting and compliance.



Casey Neilon  
Carson City, Nevada

November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

This section of Minden-Gardnerville Sanitation District's annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2016. We encourage readers to read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The total net position of the Minden-Gardnerville Sanitation District decreased 5.46% during the current fiscal year from \$30,629,251 to \$28,955,959. Operating revenues increased 4.44% during the current fiscal year from \$1,892,472 to \$1,976,481.
- During the year the District invested \$191,383 in the acquisition and construction of capital assets.
- The District's operating expenses increased 3.55% from \$3,138,628 to \$3,250,060.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Minden-Gardnerville Sanitation District's basic financial statements. The District's basic financial statements are comprised of the enterprise fund financial statements and schedules, and notes to the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information about the District's finances, in a manner similar to a private sector business. These statements provide both long-term and short-term information about the District's overall financial status.

The Statement of Net Position provides information on all of the Minden-Gardnerville Sanitation 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 of the District is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities. This statement provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is necessary for a full understanding of the data provided in the financial statements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**FINANCIAL ANALYSIS**

The total net position decreased 5.46%, while the investment in capital assets component also decreased by 5.40% due in large part to depreciation in the amount of \$1,484,958. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources \$28,955,959.

The largest portion of the District's net assets (80.60%) reflects its investment in capital assets (i.e., buildings, machinery and equipment). The District uses these capital assets to provide sewage treatment services to customers. Consequently, these assets are not available for future spending.

The total net position includes \$3,728,818 designated for future capital improvement projects, \$77,570 of restricted cash in a separate account for the loan contract with Nevada Department of Environmental Protection and \$2,267,211 that is unrestricted and undesignated and available for use at the discretion of the District.

While the Condensed Summary of Net Position shows the change in financial position, the Condensed Summary of Revenues, Expenses and Changes in Net Position provides answers as to the nature and sources of these changes.

Total revenues increased 4.21% with the most significant change being the Gardnerville Ranchos G.I.D. fees which increased 17.03% to \$277,169 and the sewer user capital contributions which decreased 1.95% to \$357,894.

Following is a condensed summary schedule of the District's Statements of Net Position:

**CONDENSED SUMMARY OF STATEMENTS OF NET POSITION**

	2016	2015 As Originally Reported
Current and other assets	\$ 3,180,850	\$ 2,639,340
Restricted assets	3,806,388	3,436,357
Capital assets	24,451,680	25,745,254
Total assets	31,438,918	31,820,951
Deferred outflows of resources	173,483	-
Current liabilities	211,631	87,154
Long-term liabilities	2,285,464	1,104,546
Total liabilities	2,497,095	1,191,700
Deferred inflows of resources	159,347	-
Net position:		
Invested in capital assets, net of related debt	23,332,360	24,664,921
Restricted	77,570	3,436,357
Designated	3,278,818	-
Unrestricted	2,267,211	2,527,973
Total net position	\$ 28,955,959	\$ 30,629,251

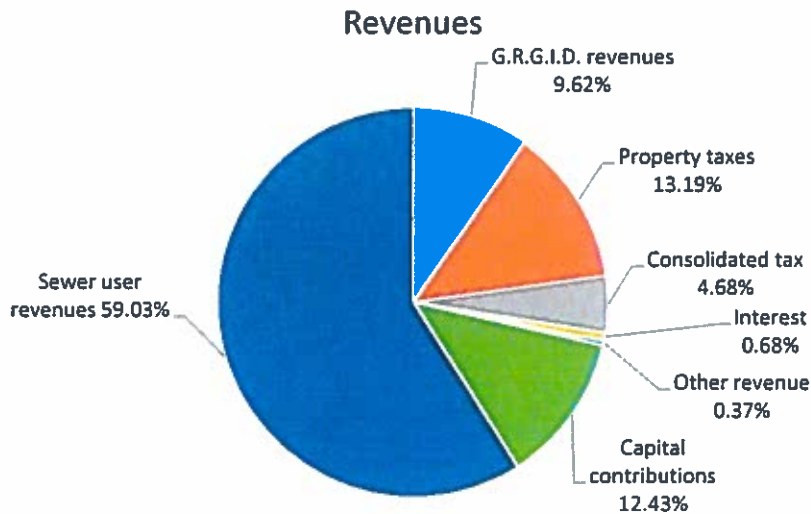
**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

Following is a condensed summary schedule of the District's revenues, expenses, and changes in net position:

**CONDENSED SUMMARY OF REVENUES  
EXPENSES AND CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015 As Originally Reported</u>	<u>PERCENT CHANGE</u>
Operating revenues			
Charges for services	\$ 1,976,481	\$ 1,892,472	4.4%
General revenues			
Interest and other	30,040	13,959	115.2%
Ad valorem taxes	377,710	354,515	6.5%
Consolidated taxes	134,659	134,659	0.0%
Capital contributions	357,894	365,013	-2.0%
Total revenues	<u>2,876,784</u>	<u>2,760,618</u>	<u>4.2%</u>
Program expenses	<u>3,250,060</u>	<u>3,138,628</u>	<u>3.6%</u>
Total expenses	<u>3,250,060</u>	<u>3,138,628</u>	<u>3.6%</u>
Change in net position	<u>\$ (373,276)</u>	<u>\$ (378,010)</u>	<u>-1.3%</u>

The following chart presents the primary revenue sources:



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**BUDGETARY HIGHLIGHT**

The District adopts annual operation and maintenance and capital budget outlining the estimated expenditures for programs or projects already authorized or to be considered by the District's Board of Trustees. Annually, unspent funds may be carried over to the succeeding fiscal year budget.

For the fiscal year ended June 30, 2016, the actual user revenues were above the budgeted revenues by 1.29%. The budgeted total operating expenses exceeded the actual operating expenses by \$166,429 or 4.87%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - During the fiscal year, the District's major expenditure was the County Road, Minden, Nevada sewer line rehabilitation project.

Debt Administration - The District repaid \$38,583 of the loan from the Nevada Department of Environmental Protection payable to the Nevada State Treasurer.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The 2017 operating budget expenses total \$3,434,248, an increase of 5.67% over the 2016 actual expenses primarily adjusted for inflation and the anticipation of substantial repairs and maintenance.

The measurement for purposes of calculating sewer user fees is the Equivalent Dwelling Unit (EDU). The District's growth has been steadily increasing over the past ten years; however, it has leveled off the past two years.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Minden-Gardnerville Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Office, 1790 Highway 395, Minden, Nevada 89423.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

**ASSETS**

**Current assets:**

Cash	\$ 2,786,524
Accounts receivable - customers	50,775
Taxes receivable	22,443
Interest receivable	2,359
Prepaid expenses	96,475
Inventory	213,788
<b>Total current assets</b>	<u>3,172,364</u>

**Noncurrent assets:**

Restricted cash	3,806,388
Property, plant and equipment, net	24,451,680
Delinquent taxes receivable	6,365
Refundable deposits	2,121
<b>Total noncurrent assets</b>	<u>28,266,554</u>

<b>Total assets</b>	<u>31,438,918</u>
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**Deferred outflows of resources:**

Pension related amounts	173,483
<b>Total deferred outflows of resources</b>	<u>173,483</u>

**LIABILITIES**

**Current liabilities:**

Accounts payable and accrued liabilities	93,194
Compensated absences	10,338
Customer advances	30,932
Current portion of note payable	77,167
<b>Total current liabilities</b>	<u>211,631</u>

**Noncurrent liabilities:**

Customer deposits	18,111
Compensated absences	71,194
Note payable	964,583
Net pension liability	1,231,576
<b>Total noncurrent liabilities</b>	<u>2,285,464</u>

<b>Total liabilities</b>	<u>2,497,095</u>
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**Deferred inflows of resources:**

Pension related amounts	159,347
<b>Total deferred inflows of resources</b>	<u>159,347</u>

**NET POSITION**

Invested in fixed assets, net of related debt	23,332,360
Restricted for note repayment	77,570
Unrestricted	5,546,029
<b>Total net position</b>	<u>\$ 28,955,959</u>

See accompanying notes



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES:**

Sewer user fees	\$ 1,699,267
Gardnerville Ranchos G.I.D fees	277,169
Other operating revenues	<u>45</u>
<b>Total operating revenues</b>	<u><u>1,976,481</u></u>

**OPERATING EXPENSES:**

Salaries and wages	731,449
Employee benefits	334,194
Services and supplies	699,459
Depreciation	<u>1,484,958</u>
<b>Total operating expenses</b>	<u><u>3,250,060</u></u>
<b>Operating loss</b>	<u><u>(1,273,579)</u></u>

**NON-OPERATING REVENUES (EXPENSES):**

Interest revenues	19,519
Other revenues	<u>522,890</u>
<b>Total non-operating revenues (expenses)</b>	<u><u>542,409</u></u>
<b>Net loss</b>	<u><u>(731,170)</u></u>

**CAPITAL CONTRIBUTIONS**

357,894

**Change in net position**

(373,276)

**NET POSITION, JULY 1 (ORIGINALLY STATED)**

30,629,251

**Prior period adjustment**

(1,300,016)

**NET POSITION, JULY 1 (AS RESTATED)**

29,329,235

**NET POSITION, JUNE 30**

\$ 28,955,959

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:	
Cash received from customers	\$ 1,992,114
Cash paid to suppliers for goods and services	(687,324)
Cash paid to employees	(701,965)
Cash paid to employee benefits	(373,537)
<b>Total cash flows from operating activities</b>	<u>229,288</u>
Cash flows from noncapital financing activities:	
Cash received from ad valorem taxes	380,965
Cash received from consolidated taxes	134,659
Cash received from miscellaneous income	10,567
<b>Total cash flows from noncapital financing activities</b>	<u>526,191</u>
Cash flows from capital financing activities:	
Acquisition and construction of capital assets	(191,383)
Capital contributed - users	357,894
Repayments of loan payable	(38,583)
<b>Total cash flows from capital financing activities</b>	<u>127,928</u>
Cash flows from investing activities:	
Interest on investments	18,042
<b>Total cash flows used in investing activities</b>	<u>18,042</u>
<b>Net increase in cash</b>	901,449
<b>Cash, July 1</b>	<u>5,691,463</u>
<b>Cash, June 30</b>	<u>\$ 6,592,912</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of operating loss to	
net cash provided by operating activities:	
Operating loss	\$ (1,273,579)
<b>Adjustments to reconcile operating loss to</b>	
<b>total cash flows used in operating activities:</b>	
Depreciation	1,484,958
Decrease (increase) in accounts receivable	(8,556)
Decrease (increase) in inventory	(1,197)
Decrease (increase) in prepaid expenses	(1,267)
Decrease (increase) in deferred outflows	(80,948)
Increase (decrease) in accounts payable and accrued liabilities	19,496
Increase (decrease) in accrued compensated absences	18,792
Increase (decrease) in customer advances	3,624
Increase (decrease) in customer deposits	18,111
Increase (decrease) in net pension obligation	165,456
Increase (decrease) in deferred inflows	(115,602)
<b>Net cash provided by operating activities</b>	<b><u>\$ 229,288</u></b>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Minden-Gardnerville Sanitation District (the "District") is governed by an elected Board of Trustees and provides a sewer collection and treatment system for residential and commercial users located in a portion of Douglas County, Nevada.

Reporting Entity

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is not considered to be financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The District's financial statements are presented as a Special District using Enterprise Fund accounting.

Proprietary Fund

Enterprise Fund — The enterprise fund is used to account for the operations of the sewer collection and treatment system, which is the principal reason for the District's existence. An Enterprise Fund is used to account for operations (a) which are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The only fund employed by the District is the Enterprise Fund.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and Investments

Cash balances are invested as permitted by law. Investments are recorded at fair value. Pursuant to NRS 355.110 and 365.161, the District may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association, maturing within ten years from the date of purchase.
- Negotiable certificates of deposit 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.
- Certain farm loan bonds.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Other securities expressly provided by statute, including repurchase agreements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property Taxes

Property taxes are levied on July 1 each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates. All taxes are collected by the County Treasurer and remitted to the District.

Capital Assets and Depreciation

All capital assets are recorded in the Statements of Net Position at historic cost or estimated historical cost if actual cost is not available. The District defines capital assets as assets with a unit cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation is accumulated on a straight-line basis over the estimated useful life of the asset. Useful life is estimated by management on the basis of their experience with similar assets.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Property, Plant and Equipment

Plant — Building and Structures	50 years
Plant — Process Equipment	20 years
Plant — Supplemental Systems and Equipment	10 to 30 years
Plant — Other Improvements	3 to 30 years
Collection System	7 to 30 years
Collection System — Maintenance Equipment	10 to 30 years
Automobiles	5 years
Office Equipment	3 to 10 years

Compensated Absences

Liabilities for compensated absences relating to services already rendered and that are not contingent on a specified event, are accounted for in the period those services are rendered, or those events take place. The District's policy provides for payment of accrued vacation time upon termination of employment up to certain maximums, and is payable upon retirement or termination.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan'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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The District has pension related deferred outflows that qualify for reporting in this category. Pension related deferred outflow of resources are discussed in depth in Note 6.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The District has pension related deferred inflows that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 6.

Net Position

Net position is classified as follows:

*Net investment in capital assets:* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Unrestricted net position:* Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expense for any purpose.

Operating and Non-operating Revenues (Expenses)

Revenues are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Grants and contracts representing non-exchange receipts are treated as non-operating revenues.

Provisions for Uncollectible Taxes and User Fees

The District makes no provision for estimated uncollectible ad valorem taxes receivable and user fees receivable. Adequate legal remedies are presently available to enforce the collection of such taxes as well as user fees, and amounts which may ultimately prove uncollectible should not be material in amount.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgets and Budgetary Accounting

The District adheres to the Local Government 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:

1. On or before April 16, the members of the Board file a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held 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.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
6. Budget amounts within funds may be transferred if amounts do not exceed the amounts originally budgeted. Such transfers are to be approved by the Board, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without public notice and the prior approval of the Board.

Disclosure of Accounting Policy

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal year beginning after December 15, 2014. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (continued)

The District has implemented these pronouncements, which resulted in an adjustment to the beginning net position.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which addresses accounting and financial reporting issues related to fair value measurements. GASB 72 provides guidance for determining fair value measurement for financial reporting purposes in addition to providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for fiscal years beginning after June 15, 2015. The District has implemented this pronouncement, which did not result in a material change to the financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are now Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB 73 is effective for fiscal years beginning after June 15, 2015. The District has implemented this pronouncement, which did not result in a material change to the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes a hierarchy of authoritative literature for state and local governments and was effective for periods beginning after June 15, 2015 and has been implemented by the District. GASB 76 was implemented during the fiscal year ended June 30, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement helps to clarify issues that arose out of the implementation of GASB Statements No. 67, No. 68, and No. 73 including the required supplementary information that is required to be presented in the financial statements. This Statement is effective for periods beginning after June 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

**NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE**

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



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 - CASH**

The detail of total cash at June 30, 2016, was as follows:

	<u>Non-Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and State Governmental Deposit pool	2,784,396	3,806,388	6,590,784
Cash held by county in fiduciary capacity	1,828	-	1,828
	<u>\$ 2,786,524</u>	<u>\$ 3,806,388</u>	<u>\$ 6,592,912</u>

The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing the deposits, or with a brokerage firm, in which case securities collateralizing the deposits are held by a third party bank, in an agency capacity, for the county.

Any securities purchased by or on behalf of the District must remain in the physical possession of an appropriate officer of the District or a trust department of a designated bank (federally insured) after issuing a written acknowledgment.

To facilitate better management of the District's resources, all cash under the direct management of the Board of Trustees is combined in pooled operating and investment accounts. Cash not directly managed by the Board of Trustees is held by the Douglas County Treasurer.

The cash held by the county in a fiduciary capacity is primarily composed of \$1,828, held in interest-bearing accounts in the District's name. The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing deposits, or with a brokerage firm, in which case the securities collateralizing deposits are held by a third party bank in an agency capacity for the county.

The cash in banks and state governmental deposit pool shown above includes \$5,272,560 in interest bearing state governmental deposit pool accounts, into which deposits from other Nevada governmental units are combined. The state governmental deposit pool is required by state statutes to hold securities which collateralize its deposits. The State of Nevada, Local Government Investment Pool issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of the State Treasurer, of the State of Nevada, 101 North Carson Street, #4, Carson City, Nevada, 89701.

Credit risk classifications of the District's cash flow is as follows:

Insured or collateralized with securities held by agents of the District	\$6,592,612
Uncollateralized - cash on hand	300
	<u>\$6,592,912</u>

Cash held and administered by the Treasurer of Douglas County, Nevada is the responsibility of Douglas County. The County is required to maintain adequate insurance on all of its cash and investments and is primarily liable to all pass-through governmental entities for the administration of each entity's cash portion.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 - RESTRICTED CASH**

On December 7, 1982, the governing body of the District passed Resolution 82-3 establishing restricted cash balances. On April 2, 2013, the governing body of the District passed a motion revising the allocation of the user fee allocations for plant expansion, line rehabilitation and odor control.

Allocations are as follows:

<u>Collections From</u>	<u>Plant Expansion</u>	<u>Line Rehabilitation</u>	<u>Odor Control</u>
Acreage and annexation fees	100%	0%	0%
Connection fees	30%	70%	0%
Capacity fees	85%	15%	0%

At June 30, 2016, cash restricted for odor control was \$502,324, cash restricted for plant expansion was \$3,091,247 and cash restricted for line rehabilitation was \$135,247.

The loan contract with the Nevada Department of Environmental Protection requires an amount equal to one year's note payments, totaling \$77,167, to be placed into a separate restricted account. This is an interest bearing account and the cash restricted for the Nevada Department of Environmental Protection was \$77,570.

The Board of Trustees has designated net position for these amounts.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on July 1 of each year, and are due in four equal installments in July, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the County and State and remitted to the District. Property tax revenues are recognized when they are levied.

**NOTE 6 - PENSION PLAN**

*Plan Description.* The District contributed to the Public Employees' Retirement System of the State of Nevada (PERS), a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes (NRS) establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees' Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada, 89703.

*General Information about the PERS Cost Sharing Pension Plan.* PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS 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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (continued)**

*Funding Policy.* As provided by NRS 286.464, the District is required to contribute all amounts due under the plan. The rates for the District's contributions to the system for the three years ended June 30, 2014, 2015, 2016, all made in accordance with actuarially determined requirements were 24.58 percent, 25.90 percent and 28.00 percent, respectively, of annual covered payroll. The District's contributions to PERS for the three years ended June 30, 2014, 2015, 2016; all made in accordance with actuarially determined requirements were \$154,100, \$165,889 and \$196,659, respectively, of annual covered payroll.

PERS' 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.

*Benefits Provided.* Benefits, as required by NRS, 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. Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, the multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - 286.579.

*Vesting.* 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. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

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

*Pension Liabilities.* At June 30, 2016, the District reported a liability of \$1,231,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (0.01075%) was determined by an actuarial valuation as of that date. The District'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 periods ended June 30, 2016.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (continued)**

*Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.* For the year ended June 30, 2016, the District recognized pension expense of \$150,179. As of June 30, 2016, amounts totaling \$98,329 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2017. 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	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 92,636
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	66,711
Changes in proportion and differences between actual contributions and proportionate share of contributions	75,154	-
System contributions subsequent to the measurement date	98,329	-
	\$ 173,483	\$ 159,347

The net difference related between projected and actual investment earnings on pension plan investments will be recognized over five years, all other deferred outflows and inflows will be recognized over the average expected remaining service lives, which was 6.55 years for the measurement period.

Reconciliation of the net pension liability at June 30, 2016 is as follows:

**Reconciliation of Net Pension Liability**

Beginning net pension liability	\$ 1,066,120
Pension expense	150,179
Employer contributions	(165,889)
Net deferred (inflows)/outflows	181,166
<b>Ending Net Pension Liability</b>	<b>\$ 1,231,576</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contribution subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized as follows:

**Year Ended June 30:**

2017	\$ (49,513)
2018	(49,513)
2019	(49,513)
2020	9,303
2021	(15,310)
2022	(4,801)
	\$ (159,347)

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (continued)**

*Pension Liability Discount Rate Sensitivity.* The following presents the net pension liability of the District as of June 30, 2016, calculated using the discount rate of 8.0%, as well as what PERS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current discount rate: Deferred outflows (inflows) of resources related to pensions will recognized as follows:

	1% Decrease 7.0%	Discount Rate 8.0%	1% Increase 9.0%
District's proportionate share of net pension liability	\$ 1,876,675	\$ 1,231,576	\$ 695,131

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. 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, 2016, 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, 2016.

*Actuarial Assumptions.* The Fund'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, unless otherwise specified:

Inflation	3.50%
Payroll growth	5.00% including inflation
Investment rate of return	8.0%
Productivity rate of return	0.75%
Projected salary increase	Regular 4.6% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.5%
Other assumptions	Same as those used in the 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.

PERS 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.

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (continued)**

For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2014 with Scale AA, set forward three years.

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

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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 Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at [www.nvpers.org](http://www.nvpers.org) or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

**NOTE 7 - COMPENSATED ABSENCES**

The District accrues a liability for compensated absences which meet all of the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to services already rendered;
2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

Vacation may be accumulated by employees up to certain maximums, and is payable upon retirement or termination. Total vacation pay accrued amounted to \$42,408. The amount of vacation pay which will be liquidated with expendable available financial resources (current) amounted to \$7,208.

Sick leave may be accumulated by employees up to a maximum of 720 hours per employee, and is payable upon retirement or termination. The employee must have ten years of service with the District to be vested. If an employee meets the ten-year vesting requirement, sick leave will be paid to the

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - COMPENSATED ABSENCES (Continued)**

employee in the amount of thirty-five percent (35%) of the employee's accumulated sick leave. There is an additional one percent (1%) of vesting for each year of service after the ten years of service up to a maximum of fifty percent (50%). The vested accrued sick leave amounted to \$35,994. The amount of sick leave to be liquidated with expendable available financial resources (current) amounted to \$3,130.

**NOTE 8 - ACCRUED LIABILITIES PAYABLE**

Of the \$25,786 in accrued liabilities reflected on the Balance Sheet, \$0 is construction retainage payable.

**NOTE 9 - NOTE PAYABLE**

The note payable in the amount of \$1,041,750 was actually advances on a loan from the Nevada Department of Environmental Protection (NDEP). The District entered into a contract with the NDEP where the District received advances from the NDEP for amounts expended by the District for the construction of the Grease Digestion and Cogeneration Project. The date of the contract was October 27, 2009 and was amended June 29, 2010 and will be repaid over twenty years in forty equal semiannual payments in the amount of \$38,583. This is an interest-free loan.

Maturities for the next five years are as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2017	\$ 77,167
2018	77,167
2019	77,167
2020	77,167
2021	77,167
Thereafter	655,915
	<u>\$ 1,041,750</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in property, plant and equipment is as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Plant, building, structures, and equipment	\$ 46,600,022	\$ 184,959	\$ -	\$ 46,784,981
Collection system and collection system equipment	4,965,192	-	-	4,965,192
Office equipment	209,910	6,424	-	216,334
Automobiles and trucks	273,406	-	-	273,406
	<u>52,048,530</u>	<u>191,383</u>	<u>-</u>	<u>52,239,913</u>
Less: accumulated depreciation	<u>(27,093,090)</u>	<u>-</u>	<u>1,484,958</u>	<u>(28,578,048)</u>
	24,955,440	191,383	1,484,958	23,661,865
Land	<u>789,815</u>	<u>-</u>	<u>-</u>	<u>789,815</u>
Net property, plant, and equipment	<u>\$ 25,745,255</u>	<u>\$ 191,383</u>	<u>\$1,484,958</u>	<u>\$ 24,451,680</u>

It is the District's policy to purchase rather than lease property, plant and equipment. There were no material lease agreements in effect as of June 30, 2016.

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2016 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2016. Management has evaluated subsequent events through November 30, 2019 which is the date the financial statements were available for issue.

Subsequent to year end, Board Counsel identified that members of the Board were being paid in excess of Nevada Revised Statute, and had been since January 2015. Each Board member set up a repayment agreement with the District for the amount of the overpayment during 2018.

Subsequent to the issuance of the June 30, 2016 audit report, it was identified by a Board member that the auditor was not a licensed Certified Public Accountant, and was therefore not authorized to issue an audit report under Nevada Revised Statutes. The audit report was recalled, and a new audit firm was engaged during 2019 to re-audit the June 30, 2016 financial statements.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 - PRIOR PERIOD ADJUSTMENTS**

As a result of the re-audit discussed in Note 11, the following corrections to the beginning balance of net position were identified:

Implementation of GASB 68	\$1,248,537
Corrections to accrued liabilities for expenditures, accrued payroll, compensated absences and credit balances	65,525
Corrections to accounts and taxes receivables, and deferred taxes	<u>(14,046)</u>
Prior period adjustment	<u>\$1,300,016</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>OPERATING REVENUES</b>			
Sewer user fees	\$ 1,677,596	\$ 1,699,267	\$ 21,671
Gardnerville Ranchos G.I.D fees	240,000	277,169	37,169
Other operating revenues	-	45	45
<b>Total operating revenues</b>	<b><u>1,917,596</u></b>	<b><u>1,976,481</u></b>	<b><u>58,885</u></b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	739,434	731,449	7,985
Employee benefits	405,855	334,194	71,661
Services and supplies	766,200	699,459	66,741
Depreciation	1,505,000	1,484,958	20,042
<b>Total expenses</b>	<b><u>3,416,489</u></b>	<b><u>3,250,060</u></b>	<b><u>166,429</u></b>
<b>Operating loss</b>	<b><u>(1,498,893)</u></b>	<b><u>(1,273,579)</u></b>	<b><u>225,314</u></b>
<b>NON-OPERATING REVENUES</b>			
Interest revenues	4,000	19,519	15,519
Other revenues	512,938	522,890	9,952
<b>Total non-operating revenues</b>	<b><u>516,938</u></b>	<b><u>542,409</u></b>	<b><u>25,471</u></b>
<b>NET INCOME</b>	<b><u>\$ (981,955)</u></b>	<b><u>\$ (731,170)</u></b>	<b><u>\$ 250,785</u></b>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH FLOWS - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,917,596	\$ 1,992,114	\$ 74,518
Cash paid to suppliers for goods and services	(766,200)	(687,324)	78,876
Cash paid to employees	(739,434)	(701,965)	37,469
Cash paid to employee benefits	(405,855)	(373,537)	32,318
<b>Total cash flows from operating activities</b>	<u>6,107</u>	<u>229,288</u>	<u>223,181</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from ad valorem taxes	378,279	380,965	2,686
Cash received from consolidated taxes	134,659	134,659	-
Cash received from miscellaneous income	-	10,567	10,567
<b>Total cash flows from noncapital financing activities</b>	<u>512,938</u>	<u>526,191</u>	<u>13,253</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition and construction of capital assets	(177,700)	(191,383)	(13,683)
Capital contributed-users	205,000	357,894	152,894
Repayments of loan payable	(77,167)	(38,583)	38,584
<b>Total cash flows from capital financing activities</b>	<u>(49,867)</u>	<u>127,928</u>	<u>177,795</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	4,000	18,042	14,042
<b>Total cash flows from investing activities</b>	<u>4,000</u>	<u>18,042</u>	<u>14,042</u>
<b>Net increase in cash</b>	473,178	901,449	428,271
<b>Cash, July 1</b>	5,691,463	5,691,463	-
<b>Cash, June 30</b>	<u>\$ 6,164,641</u>	<u>\$ 6,592,912</u>	<u>\$ 428,271</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
Supplementary Pension Information  
For the Year Ended June 30, 2016**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
LAST TEN YEARS\***

	<u>Measurement Dates</u>	
	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.01075%	0.01230%
Proportionate share of the net pension liability (asset)	\$ 1,231,576	\$ 1,066,120
Covered employee payroll	\$ 640,498	\$ 601,721
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	192.28%	177.18%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	76.30%

**SCHEDULE OF CONTRIBUTIONS  
LAST TEN YEARS**

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 196,659	\$ 165,889
Contributions in relation to those contractually required	<u>196,659</u>	<u>165,889</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 702,354	\$ 640,498
Contributions as a percentage of covered employee payroll	28.00%	25.90%

\*Only two years of information is available due to reporting changes related to the implementation of GASB 68 effective fiscal year 2015.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF OPERATING EXPENSES AND NON-OPERATING REVENUES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>2016</b>
<b>OPERATING EXPENSES</b>	
Salaries and wages	
Salaries - plant	\$ 556,959
Salaries - collection system	49,328
Salaries - administration	125,162
Total salaries and wages	<b>731,449</b>
Employee benefits	
Employee benefits - plant	255,781
Employee benefits - collection system	22,681
Employee benefits - administration	55,672
Total employee benefits	<b>334,134</b>
Services and supplies	
Insurance	82,264
Utilities	129,638
Supplies	48,610
Repairs and maintenance	177,714
Other plant and collection expenses	6,095
Automobile and truck	7,799
Trustee's fees	36,000
Office supplies and expenses	19,174
Bank charges	8,698
Postage	4,788
Telephone	11,434
Advertising and publication	657
Other administration expense	3,152
Filing fees and permits	16,945
Sludge removal	19,700
Safety expense	4,384
Laboratory testing	19,836
Legal	34,051
Engineering	52,469
Accounting and audit	16,051
Total services and supplies	<b>699,459</b>
Total operating expenses other than depreciation	<b>\$ 1,765,042</b>
<b>NON-OPERATING REVENUES</b>	
Consolidated tax	\$ 134,659
Ad Valorem tax revenue	377,710
Miscellaneous income	30,040
Total non-operating revenue	<b>\$ 542,409</b>

*Casey Neilson, Inc.*  
**Accountants and Advisors**

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

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation 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, and have issued our report thereon dated November 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Minden Gardnerville Sanitation 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 Minden Gardnerville Sanitation 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 certain deficiencies in internal control described in the accompanying schedule of findings as items 2016-01 through 2016-06 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minden Gardnerville Sanitation 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in accompanying schedule of findings as items 2016-07 and 2016-08.

## **Minden-Gardnerville Sanitation District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**2016-01                    Segregation of Duties**

**Criteria:**                    Segregation of duties is an important part of an internal control system to assist in preventing and detecting fraud, errors and irregularities.

**Effect:**                      Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                During our discussion with staff it was noted that the staff member performing the bank reconciliation also has the ability and responsibility to initiate bank transactions.

**Cause:**                      Staff size and workflow procedures.

**Recommendation:**      Management should analyze staff duties and consider the impact of segregation of duties to ensure tasks are being completed with an internal control process in mind.

**Views of responsible officials and planned corrective actions:**

Duties among staff will be split to ensure one staff prepares the checks and another does the Bank reconciliations with consideration of the duties being rotated periodically. The bank reconciliations will be review monthly either by the District Manager or the Board Treasurer. Consideration will be given to hiring additional staff to circumvent the segregation of duties issues.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-02                      Use of Accounting Software**

**Criteria:**                      The ability to use and understand the accounting software being used is an integral part of ensuring the financial statements are properly stated and to ensure operations are running most efficiently.

**Effect:**                        Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                      During our audit and in discussion with staff it was noted that the accounting software was not being used to its potential which limited the amount of information the audit team was able to obtain. The trial balance, which is essential to analyzing account activity on the part of the District staff and the audit team, is not being correctly used. The lack of a fully functioning general ledger and trial balance were the result of several factors:

1. The auditor had not provided the District with an adjusted trial balance that could be loaded into the accounting software when it was implemented.
2. The auditor prepared a trial balance in his own software each year by rolling forward the prior year, entering the income statement items via a journal entry and then adjusting the balance sheet accounts for accruals.
3. The trial balance and adjusting journal entries were not provided to District staff to enable them to move forward with accurate records.

**Cause:**                         Lack of training and procedures.

**Recommendation:**              Management should consider an in depth staff training on the accounting software in conjunction with an accountant who is aware of what the information output should look like. Additionally, management may consider transitioning to a less robust accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software so they can properly do their jobs. Future transition to a better accounting software may be considered in the future.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-03**

**Inventory**

**Criteria:**

Performing an annual inventory count, identifying the cost of the items in inventory and reconciling the inventory cost to the accounting records is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:**

Inaccurate inventory values could cause financial statements to reflect inappropriate amounts, including obsolete, undervalued or overvalued inventory; in addition, fraud, errors or irregularities could go undetected.

**Condition:**

During our audit we were not provided with a current inventory listing that reported both items and values, nor were we provided with any evidence that the inventory was counted, and that the inventory listing was appropriately used and reconciled. Since the period under audit had already passed, there was no way to verify amounts reported on the financial statements, and therefore a qualified opinion was issued.

**Cause:**

Inability to track inventory in the accounting system. No procedures in place to count, value and reconcile inventory.

**Recommendation:**

Management should perform an annual inventory count to establish an accurate listing of inventory which reflects items and values.

**Views of responsible officials and planned corrective actions:**

An inventory policy will be implemented to properly account for inventory throughout the year. An annual inventory will be taken at June 30 to make sure inventory numbers are correct and the cost of the inventory at year end is properly accounted for.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-04                      Bank Reconciliations**

**Criteria:**                      Reconciling the bank accounts on a regular basis, and comparing the reconciled amounts to the general ledger is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:**                        Transactions could occur that are not appropriately recorded in the financial statements, and errors, fraud or irregularities could go undetected.

**Condition:**                    During our audit we were provided with bank reconciliations that did not include a reconciliation to the general ledger balance. As such, the bank reconciliation does not provide assurance that all transactions are properly recorded in the system.

**Cause:**                         Inability to use functions included in the accounting software.

**Recommendation:**        Staff should obtain training on using the bank reconciliation tool in the accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software including the Bank reconciliation module so they can properly do their jobs.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-05                      Preparation of Year-End Accruals**

**Criteria:**                      The preparation of recording of year-end accruals is an important step in ensuring that the financial records and financial statements are complete, accurate and free from material misstatement.

**Effect:**                        Transactions could be present that are being recorded in the incorrect accounting period or being omitted entirely.

**Condition:**                      During our discussions with staff and through the performance of audit procedures we became aware that no year-end accruals were being recorded for items such as compensated absences, accrued payroll and accounts payable. Additionally, it was identified that too much reliance was being placed on the auditor to correctly identify and record items.

These items were corrected in the financial statements via a prior period adjustment.

**Cause:**                         Lack of training and procedures

**Recommendation:**              Management should consider hiring a CPA to come in at the end of each fiscal year to calculate and record accruals until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to do year end accruals for the District until such time as staff is trained in calculating and recording year end accruals or a CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-06                      Application of Accounting Principles and Standards**

**Criteria:** Adherence to generally accepted accounting principles and the standards established by the *Government Accounting Standards Board* are important in ensuring that the District's financial statements are presented appropriately.

**Effect:** GASB Statement No. 68 *Accounting and Reporting for Pensions* was issued in June 2012 and was effective for the District for the year ended June 30, 2015; however the standard was not timely implemented. This resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

Property taxes were being reported under the modified basis of accounting which is not an appropriate method for an enterprise fund.

Both of these items were corrected in the financial statements via a prior period adjustment.

**Condition:** The delay in implementing this Standard resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

The misapplication of the modified accrual basis of accounting resulted in deferred revenues being reported that were not appropriate for an enterprise fund.

**Cause:** Overreliance on the auditor to identify the standards to be implemented, and inability of staff to provide appropriate oversight of financial reporting due to a lack of training.

**Recommendation:** Management should consider hiring a CPA, designating a Board member with appropriate skills, knowledge or experience, or forming an audit committee to evaluate financial reporting until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to ensure new applicable accounting principles and standards are implemented and provide oversight until staff is properly trained or CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**COMPLIANCE FINDINGS:**

**2016-07 Contracting With an Unlicensed Certified Public Accountant**

**Criteria:** NRS 364.624 requires that each local government shall provide for an annual audit of its financial statements.

**Effect:** All audits must be conducted by a Certified Public Accountant or by a partnership or professional corporation that is registered pursuant to chapter 628 of NRS.

**Condition:** The audit of the June 30, 2016 financial statements was performed by a Certified Public Accountant whose license under chapter 628 of NRS had been revoked by the State Board of Accountancy prior to report issuance. The same auditor was also engaged to perform the audits of the June 30, 2017 and 2018 financial statements. This is an apparent violation of NRS 354.624.

**Cause:** Lack of training and procedures.

**Recommendation:** Management should require that the auditor submit proof of licensure and compliance with appropriate practice monitoring requirements prior to signing the annual engagement letter.

**Views of responsible officials and planned corrective actions:**

Before The District hires an auditor, the District will require the auditor to provide proof of being a properly licensed CPA in the State of Nevada and that the auditor is in compliance with appropriate practice monitoring requirements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2016**

**2016-08                      Payment of Compensation to the Board of Trustees**

**Criteria:** Pursuant to NRS 318.085, each member of a Board of Trustees of a district organized or reorganized pursuant to that chapter may receive as compensation for his or her service not more than \$6,000 per year. However, if the District is providing sanitary sewer improvements, lighting of streets and collection and disposition of garbage and refuse, this amount is increased to \$9,000.

**Effect:** Overpayment of compensation to members of the Board of Trustees.

**Condition:** In January 2015, the District was advised that the compensation to the trustees could be increased from \$6,000 to \$9,000 an apparent violation of NRS 318.085. The overpayment was not identified until February 2018 when Board Counsel brought it the attention of the Board of Trustees, and a repayment plan was entered into by the individual Trustees.

**Cause:** Misinterpretation of statutory provisions.

**Recommendation:** None at this time.

**Views of responsible officials and planned corrective actions:**

The District will consult with its legal council in interpreting Nevada Revised Statutes and any other legal matters. The District may consult with the Nevada Department of Taxation in interpreting Nevada Revised Statutes applicable to the District.

*Casey Neilon, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH NEVADA REVISED STATUTES AND  
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation 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, and have issued our report thereon dated November 30, 2019.

Compliance with Nevada Revised Statutes and regulations applicable to Minden-Gardnerville Sanitation District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether Minden-Gardnerville Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Nevada Revised Statutes (NRS) and the Nevada Administrative Code, 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.

N.R.S. 354.624 and 354.6241 require that we provide a statement of assurance that:

- The District's enterprise fund is being used in accordance with the provisions of Chapter 354,
- The fund is being administered in accordance with accounting principles generally accepted in the United States of America,
- The reserve funds are limited to an amount that is reasonable and necessary to carry out the purposes of the District,
- The sources of revenues available for the District, the statutory and regulatory requirements of the District, and the net position of the District have been properly recorded.

We applied procedures to test the District's compliance with these requirements applicable to the District's enterprise fund. The results of our tests disclosed instances of noncompliance which are described in accompanying schedule of findings as items 2016-07 and 2016-08.

**Purpose of this Report**

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019





**RECEIVED**  
DEC 27 2019  
STATE OF NEVADA  
DEPARTMENT OF TAXATION

---

December 27, 2019

State of Nevada  
Department of Taxation  
Local Government Finance  
1550 E College Pkwy.  
Carson City, NV 89706-9737

Attn: Kelly Langley

Dear Kelly:

Enclosed are two copies of the June 30, 2017 audit for the Minden-Gardnerville Sanitation District which has been compiled by the firm of Casey Neilon, Inc. The audit was reviewed and approved by the Board of Trustees at the special meeting on December 26, 2019.

Sincerely,

Sarah M. King  
Administrative Assistant



**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**JUNE 30, 2017 AND 2016**

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
JUNE 30, 2017 AND 2016**

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**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MINDEN, NEVADA**

**District Officials For  
Fiscal Year Ended June 30, 2017**

**Board of Trustees**

**Raymond Wilson  
Chairman**

**Barbara Smallwood  
Vice-Chairman and Secretary**

**Robert Allgeier  
Treasurer**

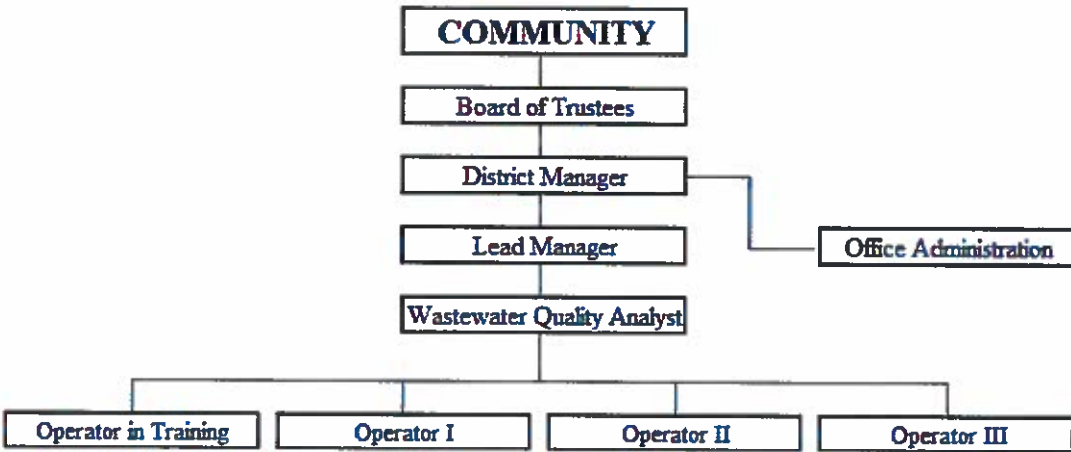
**Mark R. Dudley  
Member**

**Michael B. King  
Member**

**Administrative Officials**

**Frank T. Johnson  
District Manager**

MINDEN-GARDNERVILLE SANITATION DISTRICT  
ORGANIZATION CHART  
JUNE 30, 2017



*Casey Neilson, Inc.*  
Accountants and Advisors

**INDEPENDENT AUDITOR'S REPORT**

To the Board of the  
Minden Gardnerville Sanitation District

***Report on the Financial Statements***

We have audited the accompanying financial statements of Minden Gardnerville Sanitation District (the "District") for the years ended June 30, 2017 and 2016 and notes to the financial statements, which collectively comprise the District's 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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Minden Gardnerville Sanitation District as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified Opinion***

The District carries a material balance in their inventory which is made up of various pieces of miscellaneous parts and equipment. There are no inventory records dating back to the period under audit and no physical count was done at the balance sheet date. We were unable to obtain sufficient appropriate evidence about the carrying amount of the District's inventory. Consequently, we were unable to validate the balance of inventory and therefore do not know if any adjustments to the account are necessary.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages 4-7 and 26-28, 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 pension and other post-employment benefits 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 this required information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and schedule of operating expenses and non-operating revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and non-operating revenues are the responsibility of management and were derived from and relate 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, schedule of operating



expenses and non-operating revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019 on our consideration of Minden Gardnerville Sanitation 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 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 Minden Gardnerville Sanitation District's internal control over financial reporting and compliance.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated November 30, 2019, on our consideration of the Minden Gardnerville Sanitation District's compliance over with certain provisions of the Nevada Revised Statutes. That report is an integral part of an audit performed in accordance with this code and should be read in conjunction with this report in considering the results of our audit.



Casey Neilon  
Carson City, Nevada

November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

This section of Minden-Gardnerville Sanitation District's annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2017. We encourage the reader to read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The total net assets of the Minden-Gardnerville Sanitation District decreased 2.63% during the current fiscal year from \$28,955,959 to \$28,193,058. Operating revenues increased 2.43% during the current fiscal year from \$1,976,481 to \$2,024,547.
- During the year the District invested \$849,782 in the acquisition and construction of capital assets.
- The District's operating expenses increased 5.49% from \$3,250,060 to \$3,428,632.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Minden-Gardnerville Sanitation District's basic financial statements. The District's basic financial statements are comprised of enterprise fund financial statements and schedules, and notes to the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information about the District's finances, in a manner similar to a private sector business. These statements provide both long-term and short-term information about the District's overall financial status.

The Statement of Net Position provides information on all of the Minden-Gardnerville Sanitation 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 of the District is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities. This statement provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is necessary for a full understanding of the data provided in the financial statements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**FINANCIAL ANALYSIS**

The total net position decreased 2.63%, while the investment in capital assets component also increased by 2.41% due in large part to the depreciation in the amount of \$1,487,764. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,193,058.

The largest portion of the District's net position (80.77%) reflects its investment in capital assets (i.e., buildings, machinery and equipment). The District uses these capital assets to provide sewage treatment services to customers. Consequently, these assets are not available for future spending.

The total net position includes \$4,415,672 of designated, but not restricted for future capital improvement projects and \$78,138 restricted in a separate account for the loan contract with Nevada Department of Environmental Protection and \$5,343,943 that is unrestricted and available for use at the discretion of the District.

While the Condensed Summary of Statements of Net Position shows the change in financial position, the Condensed Summary of Revenues, Expenses and Changes in Net Position provides answers as to the nature and sources of these changes.

Total revenues decreased 4.62% with the most significant change being the Gardnerville Ranchos G.I.D. fees which increased 6.25% to \$294,501 and the sewer user capital contributions which decreased 55.47% to \$159,379.

Following is a condensed summary schedule of the District's balance sheets:

**CONDENSED SUMMARY OF STATEMENTS OF NET POSITION**

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,402,239	\$ 3,180,850
Restricted assets	4,493,810	3,806,388
Capital assets	23,813,698	24,451,680
Total assets	<u>30,709,747</u>	<u>31,438,918</u>
Deferred outflows of resources	<u>389,041</u>	<u>173,483</u>
Current liabilities	190,787	211,631
Long-term liabilities	2,610,435	2,285,464
Total liabilities	<u>2,801,222</u>	<u>2,497,095</u>
Deferred inflows of resources	<u>104,508</u>	<u>159,347</u>
 Net position:		
Invested in capital assets, net of related debt	22,770,977	22,332,360
Restricted	78,138	77,570
Designated	4,415,672	3,278,818
Unrestricted	928,271	2,267,211
Total net position	<u>\$ 28,193,058</u>	<u>\$ 28,955,959</u>

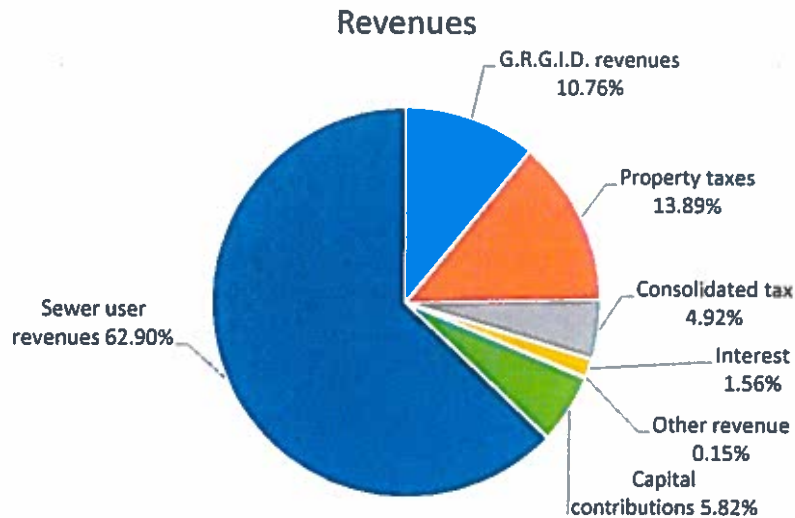
**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Following is a condensed summary schedule of the District's revenues, expenses, and changes in net position:

**CONDENSED SUMMARY OF REVENUES  
EXPENSES AND CHANGES IN NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>PERCENT CHANGE</u>
Operating revenues			
Charges for services	\$ 2,024,547	\$ 1,976,481	2.4%
General revenues			
Interest and other	46,649	30,040	55.3%
Ad valorem taxes	378,502	377,710	0.2%
Consolidated taxes	134,659	134,659	0.0%
Capital contributions	159,379	357,894	-55.5%
Total revenues	<u>2,743,736</u>	<u>2,876,784</u>	<u>-4.6%</u>
Program expenses	<u>3,428,632</u>	<u>3,250,060</u>	<u>5.5%</u>
Total expenses	<u>3,428,632</u>	<u>3,250,060</u>	<u>5.5%</u>
Change in net position	<u>\$ (684,896)</u>	<u>\$ (373,276)</u>	<u>83.5%</u>

The following chart presents the primary revenue sources:



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**BUDGETARY HIGHLIGHTS**

The District adopts annual operation and maintenance and capital budget outlining the estimated expenditures for programs or projects already authorized or to be considered by the District's Board of Trustees. Annually, unspent funds may be carried over to the succeeding fiscal year budget.

For the fiscal year ended June 30, 2017, the actual user revenues were above the budgeted revenues by 1.90%. The budgeted total operating expenses exceeded the actual operating expenses by \$5,616 or 0.16%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - During the fiscal year, the District's major expenditure was the repair of one of its digestors.

Debt Administration - The District repaid \$77,167 of the loan from the Nevada Department of Environmental Protection payable to the Nevada State Treasurer.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The 2018 operating budget expenses total \$3,461,701, an decrease of 0.96% over the 2017 actual expenses primarily due to the anticipated completion of the digester repair.

The measurement for purposes of calculating sewer user fees is the Equivalent Dwelling Unit (EDU). The District's growth has been steadily increasing over the past ten years; however, it has leveled off the past two years.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Minden-Gardnerville Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Office, 1790 Highway 395, Minden, Nevada 89423.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2017 AND 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>Current assets:</b>		
Cash	\$ 1,999,589	\$ 2,786,524
Accounts receivable - customers	59,344	50,775
Taxes receivable	22,443	22,443
Interest receivable	4,547	2,359
Prepaid expenses	95,808	96,475
Inventory	213,814	213,788
<b>Total current assets</b>	<u>2,395,545</u>	<u>3,172,364</u>
<b>Noncurrent assets:</b>		
Restricted cash	4,493,810	3,806,388
Property, plant and equipment, net	23,813,698	24,451,680
Delinquent taxes receivable	4,573	6,365
Refundable deposits	2,121	2,121
<b>Total noncurrent assets</b>	<u>28,314,202</u>	<u>28,266,554</u>
<b>Total assets</b>	<u>30,709,747</u>	<u>31,438,918</u>
<b>Deferred outflows of resources:</b>		
Pension related amounts	389,041	173,483
<b>Total deferred outflows of resources</b>	<u>389,041</u>	<u>173,483</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	68,668	93,194
Compensated absences	12,718	10,338
Customer advances	32,234	30,932
Current portion of long-term debt	77,167	77,167
<b>Total current liabilities</b>	<u>190,787</u>	<u>211,631</u>
<b>Noncurrent liabilities:</b>		
Customer deposits	18,111	18,111
Compensated absences	66,215	71,194
Note payable	887,416	964,583
Net pension liability	1,560,688	1,231,576
Net OPEB liability	78,005	-
<b>Total noncurrent liabilities</b>	<u>2,610,435</u>	<u>2,285,464</u>
<b>Total liabilities</b>	<u>2,801,222</u>	<u>2,497,095</u>
<b>Deferred inflows of resources:</b>		
Pension related amounts	104,508	159,347
<b>Total deferred inflows of resources</b>	<u>104,508</u>	<u>159,347</u>
<b>NET POSITION</b>		
Invested in fixed assets, net of related debt	22,770,977	23,332,360
Restricted for note repayment	78,138	77,570
Unrestricted	5,343,943	5,546,029
<b>Total net position</b>	<u>\$ 28,193,058</u>	<u>\$ 28,955,959</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES:</b>		
Sewer user fees	\$ 1,729,986	\$ 1,699,267
Gardnerville Ranchos G.I.D fees	294,501	277,169
Other operating revenues	60	45
<b>Total operating revenues</b>	<u>2,024,547</u>	<u>1,976,481</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	737,102	731,449
Employee benefits	446,953	334,194
Services and supplies	756,813	699,459
Depreciation	1,487,764	1,484,958
<b>Total operating expenses</b>	<u>3,428,632</u>	<u>3,250,060</u>
<b>Operating loss</b>	<u>(1,404,085)</u>	<u>(1,273,579)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenues	42,650	19,519
Other revenues	517,160	522,890
<b>Total non-operating revenues (expenses)</b>	<u>559,810</u>	<u>542,409</u>
<b>Net loss</b>	<u>(844,275)</u>	<u>(731,170)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>159,379</u>	<u>357,894</u>
<b>Change in net position</b>	<u>(684,896)</u>	<u>(373,276)</u>
<b>NET POSITION, JULY 1 (ORIGINALLY STATED)</b>	28,955,959	30,629,251
<b>Prior period adjustment</b>	-	(1,300,016)
<b>Change in accounting principle - GASB 75</b>	<u>(78,005)</u>	<u>-</u>
<b>NET POSITION, JULY 1 (AS RESTATED)</b>	<u>28,877,954</u>	<u>29,329,235</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 28,193,058</u>	<u>\$ 28,955,959</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,017,280	\$ 1,992,114
Cash paid to suppliers for goods and services	(778,316)	(687,324)
Cash paid to employees	(683,366)	(701,965)
Cash paid to employee benefits	(446,953)	(373,537)
<b>Total cash flows used in operating activities</b>	<u>108,645</u>	<u>229,288</u>
Cash flows from noncapital financing activities:		
Cash received from ad valorem taxes	380,294	380,965
Cash received from consolidated taxes	134,659	134,659
Cash received from miscellaneous income	3,999	10,567
<b>Total cash flows from noncapital financing activities</b>	<u>518,952</u>	<u>526,191</u>
Cash flows from capital financing activities:		
Acquisition and construction of capital assets	(87,920)	(191,383)
Construction in progress	(761,864)	-
Capital contributed - users	159,379	357,894
Repayments of loan payable	(77,167)	(38,583)
<b>Total cash flows used in capital financing activities</b>	<u>(767,572)</u>	<u>127,928</u>
Cash flows from investing activities:		
Interest on investments	40,462	18,042
<b>Total cash flows used in investing activities</b>	<u>40,462</u>	<u>18,042</u>
<b>Net increase in cash</b>	(99,513)	901,449
<b>Cash, July 1</b>	6,592,912	5,691,463
<b>Cash, June 30</b>	<u>\$ 6,493,399</u>	<u>\$ 6,592,912</u>

See accompanying notes



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Reconciliation of operating loss to		
total cash flows used in operating activities:		
Operating loss	\$ (1,404,085)	\$ (1,273,579)
<b>Adjustments to reconcile operating loss to</b>		
<b>total cash flows used in operating activities:</b>		
Depreciation	1,487,764	1,484,958
Decrease (increase) in accounts receivable	(8,569)	(8,556)
Decrease (increase) in inventory	(26)	(1,197)
Decrease (increase) in prepaid expenses	667	(1,267)
Decrease (increase) in deferred outflows	(215,558)	(80,948)
Increase (decrease) in accounts payable and accrued liabilities	(24,524)	19,496
Increase (decrease) in accrued compensated absences	(2,599)	18,792
Increase (decrease) in customer advances	1,302	3,624
Increase (decrease) in customer deposits	-	18,111
Increase (decrease) in net pension obligation	329,112	165,456
Increase (decrease) in deferred inflows	(54,839)	(115,602)
<b>Net cash provided by operating activities</b>	<b>\$ 108,645</b>	<b>\$ 229,288</b>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Minden-Gardnerville Sanitation District (the "District") is governed by an elected Board of Trustees and provides a sewer collection and treatment system for residential and commercial users located in a portion of Douglas County, Nevada.

Reporting Entity

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is not considered to be financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The District's financial statements are presented as a Special District using Enterprise Fund accounting.

Proprietary Fund

Enterprise Fund — The enterprise fund is used to account for the operations of the sewer collection and treatment system, which is the principal reason for the District's existence. An Enterprise Fund is used to account for operations (a) which are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The only fund employed by the District is the Enterprise Fund.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and Investments

Cash balances are invested as permitted by law. Investments are recorded at fair value. Pursuant to NRS 355.110 and 365.161, the District may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association, maturing within ten years from the date of purchase.
- Negotiable certificates of deposit 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.
- Certain farm loan bonds.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Other securities expressly provided by statute, including repurchase agreements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Taxes

Property taxes are levied on July 1 each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates. All taxes are collected by the County Treasurer and remitted to the District.

Capital Assets and Depreciation

All capital assets are recorded in the Statements of Net Position at historic cost or estimated historical cost if actual cost is not available. The District defines capital assets as assets with a unit cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation is accumulated on a straight-line basis over the estimated useful life of the asset. Useful life is estimated by management on the basis of their experience with similar assets.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Property, Plant and Equipment

Plant — Building and Structures	50 years
Plant — Process Equipment	20 years
Plant — Supplemental Systems and Equipment	10 to 30 years
Plant — Other Improvements	3 to 30 years
Collection System	7 to 30 years
Collection System — Maintenance Equipment	10 to 30 years
Automobiles	5 years
Office Equipment	3 to 10 years

Compensated Absences

Liabilities for compensated absences relating to services already rendered and that are not contingent on a specified event, are accounted for in the period those services are rendered, or those events take place. The District's policy provides for payment of accrued vacation time upon termination of employment up to certain maximums, and is payable upon retirement or termination.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan'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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The District has pension related deferred outflows that qualify for reporting in this category. Pension related deferred outflow of resources are discussed in depth in Note 6.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The District has pension related deferred inflows that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 6.

Net Position

Net position is classified as follows:

*Net investment in capital assets:* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Unrestricted net position:* Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expense for any purpose.

Operating and Non-operating Revenues (Expenses)

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Grants and contracts representing non-exchange receipts are treated as non-operating revenues.

Provisions for Uncollectible Taxes and User Fees

The District makes no provision for estimated uncollectible ad valorem taxes receivable and user fees receivable. Adequate legal remedies are presently available to enforce the collection of such taxes as well as user fees, and amounts which may ultimately prove uncollectible should not be material in amount.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgets and Budgetary Accounting

The District adheres to the Local Government 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:

1. On or before April 16, the members of the Board file a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held 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.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
6. Budget amounts within funds may be transferred if amounts do not exceed the amounts originally budgeted. Such transfers are to be approved by the Board, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without public notice and the prior approval of the Board.

Disclosure of Accounting Policy

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal year beginning after December 15, 2014. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (continued)

The District has implemented these pronouncements, which resulted in an adjustment to the beginning net position as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are now Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB 73 is effective for fiscal years beginning after June 15, 2015. The District has implemented this pronouncement, which did not result in a material change to the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The District implemented this standard in the year ended June 30, 2017, resulting in an adjustment to beginning balance of net assets in the amount of \$78,005.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes a hierarchy of authoritative literature for state and local governments and was effective for periods beginning after June 15, 2015 and has been implemented by the District. GASB 76 was implemented during the fiscal year ended June 30, 2016.

In March 2016, the GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement helps to clarify issues that arose out of the implementation of GASB Statements No. 67, No. 68, and No. 73 including the required supplementary information that is required to be presented in the financial statements. This Statement is effective for periods beginning after June 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

**NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE**

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

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 - CASH**

The detail of total cash at June 30, 2017, was as follows:

	<u>Non Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and State Governmental deposit pool	1,998,767	4,493,810	6,492,577
Cash held by county in fiduciary capacity	522	-	522
	<u>\$ 1,999,589</u>	<u>\$ 4,493,810</u>	<u>\$ 6,493,399</u>

The detail of total cash at June 30, 2016, was as follows:

	<u>Non Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and State Governmental deposit pool	2,784,396	3,806,388	6,590,784
Cash held by county in fiduciary capacity	1,828	-	1,828
	<u>\$ 2,786,524</u>	<u>\$ 3,806,388</u>	<u>\$ 6,592,912</u>

The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing the deposits, or with a brokerage firm, in which case securities collateralizing the deposits are held by a third party bank, in an agency capacity, for the county.

Any securities purchased by or on behalf of the District must remain in the physical possession of an appropriate officer of the District or a trust department of a designated bank (federally insured) after issuing a written acknowledgment.

To facilitate better management of the District's resources, all cash under the direct management of the Board of Trustees is combined in pooled operating and investment accounts. Cash not directly managed by the Board of Trustees is held by the Douglas County Treasurer.

The cash held by the county in a fiduciary capacity is primarily composed of \$522, held in interest-bearing accounts in the District's name. The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing deposits, or with a brokerage firm, in which case the securities collateralizing deposits are held by a third party bank in an agency capacity for the county.

The cash in banks and governmental deposit pool shown above includes \$5,233,640 in interest bearing state governmental deposit pool accounts, into which deposits from other Nevada governmental units are combined. The state governmental deposit pool is required by state statutes to hold securities which collateralize its deposits. The State of Nevada, Local Government Investment Pool issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of the State Treasurer, of the State of Nevada, 101 North Carson Street, #4, Carson City, Nevada, 89701.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 3 - CASH (Continued)**

Credit risk classifications of the District's cash flow is as follows:

	<b>2017</b>	<b>2016</b>
Insured or collateralized with securities held by agents of the District	\$6,493,399	\$6,592,612
Uncollateralized - cash on hand	300	300
	<b>\$6,493,699</b>	<b>\$6,592,912</b>

Cash held and administered by the Treasurer of Douglas County, Nevada is the responsibility of Douglas County. The County is required to maintain adequate insurance on all of its cash and investments and is primarily liable to all pass-through governmental entities for the administration of each entity's cash portion.

**NOTE 4 - RESTRICTED CASH**

On December 7, 1982, the governing body of the District passed Resolution 82-3 establishing restricted cash balances. On April 2, 2013, the governing body of the District passed a motion revising the allocation of the user fee allocations for plant expansion, line rehabilitation and odor control. Additionally, on September 6, 2016 the governing body of the District passed resolution 16-002 establishing a restricted fund for emergency repairs. The restricted emergency repairs fund was started with an initial transfer of funds from the operating account in the amount of \$500,000.

Allocations are as follows:

<u>Collections From</u>	<u>Plant Expansion</u>	<u>Line Rehabilitation</u>	<u>Odor Control</u>
Acreage and annexation fees	100%	0%	0%
Connection fees	30%	70%	0%
Capacity fees	85%	15%	0%

Cash restricted for odor control was \$505,608 and \$502,324 as of June 30, 2017 and 2016, respectively, cash restricted for plant expansion was \$3,240,180 and \$3,091,247 as of June 30, 2017 and 2016, respectively, cash restricted for line rehabilitation was \$167,707 and \$135,247 as of June 30, 2017 and 2016, respectively, and cash restricted for emergency repair was \$502,177 as of June 30, 2017.

The loan contract with the Nevada Department of Environmental Protection requires an amount equal to one year's note payments, totaling \$77,167, to be placed into a separate restricted account. This is an interest bearing account and the cash restricted for the Nevada Department of Environmental Protection was \$78,138 and \$77,570 as of June 30, 2017 and 2016, respectively

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on July 1 of each year, and are due in four equal installments in July, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the County and State and remitted to the District. Property tax revenues are recognized when they are levied.



**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 6 - PENSION PLAN**

*Plan Description.* The District contributed to the Public Employees' Retirement System of the State of Nevada (PERS), a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees' Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada, 89703.

*General Information about the PERS Cost Sharing Pension Plan.* PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS 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.

*Funding Policy.* As provided by NRS 286.464, the District is required to contribute all amounts due under the plan. For the fiscal year ended June 30, 2017, 2016 and 2015 the statutory employer/employee matching rate was 14.50%, 14.50% and 13.25%, respectively. The employer-pay contribution (EPC) rate was 28.00%, 28.00% and 25.75%, respectively.

PERS' 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.

*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. Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, the multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - 286.579.

*Vesting.* 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. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 - PENSION PLAN (Continued)**

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

*Pension Liabilities.* At June 30, 2017 and 2016, the District reported a liability of \$1,560,688 and \$1,231,576, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the periods ended June 30, 2017 and 2016. At June 30, 2017 and 2016, the District's proportion was 0.01160% and 0.01075%, respectively.

*Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.* For the years ended June 30, 2017 and 2016, the District recognized pension expense of \$144,825 and \$150,179, respectively. As of June 30, 2017 and 2016, amounts totaling \$103,751 and \$98,329 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2018 and 2017, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 104,508	\$ -	\$ 92,636
Net difference between projected and actual earnings on investments	145,085	-		66,711
Changes in proportion and differences between actual contributions and proportionate share of contributions	140,205	-	75,154	-
System contributions subsequent to the measurement date	103,751	-	98,329	-
	<b>\$ 389,041</b>	<b>\$ 104,508</b>	<b>\$ 173,483</b>	<b>\$ 159,347</b>

The net difference related between projected and actual investment earnings on pension plan investments will be recognized over five years, all other deferred outflows and inflows will be recognized over the average expected remaining service lives, which was 6.48 years for the measurement period.

Reconciliation of the net pension liability at June 30, 2017 and 2016 is as follows:

<b>Reconciliation of Net Pension Liability</b>	<b>2017</b>	<b>2016</b>
Beginning net pension liability	\$ 1,231,576	\$ 1,066,120
Pension expense	144,825	150,179
Employer contributions	(98,330)	(165,889)
Net deferred (inflows)/outflows	282,617	181,166
<b>Ending Net Pension Liability</b>	<b>\$ 1,560,688</b>	<b>\$ 1,231,576</b>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 - PENSION PLAN (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contribution subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2018	\$ (12,027)
2019	(12,027)
2020	51,441
2021	24,881
2022	(9,579)
2023	2,112
	<u>\$ 44,801</u>

*Pension Liability Discount Rate Sensitivity.* The following presents the net pension liability of the District as of June 30, 2017, calculated using the discount rate of 8.0%, as well as what PERS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current discount rate: Deferred outflows (inflows) of resources related to pensions will recognized as follows:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of net pension liability	\$ 2,325,991	\$ 1,538,638	\$ 884,729

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00% and 8.00% as of June 30, 2017 and 2016, respectively. 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, 2017 and 2016, 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, 2017 and 2016.

*Actuarial Assumptions.* The Fund's net pension liability was measured as of June 30, 2016, 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, unless otherwise specified:

Inflation	3.50%
Payroll growth	5.00% including inflation
Investment rate of return	8.0%
Productivity rate of return	0.75%
Projected salary increase	Regular 4.60% to 9.75%, depending on service rates include inflation and productivity increases
Consumer price index	3.5%
Other assumptions	Same as those used in the June 30, 2016 funding actuarial valuation

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 6 - PENSION PLAN (Continued)**

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the experience review completed in 2013.

PERS 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.

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2014 with Scale AA, set forward three years.

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

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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, 2016, PERS' long-term inflation assumption was 3.5%

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at [www.nvpers.org](http://www.nvpers.org) or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

**NOTE 7 - COMPENSATED ABSENCES**

The District accrues a liability for compensated absences which meet all of the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to services already rendered;

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 7 - COMPENSATED ABSENCES (Continued)**

2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

Vacation may be accumulated by employees up to certain maximums, and is payable upon retirement or termination. Total vacation pay accrued amounted to \$48,031 and \$41,408 as of June 30, 2017 and 2016, respectively.

Sick leave may be accumulated by employees up to a maximum of 720 hours per employee, and is payable upon retirement or termination. The employee must have ten years of service with the District to be vested. If an employee meets the ten-year vesting requirement, sick leave will be paid to the employee in the amount of thirty-five percent (35%) of the employee's accumulated sick leave. There is an additional one percent (1%) of vesting for each year of service after the ten years of service up to a maximum of fifty percent (50%). The vested accrued sick leave amounted to \$30,092 and \$35,994 as of June 30, 2017 and 2016, respectively

The amount of vacation and vested sick pay which will be liquidated with expendable available financial resources (current) amounted to \$12,718 and \$10,338 as of June 30, 2017 and 2016 respectively.

**NOTE 8 - ACCRUED LIABILITIES PAYABLE**

Of the \$68,668 and \$93,194 in accounts payable and accrued liabilities reflected on the Statements of Net Position, \$25,807, and \$0 is construction retainage payable as of June 30, 2017 and 2016, respectively.

**NOTE 9 - NOTE PAYABLE**

The note payable in the amount of \$964,583 was actually advances on a loan from the Nevada Department of Environmental Protection (NDEP). The District entered into a contract with the NDEP where the District received advances from the NDEP for amounts expended by the District for the construction of the Grease Digestion and Cogeneration Project. The date of the contract was October 27, 2009 and was amended June 29, 2010 and will be repaid over twenty years in forty equal semiannual payments in the amount of \$38,583. This is an interest-free loan.

Maturities for the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2018	\$ 77,167
2019	77,167
2020	77,167
2021	77,167
2022	77,167
Thereafter	578,748
	<u>\$ 964,583</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in property, plant and equipment is as follows as of June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Plant, building, structures, and equipment	\$ 46,784,981	\$ 82,967	\$ -	\$ 46,867,948
Collection system and collection system equipment	4,965,192	4,953	-	4,970,145
Office equipment	216,334	-	-	216,334
Automobiles and trucks	273,406	-	-	273,406
	<u>52,239,913</u>	<u>87,920</u>	<u>-</u>	<u>52,327,833</u>
Less: accumulated depreciation	<u>(28,578,048)</u>	<u>-</u>	<u>1,487,764</u>	<u>(30,065,812)</u>
	<u>23,661,865</u>	<u>87,920</u>	<u>1,487,764</u>	<u>22,262,021</u>
Construction in progress	-	761,862	-	761,862
Land	789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 24,451,680</u>	<u>\$ 849,782</u>	<u>\$ 1,487,764</u>	<u>\$ 23,813,698</u>

A summary of changes in property, plant and equipment is as follows as of June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Plant, building, structures, and equipment	\$ 46,600,022	\$ 184,959	\$ -	\$ 46,784,981
Collection system and collection system equipment	4,965,192	-	-	4,965,192
Office equipment	209,910	6,424	-	216,334
Automobiles and trucks	273,406	-	-	273,406
	<u>52,048,530</u>	<u>191,383</u>	<u>-</u>	<u>52,239,913</u>
Less: accumulated depreciation	<u>(27,093,090)</u>	<u>-</u>	<u>1,484,958</u>	<u>(28,578,048)</u>
	<u>24,955,440</u>	<u>191,383</u>	<u>1,484,958</u>	<u>23,661,865</u>
Land	789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 25,745,255</u>	<u>\$ 191,383</u>	<u>\$ 1,484,958</u>	<u>\$ 24,451,680</u>

It is the District's policy to purchase rather than lease property, plant and equipment. There were no material lease agreements in effect as of June 30, 2017 and 2016.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2017. Management has evaluated subsequent events through November 30, 2019 which is the date the financial statements were available for issue.

Subsequent to year end, Board Counsel identified that members of the Board were being paid in excess of Nevada Revised Statute, and had been since January 2015. Each Board member set up a repayment agreement with the District for the amount of the overpayment during 2018.

Subsequent to the issuance of the June 30, 2017 audit report, it was identified by a Board member that the auditor was not a licensed Certified Public Accountant, and was therefore not authorized to issue an audit report under Nevada Revised Statutes. The audit report was recalled, and a new audit firm was engaged during 2019 to re-audit the June 30, 2017 financial statements.

In July, 2017, the District entered into a settlement agreement with the Gardnerville Ranchos General Improvement District ("G.R.G.I.D"), regarding the recovery of costs and expenses associated with the planning, design and construction of a cogeneration facility and related heat loop at the District's sewer plant. G.R.G.I.D was required to pay to the District a total of \$212,000 for the costs and expenses. G.R.G.I.D paid the District \$200,000 on July 11, 2017, with the remaining amount of \$12,000 to be deducted from any refund amounts owed by the District to G.R.G.I.D.

**NOTE 12 - PRIOR PERIOD ADJUSTMENTS**

As a result of the re-audit discussed in Note 11, the following corrections to the beginning balance of net position as of June 30, 2016 were identified:

Implementation of GASB 68	\$1,248,537
Corrections to accrued liabilities for expenditures, accrued payroll, compensated absences and credit balances	65,525
Corrections to accounts and taxes receivables, and deferred taxes	<u>(14,046)</u>
Prior period adjustment	<u>\$1,300,016</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>OPERATING REVENUES</b>			
Sewer user fees	\$ 1,697,729	\$ 1,729,986	\$ 32,257
Gardnerville Ranchos G.I.D fees	250,000	294,501	44,501
Other operating revenues	-	60	60
<b>Total operating revenues</b>	<u>1,947,729</u>	<u>2,024,547</u>	<u>76,818</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	738,700	737,102	1,598
Employee benefits	434,479	446,953	(12,474)
Services and supplies	776,069	756,813	19,256
Depreciation	1,485,000	1,487,764	(2,764)
<b>Total expenses</b>	<u>3,434,248</u>	<u>3,428,632</u>	<u>5,616</u>
<b>Operating loss</b>	<u>(1,486,519)</u>	<u>(1,404,085)</u>	<u>82,434</u>
<b>NON-OPERATING REVENUES</b>			
Interest revenues	4,000	42,650	38,650
Other revenues	516,708	517,160	452
<b>Total non-operating revenues</b>	<u>520,708</u>	<u>559,810</u>	<u>39,102</u>
<b>NET INCOME</b>	<u>\$ (965,811)</u>	<u>\$ (844,275)</u>	<u>\$ 121,536</u>



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH FLOWS - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,947,729	\$ 2,017,280	\$ 69,551
Cash paid to suppliers for goods and services	(738,700)	(778,316)	(39,616)
Cash paid to employees	(776,069)	(683,366)	92,703
Cash paid to employee benefits	(434,479)	(446,953)	(12,474)
<b>Total cash flows from operating activities</b>	<u>(1,519)</u>	<u>108,645</u>	<u>110,164</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from ad valorem taxes	382,049	380,294	(1,755)
Cash received from consolidated taxes	134,659	134,659	-
Cash received from miscellaneous income	-	3,999	3,999
<b>Total cash flows from noncapital financing activities</b>	<u>516,708</u>	<u>518,952</u>	<u>2,244</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition and construction of capital assets	(306,700)	(87,920)	218,780
Construction in progress	-	(761,864)	(761,864)
Capital contributed-users	205,000	159,379	(45,621)
Repayments of loan payable	(77,167)	(77,167)	-
<b>Total cash flows from capital financing activities</b>	<u>(178,867)</u>	<u>(767,572)</u>	<u>(588,705)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	4,000	40,462	36,462
<b>Total cash flows from investing activities</b>	<u>4,000</u>	<u>40,462</u>	<u>36,462</u>
<b>Net increase in cash</b>	340,322	(99,513)	(439,835)
<b>Cash, July 1</b>	6,592,912	6,592,912	-
<b>Cash, June 30</b>	<u>\$ 6,933,234</u>	<u>\$ 6,493,399</u>	<u>\$ (439,835)</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
 SUPPLEMENTARY INFORMATION  
 Supplementary Pension Information  
 For the Year Ended June 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
 LAST TEN YEARS\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.01160%	0.01075%	0.01230%
Proportionate share of the net pension liability (asset)	\$ 1,560,688	\$ 1,231,576	\$ 1,066,120
Covered employee payroll	\$ 702,354	\$ 640,498	\$ 601,721
Proportionate share of the net pension liability (asset) as	222.21%	192.28%	177.18%
Plan fiduciary net position as a percentage of the total	72.20%	75.10%	76.30%

**SCHEDULE OF CONTRIBUTIONS  
 LAST TEN YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 207,502	\$ 196,659	\$ 165,889
Contributions in relation to those contractually required	<u>207,502</u>	<u>196,659</u>	<u>165,889</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 741,079	\$ 702,354	\$ 640,498
Contributions as a percentage of covered employee	25.90%	28.00%	25.90%

\*Only three years of information is available due to reporting changes related to the implementation of GASB 68 effective fiscal year 2015.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF OPERATING EXPENSES AND NON-OPERATING REVENUES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>OPERATING EXPENSES</b>		
Salaries and wages		
Salaries - plant	\$ 562,851	\$ 556,959
Salaries - collection system	51,281	49,328
Salaries - administration	122,970	125,162
Total salaries and wages	737,102	731,449
Employee benefits		
Employee benefits - plant	341,943	255,781
Employee benefits - collection system	31,154	22,681
Employee benefits - administration	73,856	55,672
Total employee benefits	446,953	334,134
Services and supplies		
Insurance	76,484	82,264
Utilities	176,487	129,638
Supplies	63,149	48,610
Repairs and maintenance	166,299	177,714
Other plant and collection expenses	3,828	6,095
Automobile and truck	7,489	7,799
Trustee's fees	40,500	36,000
Office supplies and expenses	22,919	19,174
Bank charges	8,155	8,698
Postage	6,268	4,788
Telephone	11,426	11,434
Advertising and publication	309	657
Other administration expense	1,577	3,152
Filing fees and permits	11,516	16,945
Sludge removal	14,953	19,700
Safety expense	5,369	4,384
Lobbying expense	42,500	-
Laboratory testing	13,178	19,836
Legal	54,216	34,051
Engineering	16,672	52,469
Accounting and audit	13,519	16,051
Total services and supplies	756,813	699,459
Total operating expenses other than depreciation	\$ 1,940,868	\$ 1,765,042
<b>NON-OPERATING REVENUES</b>		
Consolidated tax	\$ 134,660	\$ 134,659
Ad valorem tax revenue	378,502	377,710
Miscellaneous income	46,648	30,040
Total non-operating revenue	\$ 559,810	\$ 542,409

*Casey Neilon, Inc.*  
**Accountants and Advisors**

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

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Minden Gardnerville Sanitation 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 Minden Gardnerville Sanitation 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 certain deficiencies in internal control described in the accompanying schedule of findings as items 2017-01 through 2017-06 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minden Gardnerville Sanitation 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in accompanying schedule of findings as items 2017-07 and 2017-08.

### **Minden-Gardnerville Sanitation District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**STATUS OF PRIOR YEAR FINDINGS**

Due to the timing of reporting the findings for the year ended June 30, 2016, the District had not had an opportunity to address them before the issuance of the June 30, 2017 financial statements. Accordingly, all the prior year findings have been reissued as 2017 findings.

**CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**2017-01                      Segregation of Duties**

**Criteria:**                      Segregation of duties is an important part of an internal control system to assist in preventing and detecting fraud, errors and irregularities.

**Effect:**                         Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                    During our discussion with staff it was noted that the staff member performing the bank reconciliation also has the ability and responsibility to initiate bank transactions.

**Cause:**                         Staff size and workflow procedures.

**Recommendation:**        Management should analyze staff duties and consider the impact of segregation of duties to ensure tasks are being completed with an internal control process in mind.

**Views of responsible officials and planned corrective actions:**

Duties among staff will be split to ensure one staff prepares the checks and another does the Bank reconciliations with consideration of the duties being rotated periodically. The bank reconciliations will be review monthly either by the District Manager or the Board Treasurer. Consideration will be given to hiring additional staff to circumvent the segregation of duties issues.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-02                      Use of Accounting Software**

**Criteria:**                      The ability to use and understand the accounting software being used is an integral part of ensuring the financial statements are properly stated and to ensure operations are running most efficiently.

**Effect:**                        Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                      During our audit and in discussion with staff it was noted that the accounting software was not being used to its potential which limited the amount of information the audit team was able to obtain. The trial balance, which is essential to analyzing account activity on the part of the District staff and the audit team, is not being correctly used. The lack of a fully functioning general ledger and trial balance were the result of several factors:

1. The auditor had not provided the District with an adjusted trial balance that could be loaded into the accounting software when it was implemented.
2. The auditor prepared a trial balance in his own software each year by rolling forward the prior year, entering the income statement items via a journal entry and then adjusting the balance sheet accounts for accruals.
3. The trial balance and adjusting journal entries were not provided to District staff to enable them to move forward with accurate records.

**Cause:**                         Lack of training and procedures.

**Recommendation:**              Management should consider an in depth staff training on the accounting software in conjunction with an accountant who is aware of what the information output should look like. Additionally, management may consider transitioning to a less robust accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software so they can properly do their jobs. Future transition to a better accounting software may be considered in the future.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-03**

**Inventory**

**Criteria:**

Performing an annual inventory count, identifying the cost of the items in inventory and reconciling the inventory cost to the accounting records is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:**

Inaccurate inventory values could cause financial statements to reflect inappropriate amounts, including obsolete, undervalued or overvalued inventory; in addition, fraud, errors or irregularities could go undetected.

**Condition:**

During our audit we were not provided with a current inventory listing that reported both items and values, nor were we provided with any evidence that the inventory was counted, and that the inventory listing was appropriately used and reconciled. Since the period under audit had already passed, there was no way to verify amounts reported on the financial statements, and therefore a qualified opinion was issued.

**Cause:**

Inability to track inventory in the accounting system. No procedures in place to count, value and reconcile inventory.

**Recommendation:**

Management should perform an annual inventory count to establish an accurate listing of inventory which reflects items and values.

**Views of responsible officials and planned corrective actions:**

An inventory policy will be implemented to properly account for inventory throughout the year. An annual inventory will be taken at June 30 to make sure inventory numbers are correct and the cost of the inventory at year end is properly accounted for.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-04                      Bank Reconciliations**

**Criteria:**                      Reconciling the bank accounts on a regular basis, and comparing the reconciled amounts to the general ledger is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:**                        Transactions could occur that are not appropriately recorded in the financial statements, and errors, fraud or irregularities could go undetected.

**Condition:**                    During our audit we were provided with bank reconciliations that did not include a reconciliation to the general ledger balance. As such, the bank reconciliation does not provide assurance that all transactions are properly recorded in the system.

**Cause:**                         Inability to use functions included in the accounting software.

**Recommendation:**        Staff should obtain training on using the bank reconciliation tool in the accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software including the Bank reconciliation module so they can properly do their jobs.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-05                      Preparation of Year-End Accruals**

**Criteria:**                      The preparation of recording of year-end accruals is an important step in ensuring that the financial records and financial statements are complete, accurate and free from material misstatement.

**Effect:**                        Transactions could be present that are being recorded in the incorrect accounting period or being omitted entirely.

**Condition:**                      During our discussions with staff and through the performance of audit procedures we became aware that no year-end accruals were being recorded for items such as compensated absences, accrued payroll and accounts payable. Additionally, it was identified that too much reliance was being placed on the auditor to correctly identify and record items.

These items were corrected in the financial statements via a prior period adjustment.

**Cause:**                         Lack of training and procedures

**Recommendation:**              Management should consider hiring a CPA to come in at the end of each fiscal year to calculate and record accruals until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to do year end accruals for the District until such time as staff is trained in calculating and recording year end accruals or a CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-06                      Application of Accounting Principles and Standards**

**Criteria:** Adherence to generally accepted accounting principles and the standards established by the *Government Accounting Standards Board* are important in ensuring that the District's financial statements are presented appropriately.

**Effect:** GASB Statement No. 68 *Accounting and Reporting for Pensions* was issued in June 2012 and was effective for the District for the year ended June 30, 2015; however the standard was not timely implemented. This resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

Property taxes were being reported under the modified basis of accounting which is not an appropriate method for an enterprise fund.

Both of these items were corrected in the financial statements via a prior period adjustment.

**Condition:** The delay in implementing this Standard resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

The misapplication of the modified accrual basis of accounting resulted in deferred revenues being reported that were not appropriate for an enterprise fund.

**Cause:** Overreliance on the auditor to identify the standards to be implemented, and inability of staff to provide appropriate oversight of financial reporting due to a lack of training.

**Recommendation:** Management should consider hiring a CPA, designating a Board member with appropriate skills, knowledge or experience, or forming an audit committee to evaluate financial reporting until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to ensure new applicable accounting principles and standards are implemented and provide oversight until staff is properly trained or CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**COMPLIANCE FINDINGS:**

**2017-07 Contracting With an Unlicensed Certified Public Accountant**

**Criteria:** NRS 364.624 requires that each local government shall provide for an annual audit of its financial statements.

**Effect:** All audits must be conducted by a Certified Public Accountant or by a partnership or professional corporation that is registered pursuant to chapter 628 of NRS.

**Condition:** The audit of the June 30, 2016 financial statements was performed by a Certified Public Accountant whose license under chapter 628 of NRS had been revoked by the State Board of Accountancy prior to report issuance. The same auditor was also engaged to perform the audits of the June 30, 2017 and 2018 financial statements. This is an apparent violation of NRS 354.624.

**Cause:** Lack of training and procedures.

**Recommendation:** Management should require that the auditor submit proof of licensure and compliance with appropriate practice monitoring requirements prior to signing the annual engagement letter.

**Views of responsible officials and planned corrective actions:**

Before The District hires an auditor, the District will require the auditor to provide proof of being a properly licensed CPA in the State of Nevada and that the auditor is in compliance with appropriate practice monitoring requirements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**2017-08                      Payment of Compensation to the Board of Trustees**

**Criteria:**                      Pursuant to NRS 318.085, each member of a Board of Trustees of a district organized or reorganized pursuant to that chapter may receive as compensation for his or her service not more than \$6,000 per year. However, if the District is providing sanitary sewer improvements, lighting of streets and collection and disposition of garbage and refuse, this amount is increased to \$9,000.

**Effect:**                         Overpayment of compensation to members of the Board of Trustees.

**Condition:**                    In January 2015, the District was advised that the compensation to the trustees could be increased from \$6,000 to \$9,000 an apparent violation of NRS 318.085. The overpayment was not identified until February 2018 when Board Counsel brought it the attention of the Board of Trustees, and a repayment plan was entered into by the individual Trustees.

**Cause:**                         Misinterpretation of statutory provisions.

**Recommendation:**        None at this time.

**Views of responsible officials and planned corrective actions:**

The District will consult with its legal council in interpreting Nevada Revised Statutes and any other legal matters. The District may consult with the Nevada Department of Taxation in interpreting Nevada Revised Statutes applicable to the District.

*Casey Neilon, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL WITH NEVADA REVISED STATUTES  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

Compliance with Nevada Revised Statutes and regulations applicable to Minden-Gardnerville Sanitation District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether Minden-Gardnerville Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Nevada Revised Statutes (N.R.S.) and the Nevada Administrative Code, 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.

N.R.S. 354.624 and 354.6241 require that we provide a statement of assurance that:

- The District's enterprise fund is being used in accordance with the provisions of Chapter 354,
- The fund is being administered in accordance with accounting principles generally accepted in the United States of America,
- The reserve funds are limited to an amount that is reasonable and necessary to carry out the purposes of the District,
- The sources of revenues available for the District, the statutory and regulatory requirements of the District, and the net position of the District have been properly recorded.

We applied procedures to test the District's compliance with these requirements applicable to the District's enterprise fund. The results of our tests disclosed instances of noncompliance which are described in accompanying schedule of findings as items 2017-07 and 2017-08.

**Purpose of this Report**

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019



RECEIVED  
DEC 27 2019  
STATE OF NEVADA  
DEPARTMENT OF TAXATION

---

December 27, 2019

State of Nevada  
Department of Taxation  
Local Government Finance  
1550 E College Pkwy.  
Carson City, NV 89706-9737

Attn: Kelly Langley

Dear Kelly:

Enclosed are two copies of the June 30, 2018 audit for the Minden-Gardnerville Sanitation District which has been compiled by the firm of Casey Neilon, Inc. The audit was reviewed and approved by the Board of Trustees at the special meeting on December 26, 2019.

Sincerely,

Sarah M. King  
Administrative Assistant





**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**JUNE 30, 2018 AND 2017**

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
JUNE 30, 2018 AND 2017**

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**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**MINDEN, NEVADA**

**District Officials For  
Fiscal Year Ended June 30, 2018**

**Board of Trustees**

**Raymond Wilson**  
Chairman

**Barbara Smallwood**  
Vice-Chairman and Secretary

**Robert Allgeier**  
Treasurer

**Mark R. Dudley**  
Member

**Michael B. King**  
Member

**Administrative Officials**

**Frank T. Johnson**  
District Manager

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
ORGANIZATION CHART  
JUNE 30, 2018**



*Casey Neilson, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of the  
Minden Gardnerville Sanitation District

***Report on the Financial Statements***

We have audited the accompanying financial statements of Minden Gardnerville Sanitation District (the "District") for the years ended June 30, 2018 and 2017 and notes to the financial statements, which collectively comprise the District's 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 an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Minden Gardnerville Sanitation District as of June 30, 2018 and 2017, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified Opinion***

The District carries a material balance in their inventory which is made up of various pieces of miscellaneous parts and equipment. There are no inventory records dating back to the period under audit and no physical count was done at the balance sheet date. We were unable to obtain sufficient appropriate evidence about the carrying amount of the District's inventory. Consequently, we were unable to validate the balance of inventory and therefore do not know if any adjustments to the account are necessary.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension information on pages 4-7 and 28-30, 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 pension and other post-employment benefits 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 this required information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and schedule of operating expenses and non-operating revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and non-operating revenues are the responsibility of management and were derived from and relate 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, schedule of operating expenses and non-operating revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019 on our consideration of Minden Gardnerville Sanitation 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 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 Minden Gardnerville Sanitation District's internal control over financial reporting and compliance.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated November 30, 2019, on our consideration of the Minden Gardnerville Sanitation District's compliance over with certain provisions of the Nevada Revised Statutes. That report is an integral part of an audit performed in accordance with this code and should be read in conjunction with this report in considering the results of our audit.



Casey Neilon  
Carson City, Nevada

November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

This section of Minden-Gardnerville Sanitation District's annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2018. We encourage readers to read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The total net position of the Minden-Gardnerville Sanitation District decreased 0.76% during the current fiscal year from \$28,193,058 to \$27,977,597. Operating revenues increased 3.29% during the current fiscal year from \$2,024,547 to \$2,091,117.
- During the year the District invested \$64,757 in the acquisition and construction of capital assets.
- The District's operating expenses increased 7.56% from \$3,428,632 to \$3,687,938.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Minden-Gardnerville Sanitation District's basic financial statements. The District's basic financial statements are comprised of the enterprise fund financial statements and schedules, and notes to the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information about the District's finances, in a manner similar to a private sector business. These statements provide both long-term and short-term information about the District's overall financial status.

The Statements of Net Position provide information on all of the Minden-Gardnerville Sanitation 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 of the District is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities. This statement provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

The notes provide additional information that is necessary for a full understanding of the data provided in the financial statements.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**FINANCIAL ANALYSIS**

The total net position decreased 0.76%, while the investment in capital assets component also decreased by 8.85% due in large part to the depreciation in the amount of \$1,472,967. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$27,977,597.

The largest portion of the District's net assets (74.2%) reflects its investment in capital assets (i.e., buildings, machinery and equipment). The District uses these capital assets to provide sewage treatment services to customers. Consequently, these assets are not available for future spending.

The total net assets include \$5,016,795 designated for future capital improvement projects, \$79,192 restricted in a separate account for the loan contract with Nevada Department of Environmental Protection and \$2,125,400 that is unrestricted and available for use at the discretion of the District.

While the Condensed Summary of Balance Sheets shows the change in financial position, the Condensed Summary of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and sources of these changes.

Total revenues increased 26.56% with the most significant change being the Gardnerville Ranchos G.I.D. fees which increased 19.01% to \$350,486 and the sewer user capital contributions, which increased 381.16% to \$766,870.

Following is a condensed summary schedule of the District's Statements of Net Position:

**CONDENSED SUMMARY OF STATEMENTS OF NET POSITION**

	2018	2017
Current and other assets	\$ 3,888,782	\$ 2,402,239
Restricted assets	5,095,987	4,493,810
Capital assets	21,643,626	23,813,698
Total assets	30,628,395	30,709,747
Deferred outflows of resources	320,334	389,041
Current liabilities	348,060	190,787
Long-term liabilities	2,518,940	2,610,435
Total liabilities	2,867,000	2,801,222
Deferred inflows of resources	104,132	104,508
 Net position:		
Invested in capital assets, net of related debt	20,756,210	22,770,977
Restricted	79,192	78,138
Designated	5,016,795	4,415,672
Unrestricted	2,125,400	928,271
Total net position	\$ 27,977,597	\$ 28,193,058

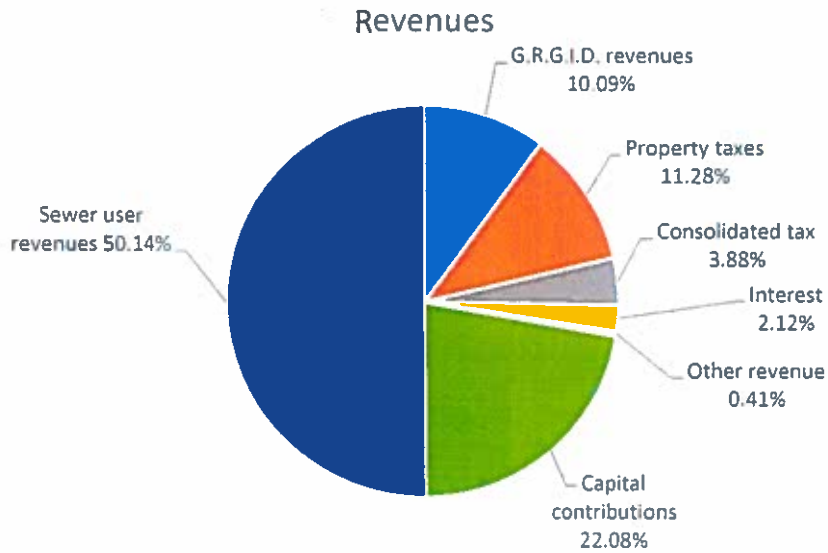
**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Following is a condensed summary schedule of the District's revenues, expenses, and changes in net position:

**CONDENSED SUMMARY OF REVENUES  
EXPENSES AND CHANGES IN NET POSITION**

	<u>2018</u>	<u>2017</u>	<u>PERCENT CHANGE</u>
Operating revenues			
Charges for services	\$ 2,091,117	\$ 2,024,547	3.3%
General revenues			
Interest and other	88,079	46,649	80.2%
Ad valorem taxes	391,752	378,502	3.5%
Consolidated taxes	134,659	134,659	0.0%
Capital contributions	766,870	159,379	381.2%
Total revenues	<u>3,472,477</u>	<u>2,743,736</u>	<u>26.6%</u>
Program expenses	<u>3,687,938</u>	<u>3,428,632</u>	<u>7.6%</u>
Total expenses	<u>3,687,938</u>	<u>3,428,632</u>	<u>7.6%</u>
Change in net position	<u>\$ (215,461)</u>	<u>\$ (684,896)</u>	<u>-68.5%</u>

The following chart presents the primary revenue sources:



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**BUDGETARY HIGHLIGHTS**

The District adopts annual operation and maintenance and capital budget outlining the estimated expenditures for programs or projects already authorized or to be considered by the District's Board of Trustees. Annually, unspent funds may be carried over to the succeeding fiscal year budget.

For the fiscal year ended June 30, 2018, the actual user revenues were above the budgeted revenues by 5.97%. The budgeted total operating expenses exceeded the actual operating expenses by \$226,237 or 6.54%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - During the fiscal year, the District's major expenditure was the repair of one of its digestors.

Debt Administration - The District repaid \$77,167 of the loan from the Nevada Department of Environmental Protection payable to the Nevada State Treasurer.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The 2019 operating budget expenses total \$3,469,931, a decrease of 5.91% over the 2018 actual expenses primarily due to the completion of the digester repair.

The measurement for purposes of calculating sewer user fees is the Equivalent Dwelling Unit (EDU). The District's growth has been steadily increasing over the past ten years; however, it has leveled off the past two years.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Minden-Gardnerville Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Office, 1790 Highway 395, Minden, Nevada 89423.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash	\$ 3,326,567	\$ 1,999,589
Accounts receivable - customers	101,039	59,344
Accounts receivable - FEMA	92,924	-
Accounts receivable - Board Members	12,236	-
Taxes receivable	22,443	22,443
Interest receivable	8,484	4,547
Prepaid expenses	102,790	95,808
Inventory	213,788	213,814
<b>Total current assets</b>	<u>3,880,271</u>	<u>2,395,545</u>
<b>Noncurrent assets:</b>		
Restricted cash	5,095,987	4,493,810
Property, plant and equipment, net	21,643,626	23,813,698
Delinquent taxes receivable	6,390	4,573
Refundable deposits	2,121	2,121
<b>Total noncurrent assets</b>	<u>26,748,124</u>	<u>28,314,202</u>
<b>Total assets</b>	<u>30,628,395</u>	<u>30,709,747</u>
<b>Deferred outflows of resources:</b>		
Pension related amounts	320,334	389,041
<b>Total deferred outflows of resources</b>	<u>320,334</u>	<u>389,041</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	239,812	68,668
Compensated absences	10,907	12,718
Customer advances	20,174	32,234
Current portion of note payable	77,167	77,167
<b>Total current liabilities</b>	<u>348,060</u>	<u>190,787</u>
<b>Noncurrent liabilities:</b>		
Customer deposits	18,111	18,111
Compensated absences	77,884	66,215
Note payable	810,249	887,416
Net pension liability	1,538,638	1,560,688
Net OPEB liability	74,058	78,005
<b>Total noncurrent liabilities</b>	<u>2,518,940</u>	<u>2,610,435</u>
<b>Total liabilities</b>	<u>2,867,000</u>	<u>2,801,222</u>
<b>Deferred inflows of resources:</b>		
Pension related amounts	104,132	104,508
<b>Total deferred inflows of resources</b>	<u>104,132</u>	<u>104,508</u>
<b>NET POSITION</b>		
Invested in fixed assets, net of related debt	20,756,210	22,770,977
Restricted for note repayment	79,192	78,138
Unrestricted	7,142,195	5,343,943
<b>Total net position</b>	<u>\$ 27,977,597</u>	<u>\$ 28,193,058</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES:</b>		
Sewer user fees	\$ 1,740,631	\$ 1,729,986
Gardnerville Ranchos G.I.D fees	350,486	294,501
Other operating revenues	-	60
<b>Total operating revenues</b>	<u>2,091,117</u>	<u>2,024,547</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	718,380	737,102
Employee benefits	395,236	446,953
Services and supplies	1,101,355	756,813
Depreciation	1,472,967	1,487,764
<b>Total operating expenses</b>	<u>3,687,938</u>	<u>3,428,632</u>
<b>Operating loss</b>	<u>(1,596,821)</u>	<u>(1,404,085)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenues	73,789	42,650
Other revenues	540,701	517,160
<b>Total non-operating revenues (expenses)</b>	<u>614,490</u>	<u>559,810</u>
<b>Net loss</b>	<u>(982,331)</u>	<u>(844,275)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>766,870</u>	<u>159,379</u>
<b>Change in net position</b>	<u>(215,461)</u>	<u>(684,896)</u>
<b>NET POSITION, JULY 1 (ORIGINALLY STATED)</b>	28,193,058	28,955,959
<b>Change in accounting principle - GASB 75</b>	<u>-</u>	<u>(78,005)</u>
<b>NET POSITION, JULY 1 (AS RESTATED)</b>	<u>28,193,058</u>	<u>28,877,954</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 27,977,597</u>	<u>\$ 28,193,058</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,984,337	\$ 2,017,280
Cash paid to suppliers for goods and services	(991,595)	(772,806)
Cash paid to employees	(663,895)	(688,876)
Cash paid to employee benefits	(395,236)	(446,953)
<b>Total cash flows used in operating activities</b>	<u>(66,389)</u>	<u>108,645</u>
Cash flows from noncapital financing activities:		
Cash received from ad valorem taxes	389,935	380,294
Cash received from consolidated taxes	134,659	134,659
Cash received from miscellaneous income	14,290	3,999
<b>Total cash flows from noncapital financing activities</b>	<u>538,884</u>	<u>518,952</u>
Cash flows from capital financing activities:		
Acquisition and construction of capital assets	(34,451)	(87,920)
Construction in progress	731,556	(761,864)
Capital contributed - users	766,870	159,379
Repayments of loan payable	(77,167)	(77,167)
<b>Total cash flows used in capital financing activities</b>	<u>1,386,808</u>	<u>(767,572)</u>
Cash flows from investing activities:		
Interest on investments	69,852	40,462
<b>Total cash flows used in investing activities</b>	<u>69,852</u>	<u>40,462</u>
<b>Net increase in cash</b>	1,929,155	(99,513)
<b>Cash, July 1</b>	<u>6,493,399</u>	<u>6,592,912</u>
<b>Cash, June 30</b>	<u>\$ 8,422,554</u>	<u>\$ 6,493,399</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Reconciliation of operating loss to		
total cash flows used in operating activities:		
Operating loss	\$ (1,596,821)	\$ (1,404,085)
<b>Adjustments to reconcile operating loss to</b>		
<b>total cash flows used in operating activities:</b>		
Depreciation	1,472,967	1,487,764
Decrease (increase) in accounts receivable	(106,956)	(8,569)
Decrease (increase) in inventory	26	(26)
Decrease (increase) in prepaid expenses	(6,982)	667
Decrease (increase) in deferred outflows	68,707	(215,558)
Increase (decrease) in accounts payable and accrued liabilities	129,434	(16,634)
Increase (decrease) in accrued compensated absences	11,669	(10,489)
Increase (decrease) in customer advances	(12,060)	1,302
Increase (decrease) in deferred inflows	(376)	(54,839)
Increase (decrease) in net pension obligation	(22,050)	329,112
Increase (decrease) in net OPEB liability	(3,947)	-
<b>Net cash provided by operating activities</b>	<u>\$ (66,389)</u>	<u>\$ 108,645</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Minden-Gardnerville Sanitation District (the "District") is governed by an elected Board of Trustees and provides a sewer collection and treatment system for residential and commercial users located in a portion of Douglas County, Nevada.

Reporting Entity

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is not considered to be financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The District's financial statements are presented as a Special District using Enterprise Fund accounting.

Proprietary Fund

Enterprise Fund — The enterprise fund is used to account for the operations of the sewer collection and treatment system, which is the principal reason for the District's existence. An Enterprise Fund is used to account for operations (a) which are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The only fund employed by the District is the Enterprise Fund.

Measurement Focus, Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

Cash and Investments

Cash balances are invested as permitted by law. Investments are recorded at fair value. Pursuant to NRS 355.110 and 365.161, the District may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association, maturing within ten years from the date of purchase.
- Negotiable certificates of deposit 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.
- Certain farm loan bonds.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Other securities expressly provided by statute, including repurchase agreements.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Taxes

Property taxes are levied on July 1 each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates. All taxes are collected by the County Treasurer and remitted to the District.

Capital Assets and Depreciation

All capital assets are recorded in the Statements of Net Position at historic cost or estimated historical cost if actual cost is not available. The District defines capital assets as assets with a unit cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation is accumulated on a straight-line basis over the estimated useful life of the asset. Useful life is estimated by management on the basis of their experience with similar assets.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Property, Plant and Equipment

Plant — Building and Structures	50 years
Plant — Process Equipment	20 years
Plant — Supplemental Systems and Equipment	10 to 30 years
Plant — Other Improvements	3 to 30 years
Collection System	7 to 30 years
Collection System — Maintenance Equipment	10 to 30 years
Automobiles	5 years
Office Equipment	3 to 10 years

Compensated Absences

Liabilities for compensated absences relating to services already rendered and that are not contingent on a specified event, are accounted for in the period those services are rendered, or those events take place. The District's policy provides for payment of accrued vacation time upon termination of employment up to certain maximums, and is payable upon retirement or termination.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan'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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The District has pension related deferred outflows that qualify for reporting in this category. Pension related deferred outflow Of resources are discussed in depth in Note 6.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The District has pension related deferred inflows that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 6.

Net Position

Net position is classified as follows:

*Net investment in capital assets:* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Unrestricted net position:* Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expense for any purpose.

Operating and Non-operating Revenues and Expenses

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Grants and contracts representing non-exchange receipts are treated as non-operating revenues.

Provisions for Uncollectible Taxes and User Fees

The District makes no provision for estimated uncollectible ad valorem taxes receivable and user fees receivable. Adequate legal remedies are presently available to enforce the collection of such taxes as well as user fees, and amounts which may ultimately prove uncollectible should not be material in amount

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgets and Budgetary Accounting

The District adheres to the Local Government 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:

1. On or before April 16, the members of the Board file a tentative budget with the Nevada Department of Taxation for all funds.
2. Public hearings on the tentative budget are held 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.
4. Formal budgetary integration in the financial records is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Appropriations lapse at year end.
6. Budget amounts within funds may be transferred if amounts do not exceed the amounts originally budgeted. Such transfers are to be approved by the Board, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without public notice and the prior approval of the Board.

Disclosure of Accounting Policy

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are now Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73)*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB 73 is effective for fiscal years beginning

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (continued)

after June 15, 2015. The District has implemented this pronouncement, which did not result in a material change to the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The District implemented this standard in the year ended June 30, 2017, resulting in an adjustment to beginning balance of net assets in the amount of \$78,005.

In March 2016, the GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement helps to clarify issues that arose out of the implementation of the GASB Statements No. 67, No. 68, and No. 73 including the required supplementary information that is required to be presented in the financial statements. This Statement is effective for periods beginning after June 15, 2016. The District has implemented this pronouncement, which did not result in a material change to the financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will enhance consistency in the application and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. This statement is effective June 15, 2017. The District has implemented this pronouncement during 2018, which did not result in a material change to the financial statements.

**NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE**

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

**NOTE 3 - CASH**

The detail of total cash at June 30, 2018, was as follows:

	Non Restricted	Restricted	Total
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and State Governmental Deposit pool	3,325,881	5,095,987	8,421,868
Cash held by county in fiduciary capacity	386	-	386
	<u>\$ 3,326,567</u>	<u>\$ 5,095,987</u>	<u>\$ 8,422,554</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 3 – CASH (Continued)**

The detail of total cash at June 30, 2017, was as follows:

	<b>Non Restricted</b>	<b>Restricted</b>	<b>Total</b>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and State Governmental Deposit pool	1,998,767	4,493,810	6,492,577
Cash held by county in fiduciary capacity	522	-	522
	<u>\$1,999,589</u>	<u>\$ 4,493,810</u>	<u>\$ 6,493,399</u>

The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing the deposits, or with a brokerage firm, in which case securities collateralizing the deposits are held by a third party bank, in an agency capacity, for the county.

State statutes authorize the District to invest in certificates of deposit issued by commercial banks or insured savings and loan associations', bankers' acceptances, the State investment pool, U.S. Treasury obligations, obligations of other U.S. Government agencies, and repurchase agreements.

Any securities purchased by or on behalf of the District must remain in the physical possession of an appropriate officer of the District or a trust department of a designated bank (federally insured) after issuing a written acknowledgment.

To facilitate better management of the District's resources, all cash under the direct management of the Board of Trustees is combined in pooled operating and investment accounts. Cash not directly managed by the Board of Trustees is held by the Douglas County Treasurer.

The cash held by the county in a fiduciary capacity is primarily composed of \$522, held in interest-bearing accounts in the District's name. The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing deposits, or with a brokerage firm, in which case the securities collateralizing deposits are held by a third party bank in an agency capacity for the county.

The cash in banks and governmental deposit pool shown above includes \$5,095,987 in interest bearing state governmental deposit pool accounts, into which deposits from other Nevada governmental units are combined. The state governmental deposit pool is required by state statutes to hold securities which collateralize its deposits. The State of Nevada, Local Government Investment Pool issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of the State Treasurer, of the State of Nevada, 101 North Carson Street, #4, Carson City, Nevada, 89701.

Credit risk classifications of the District's cash flow is as follows:

	<b>2018</b>	<b>2017</b>
Insured or collateralized with securities held by agents of the District	\$8,422,254	\$6,493,399
Uncollateralized - cash on hand	300	300
	<u>\$8,422,554</u>	<u>\$6,493,69</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 3 – CASH (Continued)**

Cash held and administered by the Treasurer of Douglas County, Nevada is the responsibility of Douglas County. The County is required to maintain adequate insurance on all of its cash and investments and is primarily liable to all pass-through governmental entities for the administration of each entity's cash portion.

**NOTE 4 - RESTRICTED CASH**

On December 7, 1982, the governing body of the District passed Resolution 82-3 establishing restricted cash balances. On April 2, 2013, the governing body of the District passed a motion revising the allocation of the user fee allocations for plant expansion, line rehabilitation and odor control. Additionally, on September 6, 2016 the governing body of the District passed resolution 16-002 establishing a restricted fund for emergency repairs. The restricted emergency repairs fund was started with an initial transfer of funds from the operating account in the amount of \$500,000.

Allocations are as follows as of May 1, 2018:

<u>Collections From</u>	<u>Plant Expansion</u>	<u>Line Rehabilitation</u>	<u>Odor Control</u>
Acreage and annexation fees	100%	0%	0%
Connection fees	20%	80%	0%
Capacity fees	50%	50%	0%

At June 30, 2018, cash restricted for odor control was \$510,633, cash restricted for plant expansion was \$3,618,004, cash restricted for line rehabilitation was \$380,990, and cash restricted for emergency repair was \$507,168.

At June 30, 2017 cash restricted for odor control was \$505,608, cash restricted for plant expansion was \$3,240,180, cash restricted for line rehabilitation was \$167,707 and cash restricted for emergency repair was \$502,177.

The loan contract with the Nevada Department of Environmental Protection requires an amount equal to one year's note payments, totaling \$77,167, to be placed into a separate restricted account. This is an interest bearing account and the cash restricted for the Nevada Department of Environmental Protection was \$79,192 and \$78,138 as of June 30, 2018 and 2017 respectively.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on July 1 of each year, and are due in four equal installments in July, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the County and State and remitted to the District. Property tax revenues are recognized when they are levied.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 - PENSION PLAN**

*Plan Description.* The District contributed to the Public Employees' Retirement System of the State of Nevada (PERS), a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees' Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada, 89703.

*General Information about the PERS Cost Sharing Pension Plan.* PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS 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.

*Funding Policy.* As provided by NRS 286.464, the District is required to contribute all amounts due under the plan. For the fiscal year ended June 30, 2018, 2017 and 2016 the Statutory Employer/Employee matching rate was 14.50%, 14.50% and 14.50% respectively. The Employer-pay contribution (EPC) rate was 28.00%, 28.00% and 28.00% respectively.

PERS' 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.

*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. Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, the multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - 286.579.

*Vesting.* 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. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.



**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 - PENSION PLAN (Continued)**

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

*Pension Liabilities.* At June 30, 2018 and 2017, the District reported a liability of \$1,538,638 and \$1,560,688, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the periods ended June 30, 2018 and 2017. At June 30, 2018 and 2017, the District's proportion was 0.01157% and 0.01160%, respectively.

*Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.* For the years ended June 30, 2018 and 2017, the District recognized pension expense of \$141,778 and \$144,825, respectively. As of June 30, 2018 and 2017, amounts totaling \$95,409 and \$103,751 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2019 and 2018, respectively. At June 30, 2018 and 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>		<u>2017</u>	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 100,966	\$ -	\$ 104,508
Changes of assumptions	102,074	-	-	-
Net difference between projected and actual earnings on investments	9,990	-	145,085	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	112,861	3,166	140,205	-
System contributions subsequent to the measurement date	95,409	-	103,751	-
	<u>\$ 320,334</u>	<u>\$ 104,132</u>	<u>\$ 389,041</u>	<u>\$ 104,508</u>

The net difference related between projected and actual investment earnings on pension plan investments will be recognized over five years, all other deferred outflows and inflows will be recognized over the average expected remaining service lives, which was 6.39 years for the measurement period. Reconciliation of the net pension liability at June 30, 2018 and 2017 is as follows:

<u>Reconciliation of Net Pension Liability</u>	<u>2018</u>	<u>2017</u>
Beginning net pension liability	\$ 1,560,688	\$ 1,231,576
Pension expense	141,778	144,825
Employer contributions	(103,841)	(98,330)
Net deferred (inflows)/outflows	(59,987)	282,617
<b>Ending Net Pension Liability</b>	<u>\$ 1,538,638</u>	<u>\$ 1,560,688</u>



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 - PENSION PLAN (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contribution subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2019	\$ (27,593)
2020	35,719
2021	9,225
2022	(25,151)
2023	13,004
2024	5,894
	<u>\$ 11,098</u>

*Pension Liability Discount Rate Sensitivity.* The following presents the net pension liability of the District as of June 30, 2018, calculated using the discount rate of 7.5%, as well as what PERS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current discount rate: Deferred outflows (inflows) of resources related to pensions will be recognized as follows:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of net pension liability	\$ 2,325,991	\$ 1,538,638	\$ 884,729

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50% and 8.00% as of June 30, 2018 and 2017, respectively. 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, 2018 and 2017, 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, 2018 and 2017.

*Actuarial Assumptions.* The Fund's net pension liability was measured as of June 30, 2017, 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, unless otherwise specified:

Inflation	2.75%
Payroll growth	5.00% including inflation
Investment rate of return	7.5%
Productivity rate of return	0.50%
Projected salary increase	Regular 4.20% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer price index	2.75%
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 - PENSION PLAN (Continued)**

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

PERS 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.

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2014 with Scale AA, set forward three years.

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

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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, 2017, PERS' long-term inflation assumption was 2.75%

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at [www.nvpers.org](http://www.nvpers.org) or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

**NOTE 7 - COMPENSATED ABSENCES**

The District accrues a liability for compensated absences which meet all of the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to services already rendered;

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 7 - COMPENSATED ABSENCES (Continued)**

2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

Vacation may be accumulated by employees up to certain maximums, and is payable upon retirement or termination. Total vacation pay accrued amounted to \$54,768 and \$48,031 as of June 30, 2018 and 2017.

Sick leave may be accumulated by employees up to a maximum of 720 hours per employee, and is payable upon retirement or termination. The employee must have ten years of service with the District to be vested. If an employee meets the ten-year vesting requirement, sick leave will be paid to the employee in the amount of thirty-five percent (35%) of the employee's accumulated sick leave. There is an additional one percent (1%) of vesting for each year of service after the ten years of service up to a maximum of fifty percent (50%). Total vested accrued sick leave amounted to \$34,023 and \$30,092 as of June 30, 2018 and 2017, respectively.

The amount of vacation and vested sick pay which will be liquidated with expendable available financial resources (current) amounted to \$10,907 and \$12,718 as of June 30, 2018 and 2017, respectively.

**NOTE 8 - ACCRUED LIABILITIES PAYABLE**

Of the \$239,812 and \$68,668 in accounts payable and accrued liabilities reflected on the Statements of Net Position, \$0 and \$25,807 is construction retainage payable as of June 30, 2018 and 2017, respectively.

**NOTE 9 - NOTE PAYABLE**

The note payable in the amount of \$887,416 was actually advances on a loan from the Nevada Department of Environmental Protection (NDEP). The District entered into a contract with the NDEP where the District received advances from the NDEP for amounts expended by the District for the construction of the Grease Digestion and Cogeneration Project. The date of the contract was October 27, 2009 and was amended June 29, 2010 and will be repaid over twenty years in forty equal semiannual payments in the amount of \$38,583. This is an interest-free loan.

Maturities for the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 77,167
2020	77,167
2021	77,167
2022	77,167
2023	77,167
Thereafter	501,581
	<u>\$ 887,416</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in property, plant and equipment is as follows as of June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Plant, building, structures, and equipment	\$ 46,867,948	\$ 11,000	\$ -	\$ 46,878,948
Collection system and collection system equipment	4,970,145	-	-	4,970,145
Office equipment	216,334	6,918	-	223,252
Automobiles and trucks	273,406	16,533	-	289,939
	<u>52,327,833</u>	<u>34,451</u>	<u>-</u>	<u>52,362,284</u>
Less: accumulated depreciation	<u>(30,065,812)</u>	<u>-</u>	<u>1,472,967</u>	<u>(31,538,779)</u>
	22,262,021	34,451	1,472,967	20,823,505
Construction in progress	761,862	30,306	761,862	30,306
Land	789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 23,813,698</u>	<u>\$ 64,757</u>	<u>\$ 2,234,829</u>	<u>\$ 21,643,626</u>

A summary of changes in property, plant and equipment is as follows as of June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Plant, building, structures, and equipment	\$ 46,784,981	\$ 82,967	\$ -	\$ 46,867,948
Collection system and collection system equipment	4,965,192	4,953	-	4,970,145
Office equipment	216,334	-	-	216,334
Automobiles and trucks	273,406	-	-	273,406
	<u>52,239,913</u>	<u>87,920</u>	<u>-</u>	<u>52,327,833</u>
Less: accumulated depreciation	<u>(28,578,048)</u>	<u>-</u>	<u>1,487,764</u>	<u>(30,065,812)</u>
	23,661,865	87,920	1,487,764	22,262,021
Construction in progress	-	761,862	-	761,862
Land	\$ 789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 24,451,680</u>	<u>\$ 849,782</u>	<u>\$ 1,487,764</u>	<u>\$ 23,813,698</u>

It is the District's policy to purchase rather than lease property, plant and equipment. There were no material lease agreements in effect as of June 30, 2018 and 2017.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description:* The District offers post-employment health benefits to its retirees under a pay-as-you-go basis. The District uses what is termed a "reimbursement method" for its OPEB plan. Retirees receive up to \$900 per month. The \$900 per month reimbursement is made up to age 65.

*Actuarial Methods and Assumptions:* The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liabilities used to calculate the net OPEB liability was determined by actuarial valuations as of July 1, 2017, with the amounts rolled forward to June 30, 2018.

*Discount Rate:* Projections have been made using a discount rate of 3.87%. Where there are no plan assets, a rate based on 20-year Municipal General Obligation bonds (3.87%) is used.

	<b>Total OPEB Liability at 3.87%</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2017	\$ 78,005	\$ -	\$ 78,005
Charges for the year:			
Service cost	4,372	-	4,372
Interest cost	2,970	-	2,970
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	11,289	(11,289)
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments	(11,289)	(11,289)	-
Administrative expenses	-	-	-
Net changes	<u>(3,947)</u>	<u>-</u>	<u>(3,947)</u>
Balance at June 30, 2018	<u>\$ 74,058</u>	<u>\$ -</u>	<u>\$ 74,058</u>

There is no legal requirement to prefund these other post-employment benefit liabilities. Nor does GASB Statement No. 75 require actual prefunding; however, its accounting requirements will serve to highlight the substantial unfunded liabilities associated with these benefits.

*Discount Sensitivity:* The following presents the District's Net OPEB Liability calculated at the valuation discount rate of 3.87%, as well as at discount rates one percent higher (4.87%) and one percent lower (2.87%):

	<b>1% Decrease 2.87%</b>	<b>Discount Rate 3.87%</b>	<b>1% Increase 4.87%</b>
Net OPEB Liability	\$ 77,903	\$ 74,058	\$ 70,356

*Trend Sensitivity:* For postretirement medical plans, in particular, the calculated actuarial values are highly sensitive to the assumed rate of health care cost trend. This is due to the compounding effect of the annual trend rates assumed for medical costs, as opposed to pension valuations where benefit levels typically remain fixed.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

The following table presents the effect the valuation results of a 1% increase or decrease in the assumed rates of health care cost trend in each year:

	1% Decrease in Healthcare Costs Trend Rate	Base Trend Rate	1% Increase in Healthcare Costs Trend Rate
Net OPEB Liability	\$ 66,616	\$ 74,058	\$ 82,747

*Actuarial Assumptions:* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Projections of benefits for financial reported purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and the plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

**NOTE 12 – EXTRAORDINARY ITEM**

In December of 2015 the number three digester's over-flow line froze causing extensive damage. The expenses to repair the damages have been accumulated in the construction in progress account as shown within Property, Plant and Equipment. The total expenditures for the repairs were \$1,195,361 less the total insurance reimbursement in the amount of \$1,103,261 resulting in the net repair amount of \$92,100. The net repairs have been reported in the current year's repair and maintenance expense. The District also received insurance reimbursement in the amount of \$66,705 for the increased utility costs due to the cogeneration plant not operating and causing the increased usage of natural gas and electricity. The utility reimbursement amount has been offset against the utility expense.

**NOTE 13 - SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2018. Management has evaluated subsequent events through November 30, 2019 which is the date the financial statements were available for issue.

Subsequent to the issuance of the June 30, 2018 audit report, it was identified by a Board member that the auditor was not a licensed Certified Public Accountant, and was therefore not authorized to issue an audit report under Nevada Revised Statutes. The audit report was recalled, and a new audit firm was engaged during 2019 to re-audit the prior financial statements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>OPERATING REVENUES</b>			
Sewer user fees	\$ 1,723,384	\$ 1,740,631	\$ 17,247
Gardnerville Ranchos G.I.D fees	250,000	350,486	100,486
Other operating revenues	-	-	-
<b>Total operating revenues</b>	<u>1,973,384</u>	<u>2,091,117</u>	<u>117,733</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	789,243	718,380	70,863
Employee benefits	438,258	395,236	43,022
Services and supplies	739,200	1,101,355	(362,155)
Depreciation	1,495,000	1,472,967	22,033
<b>Total expenses</b>	<u>3,461,701</u>	<u>3,687,938</u>	<u>(226,237)</u>
<b>Operating loss</b>	<u>(1,488,317)</u>	<u>(1,596,821)</u>	<u>(108,504)</u>
<b>NON-OPERATING REVENUES</b>			
Interest revenues	4,000	73,789	69,789
Insurance reimbursement	1,000,000	-	(1,000,000)
Other revenues	530,895	540,701	9,806
<b>Total non-operating revenues</b>	<u>1,534,895</u>	<u>614,490</u>	<u>(920,405)</u>
<b>NET INCOME</b>	<u>\$ 46,578</u>	<u>\$ (982,331)</u>	<u>\$ (1,028,909)</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH FLOWS - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,973,384	\$ 1,984,337	\$ 10,953
Cash paid to suppliers for goods and services	(739,200)	(991,595)	(252,395)
Cash paid to employees	(789,243)	(663,895)	125,348
Cash paid to employee benefits	(438,258)	(395,236)	43,022
<b>Total cash flows from operating activities</b>	<u>6,683</u>	<u>(66,389)</u>	<u>(73,072)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from ad valorem taxes	396,236	389,935	(6,301)
Cash received from consolidated taxes	134,659	134,659	-
Cash received from miscellaneous income	-	14,290	14,290
<b>Total cash flows from noncapital financing activities</b>	<u>530,895</u>	<u>538,884</u>	<u>7,989</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition and construction of capital assets	(1,240,500)	(34,451)	1,206,049
Construction in progress	-	731,556	731,556
Capital contributed- users	205,000	766,870	561,870
Repayments of loan payable	(77,167)	(77,167)	-
<b>Total cash flows from capital financing activities</b>	<u>(1,112,667)</u>	<u>1,386,808</u>	<u>2,499,475</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	4,000	69,852	65,852
<b>Total cash flows from investing activities</b>	<u>4,000</u>	<u>69,852</u>	<u>65,852</u>
<b>Net increase in cash</b>	(571,089)	1,929,155	2,500,244
<b>Cash, July 1</b>	<u>6,592,912</u>	<u>6,493,399</u>	<u>(99,513)</u>
<b>Cash, June 30</b>	<u>\$ 6,021,823</u>	<u>\$ 8,422,554</u>	<u>\$ 2,400,731</u>



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
Supplementary Pension Information  
For the Year Ended June 30, 2018**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
LAST TEN YEARS\***

	Measurement Dates			
	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.01157%	0.01160%	0.01075%	0.01230%
Proportionate share of the net pension liability	\$ 1,538,638	\$ 1,560,688	\$ 1,231,576	\$ 1,066,120
Covered employee payroll	\$ 741,079	\$ 702,354	\$ 640,498	\$ 601,721
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	207.62%	222.21%	192.28%	177.18%
Plan fiduciary net position as a percentage of the total pension liability	74.40%	72.20%	75.10%	76.30%

**SCHEDULE OF CONTRIBUTIONS  
LAST TEN YEARS**

	2018	2017	2016	2015
Contractually required contributions	\$ 190,818	\$ 207,502	\$ 196,659	\$ 165,889
Contributions in relation to those contractually required	190,818	207,502	196,659	165,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 681,493	\$ 741,079	\$ 702,354	\$ 640,498
Contributions as a percentage of covered employee payroll	28.00%	25.90%	28.00%	25.90%

\*Only four years of information is available due to reporting changes related to the implementation of GASB 68 effective fiscal year 2015.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF OPERATING EXPENSES AND NON-OPERATING REVENUES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>OPERATING EXPENSES</b>		
Salaries and wages		
Salaries - plant	\$ 539,312	\$ 562,851
Salaries - collection system	51,705	51,281
Salaries - administration	127,363	122,970
Total salaries and wages	718,380	737,102
Employee benefits		
Employee benefits - plant	261,403	341,943
Employee benefits - collection system	71,450	31,154
Employee benefits - administration	62,383	73,856
Total employee benefits	395,236	446,953
Services and supplies		
Insurance	76,651	76,484
Utilities	128,436	176,487
Supplies	55,556	63,149
Repairs and maintenance	634,579	166,299
Other plant and collection expenses	7,276	3,828
Automobile and truck	6,950	7,489
Trustee's fees	25,265	40,500
Office supplies and expenses	22,999	22,919
Bank charges	10,242	8,155
Postage	6,025	6,268
Telephone	12,278	11,426
Advertising and publication	891	309
Travel	3,496	-
Other administration expense	2,293	1,577
Filling fees and permits	12,939	11,516
Sludge removal	9,985	14,953
Safety expense	5,758	5,369
Lobbying	-	42,500
Laboratory testing	18,284	13,178
Legal	26,057	54,216
Engineering	19,313	16,672
Accounting and audit	16,082	13,519
Total services and supplies	1,101,355	756,813
Total operating expenses other than depreciation	\$ 2,214,971	\$ 1,940,868
<b>NON-OPERATING REVENUES</b>		
Consolidated tax	\$ 134,659	\$ 134,660
Ad Valorem tax revenue	391,752	378,502
Miscellaneous income	88,079	46,648
Total non-operating revenue	\$ 614,490	\$ 559,810

*Casey Neilson, Inc.*  
**Accountants and Advisors**

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

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Minden Gardnerville Sanitation 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 Minden Gardnerville Sanitation 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 certain deficiencies in internal control described in the accompanying schedule of findings as items 2018-01 through 2018-06 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minden Gardnerville Sanitation 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in accompanying schedule of findings as items 2018-07 and 2018-08.

## **Minden-Gardnerville Sanitation District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**STATUS OF PRIOR YEAR FINDINGS**

Due to the timing of reporting the findings for the year ended June 30, 2017, the District had not had an opportunity to address them before the issuance of the June 30, 2018 financial statements. Accordingly, all the prior year findings have been reissued as 2018 findings.

**CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**2018-01                      Segregation of Duties**

**Criteria:**                      Segregation of duties is an important part of an internal control system to assist in preventing and detecting fraud, errors and irregularities.

**Effect:**                         Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                    During our discussion with staff it was noted that the staff member performing the bank reconciliation also has the ability and responsibility to initiate bank transactions.

**Cause:**                         Staff size and workflow procedures.

**Recommendation:**        Management should analyze staff duties and consider the impact of segregation of duties to ensure tasks are being completed with an internal control process in mind.

**Views of responsible officials and planned corrective actions:**

Duties among staff will be split to ensure one staff prepares the checks and another does the Bank reconciliations with consideration of the duties being rotated periodically. The bank reconciliations will be review monthly either by the District Manager or the Board Treasurer. Consideration will be given to hiring additional staff to circumvent the segregation of duties issues.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-02                      Use of Accounting Software**

**Criteria:**                      The ability to use and understand the accounting software being used is an integral part of ensuring the financial statements are properly stated and to ensure operations are running most efficiently.

**Effect:**                        Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                      During our audit and in discussion with staff it was noted that the accounting software was not being used to its potential which limited the amount of information the audit team was able to obtain. The trial balance, which is essential to analyzing account activity on the part of the District staff and the audit team, is not being correctly used. The lack of a fully functioning general ledger and trial balance were the result of several factors:

1. The auditor had not provided the District with an adjusted trial balance that could be loaded into the accounting software when it was implemented.
2. The auditor prepared a trial balance in his own software each year by rolling forward the prior year, entering the income statement items via a journal entry and then adjusting the balance sheet accounts for accruals.
3. The trial balance and adjusting journal entries were not provided to District staff to enable them to move forward with accurate records.

**Cause:**                         Lack of training and procedures.

**Recommendation:**        Management should consider an in depth staff training on the accounting software in conjunction with an accountant who is aware of what the information output should look like. Additionally, management may consider transitioning to a less robust accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software so they can properly do their jobs. Future transition to a better accounting software may be considered in the future.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-03**

**Inventory**

- Criteria:** Performing an annual inventory count, identifying the cost of the items in inventory and reconciling the inventory cost to the accounting records is an important part of preventing and detecting fraud, errors and irregularities.
- Effect:** Inaccurate inventory values could cause financial statements to reflect inappropriate amounts, including obsolete, undervalued or overvalued inventory; in addition, fraud, errors or irregularities could go undetected.
- Condition:** During our audit we were not provided with a current inventory listing that reported both items and values, nor were we provided with any evidence that the inventory was counted, and that the inventory listing was appropriately used and reconciled. Since the period under audit had already passed, there was no way to verify amounts reported on the financial statements, and therefore a qualified opinion was issued.
- Cause:** Inability to track inventory in the accounting system. No procedures in place to count, value and reconcile inventory.
- Recommendation:** Management should perform an annual inventory count to establish an accurate listing of inventory which reflects items and values.

**Views of responsible officials and planned corrective actions:**

An inventory policy will be implemented to properly account for inventory throughout the year. An annual inventory will be taken at June 30 to make sure inventory numbers are correct and the cost of the inventory at year end is properly accounted for.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-04                      Bank Reconciliations**

- Criteria:**                      Reconciling the bank accounts on a regular basis, and comparing the reconciled amounts to the general ledger is an important part of preventing and detecting fraud, errors and irregularities.
- Effect:**                        Transactions could occur that are not appropriately recorded in the financial statements, and errors, fraud or irregularities could go undetected.
- Condition:**                 During our audit we were provided with bank reconciliations that did not include a reconciliation to the general ledger balance. As such, the bank reconciliation does not provide assurance that all transactions are properly recorded in the system.
- Cause:**                        Inability to use functions included in the accounting software.
- Recommendation:**        Staff should obtain training on using the bank reconciliation tool in the accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software including the Bank reconciliation module so they can properly do their jobs.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-05                      Preparation of Year-End Accruals**

**Criteria:**                      The preparation of recording of year-end accruals is an important step in ensuring that the financial records and financial statements are complete, accurate and free from material misstatement.

**Effect:**                        Transactions could be present that are being recorded in the incorrect accounting period or being omitted entirely.

**Condition:**                      During our discussions with staff and through the performance of audit procedures we became aware that no year-end accruals were being recorded for items such as compensated absences, accrued payroll and accounts payable. Additionally, it was identified that too much reliance was being placed on the auditor to correctly identify and record items.

These items were corrected in the financial statements via a prior period adjustment.

**Cause:**                         Lack of training and procedures

**Recommendation:**              Management should consider hiring a CPA to come in at the end of each fiscal year to calculate and record accruals until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to do year end accruals for the District until such time as staff is trained in calculating and recording year end accruals or a CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-06                      Application of Accounting Principles and Standards**

**Criteria:** Adherence to generally accepted accounting principles and the standards established by the *Government Accounting Standards Board* are important in ensuring that the District's financial statements are presented appropriately.

**Effect:** GASB Statement No. 68 *Accounting and Reporting for Pensions* was issued in June 2012 and was effective for the District for the year ended June 30, 2015; however the standard was not timely implemented. This resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

Property taxes were being reported under the modified basis of accounting which is not an appropriate method for an enterprise fund.

Both of these items were corrected in the financial statements via a prior period adjustment.

**Condition:** The delay in implementing this Standard resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

The misapplication of the modified accrual basis of accounting resulted in deferred revenues being reported that were not appropriate for an enterprise fund.

**Cause:** Overreliance on the auditor to identify the standards to be implemented, and inability of staff to provide appropriate oversight of financial reporting due to a lack of training.

**Recommendation:** Management should consider hiring a CPA, designating a Board member with appropriate skills, knowledge or experience, or forming an audit committee to evaluate financial reporting until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to do year end accruals for the District until such time as staff is trained in calculating and recording year end accruals or a CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**COMPLIANCE FINDINGS:**

**2018-07                      Contracting With an Unlicensed Certified Public Accountant**

**Criteria:**                      NRS 364.624 requires that each local government shall provide for an annual audit of its financial statements.

**Effect:**                         All audits must be conducted by a Certified Public Accountant or by a partnership or professional corporation that is registered pursuant to chapter 628 of NRS.

**Condition:**                    The audit of the June 30, 2016 financial statements was performed by a Certified Public Accountant whose license under chapter 628 of NRS had been revoked by the State Board of Accountancy prior to report issuance. The same auditor was also engaged to perform the audits of the June 30, 2017 and 2018 financial statements. This is an apparent violation of NRS 354.624.

**Cause:**                         Lack of training and procedures.

**Recommendation:**        Management should require that the auditor submit proof of licensure and compliance with appropriate practice monitoring requirements prior to signing the annual engagement letter.

**Views of responsible officials and planned corrective actions:**

Before The District hires an auditor, the District will require the auditor to provide proof of being a properly licensed CPA in the State of Nevada and that the auditor is in compliance with appropriate practice monitoring requirements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**2018-08                      Payment of Compensation to the Board of Trustees**

**Criteria:**                      Pursuant to NRS 318.085, each member of a Board of Trustees of a district organized or reorganized pursuant to that chapter may receive as compensation for his or her service not more than \$6,000 per year. However, if the District is providing sanitary sewer improvements, lighting of streets and collection and disposition of garbage and refuse, this amount is increased to \$9,000.

**Effect:**                         Overpayment of compensation to members of the Board of Trustees.

**Condition:**                    In January 2015, the District was advised that the compensation to the trustees could be increased from \$6,000 to \$9,000 an apparent violation of NRS 318.085. The overpayment was not identified until February 2018 when Board Counsel brought it the attention of the Board of Trustees, and a repayment plan was entered into by the individual Trustees.

**Cause:**                         Misinterpretation of statutory provisions.

**Recommendation:**        None at this time.

**Views of responsible officials and planned corrective actions:**

The District will consult with its legal council in interpreting Nevada Revised Statutes and any other legal matters. The District may consult with the Nevada Department of Taxation in interpreting Nevada Revised Statutes applicable to the District.

*Casey Neilon, Inc.*  
**Accountants and Advisors**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH NEVADA REVISED STATUTES AND  
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

Compliance with Nevada Revised Statutes and regulations applicable to Minden-Gardnerville Sanitation District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether Minden-Gardnerville Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Nevada Revised Statutes (N.R.S.) and the Nevada Administrative Code, 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.

N.R.S. 354.624 and 354.6241 require that we provide a statement of assurance that:

- The District's enterprise fund is being used in accordance with the provisions of Chapter 354,
- The fund is being administered in accordance with accounting principles generally accepted in the United States of America,
- The reserve funds are limited to an amount that is reasonable and necessary to carry out the purposes of the District,
- The sources of revenues available for the District, the statutory and regulatory requirements of the District, and the net position of the District have been properly recorded.

We applied procedures to test the District's compliance with these requirements applicable to the District's enterprise fund. The results of our tests disclosed instances of noncompliance which are described in accompanying schedule of findings as items 2018-07 and 2018-08.

**Purpose of this Report**

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.

*Casey Neilon*

Casey Neilon  
Carson City, Nevada  
November 30, 2019





**RECEIVED**  
DEC 27 2019  
STATE OF NEVADA  
DEPARTMENT OF TAXATION

---

December 27, 2019

State of Nevada  
Department of Taxation  
Local Government Finance  
1550 E College Pkwy.  
Carson City, NV 89706-9737

Attn: Kelly Langley

Dear Kelly:

Enclosed are two copies of the June 30, 2019 audit for the Minden-Gardnerville Sanitation District which has been compiled by the firm of Casey Neilon, Inc. The audit was reviewed and approved by the Board of Trustees at the special meeting on December 26, 2019.

Sincerely,

Sarah M. King  
Administrative Assistant





**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**JUNE 30, 2019 AND 2018**

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
JUNE 30, 2019 AND 2018**

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**MINDEN-GARDNERVILLE SANITATION DISTRICT**

**MINDEN, NEVADA**

**District Officials For  
Fiscal Year Ended June 30, 2019**

**Board of Trustees**

**Barbara Smallwood  
Chairman**

**Ted Thran  
Secretary/Treasurer**

**Robert Allgeier  
Vice-Chairman**

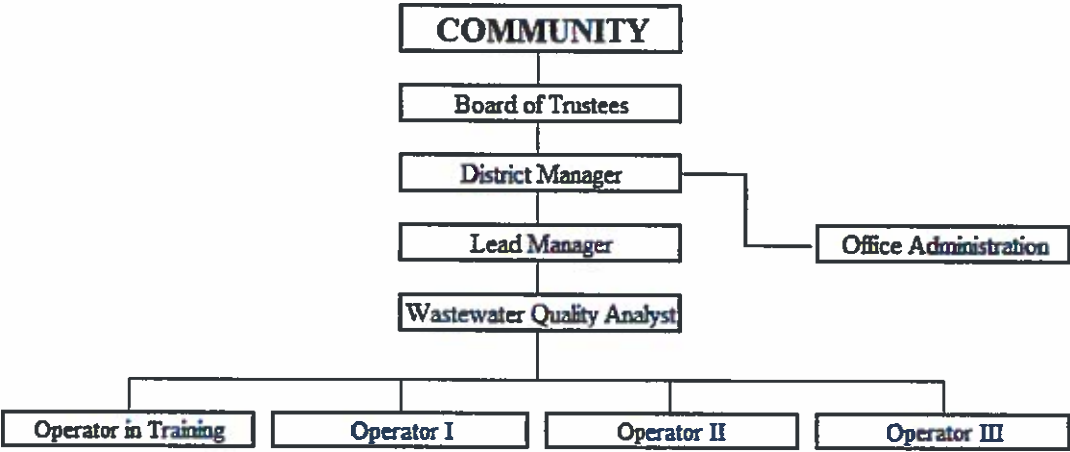
**Mary Schilling  
Member**

**Michael B. King  
Member**

**Administrative Officials**

**Frank T. Johnson  
District Manager**

MINDEN-GARDNERVILLE SANITATION DISTRICT  
ORGANIZATION CHART  
JUNE 30, 2019



*Casey Neilson, Inc.*  
Accountants and Advisors

**INDEPENDENT AUDITOR'S REPORT**

To the Board of the  
Minden Gardnerville Sanitation District

***Report on the Financial Statements***

We have audited the accompanying financial statements of Minden Gardnerville Sanitation District (the "District") for the years ended June 30, 2019 and 2018, and notes to the financial statements, which collectively comprise the District's 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Minden Gardnerville Sanitation District as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Qualified Opinion***

The District carries a material balance in their inventory which is made up of various pieces of miscellaneous parts and equipment. There are no inventory records dating back to the period under audit and no physical count was done at the balance sheet date. We were unable to obtain sufficient appropriate evidence about the carrying amount of the District's inventory. Consequently, we were unable to validate the balance of inventory and therefore do not know if any adjustments to the account are necessary.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and post-employment benefits information on pages 4-7 and 27-29 and in Note 11, 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 pension and other post-employment benefits 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 this required information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and schedule of operating expenses and non-operating revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and non-operating revenues are the responsibility of management and were derived from and relate 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, schedule of operating expenses and non-operating revenues is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019 on our consideration of Minden Gardnerville Sanitation 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 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 Minden Gardnerville Sanitation District's internal control over financial reporting and compliance.

***Report on Other Legal and Regulatory Requirements***

In accordance with the Nevada Administrative Code, we have also issued our report dated November 30, 2019, on our consideration of the Minden Gardnerville Sanitation District's compliance with certain provisions of the Nevada Revised Statutes. That report is an integral part of an audit performed in accordance with this code and should be read in conjunction with this report in considering the results of our audit.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

This section of Minden-Gardnerville Sanitation District's annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ending June 30, 2019. We encourage readers to read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The total net assets of the Minden-Gardnerville Sanitation District decreased 1.36% during the current fiscal year from \$27,977,597 to \$27,598,401. Operating revenues increased 1.95% during the current fiscal year from \$2,091,117 to \$2,131,907.
- During the year the District invested \$68,702 in the acquisition and construction of capital assets, and \$71,083 in construction in progress.
- The District's operating expenses decreased 3.07% from \$3,687,938 to \$3,574,535.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Minden-Gardnerville Sanitation District's basic financial statements. The District's basic financial statements are comprised of the enterprise fund financial statements and schedules, and notes to the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information about the District's finances, in a manner similar to a private sector business. These statements provide both long-term and short-term information about the District's overall financial status.

The Statements of Net Assets provides information on all of the Minden-Gardnerville Sanitation District's assets and deferred outflows and liabilities and deferred inflows, 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 of the District is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population and industrial/commercial customer growth, and new or changed government legislation.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities. This statement provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is necessary for a full understanding of the data provided in the financial statements.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**FINANCIAL ANALYSIS**

The total net position decreased 1.36%, while the investment in capital assets component also decreased by 6.01% due in large part to the depreciation in the amount of \$1,464,834. The District's assets and deferred inflows exceeded liabilities and deferred outflows by \$27,598,401.

The largest portion of the District's net assets (70.69%) reflects its investment in capital assets (i.e., buildings, machinery and equipment). The District uses these capital assets to provide sewage treatment services to customers. Consequently, these assets are not available for future spending.

The total net position includes \$5,468,713 restricted for future capital improvement projects and \$81,044 restricted in a separate account for the loan contract with Nevada Department of Environmental Protection and \$2,540,316 that is unrestricted and undesignated and available for use at the discretion of the District.

While the Condensed Summary of Changes in Net Position shows the change in financial position, the Condensed Summary of Revenues, Expenses and Changes in Net Position provides answers as to the nature and sources of these changes.

Total revenues decreased 7.98% with the most significant change being the Gardnerville Ranchos G.I.D. fees which increased 9.12% to \$382,448 and the sewer user capital contributions which decreased 50.82% to \$377,111.

Following is a condensed summary schedule of the District's statements of net position:

**CONDENSED SUMMARY OF STATEMENTS OF NET POSITION**

	2019	2018
Current and other assets	\$ 4,215,978	\$ 3,888,782
Restricted assets	5,549,757	5,095,987
Capital assets	20,318,577	21,643,626
Total assets	30,084,312	30,628,395
Deferred outflows of resources	334,552	320,334
Current liabilities	249,521	348,060
Long-term liabilities	2,354,260	2,518,940
Total liabilities	2,603,781	2,867,000
Deferred inflows of resources	216,682	104,132
Net position:		
Invested in capital assets, net of related debt	19,508,328	20,756,210
Restricted	81,044	79,192
Designated	5,468,713	5,016,795
Unrestricted	2,540,316	2,125,400
Total net position	\$ 27,598,401	\$ 27,977,597

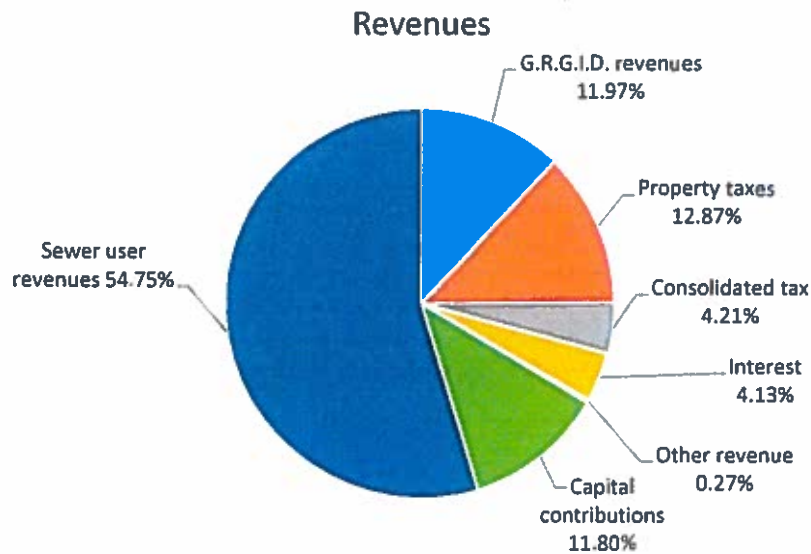
**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

Following is a condensed summary schedule of the District's revenues, expenses, and changes in net position:

**CONDENSED SUMMARY OF REVENUES  
EXPENSES AND CHANGES IN NET POSITION**

	<u>2019</u>	<u>2018</u>	<u>PERCENT CHANGE</u>
<b>Operating revenues</b>			
Charges for services	\$ 2,131,907	\$ 2,091,117	2.0%
<b>General revenues</b>			
Interest and other	140,497	88,079	59.5%
Ad valorem taxes	411,165	391,752	5.0%
Consolidated taxes	134,659	134,659	0.0%
Capital contributions	<u>377,111</u>	<u>766,870</u>	<u>-50.8%</u>
<b>Total revenues</b>	<u>3,195,339</u>	<u>3,472,477</u>	<u>-8.0%</u>
<b>Program expenses</b>	<u>3,574,535</u>	<u>3,687,938</u>	<u>-3.1%</u>
<b>Total expenses</b>	<u>3,574,535</u>	<u>3,687,938</u>	<u>-3.1%</u>
<b>Change in net position</b>	<u>\$ (379,196)</u>	<u>\$ (215,461)</u>	<u>76.0%</u>

The following chart presents the primary revenue sources:



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**BUDGETARY HIGHLIGHTS**

The District adopts annual operation and maintenance and capital budgets outlining the estimated expenditures for programs or projects already authorized or to be considered by the District's Board of Trustees. Annually, unspent funds may be carried over to the succeeding fiscal year budget.

For the fiscal year ended June 30, 2019, the actual user revenues were above the budgeted revenues by 7.18%. The budgeted total operating expenses exceeded the actual operating expenses by \$104,604 or 3.01%.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets -- During the fiscal year, the District's major expenditure was additions to the collection system.

Debt Administration -- The District repaid \$77,167 of the loan from the Nevada Department of Environmental Protection payable to the Nevada State Treasurer.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The 2020 operating budget expenses total \$3,643,495, an increase of 1.93% over the 2019 actual expenses.

The measurement for purposes of calculating sewer user fees is the Equivalent Dwelling Unit (EDU). The District's growth has been steadily increasing over the past ten years; however, it has leveled off the past two years.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Minden-Gardnerville Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Office, 1790 Highway 395, Minden, Nevada 89423.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>Current assets:</b>		
Cash	\$ 3,729,332	\$ 3,326,567
Accounts receivable- customers	121,637	101,039
Accounts receivable - FEMA	-	92,924
Accounts receivable - Board Members	4,243	12,236
Taxes receivable	22,443	22,443
Interest receivable	12,487	8,484
Prepaid expenses	105,416	102,790
Inventory	213,788	213,788
<b>Total current assets</b>	<u>4,209,346</u>	<u>3,880,271</u>
<b>Noncurrent assets:</b>		
Restricted cash	5,549,757	5,095,987
Property, plant and equipment, net	20,318,577	21,643,626
Delinquent taxes receivable	4,511	6,390
Refundable deposits	2,121	2,121
<b>Total noncurrent assets</b>	<u>25,874,966</u>	<u>26,748,124</u>
<b>Total assets</b>	<u>30,084,312</u>	<u>30,628,395</u>
<b>Deferred outflows of resources:</b>		
Pension and OPEB related amounts	334,552	320,334
<b>Total deferred outflows of resources</b>	<u>334,552</u>	<u>320,334</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	110,325	239,812
Customer advances	25,831	20,174
Compensated absences	36,198	10,907
Current portion of long-term debt	77,167	77,167
<b>Total current liabilities</b>	<u>249,521</u>	<u>348,060</u>
<b>Noncurrent liabilities:</b>		
Customer deposits	18,111	18,111
Compensated absences	94,480	77,884
Note payable	733,082	810,249
Net pension liability	1,402,570	1,538,638
Net OPEB liability	106,017	74,058
<b>Total noncurrent liabilities</b>	<u>2,354,260</u>	<u>2,518,940</u>
<b>Total liabilities</b>	<u>2,603,781</u>	<u>2,867,000</u>
<b>Deferred inflows of resources:</b>		
Pension related amounts	216,682	104,132
<b>Total deferred inflows of resources</b>	<u>216,682</u>	<u>104,132</u>
<b>NET POSITION</b>		
Invested in fixed assets, net of related debt	19,508,328	20,756,210
Restricted for note repayment	81,044	79,192
Unrestricted	8,009,029	7,142,195
<b>Total net position</b>	<u>\$ 27,598,401</u>	<u>\$ 27,977,597</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES:</b>		
Sewer user fees	\$ 1,749,444	\$ 1,740,631
Gardnerville Ranchos G.I.D fees	382,448	350,486
Other operating revenues	15	-
<b>Total operating revenues</b>	<u>2,131,907</u>	<u>2,091,117</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	816,691	718,380
Employee benefits	373,122	395,236
Services and supplies	919,888	1,101,355
Depreciation	1,464,834	1,472,967
<b>Total operating expenses</b>	<u>3,574,535</u>	<u>3,687,938</u>
<b>Operating loss</b>	<u>(1,442,628)</u>	<u>(1,596,821)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest revenues	131,997	73,789
Other revenues	554,324	540,701
<b>Total non-operating revenues (expenses)</b>	<u>686,321</u>	<u>614,490</u>
<b>Net loss</b>	<u>(756,307)</u>	<u>(982,331)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>377,111</u>	<u>766,870</u>
<b>Change in net position</b>	<u>(379,196)</u>	<u>(215,461)</u>
<b>NET POSITION, JULY 1</b>	<u>27,977,597</u>	<u>28,193,058</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 27,598,401</u>	<u>\$ 27,977,597</u>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 2,209,890	\$ 1,984,337
Cash paid to suppliers for goods and services	(1,052,001)	(991,595)
Cash paid to employees	(766,811)	(663,895)
Cash paid to employee benefits	(378,899)	(395,236)
<b>Total cash flows used in operating activities</b>	<b>12,179</b>	<b>(66,389)</b>
Cash flows from noncapital financing activities:		
Cash received from ad valorem taxes	413,044	389,935
Cash received from consolidated taxes	134,659	134,659
Cash received from miscellaneous income	8,500	14,290
<b>Total cash flows from noncapital financing activities</b>	<b>556,203</b>	<b>538,884</b>
Cash flows from capital financing activities:		
Acquisition and construction of capital assets	(68,702)	(34,451)
Construction in progress	(71,083)	(30,307)
Insurance reimbursement for construction in progress	-	761,863
Capital contributed - users	377,111	766,870
Repayments of loan payable	(77,167)	(77,167)
<b>Total cash flows used in capital financing activities</b>	<b>160,159</b>	<b>1,386,808</b>
Cash flows from investing activities:		
Interest on investments	127,994	69,852
<b>Total cash flows used in investing activities</b>	<b>127,994</b>	<b>69,852</b>
<b>Net increase in cash</b>	<b>856,535</b>	<b>1,929,155</b>
<b>Cash, July 1</b>	<b>8,422,554</b>	<b>6,493,399</b>
<b>Cash, June 30</b>	<b>\$ 9,279,089</b>	<b>\$ 8,422,554</b>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Reconciliation of operating loss to</b>		
<b>total cash flows used in operating activities:</b>		
Operating loss	\$ (1,442,628)	\$ (1,596,821)
<b>Adjustments to reconcile operating loss to</b>		
<b>total cash flows used in operating activities:</b>		
Depreciation	\$ 1,464,834	\$ 1,472,967
Decrease (increase) in accounts receivable	80,319	(106,956)
Decrease (increase) in inventory	-	26
Decrease (increase) in prepaid expenses	(2,626)	(6,982)
Decrease (increase) in deferred outflows	(14,218)	68,707
Increase (decrease) in accounts payable and accrued liabilities	(129,487)	129,434
Increase (decrease) in accrued compensated absences	41,887	11,669
Increase (decrease) in customer advances	5,657	(12,060)
Increase (decrease) in deferred inflows	112,550	(376)
Increase (decrease) in net pension obligation	(136,068)	(22,050)
Increase (decrease) in net OPEB liability	31,959	(3,947)
	(10,027)	57,465
<b>Net cash provided by operating activities</b>	<b>\$ 12,179</b>	<b>\$ (66,389)</b>

See accompanying notes

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Minden-Gardnerville Sanitation District (the "District") is governed by an elected Board of Trustees and provides a sewer collection and treatment system for residential and commercial users located in a portion of Douglas County, Nevada.

**Reporting Entity**

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The District is not considered to be financially accountable for any other governmental entity since no other entities are considered to be controlled by or dependent on the board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. The District's financial statements are presented as a Special District using Enterprise Fund accounting.

**Proprietary Fund**

Enterprise Fund — The enterprise fund is used to account for the operations of the sewer collection and treatment system, which is the principal reason for the District's existence. An Enterprise Fund is used to account for operations (a) which are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The only fund employed by the District is the Enterprise Fund.

**Measurement Focus, Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Expenditures are recorded when the related fund liability is incurred.

**Cash and Investments**

Cash balances are invested as permitted by law. Investments are recorded at fair value. Pursuant to NRS 355.110 and 365.161, the District may only invest in the following types of securities:

- Securities of the United States Treasury, United States Postal Service, or the Federal National Mortgage Association, maturing within ten years from the date of purchase.
- Negotiable certificates of deposit 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.
- Certain farm loan bonds.
- Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.
- Other securities expressly provided by statute, including repurchase agreements.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Taxes

Property taxes are levied on July 1 each year, and are due in four equal installments in August, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates. All taxes are collected by the County Treasurer and remitted to the District.

Capital Assets and Depreciation

All capital assets are recorded in the Statements of Net Position at historic cost or estimated historical cost if actual cost is not available. The District defines capital assets as assets with a unit cost of \$1,000 or more and an estimated useful life in excess of one year. Depreciation is accumulated on a straight-line basis over the estimated useful life of the asset. Useful life is estimated by management on the basis of their experience with similar assets.

Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Property, Plant and Equipment

Plant — Building and Structures	50 years
Plant — Process Equipment	20 years
Plant — Supplemental Systems and Equipment	10 to 30 years
Plant — Other Improvements	3 to 30 years
Collection System	7 to 30 years
Collection System — Maintenance Equipment	10 to 30 years
Automobiles	5 years
Office Equipment	3 to 10 years

Compensated Absences

Liabilities for compensated absences relating to services already rendered and that are not contingent on a specified event, are accounted for in the period those services are rendered, or those events take place. The District's policy provides for payment of accrued vacation time upon termination of employment up to certain maximums, and is payable upon retirement or termination.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan'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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The District has pension related deferred outflows that qualify for reporting in this category. Pension related deferred outflow or resources are discussed in depth in Note 6.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The District has pension related deferred inflows that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 6.

Net Position

Net position is classified as follows:

*Net investment in capital assets:* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Unrestricted net position:* Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expense for any purpose.

Operating and Non-operating Revenues and Expenses

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Grants and contracts representing non-exchange receipts are treated as non-operating revenues.

Provisions for Uncollectible Taxes and User Fees

The District makes no provision for estimated uncollectible ad valorem taxes receivable and user fees receivable. Adequate legal remedies are presently available to enforce the collection of such taxes as well as user fees, and amounts which may ultimately prove uncollectible should not be material in amount

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

New Accounting Pronouncements

In March 2017, the GASB issued Statement No. 85, Omnibus 2017 (GASB 85). This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will enhance consistency in the application and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. This statement is effective June 15, 2017. The District has implemented this pronouncement during 2018, which did not result in a material change to the financial statements.

**NOTE 2 - COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE**

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

**NOTE 3 - CASH**

The detail of total cash at June 30, 2019, was as follows:

	Non <u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and Government Deposit pool	3,726,520	5,549,757	9,276,277
Cash held by county in fiduciary capacity	2,512	-	2,512
	<u>\$ 3,729,332</u>	<u>\$ 5,549,757</u>	<u>\$ 9,279,089</u>

The detail of total cash at June 30, 2018, was as follows:

	Non <u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Cash in banks and Government Deposit pool	3,325,881	5,095,987	8,421,868
Cash held by county in fiduciary capacity	386	-	386
	<u>\$ 3,326,567</u>	<u>\$ 5,095,987</u>	<u>\$ 8,422,554</u>

The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing the deposits, or with a brokerage firm, in which case securities collateralizing the deposits are held by a third party bank, in an agency capacity, for the county.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 3 – CASH (Continued)**

State statutes authorize the District to invest in certificates of deposit issued by commercial banks or insured savings and loan associations', bankers' acceptances, the State investment pool, U.S. Treasury obligations, obligations of other U.S. Government agencies, and repurchase agreements.

Any securities purchased by or on behalf of the District must remain in the physical possession of an appropriate officer of the District or a trust department of a designated bank (federally insured) after issuing a written acknowledgment.

To facilitate better management of the District's resources, all cash under the direct management of the Board of Trustees is combined in pooled operating and investment accounts. Cash not directly managed by the Board of Trustees is held by the Douglas County Treasurer.

The cash held by the county in a fiduciary capacity is primarily composed of \$2,512, held in interest-bearing accounts in the District's name. The county invests District cash in either the state governmental deposit pool, which holds securities collateralizing deposits, or with a brokerage firm, in which case the securities collateralizing deposits are held by a third party bank in an agency capacity for the county.

The cash in banks and governmental deposit pool shown above includes \$6,276,970 in interest bearing state governmental deposit pool accounts, into which deposits from other Nevada governmental units are combined. The state governmental deposit pool is required by state statutes to hold securities which collateralize its deposits. The State of Nevada, Local Government Investment Pool issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Office of the State Treasurer, of the State of Nevada, 101 North Carson Street, #4, Carson City, Nevada, 89701.

Credit risk classifications of the District's cash flow is as follows:

	<b>2019</b>	<b>2018</b>
Insured or collateralized with securities held by agents of the District	\$9,278,789	\$8,422,254
Uncollateralized - cash on hand	300	300
	<b>\$9,279,089</b>	<b>\$8,422,554</b>

Cash held and administered by the Treasurer of Douglas County, Nevada is the responsibility of Douglas County. The County is required to maintain adequate insurance on all of its cash and investments and is primarily liable to all pass-through governmental entities for the administration of each entity's cash portion.

**NOTE 4 - RESTRICTED CASH**

On December 7, 1982, the governing body of the District passed Resolution 82-3 establishing restricted cash balances. On April 2, 2013, the governing body of the District passed a motion revising the allocation of the user fee allocations for plant expansion, line rehabilitation and odor control. Additionally, on September 6, 2016 the governing body of the District passed resolution 16-002 establishing a restricted fund for emergency repairs. The restricted emergency repairs fund was started with an initial transfer of funds from the operating account in the amount of \$500,000.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 4 - RESTRICTED CASH (Continued)**

Allocations are as follows as of May 1, 2018:

<u>Collections From</u>	<u>Plant Expansion</u>	<u>Line Rehabilitation</u>	<u>Odor Control</u>
Acreage and annexation fees	100%	0%	0%
Connection fees	20%	80%	0%
Capacity fees	50%	50%	0%

At June 30, 2019, cash restricted for odor control was \$518,248, cash restricted for plant expansion was \$3,818,034, cash restricted for line rehabilitation was \$540,566, and cash restricted for emergency repair was \$514,732. The Board approved a resolution in September 2018 such that 100% of GRGID capacity fees are restricted for the GRGID interceptor line; this amounted to \$77,133 as of June 30, 2019.

At June 30, 2018, cash restricted for odor control was \$510,633, cash restricted for plant expansion was \$3,618,004, cash restricted for line rehabilitation was \$380,990, and cash restricted for emergency repair was \$507,168.

The loan contract with the Nevada Department of Environmental Protection requires an amount equal to one year's note payments, totaling \$77,167, to be placed into a separate restricted account. This is an interest bearing account and the cash restricted for the Nevada Department of Environmental Protection was \$81,044 and \$79,192 for the fiscal year ended June 30, 2019 and 2018, respectively.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on July 1 of each year, and are due in four equal installments in July, October, January, and March. Taxes are considered delinquent if not paid within ten days of the due dates.

The District does not directly collect any taxes. All taxes are collected by the County and State and remitted to the District. Property tax revenues are recognized when they become available.

**NOTE 6 - PENSION PLAN**

*Plan Description.* The District contributed to the Public Employees' Retirement System of the State of Nevada (PERS), a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes (NRS) establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees' Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada, 89703.

*General Information about the PERS Cost Sharing Pension Plan.* PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS 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.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 - PENSION PLAN (Continued)**

*Funding Policy.* As provided by NRS 286.464, the District is required to contribute all amounts due under the plan. For the fiscal year ended June 30, 2019, 2018 and 2017 the Statutory Employer/Employee matching rate was 14.50%, 14.50% and 14.50% respectively. The Employer-pay contribution (EPC) rate was 28.00%, 28.00% and 28.00%, respectively.

PERS' 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.

*Benefits Provided.* Benefits, as required by the NRS, 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. Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, the multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - 286.579.

*Vesting.* 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. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

*Pension Liabilities.* At June 30, 2019 and 2018, the District reported a liability of \$1,402,570 and \$1,538,638, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the periods ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the District's proportion was 0.01028% and 0.01157%, respectively.

*Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.* For the years ended June 30, 2019 and 2018, the District recognized pension expense of \$93,453 and \$141,778, respectively. As of June 30, 2019 and 2018, amounts totaling \$104,946 and \$95,409 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2020 and 2019, respectively.

**MINDEN-GARDNERVILLE SANITATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 - PENSION PLAN (Continued)**

At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>		<u>2018</u>	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 43,939	\$ 65,103	\$ -	\$ 100,966
Changes of assumptions	73,907	-	102,074	-
Net difference between projected and actual earnings on investments	-	6,678	9,990	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	85,518	144,901	112,861	3,166
System contributions subsequent to the measurement date	104,946	-	95,409	-
	<u>\$ 308,310</u>	<u>\$ 216,682</u>	<u>\$ 320,334</u>	<u>\$ 104,132</u>

The net difference related between projected and actual investment earnings on pension plan investments will be recognized over five years, all other deferred outflows and inflows will be recognized over the average expected remaining service lives, which was 6.22 years for the measurement period.

Reconciliation of the net pension liability at June 30, 2019 and 2018 is as follows:

<u>Reconciliation of Net Pension Liability</u>	<u>2019</u>	<u>2018</u>
Beginning net pension liability	\$ 1,538,638	\$ 1,560,688
Pension expense	93,453	141,778
Employer contributions	(95,412)	(103,841)
Net deferred (inflows)/outflows	(134,109)	(59,987)
<b>Ending Net Pension Liability</b>	<u>\$ 1,402,570</u>	<u>\$ 1,538,638</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contribution subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2020	\$ 32,103
2021	8,500
2022	(22,009)
2023	11,911
2024	13,657
2025	1,852
	<u>\$ 46,064</u>



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 - PENSION PLAN (Continued)**

*Pension Liability Discount Rate Sensitivity.* The following presents the net pension liability of the District as of June 30, 2019, calculated using the discount rate of 7.5%, as well as what PERS' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current discount rate: Deferred outflows (inflows) of resources related to pensions will recognized as follows:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of net pension liability	\$ 2,138,862	\$ 1,402,570	\$ 790,754

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50% and 8.00% as of June 30, 2019 and 2018, respectively. 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, 2019 and 2018, 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, 2019 and 2018.

*Actuarial Assumptions.* The Fund's net pension liability was measured as of June 30, 2018, 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, unless otherwise specified:

Inflation	2.75%
Payroll growth	5.00% including inflation
Investment rate of return	7.5%
Productivity rate of return	0.50%
Projected salary increase	Regular 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2017.

PERS 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.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 6 - PENSION PLAN (Continued)**

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2014 with Scale AA, set forward three years.

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

The following was the PERS' Board adopted policy target asset allocation as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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, 2018, PERS' long-term inflation assumption was 2.75%

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at [www.nvpers.org](http://www.nvpers.org) or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

**NOTE 7 - COMPENSATED ABSENCES**

The District accrues a liability for compensated absences which meet all of the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to services already rendered;
2. The obligation relates to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

Vacation may be accumulated by employees up to certain maximums, and is payable upon retirement or termination. Total vacation pay accrued amounted to \$59,933 and \$54,767 as of June 30, 2019 and 2018, respectively.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 7 - COMPENSATED ABSENCES (Continued)**

Sick leave may be accumulated by employees up to a maximum of 720 hours per employee, and is payable upon retirement or termination. The employee must have ten years of service with the District to be vested. If an employee meets the ten-year vesting requirement, sick leave will be paid to the employee in the amount of thirty-five percent (35%) of the employee's accumulated sick leave. There is an additional one percent (1%) of vesting for each year of service after the ten years of service up to a maximum of fifty percent (50%). The vested accrued sick leave amounted to \$70,745 and \$34,023 as of June 30, 2019 and 2018, respectively.

The amount of vacation and vested sick pay which will be liquidated with expendable available financial resources (current) amounted to \$36,198 and \$10,907 as of June 30, 2019 and 2018, respectively.

**NOTE 8 - ACCRUED LIABILITIES PAYABLE**

Of the \$146,523 in accounts payable and accrued liabilities reflected on the Statements of Changes in Net Position, \$0 is construction retainage payable.

**NOTE 9 - NOTE PAYABLE**

The note payable in the amount of \$810,249 was actually advances on a loan from the Nevada Department of Environmental Protection (NDEP). The District entered into a contract with the NDEP where the District received advances from the NDEP for amounts expended by the District for the construction of the Grease Digestion and Cogeneration Project. The date of the contract was October 27, 2009 and was amended June 29, 2010 and will be repaid over twenty years in forty equal semiannual payments in the amount of \$38,583. This is an interest-free loan.

Maturities for the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 77,167
2020	77,167
2021	77,167
2022	77,167
2023	77,167
Thereafter	424,414
	<u>\$ 810,249</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in property, plant and equipment is as follows as of June 30, 2019:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Plant, building, structures, and equipment	\$ 46,878,948	\$ -	\$ -	\$ 46,878,948
Collection system and collection system equipment	4,970,145	60,977	-	5,031,1225
Office equipment	223,252	7,725	-	230,977
Automobiles and trucks	289,939	-	-	289,939
	<u>52,362,284</u>	<u>68,702</u>	<u>-</u>	<u>52,430,983</u>
Less: accumulated depreciation	<u>(31,538,779)</u>	<u>-</u>	<u>1,464,834</u>	<u>(33,003,613)</u>
	20,823,505	68,702	1,484,834	19,427,373
Construction in progress	30,306	30,306	-	101,389
Land	789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 21,643,626</u>	<u>\$ 139,785</u>	<u>\$ 1,464,834</u>	<u>\$ 20,318,577</u>

A summary of changes in property, plant and equipment is as follows as of June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Plant, building, structures, and equipment	\$ 46,867,948	\$ 11,000	\$ -	\$ 46,878,948
Collection system and collection system equipment	4,970,145	-	-	4,970,145
Office equipment	216,334	6,918	-	223,252
Automobiles and trucks	273,406	16,533	-	289,939
	<u>52,327,833</u>	<u>34,451</u>	<u>-</u>	<u>52,362,284</u>
Less: accumulated depreciation	<u>(30,065,812)</u>	<u>-</u>	<u>1,472,967</u>	<u>(31,538,779)</u>
	22,262,021	34,451	1,472,967	20,823,505
Construction in progress	761,862	30,306	761,862	30,306
Land	789,815	-	-	789,815
Net property, plant, and equipment	<u>\$ 23,813,698</u>	<u>\$ 64,757</u>	<u>\$ 2,234,829</u>	<u>\$ 21,643,626</u>

It is the District's policy to purchase rather than lease property, plant and equipment. There were no material lease agreements in effect as of June 30, 2019 and 2018.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description:* The District offers post-employment health benefits to its retirees under a pay-as-you-go basis. The District uses what is termed a "reimbursement method" for its OPEB plan. Retirees receive up to \$900 per month. The \$900 per month reimbursement is made up to age 65.

*Actuarial Methods and Assumptions:* The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liabilities used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2019.

*Discount Rate:* Projections have been made using a discount rate of 3.50% and 3.87% for the fiscal years ended June 30, 2019 and 2018, respectively. Where there are no plan assets, a rate based on 20-year Municipal General Obligation bonds (3.50%) is used.

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at June 30, 2017	\$ 78,005	\$ -	\$ 78,005
Charges for the year:			
Service cost	4,372	-	4,372
Interest cost	2,970	-	2,970
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	11,289	(11,289)
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments	(11,289)	(11,289)	-
Administrative expenses	-	-	-
Net changes	<u>(3,947)</u>	<u>-</u>	<u>(3,947)</u>
Balance at June 30, 2018	\$ 74,058	\$ -	\$ 74,058
Charges for the year:			
Service cost	4,503	-	4,503
Interest cost	2,814	-	2,814
Changes in benefit terms	8,073	-	8,073
Differences between expected and actual experience	9,444	-	9,444
Changes in assumptions	18,809	-	18,809
Contributions – employer	-	11,684	(11,684)
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments	(11,684)	(11,684)	-
Administrative expenses	-	-	-
Net changes	<u>31,959</u>	<u>-</u>	<u>31,959</u>
Balance at June 30, 2019	<u>\$ 106,017</u>	<u>\$ -</u>	<u>\$ 106,017</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

There is no legal requirement to prefund these other post-employment benefit liabilities. Nor does GASB Statement No. 75 require actual prefunding; however, its accounting requirements will serve to highlight the substantial unfunded liabilities associated with these benefits.

*Discount Sensitivity:* The following presents the District's Net OPEB Liability calculated at the valuation discount rate of 3.50%, as well as at discount rates one percent higher (4.50%) and one percent lower (2.50%):

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$ 116,158	\$ 106,017	\$ 97,335

*Trend Sensitivity:* For postretirement medical plans, in particular, the calculated actuarial values are highly sensitive to the assumed rate of health care cost trend. This is due to the compounding effect of the annual trend rates assumed for medical costs, as opposed to pension valuations where benefit levels typically remain fixed.

The following table presents the effect the valuation results of a 1% increase or decrease in the assumed rates of health care cost trend in each year:

	1% Decrease in Healthcare Costs Trend Rate	Base Trend Rate	1% Increase in Healthcare Costs Trend Rate
Net OPEB Liability	\$ 94,496	\$ 106,017	\$ 120,080

*Actuarial Assumptions:* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the plan members to that point. Projections of benefits for financial reported purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and the plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 8,772	\$ -	\$ -	\$ -
Changes of assumptions	17,471	-	-	-
Net difference between projected and actual earnings on investments	-	-	-	-
	\$ 26,243	\$ -	\$ -	\$ -

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 11 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to other post employment benefits, are expected to be recognized as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2020	\$ 2,009
2021	2,009
2022	2,009
2023	2,009
2024	2,009
Thereafter	<u>16,198</u>
	<u>\$ 26,243</u>

The following is required supplementary information for post employment benefits other than pensions:

For the year ended June 30, 2019, plan fiduciary net position as a percentage of net OPEB liability is 0%; covered payroll is \$660,192 and net OPEB liability as a percentage of covered payroll is 16.1%.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2019. Management has evaluated subsequent events through November 30, 2019 which is the date the financial statements were available for issue.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
 SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>OPERATING REVENUES</b>			
Sewer user fees	\$ 1,739,122	\$ 1,749,444	\$ 10,322
Gardnerville Ranchos G.I.D fees	250,000	382,448	132,448
Other operating revenues	-	15	15
<b>Total operating revenues</b>	<u>1,989,122</u>	<u>2,131,907</u>	<u>142,785</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	785,716	816,691	(30,975)
Employee benefits	409,015	373,122	35,893
Services and supplies	777,200	919,888	(142,688)
Depreciation	1,498,000	1,464,834	33,166
<b>Total expenses</b>	<u>3,469,931</u>	<u>3,574,535</u>	<u>(104,604)</u>
<b>Operating loss</b>	<u>(1,480,809)</u>	<u>(1,442,628)</u>	<u>38,181</u>
<b>NON-OPERATING REVENUES</b>			
Interest revenues	45,000	131,997	86,997
Insurance reimbursement	-	-	-
Other revenues	1,157,352	554,324	(603,028)
<b>Total non-operating revenues</b>	<u>1,202,352</u>	<u>686,321</u>	<u>(516,031)</u>
<b>NET INCOME</b>	<u>\$ (278,457)</u>	<u>\$ (756,307)</u>	<u>\$ (477,850)</u>

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH FLOWS - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,989,122	\$ 2,209,890	\$ 220,768
Cash paid to suppliers for goods and services	(777,200)	(1,052,001)	(274,801)
Cash paid to employees	(785,716)	(766,811)	18,905
Cash paid to employee benefits	(409,015)	(378,899)	30,116
<b>Total cash flows from operating activities</b>	<u>17,191</u>	<u>12,179</u>	<u>(5,012)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from ad valorem taxes	407,693	413,044	5,351
Cash received from consolidated taxes	134,659	134,659	-
Cash received from miscellaneous income	-	8,500	8,500
<b>Total cash flows from noncapital financing activities</b>	<u>542,352</u>	<u>556,203</u>	<u>13,851</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition and construction of capital assets	(885,000)	(68,702)	816,298
Construction in progress	-	(71,083)	(71,083)
Capital contributed- users	615,000	377,111	(237,889)
Repayments of loan payable	(77,167)	(77,167)	-
<b>Total cash flows from capital financing activities</b>	<u>(347,167)</u>	<u>160,159</u>	<u>507,326</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	45,000	127,994	82,994
<b>Total cash flows from investing activities</b>	<u>45,000</u>	<u>127,994</u>	<u>82,994</u>
<b>Net increase in cash</b>	257,376	856,535	599,159
<b>Cash, July 1</b>	<u>6,922,309</u>	<u>8,422,554</u>	<u>1,500,245</u>
<b>Cash, June 30</b>	<u>\$ 7,179,685</u>	<u>\$ 9,279,089</u>	<u>\$ 2,099,404</u>



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SUPPLEMENTARY INFORMATION**

Supplementary Pension Information  
For the Year Ended June 30, 2019

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
LAST TEN YEARS\***

	Measurement Dates			
	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.01028%	0.01157%	0.01160%	0.01075%
Proportionate share of the net pension liability	\$ 1,402,570	\$ 1,538,638	\$ 1,560,688	\$ 1,231,576
Covered employee payroll	\$ 681,493	\$ 741,079	\$ 702,354	\$ 640,498
Proportionate share of the net pension liability	205.81%	207.62%	222.21%	192.28%
Plan fiduciary net position as a percentage of the total pension liability	75.20%	74.40%	72.20%	75.10%

**SCHEDULE OF CONTRIBUTIONS  
LAST TEN YEARS**

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 209,891	\$ 190,818	\$ 207,502	\$ 196,659	\$ 165,889
Contributions in relation to those contractually required	209,891	190,818	207,502	196,659	165,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 749,611	\$ 681,493	\$ 741,079	\$ 702,354	\$ 640,498
Contributions as a percentage of covered	28.00%	28.00%	25.90%	28.00%	25.90%

\*Only five years of information is available due to reporting changes related to the implementation of GASB 68 effective fiscal year 2015.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF OPERATING EXPENSES AND NON-OPERATING REVENUES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>OPERATING EXPENSES</b>		
Salaries and wages		
Salaries - plant and collection system	\$ 686,203	\$ 591,017
Salaries - administration	130,488	127,363
Total salaries and wages	<b>816,691</b>	<b>718,380</b>
Employee benefits		
Employee benefits - plant and collection system	313,506	332,853
Employee benefits - administration	59,616	62,383
Total employee benefits	<b>373,122</b>	<b>395,236</b>
Services and supplies		
Insurance	85,898	76,651
Utilities	165,755	128,436
Supplies	67,923	55,556
Repairs and maintenance	353,818	634,579
Other plant and collection expenses	10,190	7,276
Automobile and truck	9,217	6,950
Trustee's fees	30,000	25,265
Office supplies and expenses	23,700	22,999
Bank charges	10,540	10,242
Postage	5,807	6,025
Telephone	12,360	12,278
Advertising and publication	1,772	891
Travel	1,385	3,496
Other administration expense	6,423	2,293
Filling fees and permits	13,686	12,939
Sludge removal	19,512	9,985
Safety expense	4,263	5,758
Laboratory testing	15,262	18,284
Legal	26,494	26,057
Engineering	20,866	19,313
Accounting and audit	35,017	16,082
Total services and supplies	<b>919,888</b>	<b>1,101,355</b>
Total operating expenses other than depreciation	<b>\$ 2,109,701</b>	<b>\$ 2,214,971</b>
<b>NON-OPERATING REVENUES</b>		
Consolidated tax	\$ 134,659	\$ 134,659
Ad valorem tax revenue	411,165	391,752
Miscellaneous income	140,497	88,079
Total non-operating revenue	<b>\$ 686,321</b>	<b>\$ 614,490</b>

*Casey Neilson, Inc.*  
**Accountants and Advisors**

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

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Minden Gardnerville Sanitation 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 Minden Gardnerville Sanitation 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 certain deficiencies in internal control described in the accompanying schedule of findings as items 2019-01 through 2019-06 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Minden Gardnerville Sanitation 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in accompanying schedule of findings as items 2019-07 and 2019-08.

## **Minden-Gardnerville Sanitation District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**STATUS OF PRIOR YEAR FINDINGS**

Due to the timing of reporting the findings for the year ended June 30, 2018, the District had not had an opportunity to address them before the issuance of the June 30, 2019 financial statements. Accordingly, all the prior year findings have been reissued as 2019 findings.

**CURRENT YEAR FINDINGS**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**2019-01                      Segregation of Duties**

**Criteria:**                      Segregation of duties is an important part of an internal control system to assist in preventing and detecting fraud, errors and irregularities.

**Effect:**                         Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                    During our discussion with staff it was noted that the staff member performing the bank reconciliation also has the ability and responsibility to initiate bank transactions.

**Cause:**                         Staff size and workflow procedures.

**Recommendation:**        Management should analyze staff duties and consider the impact of segregation of duties to ensure tasks are being completed with an internal control process in mind.

**Views of responsible officials and planned corrective actions:**

Duties among staff will be split to ensure one staff prepares the checks and another does the Bank reconciliations with consideration of the duties being rotated periodically. The bank reconciliations will be review monthly either by the District Manager or the Board Treasurer. Consideration will be given to hiring additional staff to circumvent the segregation of duties issues.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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**2019-02                    Use of Accounting Software**

**Criteria:**                    The ability to use and understand the accounting software being used is an integral part of ensuring the financial statements are properly stated and to ensure operations are running most efficiently.

**Effect:**                     Transactions could occur that are not properly recorded in the financial statements, and errors, fraud and irregularities could go undetected.

**Condition:**                During our audit and in discussion with staff it was noted that the accounting software was not being used to its potential which limited the amount of information the audit team was able to obtain. The trial balance, which is essential to analyzing account activity on the part of the District staff and the audit team, is not being correctly used. The lack of a fully functioning general ledger and trial balance were the result of several factors:

1. The auditor had not provided the District with an adjusted trial balance that could be loaded into the accounting software when it was implemented.
2. The auditor prepared a trial balance in his own software each year by rolling forward the prior year, entering the income statement items via a journal entry and then adjusting the balance sheet accounts for accruals.
3. The trial balance and adjusting journal entries were not provided to District staff to enable them to move forward with accurate records.

**Cause:**                     Lack of training and procedures.

**Recommendation:**      Management should consider an in depth staff training on the accounting software in conjunction with an accountant who is aware of what the information output should look like. Additionally, management may consider transitioning to a less robust accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software so they can properly do their jobs. Future transition to a better accounting software may be considered in the future.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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JUNE 30, 2019**

**2019-03**

**Inventory**

**Criteria:** Performing an annual inventory count, identifying the cost of the items in inventory and reconciling the inventory cost to the accounting records is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:** Inaccurate inventory values could cause financial statements to reflect inappropriate amounts, including obsolete, undervalued or overvalued inventory; in addition, fraud, errors or irregularities could go undetected.

**Condition:** During our audit we were not provided with a current inventory listing that reported both items and values, nor were we provided with any evidence that the inventory was counted, and that the inventory listing was appropriately used and reconciled. Since the period under audit had already passed, there was no way to verify amounts reported on the financial statements, and therefore a qualified opinion was issued.

**Cause:** Inability to track inventory in the accounting system. No procedures in place to count, value and reconcile inventory.

**Recommendation:** Management should perform an annual inventory count to establish an accurate listing of inventory which reflects items and values.

**Views of responsible officials and planned corrective actions:**

An inventory policy will be implemented to properly account for inventory throughout the year. An annual inventory will be taken at June 30 to make sure inventory numbers are correct and the cost of the inventory at year end is properly accounted for.

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**2019-04                      Bank Reconciliations**

**Criteria:**                      Reconciling the bank accounts on a regular basis, and comparing the reconciled amounts to the general ledger is an important part of preventing and detecting fraud, errors and irregularities.

**Effect:**                         Transactions could occur that are not appropriately recorded in the financial statements, and errors, fraud or irregularities could go undetected.

**Condition:**                    During our audit we were provided with bank reconciliations that did not included a reconciliation to the general ledger balance. As such, the bank reconciliation does not provide assurance that all transactions are properly recorded in the system.

**Cause:**                         Inability to use functions included in the accounting software.

**Recommendation:**         Staff should obtain training on using the bank reconciliation tool in the accounting software.

**Views of responsible officials and planned corrective actions:**

All Administrative Staff including the District Manager will receive training in the current software including the Bank reconciliation module so they can properly do their jobs.



**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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**2019-05                      Preparation of Year-End Accruals**

**Criteria:**                      The preparation of recording of year-end accruals is an important step in ensuring that the financial records and financial statements are complete, accurate and free from material misstatement.

**Effect:**                        Transactions could be present that are being recorded in the incorrect accounting period or being omitted entirely.

**Condition:**                      During our discussions with staff and through the performance of audit procedures we became aware that no year-end accruals were being recorded for items such as compensated absences, accrued payroll and accounts payable. Additionally, it was identified that too much reliance was being placed on the auditor to correctly identify and record items.

    These items were corrected in the financial statements via a prior period adjustment.

**Cause:**                         Lack of training and procedures

**Recommendation:**              Management should consider hiring a CPA to come in at the end of each fiscal year to calculate and record accruals until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to do year end accruals for the District until such time as staff is trained in calculating and recording year end accruals or a CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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**2019-06                      Application of Accounting Principles and Standards**

**Criteria:** Adherence to generally accepted accounting principles and the standards established by the *Government Accounting Standards Board* are important in ensuring that the District's financial statements are presented appropriately.

**Effect:** GASB Statement No. 68 *Accounting and Reporting for Pensions* was issued in June 2012 and was effective for the District for the year ended June 30, 2015; however the standard was not timely implemented. This resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

Property taxes were being reported under the modified basis of accounting which is not an appropriate method for an enterprise fund.

Both of these items were corrected in the financial statements via a prior period adjustment.

**Condition:** The delay in implementing this Standard resulted in the District underreporting pension liabilities and not reporting deferred inflows and outflows related to pension amounts.

The misapplication of the modified accrual basis of accounting resulted in deferred revenues being reported that were not appropriate for an enterprise fund.

**Cause:** Overreliance on the auditor to identify the standards to be implanted, and inability of staff to provide appropriate oversight of financial reporting due to a lack of training.

**Recommendation:** Management should consider hiring a CPA, designating a Board member with appropriate skills, knowledge or experience, or forming an audit committee to evaluate financial reporting until the accounting staff are appropriately trained.

**Views of responsible officials and planned corrective actions:**

The District will hire an outside CPA to ensure new applicable accounting principles and standards are implemented and provide oversight until staff is properly trained or CPA is hired as staff.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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**COMPLIANCE FINDINGS:**

<b>2019-07</b>	<b>Contracting With an Unlicensed Certified Public Accountant</b>
<b>Criteria:</b>	NRS 364.624 requires that each local government shall provide for an annual audit of its financial statements.
<b>Effect:</b>	All audits must be conducted by a certified public accountant or by a partnership or professional corporation that is registered pursuant to chapter 628 of NRS.
<b>Condition:</b>	The audit of the June 30, 2016 financial statements was performed by a Certified Public Accountant whose license under chapter 628 of NRS had been revoked by the State Board of Accountancy prior to report issuance. The same auditor was also engaged to perform the audits of the June 30, 2017 and 2018 financial statements. This is an apparent violation of NRS 354.624.
<b>Cause:</b>	Lack of training and procedures.
<b>Recommendation:</b>	Management should require that the auditor submit proof of licensure and compliance with appropriate practice monitoring requirements prior to signing the annual engagement letter.

**Views of responsible officials and planned corrective actions:**

Before The District hires an auditor, the District will require the auditor to provide proof of being a properly licensed CPA in the State of Nevada and that the auditor is in compliance with appropriate practice monitoring requirements.

**MINDEN-GARDNERVILLE SANITATION DISTRICT  
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**2019-08                      Payment of Compensation to the Board of Trustees**

**Criteria:**                      Pursuant to NRS 318.085, each member of a Board of Trustees of a district organized or reorganized pursuant to that chapter may receive as compensation for his or her service not more than \$6,000 per year. However, if the District is providing sanitary sewer improvements, lighting of streets and collection and disposition of garbage and refuse, this amount is increased to \$9,000.

**Effect:**                         Overpayment of compensation to members of the Board of Trustees.

**Condition:**                    In January 2015, the District was advised that the compensation to the trustees could be increased from \$6,000 to \$9,000 an apparent violation of NRS 318.085. The overpayment was not identified until February 2018 when Board Counsel brought it the attention of the Board of Trustees, and a repayment plan was entered into by the individual Trustees.

**Cause:**                         Misinterpretation of statutory provisions.

**Recommendation:**        None at this time.

**Views of responsible officials and planned corrective actions:**

The District will consult with its legal council in interpreting Nevada Revised Statutes and any other legal matters. The District may consult with the Nevada Department of Taxation in interpreting Nevada Revised Statutes applicable to the District.

*Casey Neilon, Inc.*  
Accountants and Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH NEVADA REVISED STATUTES AND  
REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of the  
Minden Gardnerville Sanitation District

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 Minden Gardnerville Sanitation District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

Compliance with Nevada Revised Statutes and regulations applicable to Minden-Gardnerville Sanitation District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether Minden-Gardnerville Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Nevada Revised Statutes (N.R.S.) and the Nevada Administrative Code, 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.

N.R.S. 354.624 and 354.6241 require that we provide a statement of assurance that:

- The District's enterprise fund is being used in accordance with the provisions of Chapter 354,
- The fund is being administered in accordance with accounting principles generally accepted in the United States of America,
- The reserve funds are limited to an amount that is reasonable and necessary to carry out the purposes of the District,
- The sources of revenues available for the District, the statutory and regulatory requirements of the District, and the net position of the District have been properly recorded.

We applied procedures to test the District's compliance with these requirements applicable to the District's enterprise fund. The results of our tests disclosed instances of noncompliance which are described in accompanying schedule of findings as items 2019-07 and 2019-08.

**Purpose of this Report**

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.



Casey Neilon  
Carson City, Nevada  
November 30, 2019

