CARSON-TRUCKEE
WATER CONSERVANCY DISTRICT
295 Holcomb Ave. Suite A
Reno, NV 89502
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December 13, 2017

Nancy Parent
Washoe County Clerk
P.O. Box 11130
Reno, NV 89520-3083

RE: Financial Statements - 2017

You will find enclosed herewith Carson-Truckee Water Conservancy District's Financial Statements and Supplemental Information Report ending June 30th, 2017.

If you need anything further, please give me a call, 775-322-9139.

Sincerely yours,

Mary Pat Eymann
Secretary/Treasurer

Enclosure

Financial Statements
June 30, 2017

Carson-Truckee Water Conservancy District

Carson-Truckee Water Conservancy District
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June 30, 2017

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Independent Auditor's Report

To the Board of Trustees
Carson-Truckee Water Conservancy District
Reno, Nevada

Report on Financial Statements
We have audited the accompanying financial statements of the governmental activities and the General Fund of Carson-Truckee Water Conservancy District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the General Fund of the Carson-Truckee Water Conservancy District, as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the Carson-Truckee Water Conservancy District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carson-Truckee Water Conservancy District's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
December 21, 2017

Our discussion and analysis of the Carson-Truckee Water Conservancy District (the District), a water conservancy district established under the State of Nevada Revised Statute (NRS) 541 financial performance provides an overview of the District's financial activity for the fiscal year ended June 30, 2017. It should be read in conjunction with the financial statements, which begin on page 7.

Financial Highlights

The District funded $95,462 in grants to various entities to cover work on the Truckee and Carson Rivers. The District is continuing the grant program for noxious weed abatement work within the Carson River. The work being done with Dayton Valley Conservation District and Storey County is seeing progress on eradicating the noxious weeds from our water ways.

Channel maintenance	$	59,267
Weed abatement		29,195
Nevada stream gauging program		7,000
	$	95,462

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements show the general government function of the District, which is principally supported by taxes. All governmental activities of the District are included in the general government function since the District is a single-purpose entity.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District falls into the governmental funds category.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its fund. Budgetary comparison information has been provided for that fund to demonstrate compliance with the budget. The governmental fund financial statements and the reconciliations to the government-wide financial statements can be found on pages 9-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-20 of this report.

Condensed Statement of Net Position

The Statement of Net Position shows all of the assets and liabilities of the District and is presented on the accrual basis. The total net position is $1,078,322. Total net position increased by $73,555 this fiscal year.

	2017	2016	Change	Percentage
Current assets	$ 1,078,353	$ 1,004,877	$ 73,476	7.31%
	$ 1,078,353	$ 1,004,877	$ 73,476	7.31%
Current liabilities	$ 31	$ 111	$ (80)	-72.07%
Unrestricted	1,078,322	1,004,766	73,556	7.32%
Total Liabilities and Net Position	$ 1,078,353	$ 1,004,877	$ 73,476	7.31%

Condensed Statement of Activities

The Statement of Activities shows all of the expenses and revenues of the District and is also presented on the accrual basis. During the current year, the distributions to our grant benefactors were up from last year by $4,961. The Local Government Investment Pool fair value per share factor of investments in fiscal year 2017 and 2016 was .99932. The main increase in revenues for the general fund during the current year was related to an increase in consolidated tax return received by the District.

	2017	2016	Change	Percentage
Revenue				
General revenue	$ 311,538	$ 293,965	$ 17,573	5.98%
Investment revenue	1,086	1,079	7	0.65%
Other income	-	1,200	(1,200)	100.00%
Total revenues	312,624	296,244	16,380	5.53%
Expenses				
General expenses	239,068	237,442	1,626	0.68%
Change in Net Position	73,556	58,802	14,754	-25.09%
Net Position, beginning	1,004,766	945,964	58,802	6%
Net position, ending	$ 1,078,322	$ 1,004,766	$ 73,556	7%

Balance Sheet – General Fund

This statement on page 9 shows the assets, liabilities and fund balance for the District's primary fund – The General Fund.

Statement of Revenue, Expenditures and Changes in Fund Balance – General Fund

This statement on page 11 shows the revenue and expenditures for the District operating accounts – The General Fund.

Capital Assets

The District's capital assets amounted to $15,693 with accumulated depreciation of $15,693, leaving no net book value. Capital assets include equipment and a website. See Note 5 to the financial statements for further information.

Description of Current and Expected Conditions

Presently, the Board of Directors of the District is not aware of any significant changes in conditions that would have a significant effect on the financial position or results of activities of the District in the near future.

Significant Budget Variations

The District's significant General Fund budget variations for fiscal year 2017 were as follows:

	Final Budget	Actual	Variance	Percentage
Revenue				
AB 104, fair share	$ 4,423	$ 36,562	$ 32,139	87.90%
Consolidated tax	269,073	274,976	5,903	2.15%
Expenditures				
Consulting	10,000	4,550	5,450	119.78%
Director fees and expenses	12,170	6,195	5,975	96.45%
Engineering	60,000	65,698	(5,698)	-8.67%
Grant expenses	120,196	95,462	24,734	25.91%

General Fund Revenue:

AB 104, Fair Share – This revenue is always budgeted for conservatively.

Consolidated Tax – This revenue varies from year to year due to the fact that it is based on five taxes collected locally.

General Fund Expenditures:

Consulting services – This expenditure was budgeted for using the estimated amount of hours that it would require for the consultant. In the current year, not as many hours were needed as estimated for.

Director fees and expenses – The District budgeted for more expenses related to directors than what was actually necessary for the current year.

Engineering services – This account is subject to change as the amount of Engineering for projects fluctuates from year to year depending on what projects are in progress. In the current year, there are several ongoing issues where the District is working with the US Army Corp of Engineering (USACE) that are still not resolved. As part of this process, the engineer had to attend several meetings, work with other engineering firms, and run models of the river, which were not budgeted for. In addition, significant flooding in 2017 led to more projects for the District.

Grant expense – The main reason for the variance is because the grants are not paid until the work is done, and also it is unknown how many grants will be needed during the year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability to its governmental constituents. If you have questions about this report or need additional financial information, contact the District's office at 295 Holcomb Avenue, Suite A, Reno, Nevada 89502.

Carson-Truckee Water Conservancy District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	$ 996,306
Investments	24,553
Due from other governments	
Fair share receivable	7,884
Consolidated tax	49,610
Total assets	1,078,353
Liabilities	
Accounts payable	31
Net Position	
Unrestricted	1,078,322
Total Net Position	$ 1,078,322

See Notes to Financial Statements

Carson-Truckee Water Conservancy District
Statement of Activities
Year Ended June 30, 2017

	Governmental Activities
Expenses	
General government	$ 239,068
General Revenues	
Taxes	
Consolidated tax	274,976
Fair share	36,562
Interest	1,086
Total general revenues	312,624
Change in Net Position	73,556
Net Position, Beginning of Year	1,004,766
Net Position, End of Year	$ 1,078,322

See Notes to Financial Statements

Carson-Truckee Water Conservancy District
Balance Sheet – General Fund
Year Ended June 30, 2017

Assets	
Cash and cash equivalents	$ 996,306
Investments	24,553
Due from other governments	
Fair share receivable	7,884
Consolidated tax	49,610
Total assets	$ 1,078,353
Liabilities	
Accounts payable	$ 31
Fund Balances	
Unassigned	1,078,322
Total Liabilities and Fund Balances	$ 1,078,353

See Notes to Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - general fund		$ 1,078,322
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the general fund. These assets consist of:		
Equipment	$ 4,559	
Website	11,134	
Less accumulated depreciation	(15,693)	
		-
Net position of governmental activities		$ 1,078,322

Revenues	
Intergovernmental	$ 311,538
Interest	1,086
Total revenues	312,624
Expenditures	
General government	239,068
Net Change in Fund Balance	73,556
Fund Balance, Beginning of Year	1,004,766
Fund Balance, End of Year	$ 1,078,322

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - general fund		$ 73,556
The general fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Current year depreciation	-	-
Change in net position for governmental activities		$ 73,556

Carson-Truckee Water Conservancy District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance
Revenue			
Intergovernmental			
Consolidated tax	$ 269,073	$ 274,976	$ 5,903
AB104, fair share revenue	4,423	36,562	32,139
	273,496	311,538	38,042
Miscellaneous			
Interest	1,000	1,086	86
Other	1,000	-	(1,000)
	2,000	1,086	(914)
Total revenue	275,496	312,624	37,128
Expenditures			
General government			
Employee benefits	2,000	631	1,369
Services and supplies			
Accounting and audit	9,000	8,000	1,000
Advertising	500	530	(30)
Bank fees	50	31	19
Consulting	10,000	4,550	5,450
Contract services	37,080	37,080	-
Directors' fees and expense	12,170	6,195	5,975
Engineering services	60,000	65,698	(5,698)
Grant expense	120,196	95,462	24,734
Insurance	4,000	2,843	1,157
Legal services	6,000	5,400	600
Miscellaneous	1,000	171	829
Office expense	2,000	951	1,049
Payroll taxes	-	660	(660)
Rent	10,000	9,834	166
Telephone	1,500	1,032	468
Total expenditures	275,496	239,068	36,428
Net Change in Fund Balance	-	73,556	73,556
Fund Balance, Beginning of Year	1,004,766	1,004,766	-
Fund Balance, End of Year	$ 1,004,766	$ 1,078,322	$ 73,556

See Notes to Financial Statements

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

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

Reporting Entity

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

Basis of Presentation – Government-Wide Statements

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. Generally accepted accounting principles applicable to governmental units are defined as those principles prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34 mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. It also requires that certain capital assets be recorded at cost less accumulated depreciation. GASB statement No. 54 establishes criteria for classifying governmental fund balances into specifically defined classifications.

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

Basis of Presentation – Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The implementation of GASB 54 has clarified the definition of a special revenue fund changing the fund structure of the District. The District reports the following major governmental fund:

Governmental Fund – General Fund is the District's general operating fund and is used to account for all financial resources.

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

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

Type of Return	Accrued When Measurable and Available	Recognized When Received	Accrued at the Time Received and Held for Allocation by State of Nevada	Accrued When Earned
Consolidated tax	X			
Fair share revenue	X			
Interest				X
Miscellaneous		X		

Cash and Investments

Cash balances from the General Fund are invested as permitted by law. Pursuant to NRS 541.140, the District may invest in Treasury notes or bonds of the United States or of any state, county or municipal corporation. The District may also invest in the Local Government Investment Pool (LGIP).

Investments are recorded at cost, which approximates fair value. All interest earned on these investments is recognized in the funds which provided the investment.

Concentrations of Credit Risk

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

Implementation of GASB Statement No. 77

As of July 1, 2016, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The implementation of this standard requires state and local governments to disclose tax abatements affecting their revenue-raising abilities in their financial reports. The additional disclosure required by this standard are included in Note 9.

Inventory of Consumable Supplies

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

Capital Assets

Capital assets purchased or acquired with an original cost of $800 or more are reported at historical cost. Donated assets are recorded at their estimated fair market value on the date donated. Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives of 5-10 years for office equipment and three years for the website.

Note 2 - Budget and Budgetary Accounting

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

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

The budget reflected in the financial statements has not been amended from the original final amounts in accordance with State statutes.

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

Note 3 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

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

Note 4 - Cash and Investments

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

The District's cash and investments, including the recurring fair value measurement of investments, is as follows at June 30, 2017:

	June 30, 2017	
Total Investments		
State of Nevada LGIP	$ 24,553	*
Total Cash	996,306	
Total Cash and Investments	$ 1,020,859	

* represents average weighted maturity of 310 days

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

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

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

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the District's deposits may not be returned. Of bank balances totaling $1,006,725, $504,547 was covered by the FDIC at June 30, 2017.

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets, being depreciated	$ 15,693	$ -	$ -	$ 15,693
Less accumulated depreciation	15,693	-	-	15,693
Total capital assets being depreciated, net	-	-	-	-
Governmental activities capital assets, net	$ -	$ -	$ -	$ -

Depreciation expense of $0 was charged to the general government function for the year ended June 30, 2017.

Note 6 - Net Position and Fund Balances

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. There was no investment in capital assets at June 30, 2017.

Restricted net position – consists of those assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; (2) law through constitutional provisions or enabling legislation. There was no restricted net position at June 30, 2017.

Unrestricted net position – all other assets that do not meet the definition of "invested in capital assets" or "restricted."

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

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

Non-spendable Fund Balance. Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form—such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. There was no non-spendable fund balance at June 30, 2017.

Restricted Fund Balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. There was no restricted fund balance at June 30, 2017.

Committed Fund Balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the state legislature — the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the state legislature removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There was no committed fund balance at June 30, 2017.

Assigned Fund Balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental fund that are not classified as non-spendable and are neither restricted nor committed. There was no assigned fund balance at June 30, 2017.

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

The District's policy is to first apply expenditures against assigned fund balances and then unassigned balances. On an annual basis assigned fund balances are determined based upon available resources. There were no assigned fund balances at June 30, 2017.

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

The following is a summary of the Governmental fund balances of the District at June 30, 2017:

General Fund	
Unassigned	$ 1,078,322

Note 7 - Risk Management

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

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

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

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

Note 8 - Operating Lease

The District, jointly with another District, is currently paying on a month-to-month basis for office space. The total rent was $9,834 for the year ended June 30, 2017.

Note 9 - Tax Abatement

The District's Consolidated Tax revenues were reduced by $20,482 under agreements entered into by the State of Nevada.

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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 *Governmental Auditing Standards*

To the Board of Directors
Carson-Truckee Water Conservancy District
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the General Fund of the Carson-Truckee Water Conservancy District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Carson-Truckee Water Conservancy District's basic financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Carson-Truckee Water Conservancy District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carson-Truckee Water Conservancy District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carson-Truckee Water Conservancy District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we considered to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses, as finding 2017-A, to be a material weakness.

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.

Compliance and Other Matters

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

Carson-Truckee Water Conservancy District's Response to Findings

The Carson-Truckee Water Conservancy District's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Carson-Truckee Water Conservancy District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Eide Bailly LLP

Reno, Nevada
December 21, 2017

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Auditor's Comments

To the Board of Directors
Carson-Truckee Water Conservancy District
Reno, Nevada

In connection with our audit of the financial statements of the governmental activities and the General Fund of the Carson-Truckee Water Conservancy District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the District failed to comply with the specific requirements of Nevada Revised Statues, cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they related to accounting matters.

Statute Compliance
The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 3 to the financial statements.

Progress on Prior Year Statute Compliance
The District conformed to all significant statutory constraints on its financial administration during the prior year.

Prior Year Recommendations
Prior year finding 2016-A is repeated in the current year finding 2017-A.

Current Year Recommendations
Our current year recommendations are included in the Schedule of Findings and Responses.

Eide Bailly LLP

Reno, Nevada
December 21, 2017

Section II – Financial Statement Findings

2017-A **Preparation of Financial Statement in Accordance with Generally Accepted Accounting Principles (GAAP)**
Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements. Additionally, during the course of our engagement, we proposed material adjustments, including a restatement to the Carson-Truckee Water Conservancy District's (the District) prior year recorded account balances.

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

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

Cause: Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the District has chosen to contract with Eide Bailly LLP to prepare its financial statements and related financial statement disclosures.

Recommendation: We recommend the District's staff obtain training in the preparation of governmental financial statements and related financial statement disclosures and adjustments to account balances at year end for accruals and receivable in order to gain the knowledge needed to prepare the financial statements and related financial statement disclosures internally.

View of Responsible Officials: Due to limited staff, the District has chosen to contract with Eide Bailly LLP to prepare its financial statements and related financial statement disclosures. The District is satisfied the most cost efficient approach is to outsource the financial statement preparation function. Therefore, the District will continue to contract with the external auditor to prepare the District's financial statements and adjust the general ledger as necessary.