Financial Statements
June 30, 2017

Truckee Meadows Water Reclamation Facility

Truckee Meadows Water Reclamation Facility

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Independent Auditor's Report

To the Reno-Sparks Joint Coordinating Committee
Truckee Meadows Water Reclamation Facility
Reno, Nevada

Report on the Financial Statements
We have audited the accompanying financial statements of the Truckee Meadows Water Reclamation Facility (a Nevada Municipal Joint Venture) (the Facility) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Facility'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 the 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 of 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Truckee Meadows Water Reclamation Facility as of June 30, 2017, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance 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 4-7, the other post-employment benefits schedule of funding progress on page 25, the schedule of the Facility's share of net pension liability on page 26, and the schedule of the Facility's contributions on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Facility's basic financial statements. The schedule of revenues, expenses, and changes in net position - budget and actual is presented for the purpose of additional analysis and is not a required part of the financial statements.

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

Prior Year Comparative Information
We have previously audited the Facility's 2016 basic financial statements (not presented herein), and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 22, 2016. In our opinion, the summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2016, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of the Facility'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facility's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
November 21, 2017

TRUCKEE MEADOWS WATER RECLAMATION FACILITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Truckee Meadows Water Reclamation Facility (the Facility), we offer the readers of the Facility's financial statements this narrative overview and analysis of the financial activities of the Facility for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Facility exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016-2017 by $136,653,638 (net position). The negative unrestricted net positon of $2,786,135 is reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* as mentioned later. Without the pension reporting, there remains $2,266,073 of unrestricted net position that may be used to meet the Facility's ongoing obligations to creditors.

- As a result of current year activities, the Facility's net position decreased by $81,339, or 0.1 percent of beginning net position, primarily due to benefit costs.

- Long term liabilities of the Facility increased by $1,180,441, or 17.8 percent, primarily related to changes in net pension liability.

- Operating expenses, before depreciation and amortization, for the Facility decreased by $1,539,507, or 7.6 percent, primarily due to decreases in maintenance and utility costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Facility's annual report. The Facility's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements, Required Supplementary Information and a Compliance Section.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Facility report information about the Facility using a single proprietary fund. Proprietary funds use the full accrual basis of accounting similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Facility's assets, deferred outflows, liabilities, and deferred inflows and provides information about the nature and amount of investment in resources (assets), the obligations to the Facility's creditors (liabilities), and future period activity of pension related items (deferred inflow and deferred outflow). 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 Facility's operations over the past year, and can be used to determine whether the Facility has successfully recovered all of its costs through its reimbursements from the cities of Reno and Sparks, along with other fees and charges. The final statement is the Statement of Cash Flows, which is used to provide information about the Facility's cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

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

NET POSITION

Net position may serve over time as a useful indicator of financial position. In the case of the Facility, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $136,653,638 at the close of the 2016-2017 fiscal year.

The vast majority of the Facility's net position reflects its investment in capital assets (wastewater facility, joint lines and equipment), net of accumulated depreciation and amortization. The Facility uses these capital assets to provide services; consequently, these assets are not available for future spending.

Truckee Meadows Water Reclamation Facility Net Position

	2017	2016
Assets		
Current assets	$ 6,123,040	$ 5,305,923
Capital assets	139,439,773	139,600,226
Other noncurrent assets	41,653	29,358
Total assets	145,604,466	144,935,507
Deferred Outflows of Resources		
Deferred Outflow - Pension	1,970,789	1,118,705
Total assets and deferred outflows of resources	147,575,255	146,054,212
Liabilities		
Current liabilities	2,433,039	1,838,308
Noncurrent liabilities	7,796,670	6,616,229
Total liabilities	10,229,709	8,454,537
Deferred Inflows of Resources		
Deferred Inflow - Pension	691,908	864,698
Total liabilities and deferred inflows of resources	10,921,617	9,319,235
Net Position		
Net investment in capital assets	139,439,773	139,600,226
Unrestricted	(2,786,135)	(2,865,249)
Total Net Position	$ 136,653,638	$ 136,734,977

The Facility is reporting a negative unrestricted net position at the end of fiscal 2017 in the amount of $2,786,135. Reporting of a negative unrestricted net position is primarily due to the implementation in fiscal year 2015 of a new reporting standard issued by the Governmental Accounting Standards Board (GASB). GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the Facility to report a proportionate share (0.06028 percent) of the total Net Pension Liability reported by the Public Employee's Retirement System of Nevada (PERS), administrator of the state's cost-sharing, multiple-employer defined benefit employees' retirement system. All agencies in Nevada that are members of the PERS system are required to report a share of the liability based on contributions made to PERS.

The net pension liability of the Facility is $6,331,089, an increase of $966,658 from the prior year liability of $5,364,431. As a result of recording the increase in the Facilities portion of net pension liability ($966,658), a decrease in deferred pension inflows ($172,790), and an increase in deferred pension outflows ($852,084), net position was increased by $58,216. Without the unfunded pension reporting impact, there remains $2,266,073 of unrestricted net position that may be used to meet the Facility's ongoing obligations to creditors.

The Facility's net position decreased $81,339 compared to the amount reported in fiscal year 2015-2016. The decrease from operating is mostly attributable to increased employee benefit costs.

CHANGE IN NET POSITION

Truckee Meadows Water Reclamation Facility Change in Net Position

	2017	2016
Operating Revenues		
Reimbursements and other	$ 18,823,516	$ 20,568,872
Operating Expenses		
Operating expenses before depreciation and amortization	18,765,304	20,304,811
Depreciation and amortization	6,720,929	6,683,654
Total operating expenses	25,486,233	26,988,465
Operating Loss	(6,662,717)	(6,419,593)
Nonoperating Revenues (Expenses) and Interest Income	(235,719)	5,925
Capital Contributions	6,817,097	19,785,132
Change in Net Position	(81,339)	13,371,464
Net Position, Beginning of Year	136,734,977	123,363,513
Net Position, End of Year	$ 136,653,638	$ 136,734,977

Operating revenues would normally be equal to operating expenses (before depreciation and amortization) as a result of reimbursements provided to the Facility by the cities of Reno and Sparks. This has not been the case since fiscal year 2014-2015 due to the adjustment of pension expense in accordance with GASB statement No. 68.

Operating expenses, before depreciation and amortization, for the Facility decreased by $1,539,507, or 7.6 percent, primarily due to operating expenses related to an energy efficiency project in fiscal year 2016 that did not repeat in fiscal year 2017, and a reduction in electricity costs as a result of the project.

CAPITAL ASSET ADMINISTRATION

The Facility's investment in capital assets as of June 30, 2017, amounts to $139,439,773 (net of accumulated depreciation and amortization). Detailed information about the Facility's capital assets can be found in Note 3 to the Facility's financial statements.

ECONOMIC FACTORS

Both the City of Reno and the City of Sparks conduct regular analysis of their user and connection fees so that they can ensure the sufficiency of these sources of revenue to operate the individual city's respective Sewer Enterprise Funds (each city's sanitary sewer, storm drain and effluent delivery infrastructure and related maintenance, operating and debt service costs), as well as for their respective share of the costs of the Truckee Meadows Water Reclamation Facility.

In 2004, the City of Reno was awarded a $46,523,000 bid for the construction of a Facility plant expansion from 40 million gallons per day to 46.48 million gallons per day. This expansion project was completed in fiscal year 2006-2007. The expansion, planned since 1995, was financed by the City of Reno using bond proceeds from a state revolving fund (Reno general obligation/revenue sewer bond). The cost of the expansion project is being shared by the City of Reno (73 percent) and the City of Sparks (27 percent) under an interlocal agreement by which the City of Sparks will provide its share via debt service payments to the City of Reno.

In 2014, the City's approved the Ameresco Project, a group of improvements at the Facility that will save operational costs by reducing energy or chemical use. The total project cost is $24.9 million and is expected to be complete in the fiscal year 2018. The project has a guaranteed annual savings to the Facility of $1.1 million per year for fifteen years.

All of these factors and others were considered in preparing the Facility's budget for the upcoming 2017-2018 fiscal year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Truckee Meadows Water Reclamation Facility's finances for all those with an interest in the Facility's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sparks, Financial Services Department, 431 Prater Way, Sparks, Nevada, 89431.

Truckee Meadows Water Reclamation Facility
Statement of Net Position
June 30, 2017
(with comparative actual amounts for June 30, 2016)

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 3,638,402	$ 3,062,673
Accounts receivable	89,412	51,198
Prepaid expense	-	3,569
Supplies inventory	2,395,226	2,188,483
Total current assets	6,123,040	5,305,923
Noncurrent Assets		
Capital assets not being depreciated and amortized	27,099,096	32,669,255
Capital assets being depreciated and amortized, net	112,340,677	106,930,971
Net other post-employment benefit asset	41,653	29,358
Total noncurrent assets	139,481,426	139,629,584
Total assets	145,604,466	144,935,507
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,970,789	1,118,705
Total Assets and Deferred Outflow of Resources	147,575,255	146,054,212
Liabilities		
Current Liabilities		
Accounts payable	626,604	452,652
Accrued liabilities	344,377	312,486
Due to City of Reno, operations	492,738	158,622
Due to City of Sparks, operations	328,619	135,871
Compensated absences, current portion	620,237	710,116
Sick leave conversion payable, current portion	20,464	68,561
Total current liabilities	2,433,039	1,838,308
Noncurrent Liabilities		
Compensated absences	870,430	780,349
Sick leave conversion payable	311,173	193,118
Net other post-employment benefit obligation	283,978	278,331
Net pension obligation	6,331,089	5,364,431
Total noncurrent liabilities	7,796,670	6,616,229
Total liabilities	10,229,709	8,454,537
Deferred Inflows of Resources		
Deferred inflows related to pensions	691,908	864,698
Total Liabilities and Deferred Inflows of Resources	10,921,617	9,319,235
Net Position		
Net investment in capital assets	139,439,773	139,600,226
Unrestricted	(2,786,135)	(2,865,249)
Total net position	$ 136,653,638	$ 136,734,977

See Notes to Financial Statements

Truckee Meadows Water Reclamation Facility
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017	2016
Operating Revenues		
Reimbursement from City of Reno	$ 12,010,802	$ 13,106,261
Reimbursement from City of Sparks	6,401,134	7,087,796
Reimbursement from Washoe County	8,739	-
Other income	402,841	374,815
Total operating revenues	18,823,516	20,568,872
Operating Expenses		
Salaries and wages	4,366,505	4,269,187
Employee benefits	2,119,083	1,830,808
Services and supplies	12,279,716	14,204,816
Operating expenses before depreciation and amortization	18,765,304	20,304,811
Depreciation and amortization	6,720,929	6,683,654
Total operating expenses	25,486,233	26,988,465
Operating Loss	(6,662,717)	(6,419,593)
Nonoperating Revenues (Expenses)		
Investment income (loss)	20,901	57,991
Gain (loss) on disposal of assets	(256,620)	(52,066)
Total nonoperating revenues (expenses)	(235,719)	5,925
Loss before Capital Contributions	(6,898,436)	(6,413,668)
Capital Contributions		
Contributions from City of Reno	4,678,573	13,578,536
Contributions from City of Sparks	2,138,524	6,206,596
Total capital contributions	6,817,097	19,785,132
Change in Net Position	(81,339)	13,371,464
Net Position, Beginning of Year	136,734,977	123,363,513
Net Position, End of Year	$ 136,653,638	$ 136,734,977

See Notes to Financial Statements

Truckee Meadows Water Reclamation Facility
Statement of Cash Flows
Year Ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017	2016
Operating Activities		
Reimbursement from City of Reno	$ 12,344,918	$ 13,160,097
Reimbursement from City of Sparks	6,593,882	7,087,796
Reimbursement from Washoe County	8,739	-
Cash received from other services	364,628	413,086
Cash payments for personnel costs	(6,448,401)	(6,202,054)
Cash payments for services and supplies	(12,308,938)	(14,418,710)
Net Cash from Operating Activities	554,828	40,215
Capital and Related Financing Activities		
Acquisition of capital assets	(6,817,097)	(19,785,132)
Contributions of capital	6,817,097	19,785,132
Net Cash from Capital and Related Financing Activities	-	-
Investing Activities		
Investment income (loss)	20,901	57,991
Net Change in Cash and Cash Equivalents	575,729	98,206
Cash and Cash Equivalents, Beginning of Year	3,062,673	2,964,467
Cash and Cash Equivalents, End of Year	$ 3,638,402	$ 3,062,673

See Notes to Financial Statements

Truckee Meadows Water Reclamation Facility
Statement of Cash Flows
Year Ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

	2017	2016
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	$ (6,662,717)	$ (6,419,593)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:		
Depreciation and amortization	6,720,929	6,683,654
Pension expense	1,017,818	758,063
Pension contributions	(1,076,034)	(1,022,123)
Changes in		
Accounts receivable	(38,214)	38,269
Due from City of Reno, operations	-	870
Supplies inventory	(206,743)	(179,611)
Prepaid expense	3,569	(2,664)
Net OPEB asset	(12,295)	4,318
Accounts payable	173,952	(167,490)
Accrued liabilities	31,891	40,619
Due to City of Reno, operations	334,116	52,966
Due to City of Sparks, operations	192,748	135,871
Compensated absences	203	181,741
Sick leave conversion payable	69,958	(68,561)
Net OPEB obligation	5,647	3,886
Total adjustments	7,217,545	6,459,808
Net Cash from (used for) Operating Activities	$ 554,828	$ 40,215

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Truckee Meadows Water Reclamation Facility (Facility) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. A summary of the more significant accounting policies applied in the preparation of the accompanying basic financial statements follows.

Reporting Entity

The cities of Reno and Sparks (Nevada municipal corporations) entered into an agreement to mutually construct, own, operate, maintain and use a wastewater treatment facility. The Joint Coordinating Committee (Committee) was created to advise the city councils of Reno and Sparks on matters relating to the Facility. The Committee consists of ten members: four selected by the City of Reno, four selected by the City of Sparks, one member selected by the Board of Commissioners of Washoe County, and one member selected by the Board of Directors of the Sun Valley Water and Sanitation District.

The Facility is a Joint Venture, which does not have the legal capacity to be an employer or to enter into contracts on its own; therefore, the City of Sparks has responsibility for administration and daily operation of the Facility including providing employees, while the City of Reno is responsible for construction related contracts of the Facility. The costs of operating and maintaining the Facility are allocated between the cities of Reno and Sparks in proportion to the volume of sewage entering the Facility from each city and the capital contributions are allocated between the cities based on capacity ownership in the Facility. The cities have agreed to reimburse all allocated costs, excluding depreciation and the change in the net pension obligation. The reimbursement of operating costs from each city is recorded as operating revenue of the Facility. The Facility is economically dependent upon the cities of Reno and Sparks.

Of the Facility's total capacity of 46.48 million gallons per day (MGD) at June 30, 2017, the City of Reno owned approximately 31.90 MGD, or 68.63%, and the City of Sparks owned approximately 14.58 MGD, or 31.37%.

Fund Accounting

Facility activities are accounted for in an Enterprise Fund (proprietary fund type). The accounts of the Facility are organized in one fund, with a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses and capital contributions. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing or delivering goods in connection with a proprietary fund's principal ongoing operations. Non-operating revenues and expenses result from non-exchange transactions or ancillary services.

Basis of Accounting

The financial statements of the Facility are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

Budgets and Budgetary Accounting

The Facility's budget is included and presented with the budget documents submitted by the City of Sparks. As such, the Facility adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada. The Act and Facility policy include the following major procedures to establish the budgetary data, which is reflected in these financial statements:

1. On or before April 15, a tentative budget for the Facility is submitted to the State of Nevada Department of Taxation along with the tentative budget for the City of Sparks for the fiscal year commencing the following July 1.
2. A public hearing on the tentative budget is held on the third Tuesday in May to obtain taxpayer comments. Beginning with the fiscal year 2017 budget, the Nevada Legislature changed this requirement so that the public hearing on the tentative budget may be held anytime between the third Tuesday in May and the end of May.
3. Prior to June 1, the Joint Coordinating Committee approves a final budget and that budget is submitted for adoption by the Sparks City Council. The final budget is then submitted to the Nevada Department of Taxation.
4. The City of Sparks Financial Services Director is authorized to transfer appropriations between accounts. Any revisions that alter total appropriations must be approved in advance by the Committee. Formal budgetary integration is employed as a management control device during the year.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Unencumbered appropriations lapse at year-end. Encumbered appropriations are re-appropriated in the ensuing year.
6. In accordance with State statute, the sum of operating and non-operating expenses may not exceed budgeted appropriations.

The final budget reflected in the supplementary information has been amended from the original budget in accordance with State statute.

Cash and Investments

The Facility is a voluntary participant in the external investment pool maintained by the City of Sparks. As such, cash balances are combined and, to the extent practicable, invested as permitted by law in combination with other funds held by the City of Sparks. The Sparks City Council has overall responsibility for investment of City funds in accordance with Nevada Revised Statute 355.175. The City of Sparks Financial Services Director, under authority delegated by the Sparks City Council, is the primary investment official for the City.

The Facility's investment in the City of Sparks external investment pool is reported at fair value, which represents the Facility's original investment, plus a monthly allocation of investment income, including realized and unrealized gains and losses, which is the same as the value of the pool shares.

The City of Sparks Financial Services Director may only invest in securities as prescribed under NRS 355.170 and include certain "A" rated notes and bonds, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP).

Since all cash and investments of the Facility are pooled with the City of Sparks' and are available upon demand, they are considered to be cash equivalents.

Accounts Receivable

The Facility considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Supplies Inventory

Inventory of operating supplies is stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at acquisition value at the date of donation. The Facility defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Depreciation and amortization are computed using the straight-line method over estimated useful lives, in years, of 15 for roads and streets, 5-20 for equipment, 30-40 for wastewater facility and joint lines, and 10 for intangibles.

Compensated Absences

The liability for vacation and sick leave is accrued as amounts are earned by employees to the extent it is likely that those benefits will be paid. The liability is calculated under the provisions of GASB Statement No. 16, Accounting for Compensated Absences.

Post-Employment Health Care

Upon retirement, qualified employees, through the City of Sparks, have the option of foregoing cash payment of their accumulated sick leave balances by opting for conversion of the balance to fund their post-employment group health insurance premiums. The converted balances are reported as a sick leave conversion payable on the Facility's financial statements. The Facility pays the retirees' group health insurance premiums until exhaustion of the respective retirees' balances.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources related to pension are reported in the Statement of Net Position under the accrual basis of accounting.

In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources related to pension are reported in the Statement of Net Position under the accrual basis of accounting.

Equity Classifications

In the Statement of Net Position, equity is classified as net position and displayed as follows:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. The Facility has no debt outstanding at June 30, 2017.

Restricted Net Position – Consists of net position 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. The Facility does not have any restricted net position at June 30, 2017.

Unrestricted Net Position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Implementation of GASB Statement No. 77 and 82

As of July 1, 2016, the City adopted certain portions of GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.* The implementation of this standard is to clarify the presentation of payroll-related measures in required supplementary information.

Note 2 - Compliance with Nevada Revised Statutes and Administrative Code

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

Note 3 - Capital Assets

Capital assets consist of the following at June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Completed Construction	Balance June 30, 2017
Capital assets, not being depreciated					
Land	$ 385,269	$ -	$ -	$ -	$ 385,269
Construction in progress	32,283,986	5,142,857	-	(10,713,016)	26,713,827
Total capital assets, not being depreciated	32,669,255	5,142,857	-	(10,713,016)	27,099,096
Capital assets being depreciated/amortized					
Wastewater facility and joint lines	176,755,633	918,754	(366,693)	10,630,345	187,938,039
Equipment	42,123,969	426,104	(945,167)	10,896	41,615,802
Roads and streets	1,054,892	313,193	-	34,055	1,402,140
Intangible assets	861,353	16,188	-	37,720	915,261
Total capital assets being depreciated/amortized	220,795,847	1,674,239	(1,311,860)	10,713,016	231,871,242
Accumulated depreciation and amortization					
Wastewater facility and joint lines	(94,907,689)	(4,888,548)	258,948	-	(99,537,289)
Equipment	(18,196,803)	(1,670,916)	796,292	-	(19,071,427)
Roads and streets	(662,242)	(49,820)	-	-	(712,062)
Intangible assets	(98,142)	(111,645)	-	-	(209,787)
Total accumulated depreciation/ amortization	(113,864,876)	(6,720,929)	1,055,240	-	(119,530,565)
Capital assets being depreciated/ amortized, net	106,930,971	(5,046,690)	(256,620)	10,713,016	112,340,677
Total capital assets, net	$ 139,600,226	$ 96,167	$ (256,620)	$ -	$ 139,439,773

Ownership of the capital assets as of June 30, 2017 is as follows:

City of Reno	$ 96,837,865
City of Sparks	42,601,908
	$ 139,439,773

Note 4 - Noncurrent Liabilities

Changes in the Facility's compensated absences payable and sick leave conversion liability are presented below. For information on the Facility's net OPEB obligation, see Note 8 and for the net pension obligation, see Note 7.

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due in 2017-2018
Compensated absences	$ 1,490,465	$ 453,543	$ 453,341	$ 1,490,667	$ 620,237
Sick leave conversion	261,679	115,638	45,680	331,637	20,464
	$ 1,752,144	$ 569,181	$ 499,021	$ 1,822,304	$ 640,701

Note 5 - Net Position

At June 30, 2017 net position in the Facility is divided between the cities of Reno and Sparks as follows:

	City of Reno	City of Sparks	Total
Net investment in capital assets	$ 96,837,865	$ 42,601,908	$ 139,439,773
Unrestricted	(1,812,057)	(974,078)	(2,786,135)
	$ 95,025,808	$ 41,627,830	$ 136,653,638

Note 6 - Risk Management

The Facility, like all governmental entities, is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; and natural disasters. The owners of the Facility are responsible for group medical insurance and workers' compensation premiums payable to the City of Sparks for coverage of the employees provided by the City of Sparks to the Facility, in the City of Sparks self-funded insurance program. All other risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have been minimal in the past three years.

Note 7 - Defined Benefit Pension Plan

Plan Description – The Facility contributes to the Public Employees' Retirement System of the State of Nevada (PERS) for coverage of the employees provided by the City of Sparks to the Facility. PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. PERS 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.

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 PERS on or after January 1, 2010 and July 1, 2015. 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, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier for all years of service. Regular members entering PERS on or after July 1, 2015, have a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

Vesting – Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering 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. Regular members entering PERS on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, at age 55 with thirty years of service, or at any age with thirty-three and a third 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.

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

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.

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

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

For the fiscal years ended June 30, 2017 and 2016, the statutory employer-pay contribution (EPC) rate was 28.00% for Regular members.

The Facility's contributions were $1,076,034 for the year ended June 30, 2017.

PERS Investment Policy – 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 System.

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

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

As of June 30, 2016, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability – At June 30, 2017, the Facility reported a liability for its proportionate share of the net pension liability of $6,331,089. The 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 Facility's proportion of the net pension liability was based on the Facility's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers. At June 30, 2016, the Facility's proportion was 0.06028 percent, which was a decrease of .00002 from its proportion measured as of June 30, 2015.

Pension Liability Discount Rate Sensitivity – The following presents the net pension liability of the Facility as of June 30, 2017, calculated using the discount rate of 8.00%, as well as what the Facility's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	$ 9,280,140	$ 6,331,089	$ 3,877,515

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions – The Facility'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:

Inflation Rate	3.50%
Payroll Growth	5.00% including inflation
Investment Rate of Return	8.00%
Productivity Pay Increase	0.75%
Projected Salary Increases	Regular: 4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

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

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

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Based on the Facility's proportionate share of PERS net pension liability for the year ended June 30, 2017, the Facility recognized pension expense of $1,017,818. At June 30, 2017, the Facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 437,757
Net difference between projected and actual earnings on pension plan investments	747,075	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	147,680	254,151
Facility contributions subsequent to the measurement date	1,076,034	-
	$ 1,970,789	$ 691,908

Deferred outflows of resources related to pensions resulting from Facility contributions subsequent to the measurement date in the amount of $1,076,034 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2015 (the beginning of the measurement period ended June 30, 2016) is 6.48 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	$ (340,560)
2019	(340,561)
2020	920,044
2021	464,729
2022	(391,892)
Thereafter	(108,913)

Additional Information – The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at www.nvpers.org under Quick Links - Publications.

Note 8 - Post-Employment Benefits Other than Pensions (OPEB)

From an accrual accounting perspective, the cost of post-employment healthcare and life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Facility recognizes the cost of post-employment healthcare and life insurance for the employees provided to the Facility by the City of Sparks in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Facility's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Plan Descriptions – The Facility contributes to a single-employer defined benefit healthcare plan managed by the City of Sparks called the City of Sparks Medical and Dental Benefit Plan ("Sparks Plan"), and to an agent multiple-employer defined benefit healthcare plan, the Nevada Public Employees' Benefits Program (NPEBP). Each plan provides medical, dental, vision, long-term disability, accidental death and dismemberment, and life insurance benefits to eligible retirees and beneficiaries.

Benefit provisions for the Sparks Plan are established pursuant to NRS 287.023 and amended through negotiations between the City and the Group Health Plan Benefits Committee whose voting membership consists of representatives of employee bargaining groups. Benefit provisions for NPEBP are established pursuant to NRS 287.023 and subject to amendment by the State of Nevada each biennium.

Pursuant to NRS 287.023 (as amended during the 2007 session of the Nevada Legislature), through November 29, 2008, retirees had the option to participate in the Sparks Plan for postemployment health care benefits or to join the NPEBP offered by the State of Nevada. However, subsequent to November 30, 2008, new retirees no longer have the option of joining the NPEBP, yet still retain the option to participate in the Sparks Plan.

Local governments are required to pay the same portion of cost of coverage for those persons joining NPEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the NPEBP. As of June 30, 2017, 13 retirees from the Facility were utilizing this benefit. The subsidy paid directly to NPEBP by the Facility for this coverage for the year ended June 30, 2017 was $45,152. The NPEBP Master Plan Document can be obtained by writing to the Nevada Public Employees Medical Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

NPEBP employer paid subsidy, adjusted for years of credited service, can range from $65.28 to $1,477.38 and may be allocated to more than one public employer based on retiree employment history.

Retirees in the Sparks Plan receive no direct subsidy from the Facility, with the following exceptions. Facility employees who retired prior to the adoption of the 1991-92 employee resolution and contracts, receive a subsidy equal to the difference between current premium rates and the premium rates agreed to in their retirement agreement, which vary by year and bargaining unit of retirement. Also, employees retiring after 1992 and before December 2001 receive a subsidy equal to a $5 dollar credit towards health insurance premiums for each year of service. These subsidies range from $60 to $800.66 per month. As of June 30, 2017, 13 retirees from the Facility were utilizing this benefit. In addition, under state law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the Facility.

The premium rates in the Sparks Plan applicable to retirees not yet eligible for Medicare are the same as those for active employees; reduced rates apply to those retirees covered by Medicare.

A summary of the monthly premium rates for the Sparks Plan, for the year ended June 30, 2017, is shown below:

	Employee Only	Employee & Spouse	Employee & Child	Employee & Family
Active Employees	$ 812.89	$ 1,492.69	$ 1,422.20	$ 2,121.62
Retiree, no Medicare	808.82	1,487.80	1,417.30	2,116.76
Spouse, with Medicare		1,343.92		
Retiree, Medicare	648.97	1,184.08	N/A	1,956.90
Spouse, no Medicare		1,327.95		1,813.02

Funding Policy and Annual OPEB Cost – The Facility is currently funding the annual OPEB cost according to projected pay-as-you-go financing requirements. For fiscal year ended June 30, 2017, the Facility's Net Employer Contribution was $19,672 to the Sparks Plan and $45,152 to the NPEBP, for a total contribution of $64,824. The actuarial valuation was prepared from employee and retiree data as of July 2016. The Facility data included a total of 66 participants on the Sparks Plan, consisting of 51 employees and 15 retirees, and a total of 12 participants in NPEBP, all retirees.

The Facility's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal years 2015 through 2017 is as follows:

Plan Type	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation (Asset)	Percentage of Annual OPEB Cost Contributed
Sparks Plan	2017	$ 25,319	$ 19,672	$ 283,978	77.70%
Sparks Plan	2016	27,863	23,977	278,331	86.05%
Sparks Plan	2015	27,478	13,675	274,445	49.77%
NPEBP	2017	32,857	45,152	(41,653)	137.47%
NPEBP	2016	46,094	41,776	(29,358)	90.63%
NPEBP	2015	44,979	47,344	(33,676)	105.26%
Totals	2017	58,176	64,824	242,325	111.43%
Totals	2016	73,957	65,753	248,973	88.91%
Totals	2015	72,457	61,019	240,769	84.21%

The net OPEB obligation (NOPEBO) (asset) as of June 30, 2017, was calculated as follows:

	Sparks Plan	NPEBP	Total
Normal cost	$ 8,682	$ -	$ 8,682
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	16,242	32,898	49,140
Interest on prior year net OPEB obligation	11,133	(1,174)	9,959
Amortization on prior year net OPEB obligation	(10,738)	1,133	(9,605)
Annual OPEB Cost	25,319	32,857	58,176
Facility contributions	(19,672)	(45,152)	(64,824)
Change in Net OPEB Obligation	5,647	(12,295)	(6,648)
Net OPEB Obligation (Asset), Beginning of Year	278,331	(29,358)	248,973
Net OPEB Obligation (Asset), End of Year	$ 283,978	$ (41,653)	$ 242,325

Funded Status and Funding Progress – The funded status of the plans as of the most recent actuarial valuation (July 1, 2016) is as follows:

Plan	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded AAL (UALL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
Sparks	7/1/2016	$ 420,988	$ -	$ 420,988	0.00%	$4,260,501	9.88%
NPEBP	7/1/2016	852,726	-	852,726	0.00%	N/A	N/A
		$ 1,273,714	$ -	$ 1,273,714	0.00%	N/A	N/A

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

Actuarial Methods and 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 benefits between the Facility and the plan members at that point.

Actuarial calculations reflect long-term perspectives and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	Sparks Plan	NPEBP
Actuarial valuation date	July 1, 2016	July 1, 2016
Actuarial funding method	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay	Level percentage of pay
Remaining amortization period	30 years, Open	30 years, Open
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	4.00%	4.00%
Projected salary increases	6.50%	6.50%
Healthcare cost trend rate*	5.90%	5.90%

*Declining gradually, over 60 years, to an ultimate rate of 3.94 percent. These rates include a 2.3% general inflation rate.

Truckee Meadows Water Reclamation Facility
Other Post-Employment Benefits Schedule of Funding Progress
June 30, 2017

Plan	Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Plan Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
Sparks Plan	7/1/2016	$ 420,988	$ -	$ 420,988	0.00%	$ 4,260,501	9.88%
NPEBP	7/1/2016	852,726	-	852,726	0.00%	N/A	
Total		$ 1,273,714	$ -	$ 1,273,714	0.00%		
Sparks Plan	7/1/2014	$ 470,670	$ -	$ 470,670	0.00%	$ 3,787,670	12.43%
NPEBP	7/1/2014	1,175,992	-	1,175,992	0.00%	N/A	N/A
Total		$ 1,646,662	$ -	$ 1,646,662	0.00%		
Sparks Plan	7/1/2012	$ 552,474	$ -	$ 552,474	0.00%	$ 3,256,002	16.97%
NPEBP	7/1/2012	1,253,439	-	1,253,439	0.00%	N/A	N/A
Total		$ 1,805,913	$ -	$ 1,805,913	0.00%		

Truckee Meadows Water Reclamation Facility

Schedule of Facility's Share of Net Pension Liability
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2016	2015	2014
Facility's portion of net the pension liability	0.06028%	0.06026%	0.06141%
Facility's proportionate share of the net pension liability	$ 6,331,089	$ 5,364,431	$ 4,851,094
Facility's covered payroll	$ 3,669,488	$ 3,612,216	$ 3,279,050
Facility's proportional share of the net pension liability as a percentage of its covered payroll	172.53%	148.51%	147.94%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	75.10%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Facility will present information only for those years for which information is available.

Truckee Meadows Water Reclamation Facility

Schedule of Facility's Contributions
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2017	2016	2015
Statutorily required contribution	$ 1,076,034	$ 1,022,123	$ 930,145
Contributions in relation to the statutorily required contribution	$ 1,076,034	$ 1,022,123	$ 930,145
Contribution (deficiency) excess	$ -	$ -	$ -
Employer's covered payroll	$ 3,842,978	$ 3,669,488	$ 3,612,216
Contributions as a percentage of covered payroll	28.00%	27.85%	25.75%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the Facility will present information only for those years for which information is available.

Supplementary Information

Truckee Meadows Water Reclamation Facility

Truckee Meadows Water Reclamation Facility

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Year Ended June 30, 2017

	Final Budget	Actual	Variance
Operating Revenues			
Reimbursement from City of Reno	$ 14,933,209	$ 12,010,802	$ (2,922,407)
Reimbursement from City of Sparks	8,005,476	6,401,134	(1,604,342)
Reimbursement from Washoe County	-	8,739	8,739
Other income	421,000	402,841	(18,159)
Total operating revenues	23,359,685	18,823,516	(4,536,169)
Operating Expenses			
Salaries and wages	4,355,200	4,366,505	(11,305)
Employee benefits	2,263,920	2,119,083	144,837
Services and supplies	17,791,616	12,279,716	5,511,900
Total operating expenses before depreciation and amortization	24,410,736	18,765,304	5,645,432
Depreciation and amortization	6,423,244	6,720,929	(297,685)
Total operating expenses	30,833,980	25,486,233	5,347,747
Operating Loss	(7,474,295)	(6,662,717)	811,578
Nonoperating Revenues (Expenses)			
Investment income (loss)	40,000	20,901	(19,099)
Gain/(loss) on disposal of assets	(100,000)	(256,620)	(156,620)
Total nonoperating revenues (expenses)	(60,000)	(235,719)	(175,719)
Loss before Capital Contributions	(7,534,295)	(6,898,436)	635,859
Capital Contributions			
Contributions from City of Reno	9,323,072	4,678,573	(4,644,499)
Contributions from City of Sparks	4,261,472	2,138,524	(2,122,948)
Total capital contributions	13,584,544	6,817,097	(6,767,447)
Change in Net Position	$ 6,050,249	(81,339)	$ (6,131,588)
Net Assets, Beginning of Year		136,734,977	
Net Position, End of Year		$ 136,653,638	

Compliance Section

Truckee Meadows Water Reclamation Facility

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CPAs & BUSINESS 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 Reno-Sparks Joint Coordinating Committee
Truckee Meadows Water Reclamation Facility
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 Truckee Meadows Water Reclamation Facility (a Nevada Municipal Joint Venture) (the Facility) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Facility's basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Facility's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-A, that we consider to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Facility'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Facility's Response to the Finding
The Facility's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Facility'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.

Eide Bailly LLP

Reno, Nevada
November 21, 2017

EideBailly

CPAs & BUSINESS ADVISORS

Auditor's Comments

To the Reno-Sparks Joint Coordinating Committee
Truckee Meadows Water Reclamation Facility
Reno, Nevada

In connection with our audit of the financial statements of the Truckee Meadows Water Reclamation Facility (a Nevada Municipal Joint Venture) (the Facility) 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 Facility failed to comply with the specific requirements of Nevada Revised Statutes 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 Facility's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance
The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

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

Prior Year Recommendations
Prior year finding 2016-002 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
November 21, 2017

2017-A **Computer Controls for Secondary Review of Journal Entries**
Significant Deficiency

Criteria: The design of system controls requiring secondary review of adjustments/postings to the financial reporting software should be in place to provide safeguards over Facility assets and reduce the risk of misstatements in financial reporting for the Facility.

Condition: Journal entries posted by key City of Sparks Financial Services Department management personnel is such that the system will allow journal entries to be posted without secondary review of those entries.

Cause: Inadequate design of information technology application controls to detect and correct unauthorized or incorrect transactions in the Facility's financial reporting software, as general journal entries can be posted in the general ledger without secondary review.

Effect: Unauthorized or inaccurate transactions could occur in the Facility's financial reporting software and not be detected.

Recommendation: Management should examine controls over the City of Sparks' financial reporting software and implement system controls to require secondary approval of adjustments/postings in the financial reporting software.

Views of Responsible Officials: City of Sparks management believes current staffing levels are insufficient to implement secondary review of all journal entries posted by senior Financial Services Department personnel. Alternatively, other procedures are utilized to ensure accounting accuracy such as general ledger account reviews and various reconciliations performed by separate accounting personnel which would make secondary approval of journal entries initiated by senior personnel inefficient and unnecessary.