

BEATTY WATER AND SANITATION DISTRICT
REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTAL MATERIAL

YEAR ENDED JUNE 30, 2014

**BEATTY WATER AND SANITATION DISTRICT
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Trustees
Beatty Water and Sanitation District
Beatty, Nevada

Report on the Financial Statements

I have audited the accompanying financial statements of Beatty Water and Sanitation District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statement, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2014, and the changes in 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 and schedule of funding progress on pages 5-7 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The individual budgetary comparison schedule on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual budgetary comparison schedule is the responsibility of management and was derived from and relate directly to underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual budgetary comparison schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 26, 2014 on my consideration of the District's internal control over financial reporting and on my 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 my 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 District's internal control over financial reporting and compliance.

Las Vegas, Nevada
November 26, 2014

**BEATTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The Management Discussion and Analysis ("MD&A") introduces the financial reports for Beatty Water and Sanitation District. The MD&A is designed to give the reader an easy-to-understand overview of the District's financial position and results of operations for the year.

Financial Highlights

The District's primary revenue sources are water and sewer fees. For the year ended June 30, 2014, these fees totaled \$332,559 for water and \$246,428 for sewer.

The District's total operating expenses were \$472,465 for water and \$229,876 for sewer for the year ended June 30, 2014.

The District's operating loss was \$123,354, which consisted of a loss of \$139,906 for water operations and a gain of \$16,552 for sewer operations. Included in the operating loss was depreciation for water of \$162,895 and \$54,715 for sewer.

The net position decreased \$114,458 for water and decreased \$146,735 for sewer for the year ended June 30, 2014. The water decrease was due to the operating loss. The sewer decrease is due to a fine imposed by the Nevada Department of Environmental Protection against the District for the improper discharge of sewage. A settlement was reached which will include a cash payment of \$59,636 payable over a period of 2 years. The District must also complete two environmental projects within the Town with a total costs of \$76,205. These amounts have been included as a liability in the financial statements reported as claims payable.

Net position of the District was \$5,935,508 at June 30, 2014; a decrease of \$261,193, or 4.22%, from the previous year.

Overview of the Financial Statements

The Statement of Net Position presents information on all 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. (See page 8)

The Statement of Revenues, Expenses, and Changes in Fund Assets presents information about the District's revenues and expenses which results in a change in fund net position. (See page 9)

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. See pages 11-27 of the financial statement.

Other Information

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information including a budgetary comparison to the revenues, expenses, and changes in net position. (See page 29)

**BEATTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Financial Analysis

Net position of the District as of June 30, 2014 and 2013, are summarized and analyzed below:

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 996,599	\$ 1,141,843
Net capital assets	<u>5,850,534</u>	<u>6,040,361</u>
Total Assets	<u>6,847,133</u>	<u>7,182,204</u>
Liabilities:		
Current liabilities	120,899	295,127
Long-term liabilities	<u>790,726</u>	<u>690,376</u>
Total Liabilities	<u>911,625</u>	<u>985,503</u>
Net Position:		
Invested in capital assets, net of related debt	5,160,562	5,331,941
Restricted	587,643	334,428
Unrestricted	<u>187,303</u>	<u>530,332</u>
Total Net Position	<u>\$ 5,935,508</u>	<u>\$ 6,196,701</u>

The largest portion of the District's net position is capital assets, net of related debt, of \$5,160,562 (e.g. land, building, system) which represents 86.94% of net position.

The District's restricted net position represent resources that are subject to external restrictions on how they may be used.

The remaining portions of the District's net position are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

Changes in net position of the District are summarized as follows:

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Water	\$ 332,559	\$ 333,498
Sewer	<u>246,428</u>	<u>243,773</u>
Total operating revenues	578,987	577,271
Operating expenses	<u>702,341</u>	<u>710,761</u>
Operating loss	(123,354)	(133,490)
Nonoperating revenues	27,857	306,015
Nonoperating expenses	<u>(165,696)</u>	<u>(30,671)</u>
Change in net position	(261,193)	141,854
Total net position - beginning	<u>6,196,701</u>	<u>6,054,847</u>
Total net position - ending	<u>\$ 5,935,508</u>	<u>\$ 6,196,701</u>

Operating revenues include charges for services for water and sewer use.

**BEATTY WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Assets

The District's investment in capital assets, net of accumulated depreciation at June 30, 2014, was \$5,850,534. Detail by asset is summarized in the table below.

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Decrease</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 34,451	\$ 0	\$ 0	\$ 34,451
Capital assets being depreciated				
Buildings and improvements	5,520	0	0	5,520
Machinery and equipment	150,053	3,474	0	153,527
Water and sewer system	<u>8,515,326</u>	<u>24,309</u>	<u>0</u>	<u>8,539,635</u>
Total capital assets being depreciated	<u>8,670,899</u>	<u>27,783</u>	<u>0</u>	<u>8,698,682</u>
Less accumulated depreciation for:				
Buildings and improvements	5,520	0	0	5,520
Machinery and equipment	110,868	9,727	0	120,595
Water and sewer system	<u>2,548,601</u>	<u>207,883</u>	<u>0</u>	<u>2,756,484</u>
Total accumulated depreciation	<u>2,664,989</u>	<u>217,610</u>	<u>0</u>	<u>2,882,599</u>
Total capital assets being depreciated, net	<u>6,005,910</u>	<u>(189,827)</u>	<u>0</u>	<u>5,816,083</u>
Total assets, net	<u>\$6,040,361</u>	<u>\$(189,827)</u>	<u>\$ 0</u>	<u>\$ 5,850,534</u>

Debt Administration

Changes in Long-term Debt - During the year ended June 30, 2014, the following changes occurred in long-term debt:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>	Due within <u>One Year</u>
Sewer bond payable 5%	\$ 17,000	\$ 0	\$ 9,000	\$ 8,000	\$ 8,000
Sewer bond payable 4.25%	691,420	0	9,448	681,972	9,692
Claims payable	0	135,841	0	135,841	17,395
OPEB obligation payable	<u>245</u>	<u>0</u>	<u>245</u>	<u>0</u>	<u>0</u>
Total long-term debt	<u>\$ 708,665</u>	<u>\$ 135,841</u>	<u>\$ 18,693</u>	<u>\$ 825,813</u>	<u>\$ 35,087</u>

BUDGETARY HIGHLIGHTS

Nevada Revised Statutes and District regulations require that Districts legally adopt a budget. The budget is prepared in accordance with generally accepted accounting principles. Budgeted amounts reflected in the accompanying financial statements recognize amendments made during the year. The original budget was approved May 16, 2013. There were no budget changes during the year.

Total actual operating expenses for the District for the fiscal year 2014 were \$45,159 less than budgeted. (See page 29)

REQUESTS FOR INFORMATION

This financial report is designed to provide its users with a general overview of the Beatty Water and Sanitation District finances and to demonstrate the District's accountability for the revenues it receives. Any comments, questions, or requests for additional information should be addressed to:

Beatty Water and Sanitation District
P.O. Box 99
Beatty, Nevada 89003

BEATTY WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	2014
ASSETS	
Cash and investments	\$ 196,021
Accounts receivable net of allowance of \$1,000	46,524
Prepays	47,845
Other	54
Total current assets	290,444
Noncurrent assets	
Water rights	118,512
Restricted assets	
Investment reserves sewer	135,885
Investment water capital improvements reserve	451,758
Total restricted assets	587,643
Capital assets:	
Land	34,451
Building and improvements	5,520
Machinery and equipment	153,527
Water and sewer system	8,539,635
Less accumulated depreciation	(2,882,599)
Total capital assets, net of accumulated depreciation	5,850,534
Total assets	6,847,133
LIABILITIES	
Current liabilities:	
Accounts and payroll payable	36,137
Accrued compensated absences	14,366
Accrued interest	200
Customer deposits	35,109
Current portion of claims payable	17,395
Current maturities of long-term debt	17,692
Total current liabilities	120,899
Noncurrent liabilities:	
Payable to USDA - RD	
Sewer bond payable	672,280
Claims payable	118,446
OPEB obligation payable	-
Total noncurrent liabilities	790,726
Total liabilities	911,625
NET POSITION	
Invested in capital assets, net of related debt	5,160,562
Restricted for capital projects	587,643
Unrestricted	187,303
Total net position	\$ 5,935,508

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

**BEATTY WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

2014

Operating Revenues:

Charges for sales and services:	
Water	\$ 332,559
Sewer	246,428
Total operating revenues	578,987

Operating Expenses:

Salaries and wages	162,917
Payroll taxes and employee benefits	109,254
Electricity	72,954
Insurance	29,950
Fuel and oil	8,212
Repairs, maintenance, and supplies	30,915
Professional and other fees	48,055
Office and related expenses	16,514
Telephone	5,015
Travel	945
Depreciation	217,610
Total operating expenses	702,341

Operating (loss)	(123,354)
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Nonoperating Revenues (Expenses):

Grants	2,624
Miscellaneous	24,540
Investment income	693
Fines and penalties	(135,841)
Interest expense	(29,855)
Total nonoperating revenues (expenses)	(137,839)

Change in net position	(261,193)
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Total net position - beginning	6,196,701
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Total net position - ending	\$ 5,935,508
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The notes to the financial statements are an integral part of this statement.

**BEATTY WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	2014
Cash flows from operating activities:	
Cash received from customers	\$ 759,441
Cash paid for salaries, wages, and employee benefits	(273,229)
Cash paid for services and supplies	(428,119)
Net cash provided by operating activities	58,093
Cash flows from capital and related financing activities:	
Principal payments-bonds/notes payable	(18,448)
Interest paid	(30,080)
Miscellaneous	24,540
Grants and contributions from users/others	2,624
Purchase of capital assets	(27,783)
Net cash used by capital and related financing activities	(49,147)
Cash flows from investing activities:	
Interest received	693
Net decrease in cash and cash equivalents	9,639
Cash and investments:	
Beginning of year	774,025
End of year	\$ 783,664
Reconciliation of operating (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (123,354)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	217,610
(Increase) decrease in accounts receivable	180,454
(Increase) decrease in prepaids	(26,122)
(Increase) decrease in other assets	551
Increase (decrease) in accounts payable	(193,463)
Increase (decrease) in customer deposits	3,475
Increase (decrease) in opeb obligations payable	(245)
Increase (decrease) in accrued compensated absences	(813)
Total adjustments	181,447
Net cash provided (used) by operating activities	\$ 58,093

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

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP and used by the District are discussed below.

1. Reporting Entity

The Beatty Water and Sanitation District ("District") was organized on November 19, 1962, by order of the Fifth Judicial Court. The District provides water and sewer services to the residents and businesses of the Town of Beatty, Nevada. The accompanying financial statements include all of the activities that comprise the financial reporting entity. The District is governed by an elected five member board. The Board is legally separate and fiscally independent from other governing bodies; therefore, the District is a primary government and the District is not reported as a component unit by any other governmental unit. There were no component units of the District at June 30, 2014.

2. Basic Financial Statements

The District's basic financial statements consist of a Statement of Net Position which presents the financial position of the District at year-end. The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues and expenses to operate the water and sewer systems. The Statement of Cash flows presents the changes in cash for the year.

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

The District financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The major revenue sources of the District are water and sewer service revenue.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are customer charges. Expenses are those required to provide the service. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end. This District staff uses the following procedures to establish, modify, and control the budgetary data reflected in the financial statements:

- a. Prior to April 15, the District submits to the Nevada State Department of Taxation the tentative budget for the next fiscal year commencing on July 1. The budget submitted contains proposed expenditures and the means to finance them.
- b. The Nevada State Department of Taxation notifies the District of its acceptance of the budget.
- c. Public hearings are conducted on the third Wednesday in May.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

- d. After all changes have been noted and hearings closed, the Board of Trustees adopts the budget on or before June 1.
- e. Whenever such action does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions, District management may transfer appropriations within the fund, if:
 - 1. The governing body is advised of the action at the next regular meeting, and;
 - 2. The action is recorded in the official minutes of the meeting.
- f. Increases to the budget (augmentations) must be approved by the Board of Trustees. The District did not augment its budgets during the year.
- g. Statutory regulations require budget control to be exercised at the fund level.
- h. All appropriations lapse at the end of the fiscal year.

5. Assets, Liabilities, and Net Position

a. Pooled Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value on the Statement of Net Position. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Changes in the fair value of District investments are part of investment income.

Nevada Revised Statutes authorize the District to invest in:

- 1. Obligations of the U.S. Treasury and U.S. Agencies in which the maturity dates do not exceed more than 10 years from the date of purchase.
- 2. Negotiable certificates of deposit issued by commercial banks or insured savings and loan associations (those over \$250,000 must be fully collateralized).
- 3. Negotiable notes or short-term negotiable bonds issued by local governments within Nevada.
- 4. Eligible bankers' acceptances that do not exceed 180 days maturity and do not exceed 20 percent of the portfolio.
- 5. Commercial paper with a rating of A-1 or P-1 that does not exceed 270 days maturity and does not exceed 20 percent of the portfolio.
- 6. The State of Nevada's Local Government Investment Pool.
- 7. Repurchase agreements that are collateralized at 102 percent of the repurchase price and do not exceed 90 days maturity. Securities used for collateral must meet the criteria listed above.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Assets, Liabilities, and Net Position (Continued)

a. Pooled Cash and Investments (Continued)

8. Money market mutual funds which are rated as "AAA" or its equivalent and invest only in securities issued by the Federal Government, U.S. Agencies, or repurchase agreements fully collateralized by such securities.

The District has not established an investment policy further limiting its investments.

b. Receivables

Payments due from customers for services rendered through June 30, 2014, are recorded as accounts receivable. Receivables are recorded net of allowance for doubtful accounts.

c. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method.

d. Prepaid Items

Payments to vendors that will benefit periods beyond June 30, 2014, are recorded as prepaid expenses in the financial statements.

e. Restricted Assets

Certain cash assets of the District are classified as restricted assets because their use is restricted by agreement.

f. Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. If purchased or constructed, capital assets are recorded at historical cost or estimated historical cost and updated for additions and retirements during the year. Donated capital assets are valued at their estimated value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Equipment	5-10
Water distribution and sewer system	15-50
Buildings and Improvements	15-50

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Assets, Liabilities, and Net Position (Continued)

g. Compensated Absences

Vested accumulated vacation and sick leave is reported as an expense in the Statement of Revenues, Expenses and Changes in Net Position when the liability is incurred. The accrued liabilities are reported in the Statement of Net Position.

h. Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as costs during the current period.

i. Net Position

Net position on the Statement of Net Position includes the following:

(i) Invested in Capital Assets, Net of Related Debt

This is the component of net position that reports the difference between capital assets, less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

(ii) Restricted Assets

This is the component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation.

(iii) Unrestricted

This is the component of net position that is the difference between the assets and liabilities not reported in Invested in Capital Assets, Net of Related Debt and Restricted Assets.

j. Net Position Flow Assumptions

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

k. Use of Estimates

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

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Compliance and Accountability

NRS 354.626 requires that the District report expenditures that exceed budgeted appropriations at the fund level for the enterprise fund. For the year ended June 30, 2014, there were no expenses over appropriations.

NOTE C - DETAILED NOTES

1. Cash and Investments

The District maintains cash and investment accounts.

A reconciliation of cash and investments as shown on the statement of net position for the District at June 30, 2014, follows:

Cash	\$	50,570
State of Nevada Investment Pool		732,944
Cash on hand		150
Total		<u>\$ 783,664</u>
Cash and investments	\$	196,021
Cash and investments – restricted		587,643
Total		<u>\$ 783,664</u>

Investments are carried at fair value. The following is a listing of those investments as of June 30, 2014:

Investment Type	Investment Maturities (in years)	
	Fair Value	Less than 1
State of Nevada Local Government Investment Pool	\$ 732,944	\$ 732,944

The District is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the State of Nevada Board of Finance and is authorized by NRS 355.167. The District's investment in the LGIP is equal to its original investments plus monthly allocations of investment 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. The fair value of the District's investment in the LGIP was determined by multiplying the pool's fair value per share factor times the District's pool balance as of June 30, 2014.

The State of Nevada's Local Government Investment Pool is an agency fund of the State administered by the State Treasurer. Any local government may deposit its money with the fund. The State Treasurer may invest the money in the fund in investments which have been authorized as investments for local governments by Nevada Revised Statutes and in time certificates of deposit.

At the end of each month, the State Treasurer computes the portion of the total deposits in the fund which were attributable during the month to each local government. That proportion is applied to the total amount of interest received during the month on invested money of the fund and credited to each participating local government, less the proportionate amounts of the assessments for the expenses of administration.

Investments in the State of Nevada's Local Government Investment Pool are considered cash equivalents for financial reporting purposes. Invested funds are generally available as cash with a few days' notice.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

1. Cash and Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from the rise in interest rates. To limit exposure to interest rate risk, the Nevada Revised Statutes limits bankers' acceptances to 180 days of maturities, repurchase agreements to 90 days, U.S. Treasuries and Agencies to less than 10 years, and commercial paper to 270 days maturity.

Credit Risk: Credit risk is 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. In accordance with the Nevada Revised Statutes, the District limits its investments instruments by their credit risk. The State of Nevada Local Government Investment Pool is an unrated external investment pool.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank or brokerage failure, the District's deposits may not be returned. The District's bank deposits are generally covered by FDIC insurance and are collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

At year end, the District's carrying amount of deposits was \$50,570, and the bank balance was \$60,536. Of the bank balance, \$60,536 was covered by Federal Depository Insurance.

2. Restricted Cash

The 4.25% bond payable to the USDA-RD (see note C4b) requires that the District set aside \$322 per month as a debt reserve until one annual installment has been reached, \$500 per month to fund a depreciation reserve, and \$834 per month to fund a sewer line replacement reserve. As of June 30, 2014, the required reserve amounts totaled \$135,792. The District established an account with the State of Nevada Local Government Investment Pool, and has set aside for these reserves \$135,885 as of June 30, 2014.

A grant from the State of Nevada, Division of Water Planning, requires the District to place in a reserve account \$39,000 annually to provide funds for periodic repairs and replacements of the water system. The District established an account with the State of Nevada Local Government Investment Pool to fund the reserve in monthly installments. The balance at June 30, 2014, is \$451,758.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

3. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014, follows:

	Balance June 30, 2013	Additions	Decrease	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 34,451	\$ 0	\$ 0	\$ 34,451
Capital assets being depreciated				
Buildings and improvements	5,520	0	0	5,520
Machinery and equipment	150,053	3,474	0	153,527
Water and sewer system	<u>8,515,326</u>	<u>24,309</u>	<u>0</u>	<u>8,539,635</u>
Total capital assets being depreciated	<u>8,670,899</u>	<u>27,783</u>	<u>0</u>	<u>8,698,682</u>
Less accumulated depreciation for:				
Buildings and improvements	5,520	0	0	5,520
Machinery and equipment	110,868	9,727	0	120,595
Water and sewer system	<u>2,548,601</u>	<u>207,883</u>	<u>0</u>	<u>2,756,484</u>
Total accumulated depreciation	<u>2,664,989</u>	<u>217,610</u>	<u>0</u>	<u>2,882,599</u>
Total capital assets being depreciated, net	<u>6,005,910</u>	<u>(189,827)</u>	<u>0</u>	<u>5,816,083</u>
Total assets, net	<u>\$6,040,361</u>	<u>\$(189,827)</u>	<u>\$ 0</u>	<u>\$ 5,850,534</u>

4. Long-term debt

a. Revenue Bond Payable- USDA-RD

In 1976, the District sold a 5% sewer revenue bond for \$172,000 to the United States Department of Agriculture-Rural Development (USDA-RD). The bond, including interest, is being repaid in semi-annual installments with the final payment due in 2015. The balance at June 30, 2014, is \$8,000. The District has assigned its income as security for the bond.

The maturity requirements of the bond are as follows:

Fiscal Year	Principal	Interest	Requirements
2015	\$ 8,000	\$ 400	\$ 8,400

b. Revenue Bond Payable USDA-RD

In 2007, the District sold a 4.25% 40 year sewer revenue bond for \$739,637 to the United States Department of Agriculture-Rural Development (USDA-RD). The proceeds of the bond were used to liquidate an interim debenture and for construction of the sewer system. The bond is being repaid in annual installments of principal and interest of \$38,652. The District has assigned its income as security for the bond. The principal balance of the bond at June 30, 2014, is \$681,972.

The 4.25% bond payable to the USDA-RD requires that the District set aside \$322 per month as a debt reserve until one annual installment has been reached, \$500 per month to fund a depreciation reserve, and \$834 per month to fund a sewer line replacement reserve. As of June 30, 2014, the required reserve amounts totaled \$135,792. The District established an account with the State of Nevada Local Government Investment Pool, and has set aside for these reserves \$135,885 as of June 30, 2014.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

4. Long-term debt (Continued)

b. Revenue Bond Payable USDA-RD (Continued)

The maturity requirements of the bond are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2015	\$ 9,692	\$ 28,960	\$ 38,652
2016	10,112	28,540	38,652
2017	10,551	28,101	38,652
2018	11,007	27,645	38,652
2019	11,485	27,167	38,652
2020-2024	65,334	127,926	193,260
2025-2029	80,773	112,487	193,260
2030-2034	99,860	93,400	193,260
2035-2039	123,456	69,804	193,260
2040-2044	152,630	40,630	193,260
2045-2047	107,072	7,430	114,502
Totals	<u>\$ 681,972</u>	<u>\$592,090</u>	<u>\$1,274,062</u>

c. Claims Payable

The Nevada Department of Environmental Protection took action against the District for the improper discharge of sewage. A settlement was reached which will include a cash payment of \$59,636 payable over a period of 2 years in monthly payments of \$2,485 beginning November 25, 2014. The District must also complete two environmental projects within the Town with a total costs of \$76,205. These projects must be completed by September 2015. A liability has been recorded by the District in the amount of \$135,841 is reported as claims payable as of June 30, 2014.

The future cash payments for the claims payable are as follows:

<u>Fiscal Year</u>	
2015	\$ 17,395
2016	106,025
2017	12,421
	<u>\$ 135,841</u>

Changes in Long-term Debt - During the year ended June 30, 2014, the following changes occurred in long-term debt:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>One Year</u>
Sewer bond payable 5%	\$ 17,000	\$ 0	\$ 9,000	\$ 8,000	\$ 8,000
Sewer bond payable 4.25%	691,420	0	9,448	681,972	9,692
Claims payable	0	135,841	0	135,841	17,395
OPEB obligation payable	245	0	245	0	0
Total long-term debt	<u>\$ 708,665</u>	<u>\$ 135,841</u>	<u>\$ 18,693</u>	<u>\$ 825,813</u>	<u>\$ 35,087</u>

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

5. Segment Information

The Beatty Water and Sanitation District operates water and sewer utilities. These utilities are reported together in the financial statements. However, the District's creditors rely solely on the revenues generated by the individual activities for repayment of debt and issuance of new debt. Summary financial information for the water and sewer segments is presented below.

STATEMENT OF NET POSITION	Water	Sewer	Total
ASSETS			
Cash and investments	\$ 17,352	\$ 178,669	\$ 196,021
Accounts receivable net of allowance of \$1,000	26,722	19,802	46,524
Prepaid expenses	29,407	18,438	47,845
Other	31	23	54
Total current assets	<u>73,512</u>	<u>216,932</u>	<u>290,444</u>
Noncurrent assets			
Water rights	<u>118,512</u>	<u>-</u>	<u>118,512</u>
Restricted assets			
Investment reserves sewer	-	135,885	135,885
Investment water capital improvements reserve	451,758	-	451,758
Total restricted assets	<u>451,758</u>	<u>135,885</u>	<u>587,643</u>
Capital assets:			
Land	20,671	13,780	34,451
Building and improvements	3,312	2,208	5,520
Machinery and equipment	92,116	61,411	153,527
Water and sewer system	6,607,622	1,932,013	8,539,635
Less accumulated depreciation	<u>(1,910,488)</u>	<u>(972,111)</u>	<u>(2,882,599)</u>
Total capital assets	<u>4,813,233</u>	<u>1,037,301</u>	<u>5,850,534</u>
Total assets	<u>5,457,015</u>	<u>1,390,118</u>	<u>6,847,133</u>
LIABILITIES			
Current liabilities:			
Accounts and payroll payable	20,482	15,655	36,137
Accrued compensated absences	8,620	5,746	14,366
Accrued interest	-	200	200
Customer deposits	20,167	14,942	35,109
Current portion of claims payable	-	17,395	17,395
Current maturities of long-term debt	-	17,692	17,692
Total current liabilities	<u>49,269</u>	<u>71,630</u>	<u>120,899</u>
Noncurrent liabilities:			
Bonds payable	-	672,280	672,280
Claims payable	-	118,446	118,446
Total noncurrent liabilities	<u>-</u>	<u>790,726</u>	<u>790,726</u>
Total liabilities	<u>49,269</u>	<u>862,356</u>	<u>911,625</u>
NET POSITION			
Invested in capital assets, net of related debt	4,813,233	347,329	5,160,562
Restricted for capital projects	451,758	135,885	587,643
Unrestricted	142,755	44,548	187,303
Total net position	<u>\$ 5,407,746</u>	<u>\$ 527,762</u>	<u>\$ 5,935,508</u>

BEATTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

C. DETAILED NOTES (CONTINUED)

5. Segment Information (Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Water	Sewer	Total
Operating Revenues:			
Charges for sales and services:			
Sales	\$ 332,559	\$ 246,428	\$ 578,987
Operating Expenses:			
Salaries and wages	97,203	65,714	162,917
Payroll taxes and employee benefits	65,552	43,702	109,254
Electricity	55,198	17,756	72,954
Insurance	17,970	11,980	29,950
Fuel and oil	4,927	3,285	8,212
Repairs, maintenance, and supplies	26,940	3,975	30,915
Professional and other fees	26,717	21,338	48,055
Office and related expenses	11,420	5,094	16,514
Telephone	3,009	2,006	5,015
Travel	634	311	945
Depreciation	162,895	54,715	217,610
Total operating expenses	<u>472,465</u>	<u>229,876</u>	<u>702,341</u>
Operating income (loss)	<u>(139,906)</u>	<u>16,552</u>	<u>(123,354)</u>
Nonoperating Revenues (Expenses):			
Grants	2,624	-	2,624
Miscellaneous	22,309	2,231	24,540
Investment income	515	178	693
Fines and penalties	-	(135,841)	(135,841)
Interest expense	-	(29,855)	(29,855)
Total nonoperating revenues (expenses)	<u>25,448</u>	<u>(163,287)</u>	<u>(137,839)</u>
Change in net position	(114,458)	(146,735)	(261,193)
Total net position - beginning	<u>5,522,204</u>	<u>674,497</u>	<u>6,196,701</u>
Total net position - ending	<u>\$ 5,407,746</u>	<u>\$ 527,762</u>	<u>\$ 5,935,508</u>

BEATTY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

C. DETAILED NOTES (CONTINUED)

5. Segment Information (Continued)

STATEMENT OF CASH FLOWS

	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 516,934	\$ 242,507	\$ 759,441
Cash paid for salaries, wages, and employee benefits	(163,389)	(109,840)	(273,229)
Cash paid for services and supplies	(364,680)	(63,439)	(428,119)
Net cash provided (used) by operating activities	<u>(11,135)</u>	<u>69,228</u>	<u>58,093</u>
Cash flows from capital and related financing activities:			
Principal payments-bonds/notes payable	-	(18,448)	(18,448)
Interest paid	-	(30,080)	(30,080)
Miscellaneous	22,309	2,231	24,540
Grants and contributions from users/others	2,624	-	2,624
Purchase of capital assets	(26,393)	(1,390)	(27,783)
Net cash provided (used) by capital and related financing activities	<u>(1,460)</u>	<u>(47,687)</u>	<u>(49,147)</u>
Cash flows from investing activities:			
Interest received	<u>515</u>	<u>178</u>	<u>693</u>
Net increase (decrease) in cash and cash equivalents	(12,080)	21,719	9,639
Cash and investments:			
Beginning of year	<u>481,190</u>	<u>292,835</u>	<u>774,025</u>
End of year	<u>\$ 469,110</u>	<u>\$ 314,554</u>	<u>\$ 783,664</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating income (loss)	<u>\$ (139,906)</u>	<u>\$ 16,552</u>	<u>\$ (123,354)</u>
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	162,895	54,715	217,610
(Increase) decrease in accounts receivable	184,375	(3,921)	180,454
(Increase) decrease in prepaids	(18,790)	(7,332)	(26,122)
(Increase) decrease in other assets	346	205	551
Increase (decrease) in accounts payable	(200,608)	7,145	(193,463)
Increase (decrease) in customer deposits	1,187	2,288	3,475
Increase (decrease) in opeb obligations payable	(147)	(98)	(245)
Increase (decrease) in accrued compensated absences	(487)	(326)	(813)
Total adjustments	<u>128,771</u>	<u>52,676</u>	<u>181,447</u>
Net cash provided (used) by operating activities	<u>\$ (11,135)</u>	<u>\$ 69,228</u>	<u>\$ 58,093</u>

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

6. Contingent Liabilities

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Litigation and Claims

District counsel and management indicate there are no known pending claims or litigation.

7. Risk Management

Property, Casualty, Crime, and Machinery Insurance

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors; and injuries to employees. The District was a participatory member of the Nevada Public Agency Insurance Pool (NPAIP) for the period July 1, 2013, to July 1, 2014.

As a participating member, the District is entitled to all rights, privileges, and protections and subject to all the duties and responsibilities under the Interlocal Cooperative Agreement and Bylaws of NPAIP and the policies of insurance issued to NPAIP.

The lines of coverage and key limits of liability afforded to NPAIP members, subject to the coverage application to additional sub limits, are summarized as follows:

Property/Crime/Equipment Breakdown:

Blanket limit per schedule of locations	\$ 300,000,000 per loss
Sublimit for earthquake and flood coverage	\$ 100,000,000 annual aggregate
Sublimit for flood coverage zone A	\$ 10,000,000 annual aggregate
Sublimit for equipment breakdown, boiler & machinery	\$ 60,000,000 each accident
Sublimit for money and securities including dishonesty	\$ 500,000 each loss

Casualty:

Bodily injury, property damage, personal injury,	
Employment based benefits administration	\$ 10,000,000 per event
Law enforcement activities and wrongful acts	\$ 10,000,000 annual aggregate

Certain sub-limits apply. All sub-limits are a part of and not in addition to the Limits of Liability.

Participating member's Maintenance Deductible of \$500 for each and every loss and/or claim and/or event.

**BEATTY WATER AND SANITATION DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

7. Risk Management (Continued)

Unemployment Insurance

The District is self-funded for unemployment claims. Payments are made to cover claims on a pay-as-you-go basis.

Worker's Compensation Insurance

The District has also joined together with similar public agencies to create a pool under the Nevada Interlocal Cooperation Act for workers compensation insurance. The Public Agency Compensation Trust (PACT) is an intergovernmental self-insurance association for workers compensation insurance.

The District pays premiums based upon payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage based upon statutory limits.

Health Insurance

The District carries commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Retirement Plan

Plan Description. The District contributes to the Public Employee's Retirement System of the State of Nevada (PERS), a cost sharing, multiple-employer, defined benefit plan administered by the Public Employee's Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. NRS Chapter 286 establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employee's Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employee's Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy: Benefits for plan members are funded under the employer pay contribution plan. The District is required to contribute all amounts under the plan. Per Chapter 286 of the Nevada Revised Statutes, the District's contribution was based on the actuarially determined statutory rates for regular members as a percentage of gross compensation. These benefit provisions may only be amended through legislation. The District's contributions to PERS for the years ended June 30, 2014, 2013, and 2012, were equal to the required contributions for each year, at the actuarially determined statutory rates.

The District's contribution rates and amounts contributed for the current and preceding two years are as follows:

<u>Fiscal Year</u>	<u>Employer Plan</u>	<u>Total Contribution</u>
2013-2014	25.75%	\$ 39,581
2012-2013	23.75%	46,145
2011-2012	23.75%	44,808

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

9. Post-Employment Healthcare Plan

Plan Description: The District administers a single-employer defined benefit healthcare plan, Beatty Water and Sanitation District Health Care Plan (BHCP). Additionally, the District contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefit Plan (PEBP). Each plan provides medical, vision, dental, and life insurance benefits to eligible retired District employees and beneficiaries.

Public Employee Benefit Plan (PEBP)

The District subsidizes eligible retirees' contributions to the Public Employees' Benefits Plan (PEBP), an agent multiple-employer defined benefit postemployment health care plan administered by the State of Nevada. The plan provides medical, vision, dental, and life insurance benefits to eligible retired District employees and beneficiaries. NRS 287.041 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. The plan is now closed to current District retirees. However, District employees who previously met the eligibility requirement for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP and the subsidy provided by the District was determined by their number of years of service. The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Benefits Program, 901 S. Stewart Street, Suite 1001, Carson City, NV 89701, by calling (775) 684-7000, or by accessing the website at www.pebp.state.nv.us/informed/financial.htm.

Beatty Water and Sanitation District Health Care Plan (BHCP)

Benefit provisions for BHCP are established pursuant to NRS 287.023 and amended through negotiations between the District and the respective employee associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Trustees. The plan provides healthcare insurance for eligible retirees through the District's group health insurance plan, which covers both active and retired members. Under NRS 287.023 eligible retirees are able to participate in the plan with blended rates, thereby benefitting from an implicit subsidy. The District contributes all of the premium costs. As of June 30, 2014, two retirees were using this plan. As of June 30, 2009, the District terminated the Beatty Water and Sanitation District Health Care Plan. The plan is closed to employees who retire after June 30, 2009. BHCP does not issue a publicly available financial report.

Funding Policy:

Public Employees' Benefit Plan (PEBP)

NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired District employees. Plan members receiving benefits have their monthly contributions deducted from their pension checks based on the health plan chosen by the retiree as reduced by the amount of the subsidy. Pre-Medicare retirees qualify for a subsidy of \$114.05 at five years of service and \$627.28 at 20 years of service with incremental increases for each year of service between.

As of July 1, 2011, PEBP introduced significant plan design changes for retirees participating in their program. As a result of these changes, pre-Medicare and non-eligible Medicare retirees participate in a Consumer Driven Healthcare Plan (CDHP) in which PEBP provides \$700 to a Health Reimbursement Account (HRA) per year for the retiree and \$200 for each dependent (up to a maximum of \$600). In fiscal year 2013, an additional \$400 HRA contribution is provided to all retirees and \$100 per dependent. Also, for those CDHP retirees with 20 or more years of service as of June 30, 2013, an additional \$200 allocation is provided. Medicare retirees participate in a Medicare Exchange provided through Extend Health with PEBP providing a service related contribution to a HRA equal to \$11 per month per year of service (maximum of \$220 per month).

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

9. Post-Employment Healthcare Plan (Continued)

The contribution requirements of plan members and the District are established and amended by the PEBP board of trustees. As a participating employer, the District is billed for the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it.

For fiscal year 2014, the District contributed \$4,844 to the plan for current premiums. The District did not prefund any future benefits.

Beatty Water and Sanitation District Health Care Plan (BHCP).

Contribution requirements of the plan members and the District are established and may be amended through negotiations between the District and the associations. The District contributes all of the premium costs for eligible retired employees. The pay-as-you-go premiums are based on a blended rate that blends active participants and retirees. The District's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates, as well as the monthly explicit subsidy. Two employees were using the plan as of June 30, 2014. The implicit subsidy is considered immaterial. For fiscal year 2014, the District contributed \$5,120 to the plan for current premiums. The District did not prefund any future benefits.

Annual OPEB Cost and Net OPEB Obligation The District's annual other post-employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB statement 45 for employers in plans of fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

In fiscal year 2014, the District's annual OPEB cost (expense) was \$0 for both the BCHCP and the PEBP. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, are as follows:

	BCHCP	PEBP	Total
Annual Required Contribution	\$ 4,044	\$ 3,690	\$ 7,734
Interest on net OPEB obligation	162	148	310
Adjustment to annual required contribution	<u>669</u>	<u>1,006</u>	<u>1,675</u>
Annual OPEB cost (expense)	4,875	4,844	9,719
Contributions made	<u>5,120</u>	<u>4,844</u>	<u>9,964</u>
Increase in net OPEB obligation	(245)	0	(245)
Net OPEB obligation - beginning of the year	<u>245</u>	<u>0</u>	<u>245</u>
Net OPEB obligation - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

9. Post-Employment Healthcare Plan (Continued)

The following table shows the components of the District's annual OPEB cost for the past three years, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the BCHCP and the PEBP:

	Fiscal Year Ended	Annual OPEB Cost Contributed	Employer Contributions	% of Annual OPEB Expense Contributed	Net OPEB Obligation
BCHCP	6/30/2012	4,368	4,813	110%	1,045
BCHCP	6/30/2013	4,119	4,919	119%	245
BCHCP	6/30/2014	4,875	5,120	105%	0
PEBP	6/30/2012	3,578	4,425	124%	373
PEBP	6/30/2013	4,361	4,734	109%	0
PEBP	6/30/2014	4,844	4,844	100%	0
Combined Totals	6/30/2012	7,946	9,238	116%	1,418
Combined Totals	6/30/2013	8,480	9,653	114%	245
Combined Totals	6/30/2014	9,719	9,964	103%	0

Funded Status and Funding Progress As of June, 30, 2014, the actuarial accrued liability (AAL) for benefits was \$139,085, and having not funded the obligation, the District has no associated assets to offset this liability. Because of this, the unfunded actuarial accrued liability (UAAL) is equal to the AAL. PEBP is closed to new District participants as of November 1, 2008, and BHCP is closed to new District participants as of June 30, 2009; therefore, covered payroll is zero.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements on page 28, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**BEATTY WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

C. DETAILED NOTES (CONTINUED)

9. Post-Employment Healthcare Plan (Continued)

Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was not considered, as the District has terminated the benefit for future retirees.

Mortality- Life expectancies were based on mortality tables from the Period Life Table published by the Social Security Administration.

Turnover-The turnover of active employees was not addressed due to the District's policy change, eliminating the benefit for future retirees.

Healthcare cost trend rate- The expected rate of increase in healthcare insurance premiums as based on an initial rate of 8%, reduced to an ultimate rate of 5% after seven years.

Health insurance premiums-The insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns, a discount rate of 4 percent was used.

Because of changes to state law, as of September 1, 2008, the plan was no longer available to those actively employed past that date. As a result, the District expects the liability to begin to decrease and eventually disappear over the life of the amortization period. The unfunded actuarial accrued liability arising from PEBP subsidies is being amortized over an open 30 year period with level dollar payments. As of June 30, 2014, there were twenty-one years remaining.

In addition, as of June 30, 2009, the BHCP plan was no longer available to active employees. As a result, the District expects the liability to begin to decrease and eventually disappear over the life of the amortization period. The unfunded actuarial accrued liability arising from BHCP subsidies is being amortized over an open 30 year period with level dollar payments. As of June 30, 2014 there were twelve years remaining.

**BEATTY WATER AND SANITATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014**

Valuation Date	Value of Assets (a)	Accrued Liability (AAL) Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2014	\$ -	\$ 139,085	\$ 139,085	0.00%	*	0.00%
6/30/2013	\$ -	\$ 146,654	\$ 146,654	0.00%	-	0.00%
6/30/2012	\$ -	\$ 137,397	\$ 137,397	0.00%	-	0.00%
6/30/2011	\$ -	\$ 230,328	\$ 230,328	0.00%	-	0.00%
6/30/2010	\$ -	\$ 588,591	\$ 588,591	0.00%	-	0.00%

* Retiree benefits closed to new District participants as of June 30, 2009; therefore, covered payroll is zero as of July 1, 2009, valuation date.

BEATTY WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budget	2014 Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Charges for sales and services:			
Water	\$ 300,000	\$ 332,559	\$ 32,559
Sewer	220,000	246,428	26,428
Total operating revenues	<u>520,000</u>	<u>578,987</u>	<u>58,987</u>
Operating Expenses:			
Salaries and wages	200,000	162,917	37,083
Payroll taxes and employee benefits	110,000	109,254	746
Electricity	70,000	72,954	(2,954)
Insurance	32,000	29,950	2,050
Fuel and oil	8,500	8,212	288
Repairs, maintenance, and supplies	31,000	30,915	85
Professional and other fees	48,000	48,055	(55)
Office and related expenses	17,000	16,514	486
Telephone	5,000	5,015	(15)
Travel	1,000	945	55
Depreciation	225,000	217,610	7,390
Total operating expenses	<u>747,500</u>	<u>702,341</u>	<u>45,159</u>
Operating (loss)	<u>(227,500)</u>	<u>(123,354)</u>	<u>104,146</u>
Nonoperating Revenues (Expenses):			
Grants	-	2,624	2,624
Miscellaneous	5,000	24,540	19,540
Investment income	900	693	(207)
Fines and penalties	-	(135,841)	(135,841)
Interest expense	(30,213)	(29,855)	358
Total nonoperating revenues (expenses)	<u>(24,313)</u>	<u>(137,839)</u>	<u>(113,526)</u>
Change in net position	<u>\$ (251,813)</u>	<u>(261,193)</u>	<u>\$ (9,380)</u>
Total net position - beginning		<u>6,196,701</u>	
Total net position - ending		<u>\$ 5,935,508</u>	

**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***

Honorable Board of Trustees
Beatty Water and Sanitation District
Beatty, Nevada

I 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 Beatty Water and Sanitation District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 26, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Las Vegas, Nevada
November 26, 2014