NORTH TAHOE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended June 30, 2017 and 2016

North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2017 and 2016

BOARD OF DIRECTORS

S. Lane Lewis, President

Sue Daniels, Director

Tim Ferrell, Vice President

Phil Thompson, Director

Sarah Coolidge, Secretary

MANAGEMENT

Duane Whitelaw, General Manager/Chief Executive Officer

Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

TABLE OF CONTENTS

June 30, 2017 and 2016

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

DAMORE HAMRIC & SCHNEIDER, INC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Tahoe Public Utility District
Tahoe Vista, California

We have audited the accompanying financial statements of the business-type activities of North Tahoe Public Utility District as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. 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 District'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 District'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years 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 6 through 13 and the required supplementary information related to the pension on pages 54 through 55 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 North Tahoe Public Utility District's basic financial statements. The supplementary information contained in Schedule 1 on page 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

January 29, 2018

As management of the North Tahoe Public Utility District (NTPUD), we offer readers of NTPUD's financial statements this narrative overview and analysis of NTPUD's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT

The District's Current Assets increased by $1,339,166 from $9,078,495 to $10,417,661. Restricted Assets increased by $181,674 from $880,152 to $1,061,826. Non-Current Investments decreased by $1,200,319 from $2,526,596 in 2016 to $1,326,277 in 2017. Capital Assets net of Accumulated Depreciation grew from $53,661,632 to $53,822,352 an increase of $160,720. The District's Total Assets increased by $481,241 to $66,628,116. As a result of the adoption of GASB 68 reporting requirements, Deferred Pension Outflows increased $55,107 from $1,108,560 in 2016 to $1,163,667 in 2017. Current Liabilities (Unrestricted) increased by $80,214 to $1,435,255 in 2017. Current Liabilities (Payable from Restricted Assets) decreased by $418,028 from $647,317 to $229,289. Noncurrent Liabilities decreased by $185,369 from $3,574,686 to $3,389,317. Deferred Inflows of Resources decreased $65,235 from $182,657 in 2016 to $117,422 in 2017. The Net Investment in Capital Assets, net of Related Debt increased by $465,275 as additions of new Capital Assets exceeded depreciation and the related matured portion of capital debt was repaid. The amount Restricted for Capital Outlay increased by $599,702. A portion of the Unrestricted Net Position has been designated for Vehicle Replacement totaled $1,169,110. Unrestricted Net Position (Undesignated) decreased by $622,226 from $5,709,103 to $5,086,877. Total Net Position increased by $1,124,766 from $61,495,734 to $62,620,500.

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FINANCIAL HIGHLIGHTS - SEWER FUND

Current Assets (not restricted) increased by $1,535,253 from $4,584,884 to $6,120,137. Restricted Assets increased by $165,662 from $59,682 to $225,344. Non-Current Investments decreased by $1,200,319 from $2,526,596 in 2016 to $1,326,277 in 2017. Net Capital Assets increased by $509,501 from $20,426,849 to $20,936,350 as $1,740,131 of additions to Capital Assets exceed the increase in Accumulated Depreciation. The District's major expenditure in 2017 was $1,045,825 that was spent on two vacuum trucks. The Funding of the vacuum trucks is from State and Federal Mandate Fees.

FINANCIAL HIGHLIGHTS - SEWER FUND (Continued)

Current Liabilities (Payable from Current Assets) increased by $67,619 from $704,296 to $771,915. Current Liabilities (Payable from Restricted Assets) increased by $186,242 from $2,960 in 2016 to $189,202 in 2017. As a result of the adoption of GASB 68 reporting requirements, Long-Term Liabilities includes a net pension liability of $220,670 in 2017 and $139,242 in 2016. In addition, Deferred Pension Inflows of $72,801 was recorded for 2017, a decrease of $40,446 from 2016. The amount of Unrestricted Net Position increased by $260,499 from $6,842,002 to $7,102,501. Total Net Position increased by $749,420, from $27,325,573 to $28,074,993. Operating Revenues increased by $1,114 from $1,515,511 to $1,516,625. Total Operating Expenses were $672,659 more than 2016. Property Tax revenue of 4,800,913 is $199,140 more than the prior year. In 2017, investment income increased by $22,192.

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets increased by $11,045 from $3,312,219 to $3,323,264. Restricted Assets decreased by $347,945 from $814,651 to $466,706. Capital Assets net of Accumulated Depreciation decreased by $332,684 as the $642,249 spent on Capital Assets lagged the $974,933 increase in Accumulated Depreciation. Deferred Pension Outflows increased from $243,883 to $256,007 a $12,124 increase. Current Liabilities (Payable from Current Assets) decreased by $3,420 from $504,658 to $501,238. Current Liabilities (Payable from Restricted Assets) decreased by $556,835 from $596,922 to $40,087. The Long Term debt portion of Noncurrent Liabilities decreased by $316,704 from $3,350,101 to $3,033,397, the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities increased by $28,894 from $49,409 to $78,303. In addition, Deferred Pension Inflows decreased from $40,185 to $25,833. The amount of Net Position that is Unrestricted increased by $24,196 from $2,820,469 to $2,844,665. Total Net Position increased by $204,957 bringing the new amount to $20,007,034. Operating Revenues were $77,993 higher than 2016. Total Operating Expenses increased by $296,871 from 2016. Grant revenue was $180,323 lower than the prior year with $33,495 in 2017 compared to the $213,818 earned in 2016. FY 2017 Interest expense of $136,369 was $11,874 lower than the prior year as the principal on District debt declined.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets decreased by $207,132 from $1,181,392 to $974,260. Restricted Assets increased by $363,957 from $5,819 to $369,776. Capital Assets net of Accumulated Depreciation decreased by $16,097 to $13,246,087 as the $526,286 increase in Capital Assets was exceeded by the $542,383 increase in Accumulated Depreciation. Deferred Pension Outflows of Resources increased by $8,817 from $177,370 to $186,187 in 2017. Current Liabilities (Payable from Current Assets) increased by $16,015 from $146,087 to $162,102. Current Liabilities (Payable from Restricted Assets) decreased by $47,435 from $47,435 to $0. The Net Pension Liability classified as Noncurrent Liabilities increased by $21,013 from $35,934 to $56,947. Deferred Inflows of Resources from Pension decreased by $10,437 from $29,225 to $18,788. The Total Net Position increased by $170,389 from $14,368,084 to $14,538,473. The amount of Net Position that is Unrestricted decreased by $224,906 to close at $922,610. Recreation Events and Program Revenues of $915,369 were $202,760 higher than the $712,609 earned in 2016. Total Operating Expenses increased by $220,285, from $1,679,832 in 2016 to $1,900,117 in 2017. The Recreation assessment called Community Facilities District 94 -1 (CFD 94-1) brought in $592,406, an increase of $11,460 from the 2016 amount of $580,946. Grant revenue was $184,700 higher than 2016 primarily due to two grants from Placer County totaling $357,679.

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

REQUIRED FINANCIAL STATEMENTS (Continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2016/2017?" The Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's Net Position - the difference between assets, deferred outflows, liabilities and deferred inflows - as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the District's Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	FYE 6/30/2017	FYE 6/30/2016	Change in Dollars	Percent Change
Current Assets	$ 10,417,661	$ 9,078,495	$ 1,339,166	15%
Restricted Assets	1,061,826	880,152	181,674	21%
Investments-Non-Current Portion	1,326,277	2,526,596	(1,200,319)	100%
Net Capital Assets	53,822,352	53,661,632	160,720	0%
Deferred Pension Outflows (Note 6)	1,163,667	1,108,560	55,107	100%
Total Assets and Deferred Outflows of Resources	$ 67,791,783	$ 67,255,435	$ 536,348	1%
Current Liabilities Unrestricted	$ 1,435,255	$ 1,355,041	$ 80,214	6%
Current Liabilities Restricted	229,289	647,317	(418,028)	-65%
Long Term Liabilities	3,389,317	3,574,686	(185,369)	-5%
Deferred Pension Inflows (Note 6)	117,422	182,657	(65,235)	100%
Total Liabilities and Deferred Inflows of Resources	$ 5,171,283	$ 5,759,701	($ 588,418)	-10%
Net Investment in Capital Assets	$ 50,472,251	$ 50,006,976	$ 465,275	1%
Restricted for Capital Outlay	832,537	232,835	599,702	258%
Restricted for Debt Service	445,936	445,936		0%
Unrestricted (Designated for Board Reserves)	5,782,899	5,100,884	682,015	13%
Unrestricted (Undesignated)	5,086,877	5,709,103	(622,226)	-11%
Total Net Position	$ 62,620,500	$ 61,495,734	$ 1,124,766	2%

As can be seen from the table above, Net Position grew by $1,124,766 from $61,495,734 to $62,620,500. The makeup of Net Position changed as amounts invested in Capital Assets increased by $465,275 or 1%, while amounts Restricted for Capital Outlay increased by $599,702 or 258%. Unrestricted (Designated for Board Reserves) balance increased by $682,015 from $5,100,884 in 2016 to $5,782,899 in 2017, primarily due to increased amounts designated for federal and state mandates and capital improvement plan projects. Unrestricted (Undesignated) balance decreased by $622,226 from $5,709,103 in 2016 to $5,086,877 in 2017.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table A-2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	FYE 6/30/17	FYE 6/30/16	Change in Dollars	Percent Change
Operating Revenues	$ 6,359,951	$ 6,078,084	$ 281,867	5%
Operating Expenses	11,178,569	9,988,754	1,189,815	12%
Net Operating Loss	($ 4,818,618)	($ 3,910,670)	($ 907,948)	23%
Property Tax Revenues	$ 5,393,319	$ 5,182,719	$ 210,600	4%
Other Non-Operating Revenues and Expenses	441,964	(48,708)	490,672	- 1007%
Non-Operating Revenues and Expenses	$ 5,835,283	$ 5,134,011	$ 701,272	14%
Income Before Capital Contributions	$ 1,016,665	$ 1,223,341	($ 206,676)	- 17%
Capital Contributions	108,101	291,277	(183,176)	- 63%
Change in Net Position	$ 1,124,766	$ 1,514,618	($ 389,852)	- 26%
Net Position, Beginning of Year	$ 61,495,734	$ 59,981,116	$ 1,514,618	3%
Total Net Position, Ending of Year	$ 62,620,500	$ 61,495,734	$ 1,124,766	2%

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, Revenues exceeded Expenses in both years, increasing Net Position. The increase in Net Position of $1,124,766 in FY 2017 was $389,852 less than the $1,514,618 increase in FY 2016. This was due to a $907,948 deterioration in the Net Operating Loss and a $701,272 improvement in net Non-Operating Revenues and Expenses, and due to a $183,176 decrease in Capital Contributions.

BUDGETARY HIGHLIGHTS

The District adopts an annual Operating Budget. The Operating Budget includes proposed expenses and the means of financing them. The District's operating budget includes the original budget and all budget adjustments approved during the year.

A 2017 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	Budget	Actual	Positive (Negative) Variance
Operating Revenues	$ 6,060,752	$ 6,359,951	$ 299,199
Operating Expenses	11,762,127	11,178,569	583,558
Net Operating Loss	($ 5,701,375)	($ 4,818,618)	$ 882,757
Property Tax Revenues	$ 5,262,000	$ 5,393,319	$ 131,319
Other Non-Operating Revenues and Expenses	(21,446)	441,964	463,410
Non-Operating Revenues and Expenses	$ 5,240,554	$ 5,835,283	($ 594,729)
Income Before Capital Contributions	($ 460,821)	$ 1,016,665	$ 1,477,486
Capital Contributions	117,090	108,101	(8,989)
Change in Net Position	($ 343,731)	$ 1,124,766	$ 1,468,497

Operating Revenues of $6,359,951 surpassed the Budget of $6,060,752 creating a favorable variance of $299,199. Operating Expenses were $583,558 or 5% under the $11,762,127 amount budgeted. Property Taxes including CFD 94-1 revenues surpassed the budgeted amount by $131,319. Other Non-Operating Revenues and Expenses when netted were $463,410 improved over the ($21,446) budgeted net expenses. Capital Contributions of $108,101 were $8,989 less than budgeted. The total Change in Net Position of $1,124,766 exceeded the budgeted ($343,731) by $1,468,497.

CAPITAL ASSETS

Table A-4

Condensed Statement of Fixed Assets

	FYE 6/30/2017	FYE 6/30/2016	Change in Dollars	Percent Change
Fixed Assets	$ 104,444,083	$ 99,468,767	$ 4,975,316	5%
Construction in Process	393,709	3,099,963	(2,706,254)	-87%
	$ 104,837,792	$ 102,568,730	$ 2,269,062	2%
Accumulated Depreciation	(51,015,440)	(48,907,098)	(2,108,342)	4%
Net Capital Assets	$ 53,822,352	$ 53,661,632	$ 160,720	0%

At the end of fiscal year 2017, the District had $53,822,352 invested in capital assets as shown in Table A-4. Fixed Assets grew by $4,975,316 or 5%. Construction in Process decreased by $2,706,254 primarily due to the completion of many Water Construction Projects, Dolly Varden, National Avenue Water Treatment Plant Improvements, Kings Beach Commercial Core Waterline Relocations to name a few. Accumulated depreciation increased $2,108,342 in 2017.

On September 1, 2010, the District entered into an installment sale agreement (the "Agreement") for $4.5 million to finance the construction of certain capital facilities related to the District's water acquisition, storage and distribution system consisting primarily of a water storage tank and appurtenances. The Agreement's interest rate is 3.95% and is payable semi-annually. Principal repayment began in August 2013 and concludes on February 1, 2026.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Larry Marple, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139 Tahoe Vista, CA 96148-0139 or by phone at (530) 546-4212 or by email at lmarple@ntpud.org.

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

Assets:	Sewer	Water	Recreation	Total 2017	Sewer	Water	Recreation	Total 2016
Current Assets:								
Cash and Cash Equivalents	$ 3,792,486	$ 3,256,610	$ 853,355	$ 7,902,451	$ 3,309,978	$ 3,251,137	$ 1,159,892	$ 7,721,007
Investments	1,543,978			1,543,978	460,920			460,920
Accounts Receivable	473,855	66,654	118,207	658,716	505,229	61,082	19,652	585,963
Inventory	303,180		2,698	305,878	303,120		1,848	304,968
Deposits and Prepaid Expenses	6,638			6,638	5,637			5,637
Total Current Assets	$ 6,120,137	$ 3,323,264	$ 974,260	$ 10,417,661	$ 4,584,884	$ 3,312,219	$ 1,181,392	$ 9,078,495
Restricted Assets:								
Cash and Cash Equivalents	$ 225,344	$ 445,936	$ 6,060	$ 677,340	$ 59,682	$ 445,936	($ 4,641)	$ 500,977
Accounts Receivable		20,770	352,419	373,189		368,715		368,715
Deposits and Prepaid Expenses			11,297	11,297			10,460	10,460
Total Restricted Assets	$ 225,344	$ 466,706	$ 369,776	$ 1,061,826	$ 59,682	$ 814,651	$ 5,819	$ 880,152
Non-Current Assets:								
Investments	$ 1,326,277	$	$	$ 1,326,277	$ 2,526,596			2,526,596
Capital Assets, Net of Accumulated Depreciation	20,936,350	19,639,915	13,246,087	53,822,352	20,426,849	19,972,599	13,262,184	53,661,632
Total Non-Current Assets	$ 22,262,627	$ 19,639,915	$ 13,246,087	$ 55,148,629	$ 22,953,445	$ 19,972,599	$ 13,262,184	$ 56,188,228
Total Assets	$ 28,608,108	$ 23,429,885	$ 14,590,123	$ 66,628,116	$ 27,598,011	$ 24,099,469	$ 14,449,395	$ 66,146,875
Deferred Outflows of Resources:								
Deferred Pension Outflows (Note 6)	$ 721,473	$ 256,007	$ 186,187	$ 1,163,667	$ 687,307	$ 243,883	$ 177,370	$ 1,108,560
Total Deferred Outflows of Resources	$ 721,473	$ 256,007	$ 186,187	$ 1,163,667	$ 687,307	$ 243,883	$ 177,370	$ 1,108,560

The accompanying notes are an integral part of the financial statements.

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

Liabilities:	Sewer	Water	Recreation	Total 2017	Sewer	Water	Recreation	Total 2016
Current Liabilities (Payable from Current Assets):								
Accounts Payable	$ 89,744	$ 35,378	$ 17,101	$ 142,223	$ 145,733	$ 54,320	$ 14,887	$ 214,940
Compensated Absences Payable	284,934	62,617	32,404	379,955	250,843	61,905	27,836	$ 340,584
Accrued Liabilities	397,237	86,539	112,597	596,373	307,720	83,878	103,364	494,962
Current Portion of Long-Term Debt		316,704		316,704		304,555		304,555
Total Current Liabilities (Payable from Current Assets)	$ 771,915	$ 501,238	$ 162,102	$ 1,435,255	$ 704,296	$ 504,658	$ 146,087	$ 1,355,041
Current Liabilities (Payable from Restricted Assets):								
Accounts Payable	$ 189,202	$ 40,087	$ 0	$ 229,289	$ 2,960	$ 596,922	$ 47,435	$ 647,317
Total Current Liabilities (Payable from Restricted Assets)	$ 189,202	$ 40,087	$ 0	$ 229,289	$ 2,960	$ 596,922	$ 47,435	$ 647,317
Total Current Liabilities	$ 961,117	$ 541,325	$ 162,102	$ 1,664,544	$ 707,256	$ 1,101,580	$ 193,522	$ 2,002,358
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	$	$ 3,033,397	$	$ 3,033,397	$	$ 3,350,101	$	$ 3,350,101
Net Pension Liability (Note 6)	220,670	78,303	56,947	355,920	139,242	49,409	35,934	224,585
Total Long-Term Liabilities	$ 220,670	$ 3,111,700	$ 56,947	$ 3,389,317	$ 139,242	$ 3,399,510	$ 35,934	$ 3,574,686
Total Liabilities	$ 1,181,787	$ 3,653,025	$ 219,049	$ 5,053,861	$ 846,498	$ 4,501,090	$ 229,456	$ 5,577,044
Deferred Inflows of Resources:								
Deferred Pension Inflows (Note 6)	$ 72,801	$ 25,833	$ 18,788	$ 117,422	$ 113,247	$ 40,185	$ 29,225	$ 182,657
Total Deferred Inflows of Resources	$ 72,801	$ 25,833	$ 18,788	$ 117,422	$ 113,247	$ 40,185	$ 29,225	$ 182,657
Net Position:								
Net Investment in Capital Assets	$ 20,936,350	$ 16,289,814	$ 13,246,087	$ 50,472,251	$ 20,426,849	$ 16,317,943	$ 13,262,184	$ 50,006,976
Restricted for:								
Capital Outlay	36,142	426,619	369,776	832,537	56,722	217,729	(41,616)	232,835
Debt Service		445,936		445,936		445,936		445,936
Unrestricted	7,102,501	2,844,665	922,610	10,869,776	6,842,002	2,820,469	1,147,516	10,809,987
Total Net Position	$ 28,074,993	$ 20,007,034	$ 14,538,473	$ 62,620,500	$ 27,325,573	$ 19,802,077	$ 14,368,084	$ 61,495,734

The accompanying notes are an integral part of the financial statements.

North Tahoe Public Utility District

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2017 and 2016

	Sewer	Water	Recreation	Total 2017	Sewer	Water	Recreation	Total 2016
Operating Revenues:								
Service Charges	$ 1,516,625	$ 3,927,957	$	$ 5,444,582	$ 1,515,511	$ 3,848,464	$	$ 5,363,975
Recreation Events and Programs			915,369	915,369		1,500	712,609	714,109
Total Operating Revenues	$ 1,516,625	$ 3,927,957	$ 915,369	$ 6,359,951	$ 1,515,511	$ 3,849,964	$ 712,609	$ 6,078,084
Operating Expenses:								
Direct Operating Expenses	$ 2,689,442	$ 1,908,394	$ 1,297,625	$ 5,895,461	$ 2,707,291	$ 2,000,663	$ 1,198,544	$ 5,906,498
Administration and General	1,766,590	807,648	60,109	2,634,347	1,227,413	497,659	(64,401)	1,660,671
Depreciation	1,131,445	974,933	542,383	2,648,761	980,114	895,782	545,689	2,421,585
Total Operating Expenses	$ 5,587,477	$ 3,690,975	$ 1,900,117	$ 11,178,569	$ 4,914,818	$ 3,394,104	$ 1,679,832	$ 9,988,754
Operating Income/(Loss)	($ 4,070,852)	$ 236,982	($ 984,748)	($ 4,818,618)	($ 3,399,307)	$ 455,860	($ 967,223)	($ 3,910,670)
Non-Operating Revenue (Expense):								
Property Taxes/CFD 94-1	$ 4,800,913	$	$ 592,406	$ 5,393,319	$ 4,601,773	$	$ 580,946	$ 5,182,719
Investment Income	69,341		1,658	70,999	47,149	30,400	24,205	101,754
Grants		33,495	384,700	418,195	94,371	213,818	200,000	508,189
Contirbution of Land to Placer County for Bike Trail							(760,000)	(760,000)
Miscellaneous Revenue (Expense)	172,430		5,371	177,801	162,282	179,601	(1,688)	340,195
Interest Expense		(136,369)		(136,369)		(148,243)		(148,243)
Fiscal Agent Fees	(85,713)		(2,949)	(88,662)	(84,881)		(5,722)	(90,603)
Total Non-Operating Revenue	$ 4,956,971	($ 102,874)	$ 981,186	$ 5,835,283	$ 4,820,694	$ 275,576	$ 37,741	$ 5,134,011
Income (Loss) Before Contributions	$ 886,119	$ 134,108	($ 3,562)	$ 1,016,665	$ 1,421,387	$ 731,436	($ 929,482)	$ 1,223,341
Capital Contributions - Connection Fees (Refunds)	22,840	70,849		93,689	73,014	203,627		276,641
Capital Contributions - Infrastructure	12,925		1,487	14,412	12,448		2,188	14,636
Transfers In/(Transfers Out)	(172,464)		172,464		(617,875)		617,875	
Change in Net Position	$ 749,420	$ 204,957	$ 170,389	$ 1,124,766	$ 888,974	$ 935,063	($ 309,419)	$ 1,514,618
Net Position, Beginning of Year	$ 27,325,573	$ 19,802,077	$ 14,368,084	$ 61,495,734	$ 26,436,599	$ 18,867,014	$ 14,677,503	$ 59,981,116
Total Net Position, Ending of Year	$ 28,074,993	$ 20,007,034	$ 14,538,473	$ 62,620,500	$ 27,325,573	$ 19,802,077	$ 14,368,084	$ 61,495,734

The accompanying notes are an integral part of the financial statements.

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2017 and 2016

	Sewer	Water	Recreation	Total 2017	Sewer	Water	Recreation	Total 2016
Cash Flows from Operating Activities:								
Receipts from Customers	$ 1,599,155	$ 3,922,385	$ 816,814	$ 6,338,354	$ 1,449,785	$ 3,863,441	$ 728,513	$ 6,041,739
Paid to Suppliers for Goods and Services	(1,915,169)	(1,929,855)	(840,876)	(4,685,900)	(2,002,097)	(1,798,621)	(733,468)	(4,534,186)
Paid to Employees for Services	(2,467,489)	(799,338)	(500,771)	(3,767,598)	(2,180,660)	(830,654)	(506,858)	(3,518,172)
Net Cash Provided (Used) by Operating Activities	($ 2,783,503)	$ 1,193,192	($ 524,833)	($ 2,115,144)	($ 2,732,972)	$ 1,234,166	($ 511,813)	($ 2,010,619)
Cash Flows from Noncapital Financing Activities:								
Property Taxes Collected	$ 4,749,757	$	$ 592,406	$ 5,342,163	$ 4,581,967	$	$ 580,946	$ 5,162,913
Fiscal Agent Fees	(85,713)		(2,949)	(88,662)	(84,881)		(5,722)	(90,603)
Other Non-Operating Revenues/(Expenses)	57,430		5,371	62,801	162,282	115,079	5,763	283,124
Capital Transfers to Other Funds	(172,464)		172,464		(617,875)		617,875	
Net Cash Provided by Noncapital Financing Activities	$ 4,549,010	$ 0	$ 767,292	$ 5,316,302	$ 4,041,493	$ 115,079	$ 1,198,862	$ 5,355,434
Cash Flows from Capital and Related Financing Activities:								
Acquisition of Capital Assets	($ 1,454,704)	($ 1,199,084)	($ 573,721)	($ 3,227,509)	($ 2,908,914)	($ 1,576,068)	($ 33,308)	($ 4,518,290)
Gain on Sale of Capital Assets	115,000			115,000				
Capital Grants Received		381,440	32,281	413,721	94,371	213,818	200,000	508,189
Principal Paid on Bonds and Notes		(304,555)		(304,555)		(292,872)		(292,872)
Interest Paid on Bonds and Notes		(136,369)		(136,369)		(148,243)		(148,243)
Contributed Capital	35,765	70,849	1,487	108,101	85,462	203,627		289,089
Net Cash Provided (Used by) Capital and Related Financing Activities	($ 1,303,939)	($ 1,187,719)	($ 539,953)	($ 3,031,611)	($ 2,729,081)	($ 1,599,738)	$ 166,692	($ 4,162,127)
Cash Flows from Investing Activities:								
Sale of Investments	$ 117,261	$	$	$ 117,261	$ 616,559	$	$	$ 616,559
Interest on Investments	69,341		1,658	70,999	47,149	30,400	24,205	101,754
Net Cash Provided by Investing Activities	$ 186,602	$ 0	$ 1,658	$ 188,260	$ 663,708	$ 30,400	$ 24,205	$ 718,313
Net Increase (Decrease) in Cash and Cash Equivalents	$ 648,170	$ 5,473	($ 295,836)	$ 357,807	($ 756,852)	($ 220,093)	$ 877,946	($ 98,999)

The accompanying notes are an integral part of the financial statements.

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2017 and 2016

	Sewer	Water	Recreation	Total 2017	Sewer	Water	Recreation	Total 2016
Balance Forward	$ 648,170	$ 5,473	($ 295,836)	$ 357,807	($ 756,852)	($ 220,093)	$ 877,946	($ 98,999)
Cash and Cash Equivalents, Beginning of Year	3,369,660	3,697,073	1,155,251	8,221,984	4,126,512	3,917,166	277,305	8,320,983
Cash and Cash Equivalents, End of Year	$ 4,017,830	$ 3,702,546	$ 859,415	$ 8,579,791	$ 3,369,660	$ 3,697,073	$ 1,155,251	$ 8,221,984
Cash and Cash Equivalents as Presented on the Statement of Net Assets:								
Current Assets: Cash and Cash Equivalents	$ 3,792,486	$ 3,256,610	$ 853,355	$ 7,902,451	$ 3,309,978	$ 3,251,137	$ 1,159,892	$ 7,721,007
Restricted Assets: Cash and Cash Equivalents	225,344	445,936	6,060	677,340	59,682	445,936	(4,641)	500,977
	$ 4,017,830	$ 3,702,546	$ 859,415	$ 8,579,791	$ 3,369,660	$ 3,697,073	$ 1,155,251	$ 8,221,984
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	($ 4,070,852)	$ 236,982	($ 984,748)	($ 4,818,618)	($ 3,399,307)	$ 455,860	($ 967,223)	($ 3,910,670)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Depreciation	1,131,445	974,933	542,383	2,648,761	980,114	895,782	545,689	2,421,585
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:								
(Increase)/Decrease in:								
Accounts Receivable	82,530	(5,572)	(98,555)	(21,597)	(65,726)	(13,477)	10,641	(68,562)
Inventory	(60)		(850)	(910)	(17,159)		(135)	(17,294)
Deposits and Prepaid Expenses	(1,001)		(837)	(1,838)	146,389		38	146,427
Deferred Outflows of Resources	(34,166)	(12,124)	(8,817)	(55,107)	(392,478)	(139,266)	(101,285)	(633,029)
Increase/(Decrease) in:								
Accounts Payable	(55,989)	(18,942)	2,214	(72,717)	86,005	44,371	8,705	139,081
Compensated Absences Payable	34,091	712	4,568	39,371	46,370	8,349	8,919	63,638
Accrued Liabilities	89,517	2,661	9,233	101,411	(37,948)	10,661	3,285	(24,002)
Net Pension Liabilities	81,428	28,894	21,013	131,335	(37,488)	(13,302)	(9,674)	(60,464)
Deferred Inflows of Resources	(40,446)	(14,352)	(10,437)	(65,235)	(41,744)	(14,812)	(10,773)	(67,329)
Net Cash Provided (Used) by Operating Activities	($ 2,783,503)	$ 1,193,192	($ 524,833)	($ 2,115,144)	($ 2,732,972)	$ 1,234,166	($ 511,813)	($ 2,010,619)

The accompanying notes are an integral part of the financial statements.

North Tahoe Public Utility District

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2017 and 2016

Capital and Related Financing Activities								
Acquisition of Capital Assets	$ 1,640,946	$ 642,249	$ 526,286	$ 2,809,481	$ 1,974,298	$ 2,040,411	$ 74,539	$ 4,089,248
(Increase)/Decrease in Accounts Payable	(186,242)	556,835	47,435	418,028	934,616	(464,343)	(41,231)	429,042
Cash Used for Acquisition of Capital Assets	$ 1,454,704	$ 1,199,084	$ 573,721	$ 3,227,509	$ 2,908,914	$ 1,576,068	$ 33,308	$ 4,518,290
Capital Contributed by Developers								
Contributions of Capital to the District	$ 35,765	$ 70,849	$ 1,487	$ 108,101	$ 85,462	$ 203,627	$	$ 289,089
Less - Contribution of Land and Improvements								
Cash Provided by Contributions	$ 35,765	$ 70,849	$ 1,487	$ 108,101	$ 85,462	$ 203,627	$ 0	$ 289,089

The accompanying notes are an integral part of the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the North Tahoe Public Utility District conform to generally accepted accounting principles as applied to governmental units. The following is a summary of significant policies:

A. Organization and Description of the District - The North Tahoe Public Utility District was organized in 1948 for the principal purpose of providing sewage collection and treatment facilities for the residents of the area.

The District began providing water services in 1967 with the acquisition of the Brockway Water Company, and has since then acquired several small water companies. In 1970, the District established a department for recreational activities. Under its broad powers of service, the District also provides street lighting.

The general area of the District is located along approximately seven miles of the north shore of Lake Tahoe from the Nevada state line at Crystal Bay to the boundaries of the Tahoe City Public Utility District at Dollar Point, California.

Principles Determining Scope of Reporting Entity - The District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based on these criteria, the District (the oversight unit) has included in these financial statements the North Tahoe Building Corporation, a California nonprofit public benefit corporation. The following facts were considered in forming that conclusion. The Corporation is controlled by the same governing authority, utilizes the same management, and is financially dependent upon the District. Its operations are influenced by the District and the District is responsible for its fiscal management, budgetary control, surpluses and deficits, and provides the sole source of its revenues. The Corporation provides financing for the District's renovation of its sewer, water and recreation systems. The water system is

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. Principles Determining Scope of Reporting Entity (Continued):

the only debt still outstanding. Separate financial statements for the individual component unit may be obtained by contacting Larry Marple, Chief Financial Officer, North Tahoe Public Utility District, P.O. Box 139, Tahoe Vista, CA 96148-0139.

One entity which is not part of the District's reporting entity but was in part created by the District for special purposes is accounted for as a jointly governed organization. Additional information regarding the District's jointly governed organization is provided in Note 10. The following is a description of the jointly owned organization in which the District participates.

The Special District Risk Management Authority (SDRMA) was created by a Joint Exercise of Powers Agreement between the North Tahoe Public Utility District and several other member Districts. The Authority is organized as a separate and distinct public entity and is governed by a Board of Directors elected by the member entities. The governing board appoints its own management and approves its own budget.

B. Measurement Focus and Basis of Accounting - The term measurement focus is used to denote what is being measured and reported in the District's operating statement. The District is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the District is better or worse off economically as a result of events and transactions of the period.

The term "basis of accounting" is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

C. Financial Statements Presentation - The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to its business-type activities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

GASB 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses) for the determination of major funds. The District reports the three major funds. The Sewer Fund is an enterprise fund that is used to account for the District’s provision of sewer and related services. The Water Fund is an enterprise fund that is used to account for the District’s provision of water and related services. The Recreation Fund is an enterprise fund that is used to account for the District’s provision of recreation related services, including the Conference Center. Interfund activity between these funds has been eliminated in the financial statement presentation.

Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" established standards for external financial reporting for all state and local governmental entities. GASB 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2017 and 2016, the District has debt related to capital assets of $3,350,101 and $3,654,656, respectively.

- *Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

- *Unrestricted net position* - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

D. Use of Estimates - Preparation of financial statements in conformity with and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Cash Equivalents - Cash for all enterprise funds is pooled, and investment earnings from savings accounts, certificates of deposit and other investments are allocated to the various funds based on their individual investment in the selected investment vehicle. For the purposes of the statement of cash flows, the District considers all cash, certificates of deposit and savings, and cash with fiscal agents (including restricted assets) with a maturity of 3 months or less when purchased to be cash equivalents. (See Note 2 for additional disclosures of District deposits and investments).

F. Accounts Receivable - Service charges receivable, a component of accounts receivable, are sent to the county annually to be placed on the tax rolls for collection. Therefore, no allowance for uncollectible fees is provided.

G. Investments - Investments in securities with readily determinable fair values, open-end mutual funds, long-term certificates of deposits and debt securities are valued at their fair values in the statement of net position. Unrealized gains and losses are included in the statement of revenues, expenses, and changes in net assets. For the fiscal years ended June 30, 2017 and 2016, fair value of the District's investments approximated cost. Investments in external investment pools are valued on the basis of $1.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. Fair Value Measurement - As of July 1, 2015, the District retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. (See Note 2B for additional disclosure of District investments.)

I. Inventory - Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The cost is recorded as an expense as inventory items are consumed.

J. Capital Assets - Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more with an estimated useful life in excess of one year. Capital assets are stated at cost, or the appraised value at the time received in the case of gifts. Maintenance and repairs are charged to expense as incurred. Replacements which improve or extend the lives of property are capitalized.

Costs of retired assets are removed from the asset accounts in the year of sale or retirement.

K. Depreciation - Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Utility Plant	30 - 50 Years
Machinery and Equipment	5 - 15 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. Revenue Recognition - Property Taxes - Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on November 1 and February 1 and are due and payable at that time.

Property tax revenues are recognized in the fiscal period for which they are levied and in which they become available.

M. Operating/Non-Operating Revenue and Expenses - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

N. Designations of Net Position - Designations of Net Position Restricted for Board Reserves are used to show the amounts within unrestricted net position which the Board has designated for specific purposes, but are not legally restricted. The designated balances at June 30, 2017 and 2016 are as follows:

	Sewer	Water	Recreation	Total
June 30, 2017	$ 3,850,681	$ 1,932,218	0	$ 5,782,899
June 30, 2016	$ 2,938,330	$ 2,162,554	0	$ 5,100,884

O. Compensated Absences - A total of 10 to 20 days' vacation and 12 days of sick leave per year may be accumulated by each employee. Employees are paid between 30% and 100% of their accumulated sick leave depending upon the nature of their termination. A maximum of two times the employee's annual rate of vacation may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

O. Compensated Absences (Continued):

In accordance with the above criteria, the District has accrued a liability for vacation and sick pay which has been earned but not taken by District employees. The liability for compensated absences is recorded as an accrued liability in accordance with GASB Statement 16. At June 30, 2017, the recorded liability was $379,955 and at June 30, 2016 was $340,584. These amounts are reported as a component of accrued liabilities payable from current assets.

P. Budgetary Control - The Board adopts an operating budget at the beginning of each year.

Q. Pension Plan - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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. For more information on this plan, see Note 6.

R. Risk Pools - The District is a member of the Special District Risk Management Authority (SDRMA) which provides workers' compensation coverage. All costs are currently recorded as operating expenses.

S. Interfund Transfers - The permanent reallocation of resources between funds are classified as interfund transfers.

T. Accounting Pronouncements that have been Implemented in the Current Financial Statements - The District has adopted GASB Statement No. 82 – *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15,

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

T. Accounting Pronouncements that have been Implemented in the Current Financial Statements (Continued):

2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District implemented sections (1) and (3) of the Statement. The implementation of this Statement did not have material effect on the District's financial statements.

U. Newly Issued Accounting Pronouncements, But Not Yet Effective - The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 75 - In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, with required implementation for the District during the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits (OPEB) by establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It will require the District to report a net OPEB liability for the difference between the present value of projected pension benefits for past service and restricted resources held in trust for the payment of benefits. The Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement is required to be implemented retroactively and will require a restatement of beginning net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

U. Newly Issued Accounting Pronouncements, But Not Yet Effective (Continued):

Governmental Accounting Standards Board Statement No. 83 - In November 2016, the GASB issued Statement No. 83 –*Certain Asset Retirement Obligations*, with required implementation for the District during the year ended June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 84 - In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*, with required implementation for the District during the year ended June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 85 - In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*, with required implementation for the District during the year ended June 30, 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

V. Deferred Outflow/Deferred Inflow of Resources - In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

V. Deferred Outflow/Deferred Inflow of Resources (Continued):

future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

See Note 6 for further details related to these pension deferred outflows and inflows.

W. Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS:

The District follows the practice of pooling cash and investments of all funds.

Interest income earned on investments is allocated annually to the funds based on the month-end cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The District invests certain operating, and restricted funds in time certificates of deposit, and the State of California Local Agency Investment Fund (LAIF). These investments are included in cash as cash equivalents and are stated at their fair values and carrying values.

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

A. Deposits - Statutes allow the District to deposit excess funds with depositories under pooled collateral arrangements whereby qualified securities are pledged with the depository's trust department or an independent agent of the depository.

While these securities are pledged to protect the deposits of the District, they are not held in the District's name or by the District. In accordance with Governmental Accounting Standards Board Statement No. 3, collateral not held in the name of the District or by the District is to be classified as uncollateralized.

At June 30, 2017, the carrying amount of the District's deposits was $5,451,996. The bank's balances were $5,479,112. Of this amount $4,146,671 was covered by federal depository insurance. The remaining $1,332,441 was covered by collateral equal to at least 110% with qualified securities pledged by the depository's trust department or an independent agent of the depository.

At June 30, 2016, the carrying amount of the District's deposits was $6,087,903. The bank's balances were $6,095,572. Of this amount $4,227,897 was covered by federal depository insurance. The remaining $2,165,861 was covered by collateral equal to at least 110% with qualified securities pledged by the depository's trust department or an independent agent of the depository.

B. Investments - Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities within the State, State Treasury, bankers' acceptances, and commercial paper of the highest ranking provided by Moody's Investors Service, Inc., or Standard and Poor's Corporation, repurchase or reverse repurchase agreements, and the State Treasurer's Investment Pool.

The investment policy set by the Directors of the District is more conservative than that set by state statute. The policy allows the District treasurer to invest in certificates of deposit, U.S. Treasury Bills, instruments guaranteed by the U.S. Government, Money Market Accounts, and investment in U.S. Government securities, Placer County Investment Fund, and the LAIF.

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

B. Investments (Continued):

Investment in State Investment Pool - The District's LAIF investment is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The District is a voluntary participant in the investment pool.

Structured notes and asset-backed securities comprised 2.89% and 2.81% of LAIF's total portfolio for all investors as of June 30, 2017 and 2016, respectively. Fair value of a pool share was 0.998940671 and 1.000621222 for those same periods. The cost value of a pool share was constant at $1.00.

	2017		2016	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	$ 5,974,615	$ 5,968,286	$ 5,098,009	$ 5,101,176

Fair Value of Investments - Deposits and withdrawals in governmental investment pools, such as LAIF are made on the basis of $1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The District's other investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

B. Investments (Continued):

inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

		Fair Value Measurement Using		
Investment by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cerificates of Deposits	$ 2,848,069	$ 2,848,069	$	$
U.S. Government Securities	22,186	22,186		
Total Investments	$ 2,870,255	$ 2,870,255	$	$

Investments' fair value measurements are as follows at June 30, 2016:

		Fair Value Measurement Using		
Investment by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cerificates of Deposits	$ 2,965,177	$ 2,965,177	$	$
U.S. Government Securities	22,339	22,339		
Total Investments	$ 2,987,516	$ 2,987,516	$	$

Investments categorized as Level 1 are valued based on prices quoted in active markets for those securities. The District does not have any investments valued as Level 2 and Level 3.

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Custodial credit risk: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have custodial credit risk policies for investments.

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

B. Investments (Continued):

The District's investments at June 30 2017 and 2016 are presented below:

	2017		2016	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Certificates of Deposits	$ 2,848,069	$ 2,848,069	$ 2,965,177	$ 2,965,177
U.S. Government Securities	23,854	22,186	23,043	22,339
Total Investments	$ 2,871,923	$ 2,870,255	$ 2,988,220	$ 2,987,516

These investments are fully insured.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. A portion of the District's investments are subject to this risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by duration.

Investments of the District subject to interest rate risk on June 30, 2017 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	$ 200,000	$ 200,056	7/2017
Certificates of Deposit	123,000	123,014	8/2017
Certificates of Deposit	100,000	99,950	8/2017
Certificates of Deposit	100,000	99,954	8/2017
Certificates of Deposit	231,000	231,048	9/2017
Certificates of Deposit	120,000	120,028	9/2017
Certificates of Deposit	100,000	99,500	10/2017
Certificates of Deposit	220,000	220,046	11/2017
Certificates of Deposit	240,000	239,957	11/2017
Certificates of Deposit	245,000	244,635	12/2017
Certificates of Deposit	225,000	224,712	2/2018
Certificates of Deposit	240,000	240,458	3/2018
Certificates of Deposit	153,000	152,543	3/2018
Certificates of Deposit	100,000	99,941	6/2018
Certificates of Deposit	55,000	55,020	7/2018
Certificates of Deposit	179,000	178,062	8/2018
Certificates of Deposit	125,000	125,425	9/2018
Certificates of Deposit	100,000	99,500	9/2018
Certificates of Deposit	100,000	100,339	9/2018
Certificates of Deposit	100,000	99,500	9/2018
Certificates of Deposit	122,000	122,255	11/2018
Certificates of Deposit	245,000	246,793	7/2019
Certificates of Deposit	155,000	155,493	6/2020
Certificates of Deposit	142,000	143,890	6/2020
Weighted average maturity			5/2018

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2016 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	$ 100,000	$ 100,019	8/2016
Certificates of Deposit	198,000	197,984	8/2016
Certificates of Deposit	150,000	150,029	8/2016
Certificates of Deposit	144,000	144,062	9/2016
Certificates of Deposit	100,000	100,182	11/2016
Certificates of Deposit	200,000	199,970	2/2017
Certificates of Deposit	137,200	138,429	6/2017
Certificates of Deposit	200,000	200,668	7/2017
Certificates of Deposit	123,000	123,411	8/2017
Certificates of Deposit	100,000	99,545	8/2017
Certificates of Deposit	231,000	231,924	9/2017
Certificates of Deposit	120,000	120,493	9/2017
Certificates of Deposit	100,000	99,545	10/2017
Certificates of Deposit	220,000	220,975	11/2017
Certificates of Deposit	240,000	240,761	11/2017
Certificates of Deposit	240,000	241,958	3/2018
Certificates of Deposit	125,000	126,750	9/2018
Certificates of Deposit	100,000	99,507	9/2018
Certificates of Deposit	100,000	101,408	9/2018
Certificates of Deposit	100,000	99,569	9/2018
Certificates of Deposit	122,000	123,487	11/2018
Certificates of Deposit	245,000	251,042	7/2019
Certificates of Deposit	142,000	145,553	6/2020
Weighted average maturity			11/2017

NOTE 2 CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued):

C. Classification:

Summary of Cash and Investments:	2017	2016
Cash Deposits and on Hand	$ 2,605,176	$ 3,123,975
LAIF	5,974,615	5,098,009
Investments	2,870,255	2,987,516
	$ 11,450,046	$ 11,209,500
Cash and Investments Classified in the Balance Sheet:		
Cash and Cash Equivalents:		
Unrestricted	$ 7,902,451	$ 7,721,007
Restricted	677,340	500,977
	$ 8,579,791	$ 8,221,984
Investments:		
Unrestricted	$ 2,870,255	$ 2,987,516
	$ 11,450,046	$ 11,209,500

NOTE 3 ACCOUNTS RECEIVABLE:

The accounts receivable, shown as current assets, are comprised of the following:

	2017	2016
Service Charges	$ 47,004	$ 45,171
Taxes, Net of Allowance for Doubtful Accounts of $0 for 2017 and 2016	505,132	452,990
Other	106,580	87,802
	$ 658,716	$ 585,963

The accounts receivable, shown as restricted assets, are comprised of the following:

	2017	2016
Grants	$ 373,189	$ 368,715

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

Restricted assets at June 30, 2017 are identified by use as follows:

Restricted Assets:	Sewer Construction Reserves	Water Construction Reserves	Recreation Construction Reserves	Total
Cash and Cash Equivalents	$ 225,344	$ 445,936	$ 6,060	$ 677,340
Accounts Receivable		20,770	352,419	373,189
Deposits and Prepaid Expenses			11,297	11,297
Total Restricted Assets	$ 225,344	$ 466,706	$ 369,776	$ 1,061,826
Current Liabilities (Payable from Restricted Assets):				
Accounts Payable	$ 189,202	$ 40,087	$	$ 229,289
Total Restricted Liabilities	$ 189,202	$ 40,087	$ 0	$ 229,289

Restricted assets at June 30, 2016 are identified by use as follows:

Restricted Assets:	Sewer Construction Reserves	Water Construction Reserves	Recreation Construction Reserves	Total
Cash and Cash Equivalents	$ 59,682	$ 445,936	($ 4,641)	$ 500,977
Accounts Receivable		368,715		368,715
Deposits and Prepaid Expenses			10,460	10,460
Total Restricted Assets	$ 59,682	$ 814,651	$ 5,819	$ 880,152
Current Liabilities (Payable from Restricted Assets):				
Accounts Payable	$ 2,960	$ 596,922	$ 47,435	$ 647,317
Total Restricted Liabilities	$ 2,960	$ 596,922	$ 47,435	$ 647,317

NOTE 5 CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2017:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 93,547	$	$	$ 93,547
Construction In Progress	99,186	387,918	(99,185)	387,919
Total Capital Assets not being Depreciated	$ 192,733	$ 387,918	($ 99,185)	$ 481,466
Capital Assets being Depreciated:				
Building and Improvements	$ 6,746,081	$	$	$ 6,746,081
Sewage System	33,236,845	138,186		33,375,031
Vehicles and Equipment	4,890,697	1,214,027	(540,419)	5,564,305
Furniture and Office Equipment	871,779			871,779
Total Capital Assets being Depreciated	$ 45,745,402	$ 1,352,213	($ 540,419)	$ 46,557,196
Less Accumulated Depreciation for:				
Building and Improvements	$ 1,378,707	$ 174,935	$	$ 1,553,642
Sewage System	18,805,348	783,350		19,588,698
Vehicles and Equipment	4,524,577	139,586	(540,419)	4,123,744
Furniture and Office Equipment	802,654	33,574		836,228
Total Accumulated Depreciation	$ 25,511,286	$ 1,131,445	($ 540,419)	$ 26,102,312
Net Capital Assets	$ 20,426,849	$ 608,686	($ 99,185)	$ 20,936,350

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 780,047	$	$	$ 780,047
Construction In Progress	2,909,469		(2,909,469)	
Total Capital Assets not being Depreciated	$ 3,689,516	$ 0	($ 2,909,469)	$ 780,047
Capital Assets being Depreciated:				
Water System	$ 30,033,619	$ 3,551,718	$	$ 33,585,337
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	$ 30,355,288	$ 3,551,718	$ 0	$ 33,907,006
Less Accumulated Depreciation for:				
Water System	$ 13,817,335	$ 919,147	$	$ 14,736,482
Vehicles and Equipment	218,951	55,786		274,737
Furniture and Office Equipment	35,919			35,919
Total Accumulated Depreciation	$ 14,072,205	$ 974,933	$ 0	$ 15,047,138
Net Capital Assets	$ 19,972,599	$ 2,576,785	($ 2,909,469)	$ 19,639,915

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2017 (Continued):

Recreation Fund:

Capital Assets not being Depreciated:	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 6,265,000	$	$	$ 6,265,000
Construction In Progress	91,308	4,706	(90,224)	5,790
Total Capital Assets not being Depreciated	$ 6,356,308	$ 4,706	($ 90,224)	$ 6,270,790
Capital Assets being Depreciated:				
Building and Improvements	$ 15,393,473	$ 611,804	$	$ 16,005,277
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	$ 16,229,483	$ 611,804	$ 0	$ 16,841,287
Less Accumulated Depreciation for:				
Building and Improvements	$ 6,993,480	$ 542,383	$	$ 7,535,863
Vehicles and Equipment	700,982			700,982
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	$ 9,323,607	$ 542,383	$ 0	$ 9,865,990
Net Capital Assets	$ 13,262,184	$ 74,127	($ 90,224)	$ 13,246,087

Total of Net Assets:	
Sewer Department	$ 20,936,350
Water Department	19,639,915
Recreation Department	13,246,087
	$ 53,822,352

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2016:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 93,547	$	$	$ 93,547
Construction In Progress	4,071,407	37,240	(4,009,461)	99,186
Total Capital Assets not being Depreciated	$ 4,164,954	$ 37,240	($ 4,009,461)	$ 192,733
Capital Assets being Depreciated:				
Building and Improvements	$ 2,041,791	$ 4,704,290	$	$ 6,746,081
Sewage System	32,135,637	1,101,208		33,236,845
Vehicles and Equipment	4,777,029	113,668		4,890,697
Furniture and Office Equipment	844,426	27,353		871,779
Total Capital Assets being Depreciated	$ 39,798,883	$ 5,946,519	$ 0	$ 45,745,402
Less Accumulated Depreciation for:				
Building and Improvements	$ 1,264,989	$ 113,718	$	$ 1,378,707
Sewage System	18,051,468	753,880		18,805,348
Vehicles and Equipment	4,439,057	85,520		4,524,577
Furniture and Office Equipment	775,658	26,996		802,654
Total Accumulated Depreciation	$ 24,531,172	$ 980,114	$ 0	$ 25,511,286
Net Capital Assets	$ 19,432,665	$ 5,003,645	($ 4,009,461)	$ 20,426,849

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 780,047	$	$	$ 780,047
Construction In Progress	1,011,388	2,018,384	(120,303)	2,909,469
Total Capital Assets not being Depreciated	$ 1,791,435	$ 2,018,384	($ 120,303)	$ 3,689,516
Capital Assets being Depreciated:				
Water System	$ 29,891,289	$ 142,330	$	$ 30,033,619
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	$ 30,212,958	$ 142,330	$ 0	$ 30,355,288
Less Accumulated Depreciation for:				
Water System	$ 12,944,519	$ 872,816	$	$ 13,817,335
Vehicles and Equipment	195,985	22,966		218,951
Furniture and Office Equipment	35,919			35,919
Total Accumulated Depreciation	$ 13,176,423	$ 895,782	$ 0	$ 14,072,205
Net Capital Assets	$ 18,827,970	$ 1,264,932	($ 120,303)	$ 19,972,599

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2016 (Continued):

Recreation Fund:

Capital Assets not being Depreciated:	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 7,025,000	$	($ 760,000)	$ 6,265,000
Construction In Progress	16,769	74,539		91,308
Total Capital Assets not being Depreciated	$ 7,041,769	$ 74,539	($ 760,000)	$ 6,356,308
Capital Assets being Depreciated:				
Building and Improvements	$ 15,393,473	$	$	$ 15,393,473
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	$ 16,229,483	$ 0	$ 0	$ 16,229,483
Less Accumulated Depreciation for:				
Building and Improvements	$ 6,448,747	$ 544,733	$	$ 6,993,480
Vehicles and Equipment	700,026	956		700,982
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	$ 8,777,918	$ 545,689	$ 0	$ 9,323,607
Net Capital Assets	$ 14,493,334	($ 471,150)	($ 760,000)	$ 13,262,184

Total of Net Assets:	
Sewer Department	$ 20,426,849
Water Department	19,972,599
Recreation Department	13,262,184
	$ 53,661,632

NOTE 6 DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

General Information about the Pension Plan (Continued):

Plan Description (Continued):

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Miscellaneous). The District does not have any rate plans in the safety risk pool.

Benefits Provided - The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.377%	6.555%

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

General Information about the Pension Plan (Continued):

Contribution Description - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for Plan were as follows:

	Miscellaneous	
	2017	2016
Miscellaneous Risk Pool	$ 267,180	$ 229,367

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2017 and 2016, the District reported net pension liability of $355,920 and $224,585, respectively, for its proportionate share of the net pension liability. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability as of June 30, 2015 and 2014, the valuation dates, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2015 and 2014. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2016 and 2015, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2016 and 2015, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2016 and 2015 was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, was calculated by applying the District's proportionate share percentages as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2016, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2016. Each employer rate plan's fiduciary net position was then subtracted from its total pension liability to obtain the net pension liability as of the measurement date.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015 (Valuation Date)	0.008186%
Proportion - June 30, 2016 (Measurement Date)	0.012460%
Change - Increase (Decrease)	0.004274%

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014 (Valuation Date)	0.007390%
Proportion - June 30, 2015 (Measurement Date)	0.008186%
Change - Increase (Decrease)	0.000800%

The District recognized pension expense of $173,058 and $790,664 at June 30, 2017 and 2016, respectively.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 140,405	$
Changes in assumptions		117,422
Net differences between projected and actual earnings on plan investments	447,545	
Adjustment due to differences in proportions	61,031	
Differences between actual and required contributions	251,744	
Contributions after measurement date	262,942	
Total	$ 1,163,667	$ 117,422

It should be noted that a deferred outflow of $262,942 was recognized as pension expense related to contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date June 30:	Net, Deferred Outflow/(Inflows) of Resources
2017	$ 296,238
2018	258,427
2019	170,469
2020	58,169
Thereafter	
Total	$ 783,303

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued):

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 191,668	$
Changes in assumptions		182,657
Net differences between projected and actual earnings on plan investments	378,245	
Adjustment due to differences in proportions	254,041	
Differences between actual and required contributions	284,606	
Total	$ 1,108,560	$ 182,657

Actuarial Assumptions - For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 and June 30, 2015 total pension liability was determined using the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date (VD)	June 30, 2015 and 2014
Measurement Date (MD)	June 30, 2016 and 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies By Age and Length of Service
Investment Rate of Return (2)	7.50%
Mortality Rate Table (3)	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and Administrative expenses; including inflation

(3) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, *GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2016 based on June 30, 2015 Valuations*, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long- term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

	June 30, 2017		
Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	(0.55%)	(1.05%)
Total	100%		

	June 30, 2016		
Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

At June 30, 2017, the discount rate comparison was the following:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	$ 775,762	$ 355,920	$ 8,940

At June 30, 2016, the discount rate comparison was the following:

	(6.65%)	Rate (7.65%)	(8.65%)
Plan's Net Pension Liability/(Asset)	$ 553,848	$ 224,585	($ 47,261)

NOTE 7 LONG-TERM DEBT:

A. Installment Note - On September 1, 2010, the District entered into an installment sale agreement (the "Agreement") for $4.5 million to finance the construction of certain capital facilities related to the District's water acquisition, storage and distribution system consisting primarily of a water storage tank and appurtenances. The Agreement's interest rate is 3.95% and is payable semi-annually. Principal repayment began in August 2013 and concludes on February 1, 2026.

A summary of long-term liability activity for the year ended is as follows:

	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
June 30, 2017					
Installment Note	$ 3,654,656	$ 0	($ 304,555)	$ 3,350,101	$ 316,704
June 30, 2016					
Installment Note	$ 3,947,528	$ 0	($ 292,872)	$ 3,654,656	$ 304,555

NOTE 7 LONG-TERM DEBT (Continued):

B. Interest Expense - Total interest incurred was $136,369 and $148,243 for 2017 and 2016, respectively. As of June 30, 2017 and 2016, all interest was expensed.

C. Debt Service Requirements - Debt service requirements of long term debt as summarized as follows:

June 30	Installment Note	Total Principal	Interest	Total Debt Service
2018	316,704	316,704	129,232	445,936
2019	329,337	329,337	116,599	445,936
2020	342,474	342,474	103,462	445,936
2021	356,136	356,136	89,800	445,936
2022	370,342	370,342	75,594	445,936
Thereafter	1,635,108	1,635,108	148,635	1,783,743
Total Debt	$ 3,350,101	$ 3,350,101	$ 663,322	$ 4,013,423
Less: Current Portion	(316,704)	(316,704)	(129,232)	(445,936)
Total Long Term Debt, Net of Current Portion	$ 3,033,397	$ 3,033,397	$ 534,090	$ 3,567,487

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments - The District has entered into design and construction commitments totaling $2,897,284 and $2,191,753 for fiscal years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, the amount earned on the contracts was $372,002 with a remaining balance of $2,525,282. As of June 30, 2016, the amount earned on the contracts was $968,894 with a remaining balance of $1,222,858.

Litigation - Various claims and lawsuits were pending against the District during the year. It is the opinion of management and the District's attorney that the District's risk exposure will not have a material effect on the financial statements.

NOTE 9 VOTER LEGISLATION:

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase and extend assessments and fees. Any new, increased, or extended assessments and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the District's ability to finance the services for which assessments and fees are imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the District's ability to maintain or increase the revenue it receives from assessments and fees.

NOTE 10 RELATED PARTY TRANSACTIONS:

The District has entered into a joint powers agreement with others to form a separate entity to provide insurance coverage. As a result, the District has related party transactions with SDRMA. During the years ended June 30, 2017 and 2016, the District paid the SDRMA $161,323 and $165,092, respectively, for workers' compensation insurance coverage.

NOTE 11 RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters.

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of $17.4 million with blanket coverage extension of $2 million. The District also purchases property insurance covering $92,000 for unscheduled contractor's equipment, $1.3 million for scheduled equipment, and $100,000 for rented equipment (Inland Marine Coverage).

The District purchases general liability and management liability insurance coverage up to policy term aggregate limits of $3.0 million each subject to various sub-policy limits, generally $1.0 million for various activities such as personal and advertising injury or fire damage. The District also maintains insurance coverage related to employee dishonesty and crime. Finally, the District maintains commercial automobile insurance for vehicle related property damage with coverage up to a maximum of $1.0 million and commercial umbrella insurance or excess liability coverage up to a maximum of $10.0 million.

NOTE 12 SUBSEQUENT EVENTS:

The District's management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2017

LAST TEN YEARS*

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability	0.004113%	0.003272%	0.004526%
Plan's Proportionate Share of the Net Pension Liability	$355,920	$224,584	$285,489
Plan's Covered-Employee Payroll	$2,891,320	$2,950,176	$2,794,438
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	12.31%	7.61%	11.37%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan’s Total Pension Liability	88.59%	90.71%	83.03%

Notes to Schedule:

Change of benefit terms – In 2017, there were no changes to the benefit terms.

Changes in assumptions – In 2017, there were no changes to the benefit terms. In 2016, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% as of June 30, 2015 measurement date to correct adjustments which previously reduced the discount rate for administrative expenses. There were no changes in assumptions during the measurement period ended June 30, 2014.

*Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2017

LAST TEN YEARS*

Schedule of Pension Plan Contributions:	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required Contribution (actuarially determined)	$ 262,942	$ 301,229	$ 284,446
Actual Contributions During the Measurement Period	267,180	(301,229)	(284,446)
Contribution deficiency (excess)	$ (4,238)	$ 0	$ 0
Covered-employee payroll	$ 2,891,320	$2,950,176	$2,794,438
Contributions as a percentage of covered-employee payroll	9.24%	10.21%	10.18%

* Fiscal Year 2015 was the first year of implementation, therefore only three years are shown.

Supplementary Information

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2017

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
Service Charges	$ 5,287,950	$ 5,287,950	$ 5,444,582	$ 156,632
Recreation Events and Programs	772,802	772,802	915,369	142,567
Property Taxes/CFD 94-1	5,262,000	5,262,000	5,393,319	131,319
Investment Income	40,000	40,000	70,999	30,999
Grants	150,000	150,000	418,195	268,195
Miscellaneous/Gain on Property Sale	26,500	26,500	177,801	151,301
Capital Contributions	117,090	117,090	108,101	(8,989)
	$ 11,656,342	$ 11,656,342	$ 12,528,366	$ 872,024
Expenses:				
Direct Operating Expenses	$ 8,968,975	$ 6,308,743	$ 5,895,461	$ 413,282
Administration and General	3,012,446	3,053,384	2,634,347	419,037
Depreciation	2,400,000	2,400,000	2,648,761	(248,761)
Interest Expense	141,381	141,381	136,369	5,012
Fiscal Agent Fees	96,565	96,565	88,662	7,903
	$ 14,619,367	$ 12,000,073	$ 11,403,600	596,473
Total Positive Variance	($ 2,963,025)	($ 343,731)	$ 1,124,766	$ 1,468,497