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, 2018 and 2017

North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2018 and 2017

BOARD OF DIRECTORS

Phil Thompson, President

Sarah Coolidge, Vice President

Sue Daniels, Secretary

Tim Ferrell, Director

Alex Mourelatos, Director

MANAGEMENT

Bradley A. Johnson, P.E., General Manager/Chief Executive Officer

Vanetta N. Van Cleave, Chief Financial Officer

North Tahoe Public Utility District

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June 30, 2018 and 2017

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2018 and 2017, 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 and budgetary comparison information on pages 6 through 13 and the required supplementary information related to the pension on pages 53 through 54 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 56 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

Sacramento, CA

February 5, 2019

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, 2018. Please read it in conjunction with NTPUD's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - CONSOLIDATED DISTRICT:

The District's Current Assets decreased by $622,522 from $10,417,661 to $9,795,139. Restricted Assets increased by $436,962 from $1,061,826 to $1,498,788. Non-Current Investments decreased by $347,607 from $1,326,277 in 2017 to $978,670 in 2018. Capital Assets net of Accumulated Depreciation grew from $53,822,352 to $55,289,734 an increase of $1,467,382. As a result of the GASB 68 adjustments, Deferred Pension Outflows decreased $177,030 from $1,163,667 in 2017 to $986,637 in 2018. The District's Total Assets and Deferred Outflows increased by $756,459 to $68,548,968.

The District's Current Liabilities (Unrestricted) decreased by $17,114 to $1,418,141 in 2018. Current Liabilities (Payable from Restricted Assets) increased by $385,701 from $229,289 to $614,990. Noncurrent Liabilities decreased by $172,156 from $3,389,317 to $3,217,161. Deferred Inflows of Resources decreased $117,422 to $0 in 2018.

The Net Investment in Capital Assets, increased by $1,784,086 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 $25,846. Unrestricted Net Position (Undesignated) increased by $750,902 from $5,086,877 to $5,837,779. Total Net Position increased by $652,761 from $62,620,500 to $63,298,676.

FINANCIAL HIGHLIGHTS - SEWER FUND:

Current Assets (not restricted) decreased by $1,038,588 from $6,120,137 to $5,081,549. Restricted Assets increased by $440,070 from $225,344 to $665,414. Non-Current Investments decreased by $347,607 from $1,326,277 in 2017 to $978,670 in 2018. Net Capital Assets increased by $2,017,307 from $20,936,350 to $22,953,657 as $3,241,944 of additions to Capital Assets exceed the increase in Accumulated Depreciation.

FINANCIAL HIGHLIGHTS - SEWER FUND (Continued):

Current Liabilities (Payable from Current Assets) increased by $70,853 from $771,915 to $842,768. Current Liabilities (Payable from Restricted Assets) decreased by $20,689 from $189,202 in 2017 to $168,513 in 2018. As a result of the GASB 68 adjustments, Long-Term Liabilities includes a net pension liability of $318,122 in 2018 and $220,670 in 2017. In addition, Deferred Pension Inflows decreased by $72,801 from 2017 to $0 for 2018. The amount of Unrestricted Net Position decreased by $1,591,458 from $7,102,501 to $5,511,043. Total Net Position increased by $886,608, from $28,074,993 to $28,961,601.

Operating Revenues increased by $10,629 from $1,516,625 to $1,527,254. Total Operating Expenses were $539,601 more than 2017. Property Tax revenue of $5,058,623 is $257,710 more than the prior year. In 2018, investment income increased by $41,080.

FINANCIAL HIGHLIGHTS – WATER FUND:

Current Assets increased by $122,928 from $3,323,264 in 2017 to $3,446,192 in 2018. Restricted Assets decreased by $54,744 from $466,706 to $411,962. Capital Assets net of Accumulated Depreciation increased by $936 from $19,639,915 to $19,640,851. Deferred Pension Outflows decreased from $256,007 to $217,060 a $38,947 decrease.

Current Liabilities (Payable from Current Assets) increased by $12,637 from $501,238 to $513,875. Current Liabilities (Payable from Restricted Assets) increased by $371,875 from $40,087 to $411,962. The Long-Term debt portion of Noncurrent Liabilities decreased by $329,337 from $3,033,397 to $2,704,060, the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities increased by $34,580 from $78,303 to $112,883. In addition, Deferred Pension Inflows decreased from $25,833 to $0. The amount of Net Position that is Unrestricted increased by $97,230 from $2,844,665 to $2,941,895. Total Net Position decreased by $33,749 bringing the new amount to $19,973,285.

Operating Revenues were $27,140 lower than 2017. Total Operating Expenses increased by $218,121 from 2017. Grant revenue was $12,654 lower than the prior year with $20,841 in 2018 compared to the $33,495 earned in 2017. For 2018, Interest expense of $134,005 was $2,364 lower than the prior year as the principal on District debt declined.

FINANCIAL HIGHLIGHTS - RECREATION FUND:

Current Assets increased by $293,138 from $974,260 to $1,267,398. Restricted Assets increased by $51,636 from $369,776 to $421,412. Capital Assets net of Accumulated Depreciation decreased by $550,861 to $12,695,226 as the increase in Accumulated Depreciation exceed current year capital investment. Deferred Pension Outflows of Resources decreased by $28,324 from $186,187 to $157,863 in 2018.

Current Liabilities (Payable from Current Assets) decreased by $100,604 from $162,102 to $61,498. Current Liabilities (Payable from Restricted Assets) increased by $34,515 from $0 to $34,515. The Net Pension Liability classified as Noncurrent Liabilities increased by $25,149 from $56,947 to $82,096. Deferred Inflows of Resources from Pension decreased by $18,788 from $18,788 to $0. The Total Net Position decreased by $174,683 from $14,538,473 to $14,363,790. The amount of Net Position that is Unrestricted increased by $359,057 to close at $1,281,667.

Recreation Events and Program Revenues of $1,117,646 were $202,277 higher than the $915,369 earned in 2017. Total Operating Expenses increased by $565, from $1,900,117 in 2017 to $1,900,682 in 2018. The Recreation assessment, called Community Facilities District 94-1 (CFD 94-1), brought in $608,101, an increase of $15,695 from the 2017 amount of $592,406. Grant revenue was $384,700 lower than 2017.

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.

REQUIRED FINANCIAL STATEMENTS (Continued):

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.

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 2017/2018?" 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

	Fiscal Year 6/30/2018	Fiscal Year 6/30/2017	Change in Dollars	Percent Change
Current Assets	$ 9,795,139	$ 10,417,661	($ 622,522)	-6%
Restricted Assets	1,498,788	1,061,826	436,962	41%
Investments-Non-Current Portion	978,670	1,326,277	(347,607)	-26%
Net Capital Assets	55,289,734	53,822,352	1,467,382	3%
Deferred Pension Outflows (Note 6)	986,637	1,163,667	(177,030)	-15%
Total Assets and Deferred Outflows of Resources	$ 68,548,968	$ 67,791,783	$ 757,185	1%
Current Liabilities Unrestricted	$ 1,418,141	$ 1,435,255	($ 17,114)	-1%
Current Liabilities Restricted	614,990	229,289	385,701	168%
Long Term Liabilities	3,217,161	3,389,317	(172,156)	-5%
Deferred Pension Inflows (Note 6)		117,422	(117,422)	-100%
Total Liabilities and Deferred Inflows of Resources	$ 5,250,292	$ 5,171,283	$ 79,009	2%
Net Investment in Capital Assets	$ 52,256,337	$ 50,472,251	$ 1,784,086	4%
Restricted for Capital Outlay	883,798	832,537	51,261	6%
Restricted for Debt Service	445,936	445,936		0%
Unrestricted (Designated for Board Reserves)	3,874,826	5,782,899	(1,908,073)	-33%
Unrestricted (Undesignated)	5,837,779	5,086,877	750,902	15%
Total Net Position	$ 63,298,676	$ 62,620,500	$ 678,176	1%

As can be seen from the table above, Net Position grew by $678,176 from $62,620,500 to $63,298,676. The makeup of Net Position changed as amounts invested in Capital Assets increased by $1,784,086 or 4%, while amounts Restricted for Capital Outlay increased by $51,261 or 6%. Unrestricted (Designated for Board Reserves) balance decreased by $1,908,073 from $5,782,899 in 2017 to $3,874,826 in 2018. Unrestricted (Undesignated) balance increased by $750,902 from $5,086,877 in 2017 to $5,837,779 in 2018.

REVENUES, EXPENSES AND CHANGES IN NET POSITION:

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

	FYE 6/30/18	FYE 6/30/17	Change in Dollars	Percent Change
Operating Revenues	$ 6,545,717	$ 6,359,951	$ 185,766	3%
Operating Expenses	11,936,856	11,178,569	758,287	7%
Net Operating Loss	($ 5,391,139)	($ 4,818,618)	($ 572,521)	12%
Property Tax Revenues	$ 5,666,724	$ 5,393,319	$ 273,405	5%
Other Non-Operating Revenues and Expenses	158,864	441,964	(283,100)	- 64%
Non-Operating Revenues and Expenses	$ 5,825,588	$ 5,835,283	($ 9,695)	0%
Income Before Capital Contributions	$ 434,449	$ 1,016,665	($ 582,216)	- 57%
Capital Contributions	243,727	108,101	135,626	125%
Change in Net Position	$ 678,176	$ 1,124,766	($ 446,590)	- 40%
Net Position, Beginning of Year	$ 62,620,500	$ 61,495,734	$ 1,124,766	2%
Total Net Position, Ending of Year	$ 63,298,676	$ 62,620,500	$ 678,176	1%

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, including Operating, Property Tax and Other, exceeded Expenses in both years, increasing Net Position. The increase in Net Position of $678,176 in FY 2018 was $446,590 less than the $1,124,766 increase in FY 2017. This was due to a $572,521 increase in the Net Operating Loss combined with a $9,695 decrease in net Non-Operating Revenues, offset by a $135,626 increase 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 2018 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	Budget	Actual	Positive (Negative) Variance
Operating Revenues	$ 6,188,825	$ 6,545,717	$ 356,892
Operating Expenses	12,249,686	11,936,856	312,830
Net Operating Loss	($ 6,060,861)	($ 5,391,139)	$ 669,722
Property Tax Revenues	$ 5,337,000	$ 5,666,724	$ 329,724
Other Non-Operating Revenues and Expenses	33,802	158,864	125,062
Non-Operating Revenues and Expenses	$ 5,370,802	$ 5,825,588	($ 454,786)
<Loss> Income Before Capital Contributions	($ 690,059)	$ 434,449	$ 1,124,508
Capital Contributions	117,090	243,727	126,637
Change in Net Position	($ 572,969)	$ 678,176	$ 1,251,145

Operating Revenues of $6,545,717 surpassed the Budget of $6,188,825 creating a favorable variance of $356,892. Operating Expenses were $312,830 under the $12,249,686 amount budgeted. Property Taxes, including CFD 94-1, revenues surpassed the budgeted amount by $329,724. Other Non-Operating Revenues and Expenses when netted were $125,062 improved over the $33,802 budgeted net expenses. Capital Contributions of $243,727 were $126,637 more than budgeted. The total Change in Net Position of $678,176 exceeded the budgeted ($572,969) by $1,251,145.

CAPITAL ASSETS:

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2018	FYE 6/30/2017	Change in Dollars	Percent Change
Fixed Assets	$ 105,636,747	$ 104,444,083	$ 1,192,664	1%
Construction in Process	3,426,503	393,709	3,032,794	770%
	$ 109,063,250	$ 104,837,792	$ 4,225,458	4%
Accumulated Depreciation	(53,773,516)	(51,015,440)	(2,758,076)	5%
Net Capital Assets	$ 55,289,734	$ 53,822,352	$ 1,467,382	3%

At the end of fiscal year 2018, the District had $55,289,734 invested in capital assets as shown in Table A-4. Fixed Assets grew by $1,192,664 or 1%. Construction in Process increased by $3,032,794 primarily due to the work on the Carnelian Pump Station Rehabilition. Accumulated depreciation increased $2,758,076 in 2018.

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 Vanetta N. Van Cleave, 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 vvancleave@ntpud.org.

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2018 and 2017

Assets:	Sewer	Water	Recreation	Total 2018	Sewer	Water	Recreation	Total 2017
Current Assets:								
Cash and Cash Equivalents	$ 2,435,170	$ 3,367,490	$ 1,155,271	$ 6,957,931	$ 3,792,486	$ 3,256,610	$ 853,355	$ 7,902,451
Investments	1,678,611			1,678,611	1,543,978			1,543,978
Accounts Receivable	539,150	78,702	111,178	729,030	473,855	66,654	118,207	658,716
Inventory	304,972		949	305,921	303,180		2,698	305,878
Deposits and Prepaid Expenses	123,646			123,646	6,638			6,638
Total Current Assets	$ 5,081,549	$ 3,446,192	$ 1,267,398	$ 9,795,139	$ 6,120,137	$ 3,323,264	$ 974,260	$ 10,417,661
Restricted Assets:								
Cash and Cash Equivalents	$ 639,271	$ 397,077	$ 380,423	$ 1,416,771	$ 225,344	$ 445,936	$ 6,060	$ 677,340
Accounts Receivable	26,143	14,885	28,447	69,475		20,770	352,419	373,189
Deposits and Prepaid Expenses			12,542	12,542			11,297	11,297
Total Restricted Assets	$ 665,414	$ 411,962	$ 421,412	$ 1,498,788	$ 225,344	$ 466,706	$ 369,776	$ 1,061,826
Non-Current Assets:								
Investments	$ 978,670	$	$	$ 978,670	$ 1,326,277	$	$	$ 1,326,277
Capital Assets, Net of Accumulated Depreciation	22,953,657	19,640,851	12,695,226	55,289,734	20,936,350	19,639,915	13,246,087	53,822,352
Total Non-Current Assets	$ 23,932,327	$ 19,640,851	$ 12,695,226	$ 56,268,404	$ 22,262,627	$ 19,639,915	$ 13,246,087	$ 55,148,629
Total Assets	$ 29,679,290	$ 23,499,005	$ 14,384,036	$ 67,562,331	$ 28,608,108	$ 23,429,885	$ 14,590,123	$ 66,628,116
Deferred Outflows of Resources:								
Deferred Pension Outflows (Note 6)	$ 611,714	$ 217,060	$ 157,863	$ 986,637	$ 721,473	$ 256,007	$ 186,187	$ 1,163,667
Total Deferred Outflows of Resources	$ 611,714	$ 217,060	$ 157,863	$ 986,637	$ 721,473	$ 256,007	$ 186,187	$ 1,163,667

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2018 and 2017

Liabilities:	Sewer	Water	Recreation	2018	Sewer	Water	Recreation	2017
Current Liabilities (Payable from Current Assets):								
Accounts Payable	$ 161,923	$ 61,559	$ 12,026	$ 235,508	$ 89,744	$ 35,378	$ 17,101	$ 142,223
Compensated Absences Payable	244,052	63,069	22,782	329,903	284,934	62,617	32,404	379,955
Accrued Liabilities	436,793	59,910	26,690	523,393	397,237	86,539	112,597	596,373
Current Portion of Long-Term Debt		329,337		329,337		316,704		316,704
Total Current Liabilities (Payable from Current Assets)	$ 842,768	$ 513,875	$ 61,498	$ 1,418,141	$ 771,915	$ 501,238	$ 162,102	$ 1,435,255
Current Liabilities (Payable from Restricted Assets):								
Accounts Payable	$ 168,513	$ 411,962	$ 34,515	$ 614,990	$ 189,202	$ 40,087	$	$ 229,289
Total Current Liabilities (Payable from Restricted Assets)	$ 168,513	$ 411,962	$ 34,515	$ 614,990	$ 189,202	$ 40,087	$ 0	$ 229,289
Total Current Liabilities	$ 1,011,281	$ 925,837	$ 96,013	$ 2,033,131	$ 961,117	$ 541,325	$ 162,102	$ 1,664,544
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	$	$ 2,704,060	$	$ 2,704,060	$	$ 3,033,397	$	$ 3,033,397
Net Pension Liability (Note 6)	318,122	112,883	82,096	513,101	220,670	78,303	56,947	355,920
Total Long-Term Liabilities	$ 318,122	$ 2,816,943	$ 82,096	$ 3,217,161	$ 220,670	$ 3,111,700	$ 56,947	$ 3,389,317
Total Liabilities	$ 1,329,403	$ 3,742,780	$ 178,109	$ 5,250,292	$ 1,181,787	$ 3,653,025	$ 219,049	$ 5,053,861
Deferred Inflows of Resources:								
Deferred Pension Inflows (Note 6)	$	$	$	$	$ 72,801	$ 25,833	$ 18,788	$ 117,422
Total Deferred Inflows of Resources	$ 0	$ 0	$ 0	$ 0	$ 72,801	$ 25,833	$ 18,788	$ 117,422
Net Position:								
Net Investment in Capital Assets	$ 22,953,657	$ 16,607,454	$ 12,695,226	$ 52,256,337	$ 20,936,350	$ 16,289,814	$ 13,246,087	$ 50,472,251
Restricted for:								
Capital Outlay	496,901		386,897	883,798	36,142	426,619	369,776	832,537
Debt Service		445,936		445,936		445,936		445,936
Unrestricted	5,511,043	2,919,895	1,281,667	9,712,605	7,102,501	2,844,665	922,610	10,869,776
Total Net Position	$ 28,961,601	$ 19,973,285	$ 14,363,790	$ 63,298,676	$ 28,074,993	$ 20,007,034	$ 14,538,473	$ 62,620,500

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

North Tahoe Public Utility District

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2018 and 2017

Operating Revenues:	Sewer	Water	Recreation	Total 2018	Sewer	Water	Recreation	Total 2017
Service Charges	$ 1,527,254	$ 3,900,817	$	$ 5,428,071	$ 1,516,625	$ 3,927,957	$	$ 5,444,582
Recreation Events and Programs			1,117,646	1,117,646			915,369	915,369
Total Operating Revenues	$ 1,527,254	$ 3,900,817	$ 1,117,646	$ 6,545,717	$ 1,516,625	$ 3,927,957	$ 915,369	$ 6,359,951
Operating Expenses:								
Direct Operating Expenses	$ 2,864,961	$ 2,070,124	$ 1,255,790	$ 6,190,875	$ 2,689,442	$ 1,908,394	$ 1,297,625	$ 5,895,461
Administration and General	2,041,945	852,924	93,036	2,987,905	1,766,590	807,648	60,109	2,634,347
Depreciation	1,220,172	986,048	551,856	2,758,076	1,131,445	974,933	542,383	2,648,761
Total Operating Expenses	$ 6,127,078	$ 3,909,096	$ 1,900,682	$ 11,936,856	$ 5,587,477	$ 3,690,975	$ 1,900,117	$ 11,178,569
Operating Income/(Loss)	($ 4,599,824)	($ 8,279)	($ 783,036)	($ 5,391,139)	($ 4,070,852)	$ 236,982	($ 984,748)	($ 4,818,618)
Non-Operating Revenues (Expenses):								
Property Taxes/CFD 94-1	$ 5,058,623	$	$ 608,101	$ 5,666,724	$ 4,800,913	$	$ 592,406	$ 5,393,319
Investment Income	110,421		2,116	112,537	69,341		1,658	70,999
Grants	152,655	20,841		173,496		33,495	384,700	418,195
Miscellaneous Revenues	72,904	2,185	4,434	79,523	172,430		5,371	177,801
Interest Expense		(134,005)		(134,005)		(136,369)		(136,369)
Fiscal Agent Fees	(66,389)		(6,298)	(72,687)	(85,713)		(2,949)	(88,662)
Total Non-Operating Revenues	$ 5,328,214	($ 110,979)	$ 608,353	$ 5,825,588	$ 4,956,971	($ 102,874)	$ 981,186	$ 5,835,283
Income (Loss) Before Contributions	$ 728,390	($ 119,258)	($ 174,683)	$ 434,449	$ 886,119	$ 134,108	($ 3,562)	$ 1,016,665
Capital Contributions - Connection Fees (Refunds)	40,558	85,509		126,067	22,840	70,849		93,689
Capital Contributions - Infrastructure	117,660			117,660	12,925		1,487	14,412
Transfers In/(Transfers Out)					(172,464)		172,464	
Change in Net Position	$ 886,608	($ 33,749)	($ 174,683)	$ 678,176	$ 749,420	$ 204,957	$ 170,389	$ 1,124,766
Net Position, Beginning 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
Total Net Position, Ending of Year	$ 28,961,601	$ 19,973,285	$ 14,363,790	$ 63,298,676	$ 28,074,993	$ 20,007,034	$ 14,538,473	$ 62,620,500

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, 2018 and 2017

Cash Flows from Operating Activities:	Sewer	Water	Recreation	Total 2018	Sewer	Water	Recreation	Total 2017
Receipts from Customers	$ 1,541,151	$ 3,888,769	$ 1,124,675	$ 6,554,595	$ 1,599,155	$ 3,922,385	$ 816,814	$ 6,338,354
Paid to Suppliers for Goods and Services	(2,209,979)	(2,086,807)	(925,650)	(5,222,436)	(1,915,169)	(1,929,855)	(840,876)	(4,685,900)
Paid to Employees for Services	(2,610,464)	(788,543)	(488,591)	(3,887,598)	(2,467,489)	(799,338)	(500,771)	(3,767,598)
Net Cash Provided (Used) by Operating Activities	($ 3,279,292)	$ 1,013,419	($ 289,566)	($ 2,555,439)	($ 2,783,503)	$ 1,193,192	($ 524,833)	($ 2,115,144)
Cash Flows from Noncapital Financing Activities:								
Property Taxes Collected	$ 4,979,431	$	$ 608,101	$ 5,587,532	$ 4,749,757	$	$ 592,406	$ 5,342,163
Fiscal Agent Fees	(66,389)		(6,298)	(72,687)	(85,713)		(2,949)	(88,662)
Other Non-Operating Revenues	72,904	2,185	4,434	79,523	57,430		5,371	62,801
Capital Transfers to Other Funds					(172,464)		172,464	
Net Cash Provided by Noncapital Financing Activities	$ 4,985,946	$ 2,185	$ 606,237	$ 5,594,368	$ 4,549,010	$ 0	$ 767,292	$ 5,316,302
Cash Flows from Capital and Related Financing Activities:								
Acquisition of Capital Assets	($ 3,258,168)	($ 615,109)	$ 33,520	($ 3,839,757)	($ 1,454,704)	($ 1,199,084)	($ 573,721)	($ 3,227,509)
Gain on Sale of Capital Assets					115,000			115,000
Capital Grants Received	126,512	26,726	323,972	477,210		381,440	32,281	413,721
Principal Paid on Bonds and Notes		(316,704)		(316,704)		(304,555)		(304,555)
Interest Paid on Bonds and Notes		(134,005)		(134,005)		(136,369)		(136,369)
Contributed Capital	158,218	85,509		243,727	35,765	70,849	1,487	108,101
Net Cash Provided (Used by) Capital and Related Financing Activities	($ 2,973,438)	($ 953,583)	$ 357,492	($ 3,569,529)	($ 1,303,939)	($ 1,187,719)	($ 539,953)	($ 3,031,611)
Cash Flows from Investing Activities:								
Sale of Investments	$ 212,974	$	$	$ 212,974	$ 117,261	$	$	$ 117,261
Interest on Investments	110,421		2,116	112,537	69,341		1,658	70,999
Net Cash Provided by Investing Activities	$ 323,395	$ 0	$ 2,116	$ 325,511	$ 186,602	$ 0	$ 1,658	$ 188,260
Net Increase (Decrease) in Cash and Cash Equivalents	($ 943,389)	$ 62,021	$ 676,279	($ 205,089)	$ 648,170	$ 5,473	($ 295,836)	$ 357,807

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, 2018 and 2017

	Sewer	Water	Recreation	Total 2018	Sewer	Water	Recreation	Total 2017
Balance Forward	($943,389)	$62,021	$676,279	($205,089)	$648,170	$5,473	($295,836)	$357,807
Cash and Cash Equivalents, Beginning 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, End of Year	$3,074,441	$3,764,567	$1,535,694	$8,374,702	$4,017,830	$3,702,546	$859,415	$8,579,791
<u>Cash and Cash Equivalents as Presented on the Statement of Net Assets</u>:								
Current Assets: Cash and Cash Equivalents	$2,435,170	$3,367,490	$1,155,271	$6,957,931	$3,792,486	$3,256,610	$853,355	$7,902,451
Restricted Assets: Cash and Cash Equivalents	639,271	397,077	380,423	1,416,771	225,344	445,936	6,060	677,340
	$3,074,441	$3,764,567	$1,535,694	$8,374,702	$4,017,830	$3,702,546	$859,415	$8,579,791
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>:								
Operating Income (Loss)	($4,599,824)	($8,279)	($783,036)	($5,391,139)	($4,070,852)	$236,982	($984,748)	($4,818,618)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Depreciation	1,220,172	986,048	551,856	2,758,076	1,131,445	974,933	542,383	2,648,761
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:								
(Increase)/Decrease in:								
Accounts Receivable	13,897	(12,048)	7,029	8,878	82,530	(5,572)	(98,555)	(21,597)
Inventory	(1,792)		1,749	(43)	(60)		(850)	(910)
Deposits and Prepaid Expenses	(117,008)		(1,245)	(118,253)	(1,001)		(837)	(1,838)
Deferred Outflows of Resources	109,759	38,947	28,324	177,030	(34,166)	(12,124)	(8,817)	(55,107)
Increase/(Decrease) in:								
Accounts Payable	72,179	26,181	(5,075)	93,285	(55,989)	(18,942)	2,214	(72,717)
Compensated Absences Payable	(40,882)	452	(9,622)	(50,052)	34,091	712	4,568	39,371
Accrued Liabilities	39,556	(26,629)	(85,907)	(72,980)	89,517	2,661	9,233	101,411
Net Pension Liabilities	97,452	34,580	25,149	157,181	81,428	28,894	21,013	131,335
Deferred Inflows of Resources	(72,801)	(25,833)	(18,788)	(117,422)	(40,446)	(14,352)	(10,437)	(65,235)
Net Cash Provided (Used) by Operating Activities	($3,279,292)	$1,013,419	($289,566)	($2,555,439)	($2,783,503)	$1,193,192	($524,833)	($2,115,144)

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, 2018 and 2017

Capital and Related Financing Activities

Acquisition of Capital Assets	$ 3,237,479	$ 986,984	$ 995	$ 4,225,458	$ 1,640,946	$ 642,249	$ 526,286	$ 2,809,481
(Increase)/Decrease in Accounts Payable	20,689	(371,875)	(34,515)	(385,701)	(186,242)	556,835	47,435	418,028
Cash Used for Acquisition of Capital Assets	$ 3,258,168	$ 615,109	($ 33,520)	$ 3,839,757	$ 1,454,704	$ 1,199,084	$ 573,721	$ 3,227,509

Capital Contributed by Developers

Contributions of Capital to the District	$ 158,218	$ 85,509	$	$ 243,727	$ 35,765	$ 70,849	$ 1,487	$ 108,101
Less - Contribution of Land and Improvements								
Cash Provided by Contributions	$ 158,218	$ 85,509	$ 0	$ 243,727	$ 35,765	$ 70,849	$ 1,487	$ 108,101

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 select street lights.

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 Vanetta Van Cleave, 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 and support 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 Event 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, 2018 and 2017, the District has debt related to capital assets of $3,033,397 and $3,350,101, 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 practice is to apply restricted net position first.

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

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 charges 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, 2018 and 2017, 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 cost of $5,000 or more with an estimated useful life in excess of one year. Capital assets are stated at cost, or the market value at the time received in the case of gifts or contributions. 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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2018 and 2017 are as follows:

	Sewer	Water	Recreation	Total
June 30, 2018	$ 1,816,835	$ 2,057,991	$	$ 3,874,826
June 30, 2017	$ 3,850,681	$ 1,932,218	$	$ 5,782,899

O. Compensated Absences - A maximum of up to 20 days of vacation and 12 days of sick leave per year may be accumulated per employee. Employees are paid between 50% and 100% of their accumulated sick leave depending upon tenure and 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.

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, 2018, the recorded liability was $329,903 and at June 30, 2017 was $379,955.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

P. Budgetary Control - The Board adopts an operating budget prior to 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 for the District in addition to health insurance for management. 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 -

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). The implementation of this Statement did not have material effect on the financial statements.

U. Newly Issued Accounting Pronouncements, But Not Yet Effective -

Governmental Accounting Standards Board Statement No. 90 - In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61* with required implementation for the District during the year ended June 30, 2020. The objectives of this Statement are to improve the consistency and

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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 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.

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

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.

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, 2018, the carrying amount of the District's deposits was \$4,696,280. The bank's balances were \$4,878,421. Of this amount \$3,794,332 was covered by federal depository insurance. The remaining \$1,084,089 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, 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.

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.

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

B. Investments (Continued):

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.

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 2.67% and 2.89% of LAIF's total portfolio for all investors as of June 30, 2018 and 2017, respectively. Fair value of a pool share was 0.998126869 and 0.998940671 for those same periods. The cost value of a pool share was constant at $1.00.

	2018		2017	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	$ 5,924,581	$ 5,913,483	$ 5,974,615	$ 5,968,286

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.

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

B. Investments (Continued):

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 inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at June 30, 2018:

		Fair Value Measurement Using		
Investment by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cerificates of Deposits	$ 2,247,358	$ 2,247,358	$	$
U.S. Government Securities	412,358	412,358		
Total Investments	$ 2,659,716	$ 2,659,716	$ 0	$ 0

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	$ 0	$ 0

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

B. Investments (Continued):

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.

The District's investments at June 30 2018 and 2017 are presented below:

	2018		2017	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Certificates of Deposits	$ 2,247,358	$ 2,247,358	$ 2,848,069	$ 2,848,069
U.S. Government Securities	409,923	412,358	23,854	22,186
Total Investments	$ 2,657,281	$ 2,659,716	$ 2,871,923	$ 2,870,255

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.

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2018 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	$ 55,000	$ 54,985	7/2018
Certificates of Deposit	185,000	184,933	7/2018
Certificates of Deposit	245,000	244,897	8/2018
Certificates of Deposit	179,000	178,721	8/2018
Certificates of Deposit	125,000	124,931	9/2018
Certificates of Deposit	100,000	99,674	9/2018
Certificates of Deposit	100,000	99,931	9/2018
Certificates of Deposit	100,000	99,674	9/2018
Certificates of Deposit	122,000	121,810	11/2018
Certificates of Deposit	200,000	199,618	12/2018
Certificates of Deposit	245,000	244,740	2/2019
Certificates of Deposit	60,000	59,852	3/2019
Certificates of Deposit	100,000	99,024	3/2019
Certificates of Deposit	100,000	100,000	6/2019
Certificates of Deposit	200,000	198,936	6/2019
Certificates of Deposit	245,000	244,708	6/2019
Certificates of Deposit	245,000	243,922	7/2019
Certificates of Deposit	200,000	198,020	12/2019
Certificates of Deposit	245,000	243,942	9/2019
Certificates of Deposit	155,000	152,308	6/2020
Certificates of Deposit	142,000	140,478	6/2020
Weighted average maturity			4/2019

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

B. Investments (Continued):

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):

C. Classification:

Summary of Cash and Investments:	2018	2017
Cash Deposits and on Hand	$ 2,447,686	$ 2,605,176
LAIF	5,924,581	5,974,615
Investments	2,659,716	2,870,255
	$ 11,031,983	$ 11,450,046
Cash and Investments Classified in the Balance Sheet:		
Cash and Cash Equivalents:		
Unrestricted	$ 6,957,931	$ 7,902,451
Restricted	1,416,771	677,340
	$ 8,374,702	$ 8,579,791
Investments:		
Unrestricted	$ 2,657,281	$ 2,870,255
	$ 11,031,983	$ 11,450,046

NOTE 3 ACCOUNTS RECEIVABLE:

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

	2018	2017
Service Charges	$ 43,233	$ 47,004
Taxes, Net of Allowance for Doubtful Accounts of $0 for 2018 and 2017	584,323	505,132
Other	101,474	106,580
	$ 729,030	$ 658,716

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

	2018	2017
Grants	$ 69,475	$ 373,189

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

Restricted assets at June 30, 2018 are identified by use as follows:

Restricted Assets:	Sewer Construction Reserves	Water Construction Reserves	Recreation Construction Reserves	Total
Cash and Cash Equivalents	$ 639,271	$ 397,077	$ 380,423	$ 1,416,771
Accounts Receivable	26,143	14,885	28,447	69,475
Deposits and Prepaid Expenses			12,542	12,542
Total Restricted Assets	$ 665,414	$ 411,962	$ 421,412	$ 1,498,788
Current Liabilities (Payable from Restricted Assets):				
Accounts Payable	$ 168,513	$ 411,962	$ 34,515	$ 614,990
Total Restricted Liabilities	$ 168,513	$ 411,962	$ 34,515	$ 614,990

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

NOTE 5 CAPITAL ASSETS:

The following is a summary of the capital assets at June 30, 2018:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 93,547	$	$	$ 93,547
Construction In Progress	387,919	2,518,896	(4,465)	2,902,350
Total Capital Assets not being Depreciated	$ 481,466	$ 2,518,896	($ 4,465)	$ 2,995,897
Capital Assets being Depreciated:				
Building and Improvements	$ 6,746,081	$ 173,987	$	$ 6,920,068
Sewage System	33,375,031	117,870		33,492,901
Vehicles and Equipment	5,564,305	431,191		5,995,496
Furniture and Office Equipment	871,779			871,779
Total Capital Assets being Depreciated	$ 46,557,196	$ 723,048	$ 0	$ 47,280,244
Less Accumulated Depreciation for:				
Building and Improvements	$ 1,553,642	$ 180,735	$	$ 1,734,377
Sewage System	19,588,698	742,304		20,331,002
Vehicles and Equipment	4,123,744	279,314		4,403,058
Furniture and Office Equipment	836,228	17,819		854,047
Total Accumulated Depreciation	$ 26,102,312	$ 1,220,172	$ 0	$ 27,322,484
Net Capital Assets	$ 20,936,350	$ 2,021,772	($ 4,465)	$ 22,953,657

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 780,047	$	$	$ 780,047
Construction In Progress		517,368		517,368
Total Capital Assets not being Depreciated	$ 780,047	$ 517,368	$ 0	$ 1,297,415
Capital Assets being Depreciated:				
Water System	$ 33,585,337	$ 469,616	$	$ 34,054,953
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	$ 33,907,006	$ 469,616	$ 0	$ 34,376,622
Less Accumulated Depreciation for:				
Water System	$ 14,736,482	$ 971,725	$	$ 15,708,207
Vehicles and Equipment	274,737	14,323		289,060
Furniture and Office Equipment	35,919			35,919
Total Accumulated Depreciation	$ 15,047,138	$ 986,048	$ 0	$ 16,033,186
Net Capital Assets	$ 19,639,915	$ 936	$ 0	$ 19,640,851

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2018 (Continued):

Recreation Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 6,265,000	$	$	$ 6,265,000
Construction In Progress	5,790	995		6,785
Total Capital Assets not being Depreciated	$ 6,270,790	$ 995	$ 0	$ 6,271,785
Capital Assets being Depreciated:				
Building and Improvements	$ 16,005,277	$	$	$ 16,005,277
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	$ 16,841,287	$ 0	$ 0	$ 16,841,287
Less Accumulated Depreciation for:				
Building and Improvements	$ 7,535,863	$ 551,345	$	$ 8,087,208
Vehicles and Equipment	700,982	511		701,493
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	$ 9,865,990	$ 551,856	$ 0	$ 10,417,846
Net Capital Assets	$ 13,246,087	($ 550,861)	$ 0	$ 12,695,226

Total of Net Capital Assets:	
Sewer Department	$ 22,953,657
Water Department	19,640,851
Recreation Department	12,695,226
	$ 55,289,734

NOTE 5 CAPITAL ASSETS (Continued):

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:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
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 Capital Assets:	
Sewer Department	$ 20,936,350
Water Department	19,639,915
Recreation Department	13,246,087
	$ 53,822,352

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 the Basic 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, 2018 and 2017, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after 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	8.418% as of June 30, 2018 and 8.377% as of June 30, 2017	6.533% as of June 30, 2018 and 6.555% as of June 30, 2017

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, 2018 and 2017, the contributions recognized as part of pension expense for the Plan were as follows:

	Contributions	
	2018	2017
Miscellaneous Risk Pool	$ 307,059	$ 262,942

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2018 and 2017, the District reported net pension liability of $513,101 and $355,920, 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, 2016 and 2015, 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, 2016 and 2015. 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, 2017 and 2016, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2017 and 2016, 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, 2017 and 2016 was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2017, 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, 2017, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2017. 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, 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016 (Valuation Date)	0.010246%
Proportion - June 30, 2017 (Measurement Date)	0.013016%
Change - Increase	0.002770%

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)	0.010246%
Change - Increase	0.002060%

The District recognized pension expense of $187,008 and $173,058 at June 30, 2018 and 2017, 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, 2018, 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	$ 77,498	$
Changes in assumptions	117,302	
Net differences between projected and actual earnings on plan investments	215,888	
Adjustment due to differences in proportions	68,517	
Differences between actual and required contributions	200,373	
Contributions after measurement date	307,059	
Total	$ 986,637	$ 0

It should be noted that a deferred outflow of $307,059 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
2018	$ 322,798
2019	245,870
2020	118,024
2021	(7,114)
2022	
Thereafter	
Total	$ 679,578

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)

Actuarial Assumptions - For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 and June 30, 2016 total pension liability was determined using the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date (VD)	June 30, 2016 and 2015
Measurement Date (MD)	June 30, 2017 and 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15% as of June 30, 2016 Valuation Date and 7.65% as of June 30, 2015 Valuation Date
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 mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Changes of Assumptions - The discount rate was reduced during the measurement period June 30, 2017 from 7.65% to 7.15%. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate - The discount rate used to measure the total pension liability were 7.15% and 7.65% for the measurement periods June 30, 2017 and June 30, 2016, respectively. 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 7.15% 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, 2017 based on June 30, 2016 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 7.15% 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.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

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 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, 2018		
Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	(0.40%)	(0.90%)
Total	100%		

	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%		

(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, 2018, the discount rate comparison was the following:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 1,071,788	$ 513,101	$ 50,386

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	$ 775,762	$ 355,920	$ 8,940

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, 2018					
Installment Note	$ 3,350,101	$ 0	($ 316,704)	$ 3,033,397	$ 329,337
June 30, 2017					
Installment Note	$ 3,654,656	$ 0	($ 304,555)	$ 3,350,101	$ 316,704

NOTE 7 LONG-TERM DEBT (Continued):

B. Interest Expense - Total interest incurred was $134,005 and $136,369 for 2018 and 2017, respectively. As of June 30, 2018, and 2017, all interest was expensed.

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

June 30	Installment Note	Total Principal	Interest	Total Debt Service
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
2023	385,115	385,115	60,821	445,936
Thereafter	1,249,993	1,249,993	87,814	1,337,807
Total Debt	$ 3,033,397	$ 3,033,397	$ 534,090	$ 3,567,487
Less: Current Portion	(329,337)	(329,337)	(116,599)	(445,936)
Total Long Term Debt, Net of Current Portion	$ 2,704,060	$ 2,704,060	$ 417,491	$ 3,121,551

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments - The District has entered into design and construction commitments totaling $4,931,067 and $2,897,284 for fiscal years ended June 30, 2018 and 2017, respectively. As of June 30, 2018, the amount earned on the contracts was $3,300,988 with a remaining balance of $1,630,079. As of June 30, 2017, the amount earned on the contracts was $372,002 with a remaining balance of $2,525,282.

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, 2018 and 2017, the District paid the SDRMA $151,030 and $161,323, respectively, for workers' compensation insurance coverage. Additionally, during the year ended June 30, 2018, the District paid the SDRMA $215,457 for medical, dental and vision 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 $15.7 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 damage to premises rented to the District. The District also maintains insurance coverage related to employee dishonesty and crime in

NOTE 11 RISK MANAGEMENT (Continued):

$3.0 million aggregate. 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, 2018

LAST TEN YEARS*

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability	0.005174%	0.004113%	0.003272%	0.004526%
Plan's Proportionate Share of the Net Pension Liability	$ 513,101	$ 355,920	$ 224,584	$ 285,489
Plan's Covered Payroll	$ 3,315,324	$ 2,891,320	$ 2,950,176	$ 2,794,438
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	15.48%	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	87.37%	88.59%	90.71%	83.03%

Notes to Schedule:

Change of benefit terms – In 2018, there were no changes to the benefit terms.

Changes in assumptions – In 2018, the accounting discount rate was reduced from 7.65% as of June 30, 2016 measurement date to 7.15% as of June 30, 2017 measurement date.

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

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2018

LAST TEN YEARS*

Schedule of Pension Plan Contributions:	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Contractually required Contribution (actuarially determined)	$ 307,059	$ 262,942	$ 301,229	$ 284,446
Actual Contributions During the Measurement Period	298,327	(267,180)	(301,229)	(284,446)
Contribution deficiency (excess)	$ 8,732	$ (4,238)	$ 0	$ 0
Covered payroll	$ 3,512,806	$ 3,315,324	$ 2,891,320	$ 2,950,176
Contributions as a percentage of covered payroll	8.49%	8.06%	10.42%	9.64%

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

SUPPLEMENTARY INFORMATION

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2018

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
Service Charges	$ 5,194,300	$ 5,194,300	$ 5,428,071	$ 233,771
Recreation Events and Programs	994,525	994,525	1,117,646	123,121
Property Taxes/CFD 94-1	5,337,000	5,337,000	5,666,724	329,724
Investment Income	28,000	28,000	112,537	84,537
Grants	187,150	187,150	173,496	(13,654)
Miscellaneous/Gain on Property Sale	26,400	38,400	79,523	41,123
Capital Contributions	117,090	117,090	243,727	126,637
	$ 11,884,465	$ 11,896,465	$ 12,821,724	$ 925,259
Expenses:				
Direct Operating Expenses	$ 6,424,185	$ 6,727,034	$ 6,190,875	$ 536,159
Administration and General	3,050,652	3,050,652	2,987,905	62,747
Depreciation	2,472,000	2,472,000	2,758,076	(286,076)
Interest Expense	129,748	129,748	134,005	(4,257)
Fiscal Agent Fees	90,000	90,000	72,687	17,313
	$ 12,166,585	$ 12,469,434	$ 12,143,548	325,886
Total Positive Variance	($ 282,120)	($ 572,969)	$ 678,176	$ 1,251,145