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, 2016 and 2015

North Tahoe Public Utility District

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2016 and 2015

BOARD OF DIRECTORS

John Bergmann, President

Sue Daniels, Vice President

S. Lane Lewis, Director

Tim Ferrell, Director

Phil Thompson, Secretary

MANAGEMENT

Duane Whitelaw, General Manager/Chief Executive Officer

Larry Marple, Chief Financial Officer

North Tahoe Public Utility District

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June 30, 2016 and 2015

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, 2016 and 2015, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of North Tahoe Public Utility District as of June 30, 2016 and 2015, 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.

Emphasis of Matters

Change in Accounting Principle

As described in Note 1S and 12 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 72 - *Fair Value Measurement and Application* for the year ended June 30, 2016, and GASB No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the required supplementary information related to the pension on pages 54 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Tahoe Public Utility District's basic financial statements. The supplementary information contained in Schedule 1 on page 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relating to the financial statements as a whole.

Damore, Hamric + Schneider Inc

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

April 6, 2017

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, 2016. 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 $1,564,003 from $10,642,498 to $9,078,495. Restricted Assets decreased by $98,539 from $978,691 to $880,152. Non-Current Investments increased by $965,478 from $1,561,118 in 2015 to $2,526,596 in 2016. Capital Assets net of Accumulated Depreciation grew from $52,753,969 to $53,661,632 an increase of $907,663. This increase was primarily due to the construction of a new Base Facility for which the District invested an additional $1,958,735 over the $2,816,052 spent in 2015. As a result of the adoption of GASB 68 reporting requirements, Deferred Pension Outflows increased $633,030 from $475,530 in 2015 to $1,108,560 in 2016. The District's Total Assets and Deferred Outflows of Resources increased by $843,629 to $67,255,435. Current Liabilities (Unrestricted) increased by $190,400 to $1,355,041 in 2016. Current Liabilities (Payable from Restricted Assets) decreased by $429,042 from $1,076,359 to $647,317. Noncurrent Liabilities decreased by $365,018 from $3,939,704 to $3,574,686. Deferred Inflows of Resources decreased $67,329 from $249,986 in 2015 to $182,657 in 2016. The Net Investment in Capital Assets, net of Related Debt increased by $1,200,535 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 $330,502. A portion of the Unrestricted Net Position has been designated for Vehicle Replacement totaled $1,000,000. Unrestricted Net Position (Undesignated) decreased by $2,433,120 from $8,142,223 to $5,709,103. Total Net Position increased by $1,514,618 from $59,981,116 to $61,495,734.

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FINANCIAL HIGHLIGHTS - SEWER FUND

Current Assets (not restricted) decreased by $2,252,060 from $6,836,944 to $4,584,884. Restricted Assets decreased by $130,527 from $190,209 to $59,682. Non-Current Investments increased by $965,478 from $1,561,118 in 2015 to $2,526,596 in 2016. Net Capital Assets increased by $994,184 from $19,432,665 to $20,426,849 as $1,974,298 of additions to Capital Assets exceed the increase in Accumulated Depreciation. The District's major expenditure in 2016 was $1,676,785 that was spent on the Base Facilities. The Funding of the Base Facilities project is from Sewer Reserves as pursuant to Board direction as part of its financial strategy to reduce reserves to levels that align with minimum /maximum goals.

FINANCIAL HIGHLIGHTS - SEWER FUND

Current Liabilities (Payable from Current Assets) increased by $94,427 from $609,869 to $704,296. Current Liabilities (Payable from Restricted Assets) decreased by $934,616 from $937,576 in 2015 to $2,960 in 2016. As a result of the adoption of GASB 68 reporting requirements, Long-Term Liabilities now includes a net pension liability of $139,242. In addition, Deferred Pension Inflows of $113,247 was recorded for FYE 2016, a decrease of $41,744 from the 2015 balance. The amount of Unrestricted Net Position decreased by $909,298 from $7,751,300 to $6,842,002. Total Net Position increased by $888,974, from $26,436,599 to $27,325,573. Operating Revenues increased by $14,091 from $1,501,420 to $1,515,511. Total Operating Expenses were $38,999 less than 2015. Property Tax revenue of $4,601,773 is $573,348 more than the prior year. In 2016, investment income increased by $24,747.

FINANCIAL HIGHLIGHTS - WATER FUND

Current Assets decreased by $206,616 from $3,518,835 to $3,312,219. Restricted Assets increased by $64,522 from $750,129 to $814,651. Capital Assets net of Accumulated Depreciation increased by $1,144,629 as the $2,040,411 spent on Capital Assets exceeded the $895,782 increase in Accumulated Depreciation. Deferred Pension Outflows increased from $104,617 to $243,883 a $139,266 increase. Current Liabilities (Payable from Current Assets) increased by $75,064 from $429,594 to $504,658. Current Liabilities (Payable from Restricted Assets) increased by $464,343 from $132,579 to $596,922. The Long Term debt portion of Noncurrent Liabilities decreased by $304,555 from $3,654,656 to $3,350,101, the result of the annual principal payments on the debt. The Net Pension Liability portion of Noncurrent Liabilities decreased by $13,302 from $62,711 to $49,409. In addition, Deferred Pension Inflows decreased from $54,997 to $40,185. The amount of Net Position that is Unrestricted decreased by $102,617 from $2,923,086 to $2,820,469. Total Net Position increased by $935,063 bringing the new amount to $19,802,077. Operating Revenues were lower by $36,069 or 1%, a result of State mandated water conservation measures. Total Operating Expenses increased by $50,034 from 2015. Grant revenue was $106,457 lower than the prior year with $213,818 in 2016 compared to the $320,275 earned in 2015. FY 2016 Interest expense of $148,243 was $11,420 lower than the prior year as the principal on District debt declined.

FINANCIAL HIGHLIGHTS - RECREATION FUND

Current Assets increased by $894,673 from $286,719 to $1,181,392. Restricted Assets decreased by $32,534 to $5,819. Capital Assets net of Accumulated Depreciation decreased by $1,231,150 to $13,262,184 as the $760,000 donation of land known as the Firestone Property to Placer County and a $545,689 increase in Accumulated Depreciation exceeded increases in Capital Assets. Deferred Pension Outflows of Resources increased by $101,285 from $76,085 to $177,370 in 2016. Current Liabilities (Payable from Current Assets) increased by $20,909 from $125,178 to $146,087. Current Liabilities (Payable from Restricted Assets) increased by $41,231 from $6,204 to $47,435. The Net Pension Liability classified as Noncurrent Liabilities decreased by $9,674 from $45,608 to $35,934. Deferred Inflows of Resources from Pension decreased by $10,773 from $39,998 to $29,225.The Total Net Position decreased by $309,419 from $14,677,503 to $14,368,084. The amount of Net Position that is Unrestricted increased by $995,496 to close at $1,147,516. Recreation Events and Program Revenues of $712,609 were $56,984 higher than the $655,625 earned in 2015. Total Operating Expenses decreased by $229,525, dropping from $1,909,357 in 2015 to $1,679,832 in 2016. The Recreation assessment called Community Facilities District 94 -1 (CFD 94-1) brought in $580,946, a decrease of $8,186 from the 2015 amount of $589,132. Grant revenue was $191,531 higher than 2015 due to a $200,000 grant from Placer County.

OVERVIEW OF THE FINANCIAL HIGHLIGHTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

REQUIRED FINANCIAL STATEMENTS (Continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT

The most common financial question posed to the District is "How did we do financially during 2015/2016?" 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 and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

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

Table A-1
Condensed Statement of Net Position

	FYE 6/30/2016	FYE 6/30/2015	Change in Dollars	Percent Change
Current Assets	$ 9,078,495	$ 10,642,498	($ 1,564,003)	-15%
Restricted Assets	880,152	978,691	(98,539)	-10%
Investments-Non-Current Portion	2,526,596	1,561,118	965,478	100%
Net Capital Assets	53,661,632	52,753,969	907,663	2%
Deferred Pension Outflows (Note 6)	1,108,560	475,530	633,030	100%
Total Assets and Deferred Outflows of Resources	$ 67,255,435	$ 66,411,806	$ 843,629	1%
Current Liabilities Unrestricted	$ 1,355,041	$ 1,164,641	$ 190,400	16%
Current Liabilities Restricted	647,317	1,076,359	(429,042)	-40%
Long Term Liabilities	3,574,686	3,939,704	(365,018)	-9%
Deferred Pension Inflows (Note 6)	182,657	249,986	(67,329)	100%
Total Liabilities and Deferred Inflows of Resources	$ 5,759,701	$ 6,430,690	($ 670,989)	-10%
Net Investment in Capital Assets	$ 50,006,976	$ 48,806,441	$ 1,200,535	2%
Restricted for Capital Outlay	232,835	(97,667)	330,502	-338%
Restricted for Debt Service	445,936	445,936		0%
Unrestricted (Designated for Board Reserves)	5,100,884	2,684,183	2,416,701	90%
Unrestricted (Undesignated)	5,709,103	8,142,223	(2,433,120)	-30%
Total Net Position	$ 61,495,734	$ 59,981,116	$ 1,514,618	3%

As can be seen from the table above, Net Position grew by $1,514,618 from $59,981,116 to $61,495,734. The makeup of Net Position changed as amounts invested in Capital Assets increased by $1,200,535 or 2%, while amounts Restricted for Capital Outlay increased by $330,502. Unrestricted (Designated for Board Reserves) balance increased by $2,416,701 from $2,684,183 in 2015 to $5,100,884 in 2016, primarily due to increased amounts designated for federal and state mandates and capital improvement plan projects. Unrestricted (Undesignated) balance decreased by $2,433,120 from $8,142,223 in 2015 to $5,709,103 in 2016.

NET POSITION (Continued)

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

	FYE 6/30/16	FYE 6/30/15	Change in Dollars	Percent Change
Operating Revenues	$ 6,078,084	$ 6,043,078	$ 35,006	1%
Operating Expenses	9,988,754	10,207,244	(218,490)	- 2%
Net Operating Loss	($ 3,910,670)	($ 4,164,166)	$ 253,496	- 6%
Property Tax Revenues	$ 5,182,719	$ 4,617,557	$ 565,162	12%
Other Non-Operating Revenues and Expenses	(48,708)	280,596	(329,304)	- 117%
Non-Operating Revenues and Expenses	$ 5,134,011	$ 4,898,153	$ 235,858	5%
Income Before Capital Contributions	$ 1,223,341	$ 733,987	$ 489,354	67%
Capital Contributions	291,277	160,220	131,057	82%
Change in Net Position	$ 1,514,618	$ 894,207	$ 620,411	69%
Net Position, Beginning of Year, before Restatement	$ 59,981,116	$ 59,202,124	$ 778,992	1%
Prior Period Adjustment per Implementation of GASB 68 (Note 12)		(115,215)	115,215	100%
Total Net Position, Beginning of Year, after Restatement	59,981,116	59,086,909	894,207	2%
Total Net Position, Ending of Year	$ 61,495,734	$ 59,981,116	$ 1,514,618	3%

While the Statement of Net Position shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, Revenues exceeded Expenses in both years, increasing Net Position. The increase in Net Position of $1,514,618 in FY 2016 was $620,411 more than the $894,207 increase in FY 2015. This was due a $253,496 improvement in the Net Operating Loss and $235,858 more in net Non-Operating Revenues and Expenses, $131,057 increase in Capital Contributions, and due to a negative $115,215 Prior Period Adjustment per Implementation of GASB 68 which affected 2015.

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 2016 budget comparison and analysis is presented in Table A-3.

Table A-3
Budgeted Summary

	Budget	Actual	Positive (Negative) Variance
Operating Revenues	$ 5,962,800	$ 6,078,084	$ 115,284
Operating Expenses	11,637,678	9,988,754	1,648,924
Net Operating Loss	($ 5,674,878)	($ 3,910,670)	$ 1,764,208
Property Tax Revenues	$ 4,400,000	$ 5,182,719	$ 782,719
Other Non-Operating Revenues and Expenses	441,259	711,292	270,033
Non-Operating Revenues and Expenses	$ 4,841,259	$ 5,894,011	($ 1,052,752)
Income Before Capital Contributions	($ 833,619)	$ 1,983,341	$ 2,816,960
Capital Contributions	67,000	291,277	224,277
Change in Net Position	($ 766,619)	$ 2,274,618	$ 3,041,237

Operating Revenues of $6,078,084 surpassed the Budget of $5,962,800 creating a favorable variance of $115,284. Operating Expenses were $1,648,924 or 14% under the $11,637,678 amount budgeted. Property Taxes including CFD 94-1 revenues surpassed the budgeted amount by $782,719. Other Non-Operating Revenues and Expenses were $270,033 less than budgeted. Capital Contributions of $291,277 were $224,277 more than budgeted. The total Change in Net Position of $2,274,618 exceeded the budgeted ($766,619) by $3,041,237.

CAPITAL ASSETS

Table A-4
Condensed Statement of Fixed Assets

	FYE 6/30/2016	FYE 6/30/2015	Change in Dollars	Percent Change
Fixed Assets	$ 99,468,767	$ 94,139,918	$ 5,328,849	6%
Construction in Process	3,099,963	5,099,564	(1,999,601)	-39%
	$ 102,568,730	$ 99,239,482	$ 3,329,248	3%
Accumulated Depreciation	(48,907,098)	(46,485,513)	(2,421,585)	5%
Net Capital Assets	$ 53,661,632	$ 52,753,969	$ 907,663	2%

At the end of fiscal year 2016, the District had $53,661,632 invested in capital assets as shown in Table A-4. Fixed Assets grew by $5,328,849 or 6%. Construction in Process decreased by $1,999,601 primarily due to the completion of the Base Facility and related projects. Accumulated depreciation increased $2,421,585 in 2016.

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 begins in August 2013 and concludes on February 1, 2026.

DISTRICT CONTACT INFORMATION

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

Assets:	Sewer	Water	Recreation	Total 2016	Sewer	Water	Recreation	Total 2015
Current Assets:								
Cash and Cash Equivalents	$ 3,309,978	$ 3,251,137	$ 1,159,892	$ 7,721,007	$ 3,936,303	$ 3,471,230	$ 254,713	$ 7,662,246
Investments	460,920			460,920	2,042,957			2,042,957
Accounts Receivable	505,229	61,082	19,652	585,963	419,697	47,605	30,293	497,595
Inventory	303,120		1,848	304,968	285,961		1,713	287,674
Deposits and Prepaid Expenses	5,637			5,637	152,026			152,026
Total Current Assets	$ 4,584,884	$ 3,312,219	$ 1,181,392	$ 9,078,495	$ 6,836,944	$ 3,518,835	$ 286,719	$ 10,642,498
Restricted Assets:								
Cash and Cash Equivalents	$ 59,682	$ 445,936	($ 4,641)	$ 500,977	$ 190,209	$ 445,936	$ 22,592	$ 658,737
Accounts Receivable		368,715		368,715		304,193	5,263	309,456
Deposits and Prepaid Expenses			10,460	10,460			10,498	10,498
Total Restricted Assets	$ 59,682	$ 814,651	$ 5,819	$ 880,152	$ 190,209	$ 750,129	$ 38,353	$ 978,691
Non-Current Assets:								
Investments	$ 2,526,596	$	$	$ 2,526,596	$ 1,561,118			1,561,118
Capital Assets, Net of Accumulated Depreciation	20,426,849	19,972,599	13,262,184	53,661,632	19,432,665	18,827,970	14,493,334	52,753,969
Total Non-Current Assets	$ 22,953,445	$ 19,972,599	$ 13,262,184	$ 56,188,228	$ 20,993,783	$ 18,827,970	$ 14,493,334	$ 54,315,087
Total Assets	$ 27,598,011	$ 24,099,469	$ 14,449,395	$ 66,146,875	$ 28,020,936	$ 23,096,934	$ 14,818,406	$ 65,936,276
Deferred Outflows of Resources:								
Deferred Pension Outflows (Note 6)	$ 687,307	$ 243,883	$ 177,370	$ 1,108,560	$ 294,829	$ 104,617	$ 76,085	$ 475,530
Total Deferred Outflows of Resources	$ 687,307	$ 243,883	$ 177,370	$ 1,108,560	$ 294,829	$ 104,617	$ 76,085	$ 475,530

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

North Tahoe Public Utility District

STATEMENTS OF NET POSITION

For the Fiscal Years Ended June 30, 2016 and 2015

Liabilities:	Sewer	Water	Recreation	Total 2016	Sewer	Water	Recreation	Total 2015
Current Liabilities (Payable from Current Assets):								
Accounts Payable	$ 145,733	$ 54,320	$ 14,887	$ 214,940	$ 59,728	$ 9,949	$ 6,182	$ 75,859
Accrued Liabilities	558,563	145,783	131,200	835,546	550,141	126,773	118,996	795,910
Current Portion of Long-Term Debt		304,555		304,555		292,872		292,872
Total Current Liabilities (Payable from Current Assets)	$ 704,296	$ 504,658	$ 146,087	$ 1,355,041	$ 609,869	$ 429,594	$ 125,178	$ 1,164,641
Current Liabilities (Payable from Restricted Assets):								
Accounts Payable	$ 2,960	$ 596,922	$ 47,435	$ 647,317	$ 937,576	$ 132,579	$ 6,204	$ 1,076,359
Total Current Liabilities (Payable from Restricted Assets)	$ 2,960	$ 596,922	$ 47,435	$ 647,317	$ 937,576	$ 132,579	$ 6,204	$ 1,076,359
Total Current Liabilities	$ 707,256	$ 1,101,580	$ 193,522	$ 2,002,358	$ 1,547,445	$ 562,173	$ 131,382	$ 2,241,000
Noncurrent Liabilities:								
Long-Term Debt, Net of Current Portion	$	$ 3,350,101	$	$ 3,350,101	$	$ 3,654,656	$	$ 3,654,656
Net Pension Liability (Note 6)	139,242	49,409	35,934	224,585	176,730	62,711	45,608	285,048
Total Long-Term Liabilities	$ 139,242	$ 3,399,510	$ 35,934	$ 3,574,686	$ 176,730	$ 3,717,367	$ 45,608	$ 3,939,704
Total Liabilities	$ 846,498	$ 4,501,090	$ 229,456	$ 5,577,044	$ 1,724,175	$ 4,279,540	$ 176,990	$ 6,180,704
Deferred Inflows of Resources:								
Deferred Pension Inflows (Note 6)	$ 113,247	$ 40,185	$ 29,225	$ 182,657	$ 154,991	$ 54,997	$ 39,998	$ 249,986
Total Deferred Inflows of Resources	$ 113,247	$ 40,185	$ 29,225	$ 182,657	$ 154,991	$ 54,997	$ 39,998	$ 249,986
Net Position:								
Net Investment in Capital Assets	$ 20,426,849	$ 16,317,943	$ 13,262,184	$ 50,006,976	$ 19,432,665	$ 14,880,442	$ 14,493,334	$ 48,806,441
Restricted for:								
Capital Outlay	56,722	217,729	(41,616)	232,835	(747,366)	617,550	32,149	(97,667)
Debt Service		445,936		445,936		445,936		445,936
Unrestricted	6,842,002	2,820,469	1,147,516	10,809,987	7,751,300	2,923,086	152,020	10,826,406
Total Net Position	$ 27,325,573	$ 19,802,077	$ 14,368,084	$ 61,495,734	$ 26,436,599	$ 18,867,014	$ 14,677,503	$ 59,981,116

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

North Tahoe Public Utility District

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2016 and 2015

	Sewer	Water	Recreation	Total 2016	Sewer	Water	Recreation	Total 2015
<u>Operating Revenues</u>:								
Service Charges	$ 1,515,511	$ 3,848,464	$	$ 5,363,975	$ 1,501,420	$ 3,885,283	$	$ 5,386,703
Recreation Events and Programs		1,500	712,609	714,109		750	655,625	656,375
Total Operating Revenues	$ 1,515,511	$ 3,849,964	$ 712,609	$ 6,078,084	$ 1,501,420	$ 3,886,033	$ 655,625	$ 6,043,078
<u>Operating Expenses</u>:								
Direct Operating Expenses	$ 2,707,291	$ 2,000,663	$ 1,198,544	$ 5,906,498	$ 1,945,289	$ 1,758,265	$ 1,314,194	$ 5,017,748
Administration and General	1,227,413	497,659	(64,401)	1,660,671	2,097,287	700,087	38,848	2,836,222
Depreciation	980,114	895,782	545,689	2,421,585	911,241	885,718	556,315	2,353,274
Total Operating Expenses	$ 4,914,818	$ 3,394,104	$ 1,679,832	$ 9,988,754	$ 4,953,817	$ 3,344,070	$ 1,909,357	$ 10,207,244
Operating Income/(Loss)	($ 3,399,307)	$ 455,860	($ 967,223)	($ 3,910,670)	($ 3,452,397)	$ 541,963	($ 1,253,732)	($ 4,164,166)
<u>Non-Operating Revenue (Expense)</u>:								
Property Taxes/CFD 94-1	$ 4,601,773	$	$ 580,946	$ 5,182,719	$ 4,028,425	$	$ 589,132	$ 4,617,557
Investment Income	47,149	30,400	24,205	101,754	22,402	15,712	13,144	51,258
Grants	94,371	213,818	200,000	508,189	48,033	320,275	8,469	376,777
Contirbution of Land to Placer County for Bike Trail			(760,000)	(760,000)				
Miscellaneous Revenue (Expense)	162,282	179,601	(1,688)	340,195	84,681	2,445	3,824	90,950
Interest Expense		(148,243)		(148,243)		(159,663)		(159,663)
Fiscal Agent Fees	(84,881)		(5,722)	(90,603)	(73,043)		(5,683)	(78,726)
Total Non-Operating Revenue	$ 4,820,694	$ 275,576	$ 37,741	$ 5,134,011	$ 4,110,498	$ 178,769	$ 608,886	$ 4,898,153
Income (Loss) Before Contributions	$ 1,421,387	$ 731,436	($ 929,482)	$ 1,223,341	$ 658,101	$ 720,732	($ 644,846)	$ 733,987
Capital Contributions - Connection Fees (Refunds)	73,014	203,627		276,641	44,560	85,709		130,269
Capital Contributions - Infrastructure	12,448		2,188	14,636	13,559	16,392		29,951
Transfers In/(Transfers Out)	(617,875)		617,875					
Change in Net Position	$ 888,974	$ 935,063	($ 309,419)	$ 1,514,618	$ 716,220	$ 822,833	($ 644,846)	$ 894,207
Net Position, Beginning of Year, before Restatement	$ 26,436,599	$ 18,867,014	$ 14,677,503	$ 59,981,116	$ 25,791,813	$ 18,069,528	$ 15,340,783	$ 59,202,124
Prior Period Adjustment per Implementation of GASB 68 (Note 12)					(71,434)	(25,347)	(18,434)	(115,215)
Total Net Position, Beginning of Year, after Restatement	$ 26,436,599	$ 18,867,014	$ 14,677,503	$ 59,981,116	$ 25,720,379	$ 18,044,181	$ 15,322,349	$ 59,086,909
Total Net Position, Ending of Year	$ 27,325,573	$ 19,802,077	$ 14,368,084	$ 61,495,734	$ 26,436,599	$ 18,867,014	$ 14,677,503	$ 59,981,116

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, 2016 and 2015

Cash Flows from Operating Activities:	Sewer	Water	Recreation	Total 2016	Sewer	Water	Recreation	Total 2015
Receipts from Customers	$ 1,449,785	$ 3,863,441	$ 728,513	$ 6,041,739	$ 1,516,640	$ 3,944,883	$ 658,330	$ 6,119,853
Paid to Suppliers for Goods and Services	(2,002,097)	(1,798,621)	(733,468)	(4,534,186)	(1,936,031)	(1,792,046)	(788,266)	(4,516,343)
Paid to Employees for Services	(2,180,660)	(830,654)	(506,858)	(3,518,172)	(2,131,046)	(667,833)	(532,029)	(3,330,908)
Net Cash Provided (Used) by Operating Activities	($ 2,732,972)	$ 1,234,166	($ 511,813)	($ 2,010,619)	($ 2,550,437)	$ 1,485,004	($ 661,965)	($ 1,727,398)
Cash Flows from Noncapital Financing Activities:								
Property Taxes Collected	$ 4,581,967	$	$ 580,946	$ 5,162,913	$ 3,852,585	$	$ 589,132	$ 4,441,717
Fiscal Agent Fees	(84,881)		(5,722)	(90,603)	(73,043)		(5,683)	(78,726)
Other Non-Operating Revenues/(Expenses)	162,282	115,079	5,763	283,124	84,681	(4,778)	(5,089)	74,814
Capital Transfers to Other Funds	(617,875)		617,875					
Net Cash Provided (Used) by Noncapital Financing Activities	$ 4,041,493	$ 115,079	$ 1,198,862	$ 5,355,434	$ 3,864,223	($ 4,778)	$ 578,360	$ 4,437,805
Cash Flows from Capital and Related Financing Activities:								
Acquisition of Capital Assets	($ 2,908,914)	($ 1,576,068)	($ 33,308)	($ 4,518,290)	($ 2,691,006)	($ 1,012,985)	($ 10,565)	($ 3,714,556)
Capital Grants Received	94,371	213,818	200,000	508,189		137,044		137,044
Principal Paid on Bonds and Notes		(292,872)		(292,872)		(281,638)		(281,638)
Interest Paid on Bonds and Notes		(148,243)		(148,243)		(159,663)		(159,663)
Contributed Capital - Connection Fees	85,462	203,627		289,089	44,560	85,709		130,269
Net Cash Used by Capital and Related Financing Activities	($ 2,729,081)	($ 1,599,738)	$ 166,692	($ 4,162,127)	($ 2,646,446)	($ 1,231,533)	($ 10,565)	($ 3,888,544)
Cash Flows from Investing Activities:								
(Purchase)Sale of Investments	$ 616,559	$	$	$ 616,559	($ 3,466,882)	$	$	($ 3,466,882)
Interest on Investments	47,149	30,400	24,205	101,754	22,402	15,712	13,144	51,258
Net Cash Provided(Used) by Investing Activities	$ 663,708	$ 30,400	$ 24,205	$ 718,313	($ 3,444,480)	$ 15,712	$ 13,144	($ 3,415,624)
Net Increase (Decrease) in Cash	($ 756,852)	($ 220,093)	$ 877,946	($ 98,999)	($ 4,777,140)	$ 264,405	($ 81,026)	($ 4,593,761)

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, 2016 and 2015

	Sewer	Water	Recreation	2016	Sewer	Water	Recreation	2015
Balance Forward	($ 756,852)	($ 220,093)	$ 877,946	($ 98,999)	($ 4,777,140)	$ 264,405	($ 81,026)	($ 4,593,761)
Cash and Cash Equivalents, Beginning of Year	4,126,512	3,917,166	277,305	8,320,983	8,903,652	3,652,761	358,331	12,914,744
Cash and Cash Equivalents, End of Year	$ 3,369,660	$ 3,697,073	$ 1,155,251	$ 8,221,984	$ 4,126,512	$ 3,917,166	$ 277,305	$ 8,320,983
Cash and Cash Equivalents as Presented on the Statement of Net Assets:								
Current Assets: Cash and Cash Equivalents	$ 3,309,978	$ 3,251,137	$ 1,159,892	$ 7,721,007	$ 3,936,303	$ 3,471,230	$ 254,713	$ 7,662,246
Restricted Assets: Cash and Cash Equivalents	59,682	445,936	(4,641)	500,977	190,209	445,936	22,592	658,737
	$ 3,369,660	$ 3,697,073	$ 1,155,251	$ 8,221,984	$ 4,126,512	$ 3,917,166	$ 277,305	$ 8,320,983
Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities:								
Operating Income/(Loss)	($ 3,399,307)	$ 455,860	($ 967,223)	($ 3,910,670)	($ 3,452,397)	$ 541,963	($ 1,253,732)	($ 4,164,166)
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities:								
Depreciation	980,114	895,782	545,689	2,421,585	911,241	885,718	556,315	2,353,274
Pension Expense	(471,710)	(167,380)	(121,732)	(760,822)				
Changes in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:								
(Increase)/Decrease in:								
Accounts Receivable	(65,726)	(13,477)	10,641	(68,562)	15,220	59,600	2,705	77,525
Inventory	(17,159)		(135)	(17,294)	12,837		848	13,685
Deposits and Prepaid Expenses	146,389		38	146,427	(146,388)		5,741	(140,647)
Increase/(Decrease) in:								
Cash and Cash Equivalents (Book Overdraft)								
Accounts Payable	86,005	44,371	8,705	139,081	1,855		(18,454)	(16,599)
Accrued Liabilities	8,422	19,010	12,204	39,636	107,195	(2,277)	44,612	149,530
Net Cash Provided /(Used) by Operating Activities	($ 2,732,972)	$ 1,234,166	($ 511,813)	($ 2,010,619)	($ 2,550,437)	$ 1,485,004	($ 661,965)	($ 1,727,398)

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, 2016 and 2015

Noncash Transactions	Sewer	Water	Recreation	Total 2016	Sewer	Water	Recreation	Total 2015
GASB 68 Adjustments								
Increase/(Decrease) in Net Pension Liability	($ 37,488)	($ 13,302)	($ 9,674)	($ 60,463)				
Increase/(Decrease) in Deferred Pension Inflows	(41,744)	(14,812)	(10,773)	(67,329)				
Deferred Pension Outflows	392,478	139,266	101,285	633,030				
Pension Expense	437,169	155,125	112,818	705,111				
Total GASB 68 Adjustments	$ 750,415	$ 266,278	$ 193,656	$ 1,210,349				
Contirbution of Land to Placer County for Bike Trail			($ 760,000)	($ 760,000)				
Prior Period Adjustments								
Increase in Net Pension Liability					$ 176,730	$ 62,711	$ 45,608	$ 285,048
Deferred Pension Inflows					154,991	54,997	39,998	249,986
Deferred Pension Outflows					(294,829)	(104,617)	(76,085)	(475,530)
Pension Expense					34,541	12,256	8,914	55,711
Prior Period Adjustment (Note 12)					$ 71,433	$ 25,346	$ 18,434	$ 115,215
Capital and Related Financing Activities								
Acquisition of Capital Assets	$ 1,974,298	$ 2,040,411	$ 74,539	$ 4,089,248	$ 3,614,477	$ 1,041,308	$ 16,769	$ 4,672,554
(Increase)/Decrease in Accounts Payable	934,616	(464,343)	(41,231)	429,042	(923,471)	(28,323)	(6,204)	(957,998)
Cash Used for Acquisition of Capital Assets	$ 2,908,914	$ 1,576,068	$ 33,308	$ 4,518,290	$ 2,691,006	$ 1,012,985	$ 10,565	$ 3,714,556
Capital Contributed by Developers								
Contributions of Capital to the District	$ 85,462	$ 203,627	$	$ 289,089	$ 58,119	$ 102,101	$	$ 160,220
Less - Contribution of Land and Improvements					(13,559)	(16,392)		(29,951)

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

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

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

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. As of June 30, 2016 and 2015, the District has debt related to capital assets of $3,654,656 and $3,947,528, respectively.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statements Presentation (Continued):

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

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

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.

D. 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).

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

F. Investments - Investments in securities with readily determinable fair values, external investment pools, 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, 2016 and 2015, fair value of the District's investments approximated cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

G. 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.)

H. 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.

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

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

J. 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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

L. 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.

M. 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, 2016 and 2015 are as follows:

	Sewer	Water	Recreation	Total
June 30, 2016	$ 2,938,330	$ 2,162,554	$	$ 5,100,884
June 30, 2015	$ 830,928	$ 1,853,255	$	$ 2,684,183

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Compensated Absences (Continued):

accrued liability in accordance with GASB Statement 16. At June 30, 2016, the recorded liability was $340,584 and at June 30, 2015 was $294,785. These amounts are reported as a component of accrued liabilities payable from current assets.

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

P. 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.

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

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

S. Accounting Pronouncements that have been Implemented in the Current Financial Statements - In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented this Statement in fiscal year ended June 30, 2016.

T. 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 a

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

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

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

U. Reclassifications:

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

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

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

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

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

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

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

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

At June 30, 2015, the carrying amount of the District's deposits was $4,788,402. The bank's balances were $5,298,390. Of this amount $4,565,275 was covered by federal depository insurance. The remaining $733,115 was covered by collateral equal to at least 110% with qualified securities pledged by the depository's trust department or an independent agent of the depository.

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

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

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

B. Investments (Continued):

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

Structured notes and asset-backed securities comprised 2.81% and 2.08% of LAIF's total portfolio for all investors as of June 30, 2016 and 2015, respectively. Fair value of a pool share was 1.000621222 and 1.000375979 for those same periods. The cost value of a pool share was constant at $1.00.

	2016		2015	
	Carrying Amount	Market Value	Carrying Amount	Market Value
LAIF	$ 5,098,009	$ 5,101,176	$ 6,532,391	$ 6,534,847

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

The District's other investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to

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

B. Investments (Continued):

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, 2016:

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

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

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

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

The District's investments at June 30 2016 and 2015 are presented below:

	2016		2015	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Certificates of Deposits	$ 2,965,177	$ 2,965,177	$ 3,131,587	$ 3,131,587
U.S. Government Securities	23,043	22,339	474,075	472,488
Total Investments	$ 2,988,220	$ 2,987,516	$ 3,605,662	$ 3,604,075

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

B. Investments (Continued):

These investments are fully insured.

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

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

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

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

B. Investments (Continued):

Investments of the District subject to interest rate risk on June 30, 2015 are summarized as follows:

	Cost	Market Value	Maturity
Certificates of Deposit	$ 99,000	$ 99,011	7/2015
Certificates of Deposit	100,000	100,016	7/2015
Certificates of Deposit	120,000	120,072	7/2015
Certificates of Deposit	223,888	224,052	9/2015
Certificates of Deposit	239,851	240,055	9/2015
Certificates of Deposit	200,000	200,148	9/2015
Certificates of Deposit	100,000	100,072	2/2016
Certificates of Deposit	150,000	150,105	2/2016
Certificates of Deposit	240,000	240,132	3/2016
Certificates of Deposit	245,000	245,203	3/2016
Certificates of Deposit	245,000	245,262	3/2016
Certificates of Deposit	240,000	240,245	3/2016
Certificates of Deposit	120,000	120,120	4/2016
Certificates of Deposit	229,000	229,330	4/2016
Certificates of Deposit	144,000	144,104	9/2016
Certificates of Deposit	100,000	100,338	11/2016
Certificates of Deposit	137,200	138,195	5/2017
Certificates of Deposit	100,000	99,279	8/2017
Certificates of Deposit	231,000	231,143	9/2017
Certificates of Deposit	120,000	120,101	9/2017
Certificates of Deposit	100,000	99,317	10/2017
Certificates of Deposit	240,000	242,616	11/2017
Certificates of Deposit	245,000	245,642	7/2019
Certificates of Deposit	142,000	140,383	6/2020
Weighted average maturity			10/2016

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

C. Classification:

Summary of Cash and Investments:	2016	2015
Cash Deposits and on Hand	$ 3,123,975	$ 3,359,061
LAIF	5,098,009	6,532,391
Investments	2,987,516	2,033,606
	$ 11,209,500	$ 11,925,058
Cash and Investments Classified in the Balance Sheet:		
Cash and Cash Equivalents:		
Unrestricted	$ 7,721,007	$ 7,662,246
Restricted	500,977	658,737
	$ 8,221,984	$ 8,320,983
Investments:		
Unrestricted	$ 2,987,516	$ 3,604,075
	$ 11,209,500	$ 11,925,058

NOTE 3 ACCOUNTS RECEIVABLE:

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

	2016	2015
Service Charges	$ 45,171	$ 81,208
Taxes, Net of Allowance for Doubtful Accounts of $0 for 2016 and 2015	452,990	457,587
Other	87,802	(41,200)
	$ 585,963	$ 497,595

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

	2016	2015
Grants	$ 368,715	$ 309,456

NOTE 4 RESTRICTED ASSETS AND LIABILITIES:

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

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

Restricted assets at June 30, 2015 are identified by use as follows:

Restricted Assets:	Sewer Construction Reserves	Water Construction Reserves	Recreation Construction Reserves	Total
Cash and Cash Equivalents	$ 190,209	$ 445,936	$ 22,592	$ 658,737
Accounts Receivable		304,193	5,263	309,456
Deposits and Prepaid Expenses			10,498	10,498
Total Restricted Assets	$ 190,209	$ 750,129	$ 38,353	$ 978,691
Current Liabilities (Payable from Restricted Assets):				
Accounts Payable	$ 937,576	$ 132,579	$ 6,204	$ 1,076,359
Total Restricted Liabilities	$ 937,576	$ 132,579	$ 6,204	$ 1,076,359

NOTE 5 CAPITAL ASSETS:

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

Sewer Fund:

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

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 780,047	$	$	$ 780,047
Construction In Progress	1,011,388	2,018,384	(120,303)	2,909,469
Total Capital Assets not being Depreciated	$ 1,791,435	$ 2,018,384	($ 120,303)	$ 3,689,516
Capital Assets being Depreciated:				
Water System	$ 29,891,289	$ 142,330	$	$ 30,033,619
Vehicles and Equipment	285,750			285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	$ 30,212,958	$ 142,330	$ 0	$ 30,355,288
Less Accumulated Depreciation for:				
Water System	$ 12,944,519	$ 6,057	$	$ 12,950,576
Vehicles and Equipment	195,985	866,759		1,062,744
Furniture and Office Equipment	35,919	22,966		58,885
Total Accumulated Depreciation	$ 13,176,423	$ 895,782	$ 0	$ 14,072,205
Net Capital Assets	$ 18,827,970	$ 1,264,932	($ 120,303)	$ 19,972,599

NOTE 5 CAPITAL ASSETS (Continued):

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

Recreation Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 7,025,000	$	($ 760,000)	$ 6,265,000
Construction In Progress	16,769	74,539		91,308
Total Capital Assets not being Depreciated	$ 7,041,769	$ 74,539	($ 760,000)	$ 6,356,308
Capital Assets being Depreciated:				
Building and Improvements	$ 15,393,473	$	$	$ 15,393,473
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	$ 16,229,483	$ 0	$ 0	$ 16,229,483
Less Accumulated Depreciation for:				
Building and Improvements	$ 6,448,747	$ 544,146	$	$ 6,992,893
Vehicles and Equipment	700,026	1,543		701,569
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	$ 8,777,918	$ 545,689	$ 0	$ 9,323,607
Net Capital Assets	$ 14,493,334	($ 471,150)	($ 760,000)	$ 13,262,184

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

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2015:

Sewer Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 93,547	$	$	$ 93,547
Construction In Progress	2,881,879	3,501,317	(2,311,789)	4,071,407
Total Capital Assets not being Depreciated	$ 2,975,426	$ 3,501,317	($ 2,311,789)	$ 4,164,954
Capital Assets being Depreciated:				
Building and Improvements	$ 2,041,791	$	$	$ 2,041,791
Sewage System	29,770,922	2,364,715		32,135,637
Vehicles and Equipment	4,716,793	60,236		4,777,029
Furniture and Office Equipment	844,426			844,426
Total Capital Assets being Depreciated	$ 37,373,932	$ 2,424,951	$ 0	$ 39,798,883
Less Accumulated Depreciation for:				
Building and Improvements	$ 1,212,489	$ 52,500	$	$ 1,264,989
Sewage System	17,326,840	724,628		18,051,468
Vehicles and Equipment	4,339,974	99,083		4,439,057
Furniture and Office Equipment	740,628	35,030		775,658
Total Accumulated Depreciation	$ 23,619,931	$ 911,241	$ 0	$ 24,531,172
Net Capital Assets	$ 16,729,427	$ 5,015,027	($ 2,311,789)	$ 19,432,665

Water Fund:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land	$ 780,047	$	$	$ 780,047
Construction In Progress	693,061	318,327		1,011,388
Total Capital Assets not being Depreciated	$ 1,473,108	$ 318,327	$ 0	$ 1,791,435
Capital Assets being Depreciated:				
Water System	$ 29,201,743	$ 689,546	$	$ 29,891,289
Vehicles and Equipment	252,315	33,435		285,750
Furniture and Office Equipment	35,919			35,919
Total Capital Assets being Depreciated	$ 29,489,977	$ 722,981	$ 0	$ 30,212,958
Less Accumulated Depreciation for:				
Water System	$ 12,082,299	$ 862,220	$	$ 12,944,519
Vehicles and Equipment	175,405	20,580		195,985
Furniture and Office Equipment	33,001	2,918		35,919
Total Accumulated Depreciation	$ 12,290,705	$ 885,718	$ 0	$ 13,176,423
Net Capital Assets	$ 18,672,380	$ 155,590	$ 0	$ 18,827,970

NOTE 5 CAPITAL ASSETS (Continued):

The following is a summary of the capital assets at June 30, 2015 (Continued):

Recreation Fund:

Capital Assets not being Depreciated:	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 7,025,000	$	$	$ 7,025,000
Construction In Progress		16,769		16,769
Total Capital Assets not being Depreciated	$ 7,025,000	$ 16,769	$ 0	$ 7,041,769
Capital Assets being Depreciated:				
Building and Improvements	$ 15,393,473	$	$	$ 15,393,473
Vehicles and Equipment	700,982			700,982
Furniture and Office Equipment	135,028			135,028
Total Capital Assets being Depreciated	$ 16,229,483	$ 0	$ 0	$ 16,229,483
Less Accumulated Depreciation for:				
Building and Improvements	$ 5,895,296	$ 553,451	$	$ 6,448,747
Vehicles and Equipment	697,162	2,864		700,026
Land Improvements	1,494,117			1,494,117
Furniture and Office Equipment	135,028			135,028
Total Accumulated Depreciation	$ 8,221,603	$ 556,315	$ 0	$ 8,777,918
Net Capital Assets	$ 15,032,880	($ 539,546)	$ 0	$ 14,493,334

Total of Net Assets:	
Sewer Department	$ 19,432,665
Water Department	18,827,970
Recreation Department	14,493,334
	$ 52,753,969

NOTE 6 DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan:

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

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

General Information about the Pension Plan (Continued):

Plan Description (Continued):

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

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

The Plan's provisions and benefits in effect at June 30, 2016, 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 2.0%	1.0% to 2.0%
Required employee contribution rates	6.887%	6.25%
Required employer contribution rates	8.003%	6.237%

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, 2016 and 2015, the contributions recognized as part of pension expense for Plan were as follows:

	Miscellaneous	
	2016	2015
Contributions - employer	$ 229,367	$ 301,281
Contributions - employee (paid by employer)	200,627	195,224
Total employer paid contributions	$ 429,994	$ 496,505

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

As of June 30, 2016 and 2015, the District reported net pension liability of $224,585 and $285,048, 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, 2014, the valuation date, 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, 2014. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

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

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

The individual employer rate plan's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2015, 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, 2015, to obtain each employer rate plan's total pension liability and fiduciary net position as of June 30, 2015. 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, 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014 (Valuation Date)	0.00739%
Proportion - June 30, 2015 (Measurement Date)	0.0081860%
Change - Increase (Decrease)	0.0008000%

The District's proportionate share of the net pension liability for the plan as of the measurement date June 30, 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013 (Valuation Date)	0.00490%
Proportion - June 30, 2014 (Measurement Date)	0.0000458%
Change - Increase (Decrease)	(0.00032%)

The District recognized pension expense of $790,664 and $274,264 at June 30, 2016 and 2015, 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, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

It should be noted that a deferred outflow of $229,367 was recognized as pension expense related to contributions subsequent to the measurement date, but because the entire amount was recognized as of June 30, 2016, this amount is not shown above. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Actuarially Determined Deferred Outflows/(Inflows) - Miscellaneous Plan

Measurement Date June 30:	Net, Deferred Outflow/(Inflows) of Resources
2016	$ 314,253
2017	296,559
2018	198,049
2019	117,042
Total	$ 925,903

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

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

At June 30, 2015, 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
Pension contributions subsequent to measurement date	$ 475,530	$
Differences between actual and expected experience:		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		154,196
Net differences between projected and actual earnings on plan investments		95,790
Total	$ 475,530	$ 249,986

As of June 30, 2015, employer pension contributions of $475,530, reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016.

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Actuarial Assumptions - The total pension liability in the June 30, 2015 and 2013 actuarial valuations was determined using the following actuarial assumptions:

	Miscellaneous Including PEPRA Miscellaneous
Valuation Date (VD)	June 30, 2014 and 2013
Measurement Date (MD)	June 30, 2015 and 2014
Measurement Period (MP)	July 1, 2014 to June 30, 2015
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase (1)	Varies by Entry Age and Service
Investment Rate of Return (2)	7.5% (2)
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

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

(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

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

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

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

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

NOTE 6 DEFINED BENEFIT PENSION PLAN (Continued):

Discount Rate (Continued):

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.

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

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

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

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, 2016, the discount rate comparison was the following:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	$ 553,848	$ 224,585	($ 47,261)

At June 30, 2015, the discount rate comparison was the following:

	(6.50%)	Rate (7.50%)	(8.50%)
Plan's Net Pension Liability/(Asset)	$ 507,868	$ 285,048	$ 100,129

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 begins 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, 2016					
Installment Note	$ 3,947,528	$ 0	($ 292,872)	$ 3,654,656	$ 304,555
June 30, 2015					
Installment Note	$ 4,229,166	$ 0	($ 281,638)	$ 3,947,528	$ 292,872

B. Interest Expense:

Total interest incurred was $148,243 and $159,663 for 2016 and 2015, respectively. As of June 30, 2016 and 2015, all interest was expensed.

C. Debt Service Requirements:

Debt service requirements of long term debt as summarized as follows:

June 30	Installment Note	Total Principal	Interest	Total Debt Service
2017	304,555	304,555	141,381	445,936
2018	316,704	316,704	129,232	445,936
2019	329,337	329,337	116,599	445,936
2020	342,474	342,474	103,462	445,936
2021	356,136	356,136	89,800	445,936
Thereafter	2,005,450	2,005,450	224,228	2,229,678
Total Debt	$ 3,654,656	$ 3,654,656	$ 804,702	$ 4,459,358
Less: Current Portion	(304,555)	(304,555)	(141,381)	(445,936)
Total Long Term Debt, Net of Current Portion	$ 3,350,101	$ 3,350,101	$ 663,321	$ 4,013,422

NOTE 8 COMMITMENTS AND CONTINGENCIES:

Construction Commitments:

The District has entered into design and construction commitments totaling $2,191,753 and $6,239,714 for fiscal years ended June 30, 2016 and 2015, respectively. As of June 30, 2016, the amount earned on the contracts was $968,894 with a remaining balance of $1,222,858. As of June 30, 2015, the amount earned on the contracts was $4,118,517 with a remaining balance of $2,121,197.

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, 2016 and 2015, the District paid the SDRMA $165,092 and $129,262, respectively, for workers' compensation insurance coverage.

NOTE 11 RISK MANAGEMENT:

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

The District purchases commercial property insurance for real and personal property damage owned by the District with coverage up to a maximum of $17.4 million with blanket coverage extension of $2 million. The District also purchases property insurance covering $92,000 for unscheduled contractor's equipment, $1 million for scheduled equipment, and $100,000 for rented equipment (Inland Marine Coverage).

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

NOTE 12 CHANGES IN ACCOUNTING PRINCIPLES:

During the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. These Statements required the District to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the District's pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources. Due to the implementation of these statements, total net position as of July 1, 2014 was restated compared to the amounts reported in the June 30, 2014 financial statements, resulting in a decrease in net position of $115,215.

NOTE 13 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.

In December 2016, the District acquired two vehicles in the total amount of $934,763 and payment was made in full. In addition, in March 2017 a purchase order was issued by the District for a sewer Construction project (Carnelian Sewer Pump Station Rehab Project) in the amount of $2,702,700.

Required Supplementary Information

North Tahoe Public Utility District

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

As of June 30, 2016

LAST TEN YEARS*

	Measurement Date June 30, 2015	Measurement Date June 30, 2014
Plan's Proportion of the Net Pension Liability	0.00327%	0.45900%
Plan's Proportionate Share of the Net Pension Liability	$224,584	$285,489
Plan's Covered-Employee Payroll	$2,950,176	$2,794,438
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	7.61%	11.37%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	90.71%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	$75,863	$37,769

Notes to Schedule:

Change of benefit terms - In 2016 and 2015, there were no changes to the benefit terms.

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

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

North Tahoe Public Utility District

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

As of June 30, 2016

LAST TEN YEARS

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

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

Supplementary Information

North Tahoe Public Utility District

Schedule 1

COMPARISON OF BUDGET TO ACTUAL

June 30, 2016

Revenues:	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Positive (Negative) Variance With Budget
Service Charges	$ 5,288,300	$ 5,288,300	$ 5,363,975	$ 75,675
Recreation Events and Programs	674,500	674,500	714,109	39,609
Property Taxes/CFD 94-1	4,400,000	4,400,000	5,182,719	782,719
Investment Income	40,000	40,000	101,754	61,754
Grants	287,573	612,573	508,189	(104,384)
Miscellaneous/Gain on Property Sale	27,500	27,500	340,195	312,695
Capital Contributions	67,000	67,000	291,277	224,277
	$ 10,784,873	$ 11,109,873	$ 12,502,218	$ 1,392,345
Expenses:				
Direct Operating Expenses	$ 8,076,418	$ 6,405,281	$ 5,906,498	$ 498,783
Administration and General	2,824,810	2,922,397	1,660,671	1,261,726
Depreciation	2,310,000	2,310,000	2,421,585	(111,585)
Interest Expense	158,814	158,814	148,243	10,571
Fiscal Agent Fees	80,000	80,000	90,603	(10,603)
	$ 13,450,042	$ 11,876,492	$ 10,227,600	($ 1,648,892)
Total Positive Variance	($ 2,665,169)	($ 766,619)	$ 2,274,618	$ 3,041,237