GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT WITH INDEPENDENT AUDITOR'S REPORT THEREON

JUNE 30, 2017

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Annual Financial Report
June 30, 2017

Table of Contents

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Divide Public Utility District (District) as of and for the fiscal year ended June 30, 2017, and the related notes to the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and fiduciary fund of the District as of June 30, 2017, and the respective changes in financial position and cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, the Schedule of Funding Progress for Other Postemployment Benefits on page 44, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 45, and the Schedule of Pension Contributions on page 46 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 opinions on the financial statements that collectively comprise the Georgetown Divide Public Utility District's basic financial statements. The Schedules of Operating Expenses and Restricted Plant Benefit Charges and Disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Expenses and Restricted Plant Benefits Charges and Disclosures are the responsibility of management and were derived from and relate 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 Schedules of Operating Expenses and Restricted Plant Benefits Charges and Disclosures are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fechter & Company,
Certified Public Accountants

Sacramento, California
December 29, 2017

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
June 30, 2017

As management of the Georgetown Divide Public Utility District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the audited financial statements and accompanying notes that follow this section.

Financial Highlights

Total revenue for the fiscal year ending June 30, 2017 was $5,141,124, an increase of $1,088,841 or 26.87% from the previous fiscal year. Total expenses were $4,119,887, a decrease of $269,844 or 6.04% from the previous fiscal year. The increase in net position was $941,237 for the fiscal year.

Operating revenue totaled $2,224,000 for the fiscal year ended June 30, 2017, an increase of $264,001 or 13.47% from the previous fiscal year. Operating expenses totaled $4,119,004 a decrease of $317,713 or 7.16% from the previous fiscal year.

Non-operating revenue was $2,917,124, an increase of $824,840 or 39.42%. Non-operating expense was $80,883, an increase of $47,869 or 145%. The remaining non-operating revenue supplements operating revenue to cover operating expenses and capital improvements.

Other significant financial activities were:

- Hiring a full time General Manager to fill the vacant position.
- Investing $2,410,219 towards the design of the Auburn Lake Trails Water Treatment Plant Retrofit Project.
- Water sales beginning to recover from the Statewide drought, which impacted operating revenues from rates.

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information, and optional Supplementary Information.

The required financial statements are the Statement of Net Position at June 30, 2017; the Statement of Activities for the fiscal year ended June 30, 2017 at the government-wide level; the Statement of Net Position – Proprietary Funds at June 30, 2017; the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the fiscal year ended June 30, 2017; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2017 at the fund level. The final required financial statement is the Statement of Fiduciary Assets and Liabilities. The financial statements also include comprehensive notes which summarize the official accounting policies of the District.

The financial statements are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The cash flow statement is an exception because that statement shows the receipt and payment of cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Required Financial Statements

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the changes occurs, regardless of the timing of the related cash flows.

All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position.* This statement measures the District's operations over the past fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates, fees, and other charges. The District's net position and credit worthiness can also be determined from this statement.

The primary purpose of the *Statement of Cash Flows* is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It explains where cash came from, cash usage, and the change in the cash balance during the reporting period.

The *Statement of Fiduciary Assets and Liabilities* is provided to report on assets held in an agency capacity for others and which cannot be used to support the District's operating activities.

Financial Analysis of the District

Has the financial condition of the District improved or deteriorated as a result of this year's operations? The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position attempts to answer this question. Net position may be a useful indicator over time as to the District's financial position. But, there may be other non-economic factors that could cause a change in the District's financial situation.

Statement of Net Position

The Statement of Net Position is a snapshot in time that shows assets, liabilities, and net assets as of June 30, 2017. Net Position increased by $941,237 to $17,188,262 in fiscal year 2017. Total assets and deferred outflows increased by 3,997,302 and liabilities and deferred inflows increased by $3,056,065 from the previous fiscal year. A summary of the District's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Current Assets	$ 6,752,497	$ 7,163,033	$ (410,536)	-5.73%
Restricted Assets	4,114,818	2,994,909	1,119,909	37.39%
Capital Assets, Net of Accumulated Depreciation	14,460,695	12,270,069	2,190,626	17.85%
Total Assets	25,328,010	22,428,011	2,899,999	12.93%
Deferred pensions	1,582,032	484,729	1,097,303	226.37%
Total Assets and Deferred Outflows of Resources	26,910,042	22,912,740	3,997,302	17.45%
Current Liabilities	378,898	223,574	155,324	69.47%
Current Restricted Liabilities	1,122,600	8,090	1,114,510	13776.39%
Long-term Liabilities	7,985,590	6,235,173	1,750,417	28.07%
Deferred Inflows of Resources	234,692	198,878	35,814	18.01%
Total Liabilities and Deferred Inflows of Resources	9,721,780	6,665,715	3,056,065	45.85%
Invested in Capital Assets, Net of Related Debt	12,526,296	11,389,428	1,136,868	9.98%
Restricted Net Assets for Facilities	2,365,593	2,265,880	99,713	4.40%
Restricted Net Assets for Debt Service	358,941	397,952	(39,011)	-9.80%
Unrestricted Net Assets	1,937,432	2,193,765	(256,333)	-11.68%
Total Net Assets	$ 17,188,262	$ 16,247,025	$ 941,237	5.79%

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the nature and source of assets represented on the Statement of Net Position. It also shows that the revenues exceeded expenses by $941,237. Ending net position totaled $17,188,262. Total revenues increased by $1,088,841 in 2017 totaling $5,141,124. Operating revenue increased by $264,001. The Statement of Revenues, Expenses, and Changes in Net Position lists the operating revenues and the non-operating revenues together and compares them to the operating and non-operating expenses. Table A-2 depicts total revenues and total expenses and the resulting changes in net position.

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Revenues	$ 2,224,000	$ 1,959,999	$ 264,001	13.47%
Non-operating Revenues and Contributions	2,917,124	2,092,284	824,840	39.42%
Total Revenues	5,141,124	4,052,283	1,088,841	26.87%
Operating Expenses	4,119,004	4,436,717	(317,713)	-7.16%
Non-operating Expenses	80,883	33,014	47,869	145.00%
Total Expenses	4,199,887	4,469,731	(269,844)	-6.04%
Net Income (Loss)	941,237	(417,448)	1,358,685	-325.47%
Beginning Net Assets	16,247,025	16,664,473	(417,448)	-2.51%
Ending Net Assets	$ 17,188,262	$ 16,247,025	$ 941,237	5.79%

Operating Revenues

In a purely business environment, operating revenues are meant to cover operating expenses. The District's operating revenues are significantly less than operating expenses. Therefore, the District operates on an operating loss and requires non-operating revenue to operate. The District is fairly unique in that it receives a significant amount of non-operating revenue in the form of property taxes. This non-operating revenue is used to offset this operating loss. Operating revenues increased slightly this year. The end of dry weather conditions and easing of the statewide drought have resulted in a light rebound in revenue from water sales. The remaining operating revenues were close to expectations. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Water Sales - Residential	$1,350,610	$1,244,193	$106,417	8.55%
Water Sales - Commercial	224,924	177,031	47,893	27.05%
Water Sales - Irrigation	224,156	135,218	88,938	65.77%
Water Disposal Fees and Charges	347,582	346,429	1,153	0.33%
Penalties	43,652	39,885	3,767	9.44%
Connections	33,044	15,232	17,812	116.94%
Other Operating Revenues	32	2,011	(1,979)	-98.41%
Total Operating Revenues	$2,224,000	$1,959,999	$264,001	13.47%

Operating Expenses by Department

Total operating expenses decreased $317,713 or 7.16% to $4,119,004. One significant ($176,834) decrease in expenses was realized in Transmission and Distribution – Raw Water activities largely due to a reduction in staffing and termination of the General Manager. The other significant decrease in expenses ($149,427) is due to a reduction in annual depreciation as many District assets have reached the end of their useful life and are fully depreciated. On-site Wastewater Disposal expenses increased due to increased staffing necessary for increased real estate transactions. The hydroelectric activities are combined with the administrative activities as they are not material enough to present separately. Source of Supply expenses decreased due to a reduction in staffing. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Source of Supply	$ 291,251	$ 351,861	$ (60,610)	-17.23%
Transmission and Distribution – Raw Water	416,978	593,812	(176,834)	-29.78%
Water Treatment	576,938	546,119	30,819	5.64%
Transmission and Distribution – Treated Water	692,748	728,310	(35,562)	-4.88%
Customer Service	245,576	250,023	(4,447)	-1.78%
Administrative and Hydroelectric	956,416	966,505	(10,089)	-1.04%
Depreciation and Amortization	666,864	816,291	(149,427)	-18.31%
On-site Wastewater Disposal Zone	272,233	183,796	88,437	48.12%
Total Operating Expenses	$4,119,004	$4,436,717	$(317,713)	-7.16%

Operating Revenues vs. Operating Expenses

The District's operating loss decreased by $581,714. Table A-5 compares operating revenues to operating expenses and depicts the District's reliance on other revenue for operations.

Table A-5
Operating Revenues vs Operating Expenses

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Operating Revenues	$ 2,224,000	$ 1,959,999	$264,001	13.47%
Operating Expenses	4,119,004	4,436,717	(317,713)	-7.16%
Operating Loss	$(1,895,004)	$(2,476,718)	$581,714	-23.49%

Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. Interest income, Capital Facility Payments and Capital Contributions had significant increases this fiscal year. In addition, the District collected an additional Surcharge. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2017	Fiscal Year 2016	Dollar Change	Percent Change
Property Taxes – General	$ 1,524,159	$ 1,447,381	$ 76,778	5.30%
Interest Income	67,984	45,883	22,101	48.17%
Capital Facility Payments	53,200	18,400	34,800	189.13%
Lease Revenue	65,795	60,230	5,565	9.24%
Hydroelectric Royalty Payments	49,655	43,259	6,396	14.79%
SMUD Payment	107,729	108,515	(786)	-0.72%
Gain on sale of asset		1,527	(1,527)	-100.00%
Surcharge	328,751		328,751	100.00%
Capital contributions	715,365	339,606	375,759	110.65%
Other	4,486	27,483	(22,997)	-83.68%
Total Non-Operating Revenues (Including Property Owner Contributions)	2,917,124	2,092,284	824,840	39.42%
Total Non-operating Expenses	80,883	33,014	47,869	145.00%
Non-operating Income less Non-operating Expense	$ 2,836,241	$ 2,059,270	$ 776,971	37.73%

Capital Assets

The District's investment in capital assets for the fiscal year was $2,857,491, which includes $2,465,524 capital improvements. Additions to capital assets are:

- $2,410,219 Auburn Lake Trails Water Treatment Plant Retrofit project
- $55,305 Water Conservation, Supply Reliability, and Environmental Protection Project (CABY)
- $47,833 2017 Ford F350
- $69,086 John Deer 50G Excavator
- $23,262 2017 Ford 150
- $166,347 Walton Storage Tank Recoating
- $85,439 other miscellaneous assets

Additional information about District capital assets can be obtained in Note 4 of the notes to the financial statements.

Long-term Debt and Debt Administration

At June 30, 2017, the District had $7,985,590 in long-term debt, including compensated absences and other postemployment benefits obligations, $1,750,417 more than the prior fiscal year. The District continues to perform debt administration functions previously performed by the County on the District's behalf for certain 1915 Act bonds. Additional information about District long-term debt can be obtained in Note 6 of the notes to the financial statements.

CalPERS Pension Plan

Assembly Bill 340 was recently passed by the California Legislature in an effort to reduce CalPERS pension costs in the long run. The District has participated in a CalPERS Pension Plan since February of 1972. There have been amendments to the contract with CalPERS over the years. CalPERS requires the District to be part of a small employer pool and the 2006 contract change which require payments to reduce a side fund. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

Postemployment Benefits Other Than Pensions

The District has been endeavoring to fund these benefit commitments for many years and implemented *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* in fiscal year 2010. On April 11, 2006, the District adopted Ordinance 2006-01 regarding retiree health benefits implementing caps on the amount the District would pay towards these types of benefits. A calculation of the future liability for these benefits has been prepared utilizing the simplified method allowed by the statement for small employers. Utilizing this method, it is estimated that the District saved approximately $850,000 by instituting the caps. The estimated actuarial liability at June 30, 2015 is $1,533,647. The District has set aside $519,756 for this obligation. As the District administers this plan without a trust, the designated assets set aside for these benefits are not recognized in the notes to the financial statements. Additional information about postemployment benefits other than pensions can be obtained in Note 14 of the notes to the financial statements.

Economic Factors and Rates

The District's customer base continues to grow at a slow rate. The District completed a Water System Reliability Study in fiscal year 2002. This study has been utilized as a basis for long-term maintenance and capital improvement plans for the District. The District reviewed its financial reserves and updated its financial reserve policy in fiscal year 2006. The updated reserve policy provides a guide for development of future rates and fees to adequately support the capital and operation needs of the District.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Georgetown Divide Public Utility District. After the financial report is approved by the Board of Directors, it can be found under the financial section on the District's website (gd-pud.org). Copies of the report are also provided to the El Dorado County libraries in Placerville and Georgetown. A copy will be available for review at the District office, located at 6425 Main St, Georgetown, CA 95634. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of the District, Georgetown Divide Public Utility District, P.O. Box 4240, Georgetown, CA 95634-4240.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Business-Type Activities	
	2017	2016
ASSETS		
Current Assets:		
Cash and investments	$ 6,094,134	$ 6,646,096
Receivables:		
Accounts	511,658	366,806
Interest	9,711	7,081
Inventory	42,990	41,826
Deposits and prepaid expenses	94,004	101,224
Total current assets	6,752,497	7,163,033
Restricted Assets:		
Cash and investments	3,933,223	2,717,114
Receivables:		
Interest	6,907	281
Assessments	174,688	277,514
Total restricted assets	4,114,818	2,994,909
Capital assets, net	14,460,695	12,270,069
TOTAL ASSETS	25,328,010	22,428,011
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	1,582,032	484,729
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 26,910,042	$ 22,912,740
LIABILITIES		
Current Liabilities:		
Accounts payable	301,942	146,833
Accrued expenses	47,701	51,489
Deposits payable	7,900	-
Unearned revenue	21,355	25,252
Total Current Liabilities	378,898	223,574
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	5,403	5,646
Accounts payable	1,116,026	1,273
Unearned revenue	1,171	1,171
Total Current Liabilities Payable from Restricted Assets	1,122,600	8,090
Noncurrent Liabilities:		
Due in one year	128,536	137,481
Due in more than one year	7,857,054	6,097,692
Total Noncurrent Liabilities	7,985,590	6,235,173
TOTAL LIABILITIES	9,487,088	6,466,837
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	234,692	198,878
NET POSITION		
Net investment in capital assets	12,526,296	11,389,428
Restricted for new facilities	2,365,593	2,265,880
Restricted for debt service	358,941	397,952
Unrestricted	1,937,432	2,193,765
TOTAL NET POSITION	17,188,262	16,247,025
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 26,910,042	$ 22,912,740

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(with comparative totals for June 30, 2016)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Contributions and Grants	Net Changes in Net Position: 2017	Net Changes in Net Position: 2016
Business-Type Activities:					
Water	$ 3,903,623	$ 1,876,418	$ 715,365	$ (1,311,840)	$ (2,304,889)
Wastewater Disposal	296,264	347,582	-	51,318	134,763
Total business-type activities	$ 4,199,887	$ 2,224,000	$ 715,365	(1,260,522)	(2,170,126)
		General Revenues:			
		Property taxes		1,524,159	1,447,381
		Surcharge		328,751	-
		Investment income		67,984	45,883
		Other revenues		280,865	259,414
		Total general revenues		2,201,759	1,752,678
		Change in net position		941,237	(417,448)
		Net position - beginning of year		16,247,025	16,664,473
		Net position end of year		$ 17,188,262	$ 16,247,025

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2017	2016
ASSETS				
Current Assets:				
Cash and investments	$ 5,201,730	$ 892,404	$ 6,094,134	$ 6,646,096
Receivables:				
Accounts	508,410	3,248	511,658	366,806
Interest	7,517	2,194	9,711	7,081
Inventory	42,990	-	42,990	41,826
Deposits and prepaid expenses	92,122	1,882	94,004	101,224
Total current assets	5,852,769	899,728	6,752,497	7,163,033
Restricted Assets:				
Cash and investments	3,679,895	253,328	3,933,223	2,717,114
Receivables:				
Interest	6,310	597	6,907	281
Assessments	174,688	-	174,688	277,514
Total restricted assets	3,860,893	253,925	4,114,818	2,994,909
Capital assets, net	14,253,129	207,566	14,460,695	12,270,069
TOTAL ASSETS	23,966,791	1,361,219	25,328,010	22,428,011
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	1,534,571	47,461	1,582,032	484,729
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 25,501,362	$ 1,408,680	$ 26,910,042	$ 22,912,740
LIABILITIES				
Current Liabilities:				
Accounts payable	299,134	2,808	301,942	146,833
Accrued expenses	45,364	2,337	47,701	51,489
Deposits payable	7,900	-	7,900	-
Unearned revenue	21,355	-	21,355	25,252
Total Current Liabilities	373,753	5,145	378,898	223,574
Current Liabilities Payable from Restricted Assets:				
Accrued interest payable	5,403	-	5,403	5,646
Accounts payable	1,116,026	-	1,116,026	1,273
Unearned revenue	1,171	-	1,171	1,171
Total Current Liabilities Payable from Restricted Assets	1,122,600	-	1,122,600	8,090
Noncurrent Liabilities:				
Due in one year	127,100	1,436	128,536	137,481
Due in more than one year	7,694,963	162,091	7,857,054	6,097,692
Total Noncurrent Liabilities	7,822,063	163,527	7,985,590	6,235,173
TOTAL LIABILITIES	9,318,416	168,672	9,487,088	6,466,837
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	227,651	7,041	234,692	198,878
TOTAL DEFERRED INFLOWS OF RESOURCES	227,651	7,041	234,692	198,878
NET POSITION				
Net investment in capital assets	12,318,730	207,566	12,526,296	11,389,428
Restricted for new facilities	2,111,668	253,925	2,365,593	2,265,880
Restricted for debt service	358,941	-	358,941	397,952
Unrestricted	1,165,956	771,476	1,937,432	2,193,765
TOTAL NET POSITION	15,955,295	1,232,967	17,188,262	16,247,025
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 25,501,362	$ 1,408,680	$ 26,910,042	$ 22,912,740

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2017	2016
Operating revenues:				
Water sales:				
Residential	$ 1,350,610	$ -	$ 1,350,610	$ 1,244,193
Commercial	224,924	-	224,924	177,031
Irrigation	224,156	-	224,156	135,218
Installations and connections	33,044	-	33,044	15,232
Waste disposal:				
Zone charges	-	311,477	311,477	311,629
Design fees	-	6,600	6,600	1,200
Escrow fees	-	29,505	29,505	33,600
Penalties	43,652	-	43,652	39,885
Other	32	-	32	2,011
Total operating revenues	1,876,418	347,582	2,224,000	1,959,999
Operating expenses:				
Source of supply	291,251	-	291,251	351,861
Transmission and distribution - raw water	416,978	-	416,978	593,812
Pumping and power	576,938	-	576,938	546,119
Transmission and distribution - treated water	692,748	-	692,748	728,310
Customer service	245,576	-	245,576	250,023
Administration and hydroelectric	956,416	-	956,416	966,505
Depreciation	642,833	24,031	666,864	816,291
On-Site Wastewater Disposal Zone	-	272,233	272,233	183,796
Total operating expenses	3,822,740	296,264	4,119,004	4,436,717
Operating income (loss)	(1,946,322)	51,318	(1,895,004)	(2,476,718)
Non-operating revenues (expenses):				
Tax revenue - general	1,524,159	-	1,524,159	1,447,381
Surcharge	328,751	-	328,751	-
Interest income	59,478	8,506	67,984	45,883
Lease revenue	65,795	-	65,795	60,230
SMUD payment	107,729	-	107,729	108,515
Hydroelectric royalty payments	49,655	-	49,655	43,259
Capital facility charge	53,200	-	53,200	18,400
Gain on sale of assets	-	-	-	1,527
Other revenue	4,486	-	4,486	27,483
Interest expense	(25,210)	-	(25,210)	(25,882)
Other expense	(55,673)	-	(55,673)	(7,132)
Total non-operating revenues, net	2,112,370	8,506	2,120,876	1,719,664
Income (loss) before capital contributions and transfers	166,048	59,824	225,872	(757,054)
Capital contributions	715,365	-	715,365	339,606
Transfers in	65,736	32,000	97,736	1,198,358
Transfers out	(56,377)	(41,359)	(97,736)	(1,198,358)
Capital contributions and transfers in (out), net	724,724	(9,359)	715,365	339,606
Change in net position	890,772	50,465	941,237	(417,448)
Beginning net position	15,064,523	1,182,502	16,247,025	16,664,473
Prior period adjustment	-	-	-	-
Beginning net position, restated	15,064,523	1,182,502	16,247,025	16,664,473
Ending net position	$ 15,955,295	$ 1,232,967	$ 17,188,262	$ 16,247,025

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2017	2016
Cash flows from operating activities:				
Receipts from customers	$ 1,731,771	$ 349,080	$ 2,080,851	$ 2,028,117
Payments to suppliers	(1,175,499)	(113,654)	(1,289,153)	(1,397,223)
Payments to employees	(2,175,576)	(192,539)	(2,368,115)	(2,093,953)
Net cash provided (used) by operating activities	(1,619,304)	42,887	(1,576,417)	(1,463,059)
Cash Flows from non-capital financing activities:				
Property taxes received	1,524,159	-	1,524,159	1,447,381
Surcharge	328,751	-	328,751	-
Assessment receivable payments	102,826	-	102,826	72,676
Receipts from capacity charges	53,200	-	53,200	18,400
SMUD payment	107,729	-	107,729	108,515
Hydroelectric royalty payments	49,655	-	49,655	43,259
Other revenue	4,486	-	4,486	27,483
Other expense	(55,673)	-	(55,673)	(7,132)
Transfers (to) from other funds	9,359	(9,359)	-	-
Receipts from cellular antenna rentals	65,795	-	65,795	60,230
Net cash provided (used) by non-capital financing activities	2,190,287	(9,359)	2,180,928	1,770,812
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(103,382)	-	(103,382)	(90,972)
Loan proceeds	1,157,141	-	1,157,141	-
Interest payments on long-term debt	(25,453)	-	(25,453)	(26,784)
Capital grant	715,365	-	715,365	339,606
Proceeds from sale of capital assets	-	-	-	1,527
Acquisition and construction of capital assets	(1,742,763)	-	(1,742,763)	(277,793)
Net cash used by capital and related financing activities	908	-	908	(54,416)
Cash flows from investing activities:				
Investment income received	51,656	7,072	58,728	44,712
Net cash provided by investing activities	51,656	7,072	58,728	44,712
Net increase in cash and cash equivalents	623,547	40,600	664,147	298,049
Cash and cash equivalents, beginning of year	8,258,078	1,105,132	9,363,210	9,065,161
Cash and cash equivalents, end of year	$ 8,881,625	$ 1,145,732	$ 10,027,357	$ 9,363,210
Reconciliation to the Statement of Net Position:				
Cash and investments, unrestricted	$ 5,201,730	$ 892,404	$ 6,094,134	$ 6,646,096
Restricted cash and investments	3,679,895	253,328	3,933,223	2,717,114
Total cash and investments	$ 8,881,625	$ 1,145,732	$ 10,027,357	$ 9,363,210
Noncash investing/financing activities:				
Issuance of capital lease	$ -	$ -	$ -	$ 54,406

(Continued)

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Enterprise Funds		Totals	
	Water	Wastewater Disposal	2017	2016
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (1,946,322)	$ 51,318	$ (1,895,004)	$ (2,476,718)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	642,833	24,031	666,864	816,291
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(146,350)	1,498	(144,852)	58,364
Inventory	(1,164)	-	(1,164)	5,309
Deposits and prepaid expenses	7,812	(592)	7,220	(5,084)
Deferred outflow - pension	(1,066,323)	(30,980)	(1,097,303)	(179,567)
Accounts payable	158,113	(4,955)	153,158	55,918
Accrued expenses	(4,149)	2,337	(1,812)	21,061
Deposits payable	2,300	-	2,300	-
Compensated absences	(6,174)	677	(5,497)	19,097
Postemployment benefits	87,848	-	87,848	78,182
Deferred inflow - pension	35,535	279	35,814	(639,531)
Net pension liability	615,034	(726)	614,308	773,865
Unearned revenue	1,703	-	1,703	9,754
Net cash provided (used) by operating activities	$ (1,619,304)	$ 42,887	$ (1,576,417)	$ (1,463,059)

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017
(with comparative totals for June 30, 2016)

	Totals	
	2017	2016
ASSETS		
Current Assets:		
Cash and investments	$ 84,638	$ 103,299
Prepaid expenses	-	(955)
Receivables:		
Interest	-	67
Assessments	154,919	163,527
TOTAL ASSETS	$ 239,557	$ 265,938
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 746	$ -
Accrued interest payable	2,246	2,996
Unearned revenue	52,718	73,738
Total current liabilities	55,710	76,734
Noncurrent Liabilities:		
Due in one year	5,553	5,358
Due in more than one year	178,294	183,846
Total noncurrent liabilities	183,847	189,204
TOTAL LIABILITIES	$ 239,557	$ 265,938

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

BASIC FINANCIAL STATEMENTS

Note 1: <u>Significant Accounting Policies</u>

A. Organization and Description

The reporting entity, the Georgetown Divide Public Utility District (District), was created by the electorate, June 4, 1946, under the California Public Utility District Act of 1921. The District operates under a governing five-member Board of Directors (Board) elected at-large for four-year overlapping terms. The District's management is under the direction of the General Manager, who also serves as Clerk, and ex-officio Secretary of the Board, who is appointed by and serves at the pleasure of the Board.

B. Reporting Entity

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the aforementioned oversight criteria, there are no component units in this report which met the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements No. 39 and 61.

The basic financial statements include the accounts of two enterprise activities provided by the District: (1) raw and treated water services, and (2) wastewater disposal services in the Auburn Lake Trails (A.L.T.) subdivision.

C. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

<u>Government-Wide Statements</u>

The Statement of Net Position and the Statement of Activities display information about the primary government (District). These statements include the financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

Note 1: Significant Accounting Policies - continued

C. Basis of Presentation - continued

Government-Wide Statements - continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational need of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The Fund Financial Statements provide information about the District's funds, including the fiduciary fund. Separate statements for each fund category – *proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Note 1: Significant Accounting Policies - continued

C. Basis of Presentation - continued

Fund Financial Statements - continued

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains one fiduciary fund. Fiduciary funds are custodial in nature and do not have a measurement focus; however, they do use the accrual basis of accounting.

D. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, liabilities, revenues, or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The District may also select other funds that it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

Water

This fund accounts for the activities of providing raw and treated water services to the customers. Raw water service is also known as irrigation water.

Wastewater Disposal

This fund accounts for the activities of monitoring wastewater disposal of the residents of the Auburn Lake Trails subdivision. The area is also known as the On-Site Wastewater Disposal Zone. The On-Site Wastewater Disposal Zone is comprised of all the lots in the Auburn Lake Trails Subdivision, including the lots connected to the Community Disposal System.

Additionally, the District reports a fiduciary agency fund to account for the debt service activities for the Stewart Mine, Greenwood, Cool-Cherry Acres, Spanish Dry Diggins, and Water Line Extensions 77-5 Water Assessment Districts. The District's administration of this debt is a purely custodial function.

Note 1: Significant Accounting Policies - continued

E. Basis of Accounting

The government-wide financial statements are reported using the "*economic resources*" measurement focus and the *full accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide financial statements and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

F. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are used as a management tool and are not a legal requirement.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Inventory

Inventories of supplies are stated at cost. Cost is determined on a first-in, first-out basis.

I. Restricted Assets

These assets consist of certificates of deposit, short-term investments, and receivables which are restricted for debt service and other legal obligations.

Note 1: Significant Accounting Policies - continued

J. Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of donation. The District capitalizes capital assets valued over $1,000 and having a useful life of at least three years. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 30 to 100 years for the plant and pipelines and 3 to 15 years for other equipment.

K. Compensated Absences

All earned vacation, which is payable upon termination or retirement, is accrued as compensated absences, in accordance with GASB Statement No. 16.

L. Property Taxes

The District receives property taxes from El Dorado County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District’s property taxes are levied each July 1, on the assessed values as of the prior January 1 for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of the supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County “Teeter Plan” method of property tax distribution and thus receives 100% of the District’s apportionment each fiscal year, eliminating the need for an allowance for uncollectibles. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), 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.

Note 1: <u>Significant Accounting Policies</u> - continued

N. Comparative Data

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position, operations, and cash flows. Certain classifications may have been made to the prior fiscal year financial statements to conform to the current fiscal year presentation.

O. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

P. Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government of District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to /deductions from the Plans' 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.

Note 2: Cash and Investments

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Unrestricted cash and investments	$ 6,094,134
Restricted cash and investments	3,933,223
Cash and investments, Statement of Net Position	10,027,357
Cash and investments, Statement of Fiduciary Assets and Liabilities	84,638
Total Cash and Investments	$ 10,111,995

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	$ 450
Deposits with financial institutions	110,841
Investments	10,000,704
Total Cash and Investments	$ 10,111,995

A. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	$50 million
Money Market Funds (must be Comprised of eligible securities Permitted under this policy)	N/A	None	None

Note 2: Cash and Investments – continued

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Funds	N/A	None	None

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as the State of California Local Agency Investment Fund (LAI F), are made on the basis of one dollar and not fair value. Accordingly, the fair value of the County's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Money Market Accounts are nonparticipating interest-bearing savings accounts. They are measured using a cost-based measure, not fair value, and therefore, not subject to fair value hierarchy.

Note 2: Cash and Investments – continued

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Remaining Maturity (in Months) 12 Months or Less
State Investment Pool (LAIF)	$ 6,935,485
Money Market Funds	3,032,145
Held by Debt Trustees:	
Money Market Funds	33,074
	$ 10,000,704

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

			Rating as of Fiscal Year End	
Investment Type	Amount	Minimum Legal Rating	AAA	Not rated
State Investment Pool (LAIF)	$ 6,935,485	N/A	$	$ 6,935,485
Money Market Funds	3,032,145	N/A		3,032,145
Held by Debt Trustees:				
Money Market Funds	33,074	N/A	33,074	
	$ 10,000,704		$ 33,074	$ 9,967,630

Note 2: Cash and Investments - continued

D. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Only investments with LAIF and the Money Market Funds exceed 5% or more of total District investments. The Money Market Funds are collateralized for the amount over the Federal Deposit Insurance Corporation amount or backed by United States obligations.

E. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* 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 California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, $2,782,146 of the District's deposits and investments with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

F. Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 2: Cash and Investments - continued

F. Investment in State Investment Pool - continued

Restricted cash and investments are identified by use as follows at June 30, 2017:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey South	$ 232,172	$	$ 232,172
Kelsey North	126,769		126,769
State Revolving Fund	57,128		57,128
Total Debt Service Cash and Investments	416,069		416,069
New Facilities:			
Capital Facility Charges	1,703,842		1,703,842
Water Development	402,843		402,843
Auburn Lake Trails Retrofit Project	1,157,141		1,157,141
Community Disposal System Replacement and Expansion		253,328	253,328
Total New Facilities Cash and Investments	3,263,826	253,328	3,517,154
Total Restricted Cash and Investments	$ 3,679,895	$ 253,328	$ 3,933,233

Note 3: Assessments Receivable and Long-Term Receivable

Assessments receivable to the District are construction obligations of the benefited property owners of the Kelsey North, Kelsey South, Pilot Hill North, Pilot Hill South, and Stewart Mine Water Assessment Districts. El Dorado County collects the special assessments semi-annually in order to pay the related projects' Department of Water Resources or United States Department of Agriculture construction debts as they mature. The assessments receivable balances at June 30, 2017, were as follows:

	Current	Non-Current	Total
Water Restricted Assessments Receivable	$ 24,906	$ 149,782	$ 174,668
Fiduciary Assessments Receivable	5,329	149,590	154,919
Total Assessments Receivable	$ 30,235	$ 299,372	$ 329,587

Note 4: Capital Assets

Purchased capital assets are recorded at cost when purchased. Donated capital assets are recorded at fair value at the date of donation. Capital assets are depreciated over estimated useful lives ranging from one hundred years (Stumpy Meadows Dam) to three years (small office equipment) using the straight-line method. Capital assets at June 30, 2017, consisted of the following:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets:				
Land and land right	$ 770,975	$	$	$ 770,975
Construction in progress	1,046,483	2,465,524		3,512,007
Total nondepreciable capital assets	1,817,458	2,465,524		4,282,982
Depreciable Capital Assets:				
General plant equipment and facilities	1,273,069			1,273,069
Water treatment	5,601,841	166,347		5,768,188
Transmission and distribution	13,302,475	225,620		13,528,095
Auburn Lake Trails septic facilities	847,140			847,140
Source of supply	6,784,396			6,784,396
Total depreciable capital assets	27,808,921	391,967		28,200,888
Less: accumulated depreciation	(17,356,310)	(666,864)		(18,023,174)
Net depreciable capital assets	10,452,611	(274,897)		10,177,714
Net capital assets	$ 12,270,069	$ 2,190,627	$	$ 14,460,695

Depreciation Allocations

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program was as follows:

Business-Type Activities:

Water	$ 642,833
Wastewater Disposal	24,031
Total Depreciation Expense-Business-Type Activities	$ 666,864

Note 5: Long-Term Debt

A. Compensated Absences

District employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. It is estimated that up to two weeks per employee might be liquidated with expendable, currently available financial resources in the next year. These vested benefits are reported as part of the noncurrent liabilities on the Statement of Net Position and totaled $65,105 at June 30, 2017. It is anticipated that $35,237 of these benefits will be used during the fiscal year ending June 30, 2017.

B. Notes Payable

		Balance June 30, 2017
Department of Water Resources Three long-term contracts have been entered into with the State of California Department of Water Resources (DWR) to finance the construction of various water projects.		
The Kelsey North Water Assessment District 1989-1 contract of $630,000 is to be repaid by seventy semi-annual payments of $15,398. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2027, include interest on the outstanding note balance at 3.3712%. Payments are made from assessments collected from the Assessment District.	$	270,414
The Kelsey South Water Assessment District 1989-4 contract of $666,750 is to be repaid by sixty semi-annual payments of $17,836. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2022, includes interest on the outstanding note balance at 3.41%. Payments are made from assessments collected from the Assessment District.		177,518
The Walton Lake Water Treatment Plant Filter Replacement contract of $400,511 is to be repaid by forty semi-annual payments of $12,529. These payments, due April 1 and October 1, beginning October of 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%.		280,474
Total Department of Water Resources Notes Payable		728,406
United States Bureau of Reclamation A non-interest bearing contract was entered into with the U.S. Bureau of Reclamation in 1977 to construct the Otter Creek Project. Annual principal payments of $4,538 are due through January 1, 2018.		4,538
Total Notes Payable	$	732,944

Note 5: Long-Term Debt - continued

B. Notes Payable – continued

California State Water Resources Control Board

Project No. 0910013-005C Agreement No. D16-02021 construction loan for the Auburn Lake Trails Water Treatment Plant Upgrade at 1.6%. No payment due until construction is completed estimated in fiscal year 2018-2019. Loan approved to $10 million.	$ 1,157,141

Future minimum debt service requirements for notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 75,029	$ 21,034	$ 96,063
2019	72,692	18,833	91,525
2020	74,942	16,583	91,525
2021	77,327	14,198	91,525
2022	79,728	11,797	91,525
2023-2027	265,827	31,275	297,102
2028-2031	87,399	3,171	90,570
	$ 732,944	$ 116,891	$ 849,835

C. Capital Leases

On November 27, 2006, the District entered into a long-term capital lease agreement with Verizon for the purpose of constructing a permanent cell tower. The first ten years of uncollected lease payments represent the cost of constructing the tower, which is owned by the District. If the lease is terminated within the first ten years, the District will owe Verizon the remaining construction cost. The first ten year period commenced November 1, 2008. The capital lease totaled $155,731 based on discounting at 3% the monthly lease amount of $1,500. The capital lease liability is being retired using a 3% interest rate as well. The balance of the capital lease at June 30, 2017, was $5,963.

On May 22, 2016, the district entered into a long-term capital lease agreement with Santander Financing for a 2016 Ram 5500 truck costing $54,406. The payments are $1,231 per month including interest at 4.1% for 48 months. The balance of the lease at June 30, 2017, was $38,351. The accumulated depreciation and related depreciation expense on the truck for the year ended June 30, 2017 was $13,602 and $10,881, respectively.

Note 5: Long-Term Debt – continued

C. Capital Leases – continued

Future minimum debt service requirements for capital leases are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 18,270	$ 1,269	$ 19,539
2019	13,963	807	14,770
2020	12,081	228	12,309
	$ 44,314	$ 2,304	$ 46,618

D. **Change in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Repayments	Balance June 30, 2017	Due Within One Year
Notes payable	$ 805,874	$	$ (72,930)	$ 732,944	$ 75,029
Loan payable		1,157,141		1,157,141	
Post-employment benefits	495,200	186,034	(98,186)	583,048	
Capital lease	74,767		(30,453)	44,314	18,270
Compensated absences	70,602		(5,497)	65,105	35,237
Net pension liability	4,788,730	614,308		5,403,038	
Total	$ 6,235,173	$ 1,957,483	$ (207,066)	$ 7,985,590	$ 128,536

Note 6: Agency: Special Assessment Debt

The District acts as an agent for the Stewart Mine Road Water Assessment District 98-1 Bonds, issued on August 24, 1999. This debt was not included in the District's accounting records because the District had no obligation for the payment of these bonds other than in a fiduciary capacity. The principal amount outstanding at June 30, 2017, and June 30, 2016, was $183,846 and $189,204, respectively.

Construction relating to various improvement districts has been financed in part by assessment of benefited property owners in the form of special assessment bonds authorized under the Improvement Bond Act of 1915. Bonds in the amount of $774,002 have been issued for the benefit of Greenwood, Cool-Cherry Acres, Spanish Dry Diggins, and Line Extensions 77-5 water improvement districts. These bonds were originally issued through Farmers Home Administration, later transferred to General Electric Capital Corporation and subsequently acquired by CapMark. During 2009, CapMark was acquired by Berkadia. The notes were paid in full during the fiscal year ending June 2017.

Note 7: <u>On-Site Wastewater Disposal Zone (O.S.W.D.Z.)</u>

During the early part of 1984, it became apparent that a proposed sewer assessment district was not going to be approved and that the assimilation alternative of combining certain lots in the Auburn Lake Trails (A.L.T.) subdivision was a possibility. By letter dated April 24, 1984, Trans America Development Corporation (TADCO) and A.L.T. property owners jointly requested the formation of an on-site wastewater disposal zone which would be monitored by the District. The O.S.W.D.Z. was formed pursuant to the authority granted under Sections 6950 et seq. of the Health and Safety Code of the State of California and became operative by board resolution on March 19, 1985. The effective date for accounting for revenues and expenses was April 1, 1985.

The purpose of the O.S.W.D.Z. is to protect the ground and surface water within the Disposal Zone boundaries in compliance with Regional Water Quality Control Board requirements. The District's responsibility is to design and inspect new on-site disposal systems and to monitor the surface and ground water quality and system performance of existing systems.

The O.S.W.D.Z. assessment revenues charged will be restricted to pay the operating costs of the O.S.W.D.Z. No unrestricted District funds can be used to pay expenses of the O.S.W.D.Z.

Effective for the fiscal year ended June 30, 1998, the O.S.W.D.Z. Capital Expenditure Reserve was established. The O.S.W.D.Z. Capital Expenditure Reserve fund has had little activity over the years. The fund was inactivated May 13, 2008.

In addition to the O.S.W.D.Z., the District, by contract, has taken over operation of the Community Disposal System (C.D.S.) of 139 lots within the A.L.T. subdivision. These property owners pay additional assessments for operation and maintenance of the C.D.S. The C.D.S. Expansion Benefit Reserve was established July 1, 2000, and currently receives annual transfers in an effort to achieve the reserve level approved by the District in May 2005.

Note 8: <u>Restricted Benefit Charges</u>

This non-operating revenue is comprised of various benefit charges and interest earned on the corresponding deposits. The implementation of the Capital Facility Charges on July 1, 2008, replaced the previous treatment plant, pipeline, and storage benefit charges. Pursuant to District ordinance, this revenue is restricted in special accounts which are to be used exclusively as follows:

Water development charge funds: To develop alternate sources of raw water to meet long-term District requirements.

Capital Facility Charge Fund: For maintenance and/or improvements of the treatment plants, pipeline facilities, and storage facilities.

O.S.W.D.Z./C.D.S. replacement and expansion benefit charge funds: For maintenance, improvement, and/or expansion of the community disposal system, as well as facilitating improvements in the O.S.W.D.Z.

Note 9: Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 63. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds (trust funds only), and are described below.

Net Investment in Capital Assets

Investment in capital assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Net Position Restrictions

Restricted net position consists of constraints placed on net position use through external creditors (such as through debt covenants), grants, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Net position restricted for new facilities represent the net assets accumulated from restricted benefit charges imposed by District ordinances for the maintenance and expansion of facilities. Net position restricted for debt service is required by the debt agreements.

Unrestricted Net Position

The term "unrestricted" describes the portion of net position which is not restricted as to use.

The Board has designated portions of the unrestricted net position for specific operating purposes in an effort to provide for the prudent operations of the District.

Retiree: To provide for the estimated future retiree health insurance benefits of existing retirees and current employees who have bargained for the benefit.

Georgetown/Buckeye and Garden Valley: For use in activities specific to the designated area.

Note 9: Net Position - continued

Unrestricted Net Position - continued

Restricted and unrestricted net position is identified by use as follows as of June 30, 2017:

	Water	Wastewater Disposal	Total
Restricted Net Position:			
New Facilities:			
Water Development	$ 403,798	$	$ 403,798
Capital Facility Charges	1,707,870		1,707,870
C.D.S. Replacement		39,184	39,184
C.D.S. Expansion		214,741	214,741
Total New Facilities Net Position	2,111,668	253,925	2,365,593
Debt Service:			
Kelsey North	$ 126,769	$	$ 126,769
Kelsey South	232,172		232,172
Total Debt Service Net Position	358,941		358,941
Total Restricted Net Position	$ 2,470,609	$ 253,925	$ 2,724,534
Unrestricted Net Position:			
Unrestricted Designated Net Position:			
Stumpy Meadows Emergency Reserve	$ 1,043,889	$	$ 1,043,889
Short-lived Asset Replacement	770,015		770,015
Capital Reserve	1,081,388		1,081,388
EPA	975,200		975,200
Garden Valley	105,722		105,722
Hydroelectric	575,365		575,365
Total Unrestricted Designated Net Position	4,551,578		4,551,578
Unrestricted Undesignated Net Position	(3,385,621)	771,476	(2,614,144)
Total Unrestricted Net Position	$ 1,165,958	$ 771,476	$ 1,937,434

Note 10: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (ACWAJPIA), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of ACWAJPIA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays annual premiums to the ACWAJPIA for its general liability, automobile, property, fidelity coverage, and workers' compensation. The agreement for formation of the ACWAJPIA provides that the ACWAJPIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $50,000 (property), $100,000 (fidelity), and $2,000,000 (general, automobile and public officials liability) for each insured event, except for workers compensation which will reinsure for claims in excess of $2,000,000. The deductibles for the ACWAJPIA do not exceed $2,500. Total premiums paid for fiscal year 2017 were $114,901.

The District continues to carry commercial insurance for employee health and life insurance. The District also carries commercial insurance for dental and optical insurance for the employees represented by Stationary Engineers, Local 39, and all new employees hired after July 11, 2006.

Note 11: Defined Benefit Pension Plan

A. General Information About the Pension Plans

Plan Description—All qualified permanent and probationary employees are eligible to participate in the Local Government's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provision under the Plans are established by State statue and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provision, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided—CalPERS 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. Members with five years of total services are eligible to retire at age 50 with statutorily reduces benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor 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.

Note 11: Defined Benefit Pension Plan - continued

A. General Information About the Pension Plans – continued

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

	Miscellaneous		
Hire Date	Prior to June 19, 2006	On or after June 19, 2006 to December 28, 2012	On or after December 28, 2012
Benefit formula	2.7% @ 55	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of eligible compensation	2.7%	2.7%	2%
Required employee contribution rates	8%	8%	6.25%
Required employer contributions rates	12.878%+$398,214	11.008%+$10,368	6.555%+$12

Contributions – 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 actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contribution for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	Tier I	Tier II	PEPRA
Contributions -- employer	$443,912	$68,895	$19,931
Contributions -- employee (paid by employer)	28,388	42,534	18,663

Note 11: Defined Benefit Pension Plan – continued

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

As of June 30, 2017, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$5,403,038

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The Local Government's proportion of the net pension liability was based on a projection of the Local Government's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2015, and 2017, was as follows:

	Miscellaneous
Proportion -- June 30, 2015	$4,788,730
Proportion -- June 30, 2016	5,403,038
Change -- Increase (Decrease)	614,308

For the year ended June 30, 2017, the Local Government recognized pension expenses of $182,261. At June 30, 2017, the Local Government 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
Difference between expected and actual experience	$ 17,319	$ 3,968
Change in assumptions		163,853
Difference between projected and actual investment	852,801	
Difference between employer's contribution and proportionate share of contributions	71,158	66,870
Change in employer's proportion	108,016	
Pension contributions made subsequent to the measurement date	532,738	
Total	$1,582,032	$ 234,691

Note 11: Defined Benefit Pension Plan – continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – continued

$532,738 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 85,808
2019	93,657
2020	414,253
2021	220,886

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2014
Meassurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table (1)	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) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Refer to the 2014 experience study for more details on this table. Net of pension plan investment expenses, including inflation.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website under Forms & Publications.

Note 11: Defined Benefit Pension Plan – continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – continued

Discount Rate **–** The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans 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 plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our 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 expenses 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. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 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 each fund. 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 the nearest one quarter of one percent.

Note 11: Defined Benefit Pension Plan – continued

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions – 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. The target allocation shown was adopted by the Board effective July 1, 2015. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10[1]	Real Return Years 11+[2]
Global equity	51.0%	5.25%	5.71%
Global fixed income	20.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	10.0%	6.83%	6.95%
Real estate	10.0%	4.50%	5.13%
Infrastructure and forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(.55%)	(1.05%)
	100.0%		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate—The following presents the Local Government's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	$7,530,358
Current Discount Rate	7.65%
Net Pension Liability	$5,403,038
1% Increase	8.65%
Net Pension Liability	$3,644,914

Pension Plan Fiduciary Net Position—Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 12: Description of Deferred Compensation Pension Plans

The District has two deferred compensation plans. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and their beneficiaries. No part of the corpus or income of the trust shall revert to employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries.

Only employee contributions were made to the Internal Revenue Code Section 457 deferred compensation plan or the Internal Revenue Code Section 401(a) defined contribution money purchase plan for the fiscal year ended June 30, 2017. The District does not make contributions on behalf of the employees.

The District is the administrator of the plans. The International City Management Association (ICMA) Retirement Corporation holds the funds in a trust and also advises as to legality, files appropriate plan documentation, and reports the quarterly activities to each plan participant.

Note 13: Post-Employment Benefits Other Than Pensions

A. Plan Description

The District provides certain health insurance benefits to retired employees in accordance with a memorandum of understanding with International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Union) and Ordinance 2006-01.

For employees who retire from the District after at least twenty (20) years of service with the District and who continue health insurance through a District-sponsored health insurance plan until the age of 65, the District will contribute up to $435 per month of the health insurance premium for the retiree and/or the retiree's spouse. At the age of 65, the retiree is required to enroll in Medicare and the District will continue to contribute up to $435 per month to a Medicare supplemental plan of the retiree's or retiree spouse's choice.

Effective February 7, 2006, the District extended the benefit described above to all new employees, as well as the employees who are part of the Union. However, the District administers a wide variety of other retirement benefits based on the plans in place when various long-term employees' retired and in conjunction with Ordinance 2006-01. The benefits for the few unrepresented and management employees as of April 11, 2006, are dictated by Ordinance 2006-01 as well. None of the previous arrangements are being extended to any new employees of the District.

Note 13: Post-Employment Benefits Other Than Pensions - continued

B. Funding Policy

The District's policy is to contribute an amount sufficient to pay the estimated amount required to cover benefits for the existing employees who may retire with 20 years of service. For fiscal year ended June 30, 2017, the District paid $98,186 for retiree benefits and received retiree contributions of $50,255, for a net cost of $47,931. Currently, there are 16 retirees who are receiving benefits. The District administers the plan described above and has accumulated $519,756 in cash and investments for these benefits as of June 30, 2017. However, as the plan is not administered with an irrevocable trust, this amount cannot be considered for prefunding.

C. Annual OPEB and Net OPEB Obligation

As the District administers the non-pension post-employment benefits plan, the District records the annual retiree benefit expense as the annual premium expense adjusted to the annual required contribution (ARC). The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45's Alternative Measurement Method allowed for employers with less than 100 plan members (active employees and eligible retirees). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	$ 135,841
Annual OPEB cost (expense)	135,841
Contributions made	(47,993)
Increase in net OPEB obligation	87,848
Net OPEB obligation - beginning of fiscal year	495,200
Net OPEB obligation - end of fiscal year	$ 583,048

The District 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016, and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Costs Contribution	Net OPEB Obligation (Asset)
June 30, 2015	$ 135,779	44%	$ 417,018
June 30, 2016	135,841	42%	495,200
June 30, 2017	135,841	35%	583,048

Note 13: Post-Employment Benefits Other Than Pensions – continued

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent Alternate Measurement Method valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,533,647, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,533,647. The covered payroll (annual payroll of active employees covered by the plan) was $777,837, and the ratio of the UAAL to the covered payroll was 197 percent.

The Alternate Measurement Method valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

E. Actuarial Methods and Assumptions

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

In the June 30, 2015, valuation, the attained age cost method was used. The valuation assumptions included a 0.5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 1.6 percent, and an annual healthcare cost trend rate of 3.6 percent. There are no assets designated for the plan as of June 30, 2017. The UAAL is being amortized over the average number of years remaining to be worked to reach the average retirement age of the active employees. The remaining amortization period at June 30, 2017, was ten years.

Note 14: Revenue Limitation Imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218 requires the voters' approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

The proposition also provides for a customer protest process when fees for services benefiting a property are proposed to be increased. The District follows this process when changes are contemplated for water sales and waste disposal zone charges.

Note 15: Commitments and Contingencies

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor Agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursements will be immaterial.

On November 16, 2012, the El Dorado County Superior Court ruled in favor of the District in a suit brought against the District, challenging the District's right and obligation to maintain infrastructure serving the public. The decision upholds the District's right and obligation to maintain public infrastructure.

At June 30, 2017, the District had commenced the retrofit related to the design of the Auburn Lake Trials Water Treatment Plant.

Compliance Order #01-09-04CO-002 was issued by the CA Dept. of Public Health on February 23, 2004, which required the District to provide surface water treatment that effectively reduces giardia cysts and viruses by 3 and 4 logs respectively, through filtration and disinfection at its Auburn Lake Trails Water Treatment Plant. Since then, regulations have added the requirement for the ALTWTP to effectively reduce cryptosporidium cysts by 2 logs. This later requirement is considered achieved when treatment requirements for giardia and viruses are being met. As of the date of these financial statements, the District is not in compliance with the Compliance Order. The ramifications of this non-compliance have not been determined, but may include possible fines and penalties.

Note 16: Subsequent Events

In preparing the accompanying financial statement, the District management has reviewed all known events that have occurred after June 30, 2017, and through December 29, 2017, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2017

Other Post-Employment Benefits

Schedule of Funding Progress

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
6/30/2010	$ 1,428,000	$ -	$ 1,428,000	0.0%	$ 1,448,117	98.6%
6/30/2011	1,290,449	-	1,290,449	0.0%	1,383,003	93.3%
6/30/2012	1,703,923	-	1,703,923	0.0%	1,586,957	107.4%
6/30/2015	1,533,647	-	1,533,647	0.0%	777,839	197.2%

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017

	June 30, 2017 *	June 30, 2016 *	June 30, 2015 *
Proportion of the net pension liability	0.15553%	0.19760%	0.16244%
Proportionate share of the net pension liability	$ 5,403,038	$ 4,788,730	$ 4,014,865
Covered-employee payroll	$ 1,190,407	$ 1,056,438	$ 1,058,538
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	453.88%	453.29%	379.28%
Plan's fiduciary net position	$ 10,398,057	$ 10,455,902	$ 11,715,109
Plan's total pension liability	$ 15,801,095	$ 15,244,632	$ 15,729,974
Plan's fiduciary net position as a percentage of its total pension liability	65.81%	68.59%	74.48%
Valuation date	6/30/2015	6/30/2014	6/30/2013

* Fiscal year ended June 30, 2015, was the first year of implementation; therefore, only three years of information was available.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2017

	June 30, 2017 *	June 30, 2016 *	June 30, 2015 *
Contractually required contributions (actuarially determined)	$ 532,748	$ 484,729	$ 316,796
Contributions in relation to the actuarially determined contributions	(532,748)	(484,729)	(316,796)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 1,190,407	$ 1,056,438	$ 1,058,538
Contribution as a percentage of covered-employee payroll	44.75%	45.88%	29.93%

* Fiscal year ended June 30, 2015, was the first year of implementation; therefore, only three years of information was available.

SUPPLEMENTARY INFORMATION

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Fiscal Year Ended June 30, 2016)

	Source of Water Supply	Transmission and Distribution - Raw Water	Water Treatment	Transmission and Distribution - Treated Water	Customer Service	Administrative and Hydroelectric	Site Wastewater Disposal Zone	Totals 2017	Totals 2016
Salaries and part-time labor	$ 110,085	$ 308,515	$161,835	$ 373,337	$ 121,972	$ 271,641	$ 75,917	$1,423,302	$ 1,340,014
CalPERS benefits	(9,985)	(109,356)	45,360	(38,786)	50,765	83,005	57,957	78,960	438,180
Payroll taxes	8,276	22,654	13,325	29,873	7,864	20,501	5,822	108,315	90,690
Insurance - health and life plans	28,261	76,683	45,404	103,276	35,123	25,765	21,136	335,648	277,115
Insurance - workers' compensation	7,537	20,578	4,818	14,280	1,122	1,235	3,294	52,864	67,887
Accounting and audit fees	-	-	-	-	-	16,640	-	16,640	15,000
ICMA benefits	-	-	-	-	-	2,385	-	2,385	-
Director stipends	-	-	-	-	-	24,031	-	24,031	6,321
Engineering fees	30,633	-	760	484	-	-	-	31,877	23,200
Insurance - general	4,146	17,010	10,735	16,737	6,072	4,882	2,456	62,038	25,858
Legal - general	-	-	-	-	-	103,522	13,125	116,647	61,917
Supplies, rentals and durable goods	38,432	43,219	66,287	91,374	492	7,222	8,229	255,255	125,651
Office supplies	14	344	217	3,354	13,622	31,979	2,113	51,643	298,010
Outside services	19,593	6,366	8,698	44,683	3,369	97,291	25,863	205,863	50,315
Retiree benefits	-	-	-	-	-	135,779	-	135,779	184,654
Development and travel	200	600	-	3,034	-	8,143	200	12,177	135,841
Utilities	2,729	337	149,812	11,976	3,479	22,970	12,186	203,489	18,571
Equipment and vehicle maintenance	3,504	13,930	5,937	12,869	1,383	2,235	8,212	48,070	183,728
Building maintenance	-	-	-	-	-	6,618	-	6,618	46,713
Vehicle operations	4,150	13,607	4,943	17,324	-	125	2,215	42,364	39,369
Regulatory requirements and fees	43,296	1,633	58,727	8,692	-	5,491	33,393	151,232	139,836
Other - County election admin.	-	-	-	-	-	6,816	-	6,816	-
Other - County property tax admin.	-	-	-	-	-	33,731	-	33,731	30,646
Other - Memberships	-	-	-	-	-	12,663	-	12,663	12,112
Depreciation	108,585	89,558	161,504	249,111	17,038	17,038	24,030	666,864	816,291
Other	380	858	80	241	313	31,746	115	33,733	8,798
Total	$ 399,836	$ 506,536	$738,442	$ 941,859	$ 262,614	$ 973,454	$ 296,263	$4,119,004	$ 4,436,717

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
RESTRICTED PLANT BENEFIT CHARGES AND DISCLOSURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water Development	Capital Facility Charges	Short-lived Asset Replacement	Community Disp. System Rep. Benefit	Comm. Disp. System Expan. Benefit	Total
Balance at June 30, 2015	$ 398,543	$ 1,641,898	$ 764,357	$ 44,148	$ 181,290	$3,030,236
Activity for fiscal year ended June 30, 2017:						
Sources:						
Transfer per District Reserve Policy					32,000	32,000
Interest earned	2,955	15,072	5,658	279	1,451	25,415
Restricted benefit charges	2,300	50,900	-	-	-	53,200
Total sources	5,255	65,972	5,658	279	33,451	110,615
Uses:						
Zone repair materials	-	-	-	(5,243)	-	(5,243)
Total uses	-	-	-	(5,243)	-	(5,243)
Balance at June 30, 2017	$ 403,798	$ 1,707,870	$ 770,015	$ 39,184	$ 214,741	$3,135,608

OTHER REPORT

FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Georgetown Divide Public Utility District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Georgetown Divide Public Utility District's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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and California Society of CPAs

Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company,
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
December 29, 2017