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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

FOR THE YEAR ENDED JUNE 30, 2018 ANNUAL FINANCIAL REPORT

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

LSL
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INDEPENDENT AUDITORS' 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 aggregate remaining fund information of the Georgetown Divide Public Utility District, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special District. 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.

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

PrimeGlobal
An Association of
Independent Accounting Firms
203 N. Brea Blvd., Suite 203 | Brea, CA 92821 | Phone: 714.672.0022

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in the total OPEB liability and related ratios 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.

Prior Year Comparative Information

The financial statements for the year ended June 30, 2017, were audited by other auditors whose report dated December 29, 2017 expressed an unmodified opinion on those financial statements.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial information was derived. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements, and accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

CPAs AND ADVISORS

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 31, 2018 on our consideration of the effectiveness 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 solely 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 the District's effectiveness of 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.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 31, 2018

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Management's Discussion and Analysis
June 30, 2018

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, 2018. 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, 2018 was $5,684,105, an increase of $542,981 or 10.6% from the previous fiscal year. Total expenses were $5,627,153, an increase of $1,427,266 or 33.98% from the previous fiscal year. The increase in net position was $56,952 for the fiscal year.

Operating revenue totaled $2,844,286 for the fiscal year ended June 30, 2018, an increase of $620,286 or 27.89% from the previous fiscal year. Operating expenses totaled $5,484,737 an increase of $1,365,733 or 33.16% from the previous fiscal year.

Non-operating revenue and contributions was $2,839,819, a decrease of $77,305 or -2.65%. Non-operating expense was $142,416, an increase of $61,533 or 76.08%. The remaining non-operating revenue supplements operating revenue to cover operating expenses and capital improvements.

Other significant financial activities were:

- Construction of the replacement Auburn Lake Trails Water Treatment Plant.
- Completion of a Water Financial Analysis and associated water rate increase beginning January 2018
- Hiring a Water Resources Manager and Management Analyst

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, 2018; the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the fiscal year ended June 30, 2018; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2018. 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, except for the cash flow statement, 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.

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 deferred outflows, liabilities, deferred inflows and net position as of June 30, 2018. Net Position increased by $56,952 to $16,459,493 in fiscal year 2018. Total assets and deferred outflows increased by $7,234,037 or 26.88%. Of this amount, $1,515,797 is due to an increase in current assets (eg. cash and investments, and receivables). The remaining increase in total assets is due to increased value of capital assets due to construction projects. Liabilities and deferred inflows increased by $7,962,806 from the previous fiscal year. The majority of the increase in liabilities is due to long term debt acquired for the construction of the new Auburn Lake Trails Water Treatment Plant. A summary of the District's Statement of Net Position is presented in Table A-1.

Management's Discussion and Analysis
June 30, 2018

Table A-1
Condensed Statement of Net Position

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Current Assets	$ 8,275,201	$ 6,759,404	$ 1,515,797	22.43%
Restricted Assets	3,334,936	4,107,911	(772,975)	-18.82%
Capital Assets, Net of Accumulated Depreciation	20,883,752	14,460,695	6,423,057	44.42%
Total Assets	32,493,889	25,328,010	7,165,879	28.29%
Deferred Outflows of Resources	1,650,190	1,582,032	68,158	4.31%
Total Assets and Deferred Outflows of Resources	34,144,079	26,910,042	7,234,037	26.88%
Current Liabilities	2,079,468	378,898	1,700,570	448.82%
Current Restricted Liabilities		1,122,600	(1,122,600)	-100.00%
Long-term Liabilities	15,440,923	7,985,590	7,455,333	93.36%
Deferred Inflows of Resources	164,195	234,692	(70,497)	-30.04%
Total Liabilities and Deferred Inflows of Resources	17,684,586	9,721,780	7,962,806	81.91%
Net Investment in Capital Assets	12,650,488	12,526,296	124,192	0.99%
Restricted Net Position for Facilities	2,384,572	2,365,593	18,979	0.80%
Restricted Net Position for Debt Service	73,879	358,941	(285,062)	-79.42%
Unrestricted Net Position	1,350,554	1,937,432	(586,878)	-30.29%
Total Net Position	$ 16,459,493	$ 17,188,262	$ (728,769)	-4.24%

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 exceed expenses by $56,952. Ending net position totaled $16,459,493. Total revenues increased by $258,149 in 2018 totaling $5,399,273. Operating revenue increased by $620,286. 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 2018	Fiscal Year 2017	Dollar Change	Percent Change
Operating Revenues	$ 2,844,286	$ 2,224,000	$ 620,286	27.89%
Non-operating Revenues and Contributions	2,839,819	2,917,124	(77,305)	-2.65%
Total Revenues	5,684,105	5,141,124	542,981	10.56%
Operating Expenses	5,484,737	4,119,004	1,365,733	33.16%
Non-operating Expenses	142,416	80,883	61,533	76.08%
Total Expenses	5,627,153	4,199,887	1,427,266	33.98%
Net Income (Loss)	56,952	941,237	(884,285)	-93.95%
Beginning Net Position, as restated	16,402,541	16,247,025	(417,448)	-2.57%
Ending Net Position	$ 16,459,493	$ 17,188,262	$ (1,301,733)	-7.57%

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 significantly due to the newly adopted rate structure. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Water Sales - Residential	$1,862,227	$1,350,610	$511,617	37.88%
Water Sales - Commercial	260,936	224,924	36,012	16.01%
Water Sales - Irrigation	317,330	224,156	93,174	41.57%
Water Disposal Fees and Charges	344,440	347,582	(3,142)	-0.90%
Penalties	48,499	43,652	4,847	11.10%
Connections	10,854	33,044	(22,190)	-67.15%
Other Operating Revenues		32	(32)	-100.00%
Total Operating Revenues	$2,844,286	$2,224,000	$620,286	27.89%

Operating Expenses by Department

Total operating expenses increased $1,365,733 or 33.16% to $5,484,737. Changes to Net Pension Liability, Deferred Inflows and Outflows of Resources, and pension expenses resulted in an increase of $760,170 to the operating expenses. Additional information about Pensions can be obtained in Note 11 of the notes to the financial statements. The bulk of the remainder of the increase in expenses can be attributed to improving District operations and emergency repairs; such as increased financial and accounting consulting, staffing for key positions, hiring a General Manager, State required wastewater system analysis, State required water gauging, State required spillway assessment and emergency action plan, and emergency repairs to the existing Auburn Lake Trails Water Treatment Plant. The hydroelectric activities are combined with the administrative activities as they are not material enough to present separately. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Source of Supply	$ 507,060	$ 291,251	$ 215,809	74.10%
Transmission and Distribution – Raw Water	694,663	416,978	277,685	66.59%
Water Treatment	835,115	576,938	258,177	44.75%
Transmission and Distribution – Treated Water	806,764	692,748	114,016	16.46%
Customer Service	217,882	245,576	(27,694)	-11.28%
Administrative and Hydroelectric	1,431,594	956,416	475,178	49.68%
Depreciation and Amortization	652,963	666,864	(13,901)	-2.08%
On-site Wastewater Disposal Zone	338,696	272,233	66,463	24.41%
Total Operating Expenses	$ 5,484,737	$ 4,119,004	$ 1,365,733	33.16%

Operating Revenues vs. Operating Expenses

The District's operating loss increased by $745,447. 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 2018	Fiscal Year 2017	Dollar Change	Percent Change
Operating Revenues	$ 2,844,286	$ 2,224,000	$ 620,286	27.89%
Operating Expenses	5,484,737	4,119,004	1,365,733	33.16%
Operating Loss	$ (2,640,451)	$ (1,895,004)	$ (745,447)	39.34%

Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. Lease revenue increased significantly this year due to a new lease being executed with AT&T for antenna colocation on a District owned tower. In addition, the District collected an additional Surcharge to fund the loan for the new Auburn Lake Trails Water Treatment Plant. Non-operating revenues from capital contributions decreased due to a reduction in grant reimbursements. Interest payments to the State Water Resources Control Board loan for the Auburn Lake Trails Water Treatment Plant are listed as "Other" non-operating expense. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2018	Fiscal Year 2017	Dollar Change	Percent Change
Property Taxes – General	$ 1,577,792	$ 1,524,159	$ 53,633	3.52%
Interest Income	88,287	67,985	20,302	29.86%
Capital Facility Payments	26,892	53,200	(26,308)	-49.45%
Lease Revenue	128,399	65,795	62,604	95.15%
Hydroelectric Royalty Payments	28,858	49,655	(20,797)	-41.88%
SMUD Payment	109,315	107,729	1,586	1.47%
Gain on sale of asset	875	-	875	100.00%
Surcharge	657,545	328,751	328,794	100.01%
Capital contributions	221,856	715,365	(493,509)	-68.99%
Other	-	4,488	(4,488)	-100.00%
Total Non-Operating Revenues (Including Property Owner Contributions)	2,839,819	2,917,127	(77,308)	-2.65%
Total Non-operating Expenses	(142,416)	80,884	(223,300)	-276.07%
Non-operating Income less Non-operating Expense	$ 2,697,403	$ 2,998,011	$ (300,608)	-10.03%

Capital Assets

The District's investment in capital assets for the fiscal year was $7,076,020, which includes $5,600,764 capital additions. The most significant investments in capital assets are:

- $5,551,667 Auburn Lake Trails Water Treatment Plant Retrofit project,
- $49,097 Water Conservation, Supply Reliability, and Environmental Protection Project (CABY).

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, 2018, the District had $15,507,530 in long-term debt, including compensated absences, net pension liability and other postemployment benefits obligations, $7,274,266 more than the prior fiscal year. This increase is primarily due to the loan for construction of the new Auburn Lake Trails Water Treatment Plant. 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 5 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. The *Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting by Employers for Pensions* established new accounting rules for reporting pension obligations effective years ending after June 15, 2013. Prior to this pension obligations were not accounted for on the balance sheet. Actuarial valuations are provided by CalPERS that support the calculation of the Net Pension Liability and related Deferred Outflows and Inflows of Resources. Net Pension liability is determined by accounting for the proportionate share of the actuarially determined total pension liability less the proportionate share of the actuarially determined fiduciary net position of the cost-sharing plan. Year over year changes to the actuarial assumptions are amortized over a fixed period and accounted for in Deferred Outflows and Inflows of Resources in order to smooth the otherwise large swings in changes. The net of all annual changes to Net Pension Liability and Deferred Inflows and Outflows of Resources are recognized in Pension Expense. At June 30, 2018, the District reported $5,909,716 in Net Pension liability, an increase of $506,678 (9.4%) from the prior year balance of $5,403,038. Deferred Outflows of Resources were $1,650,190, up $68,158 (4.3%) from the prior year balance of $1,582,032. Deferred Inflows of Resources were $164,195, down $70,497 (-30%) from the prior year balance of $234,692. Pension expense was $942,431, an increase of $760,170 (417%) from the prior year amount of $182,261. Additional information about Pensions can be obtained in Note 11 of the notes to the financial statements.

Postemployment Benefits Other Than Pensions

The District has been endeavoring to fund these benefit commitments for many years. 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. Effective fiscal years ending after June 15, 2017 *Government Accounting Standards Board Statement No. 75 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* require municipalities to report a Net OPEB Liability similar to that of Net Pension Liability. A calculation of the future liability for these benefits has been prepared utilizing the alternative measurement method allowed by the statement for small employers with less than 100 participants. The estimated actuarial liability at June 30, 2018 is $1,302,311, an increase of $719,263 (123%) from the prior year balance of $583,048 as calculated under GASB 45. 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 13 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 Financial Analysis in October 2017. The purpose of the Analysis was to ensure the financial strength of the District, expose the need to set reserves aside for future replacement of failing components, allocate shared costs between treated water and irrigation water customers, and identify any other financial deficiencies of the District. This Analysis recommended a new rate structure and higher rates which were adopted by the Board of Directors and went into effect in January 2018. The new rate structure includes five years of increases which will continue until 2022. The last water rate study performed by the District was in 2008, and the last water rate increase was in 2011. Best practice is to review and update rates every three to five years.

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 UTILITIES DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Water	Wastewater Disposal	Totals 2018	Totals 2017
Assets:				
Current:				
Cash and investments	$ 5,974,176	$ 941,586	$ 6,915,762	$ 6,094,134
Receivables:				
Accounts	1,235,551	2,334	1,237,885	511,658
Accrued interest	29,616	3,877	33,493	16,618
Inventory	-	-	-	42,990
Deposits and prepaid expenses	88,061	-	88,061	94,004
Total Current Assets	**7,327,404**	**947,797**	**8,275,201**	**6,759,404**
Noncurrent:				
Restricted:				
Cash and investments	2,974,033	223,812	3,197,845	3,933,223
Assessments	137,091	-	137,091	174,688
Capital assets - net of accumulated depreciation	20,699,580	184,172	20,883,752	14,460,695
Total Noncurrent Assets	**23,810,704**	**407,984**	**24,218,688**	**18,568,606**
Total Assets	**31,138,108**	**1,355,781**	**32,493,889**	**25,328,010**
Deferred Outflows of Resources:				
Deferred pension related items	1,594,942	55,248	1,650,190	1,582,032
Total Deferred Outflows of Resources	**1,594,942**	**55,248**	**1,650,190**	**1,582,032**
Liabilities:				
Current:				
Accounts payable	1,827,413	418	1,827,831	1,417,968
Accrued liabilities	56,002	3,157	59,159	47,701
Accrued interest	124,871	-	124,871	5,403
Unearned revenues	-	-	-	22,526
Deposits payable	1,000	-	1,000	7,900
Accrued compensated absences	4,839	-	4,839	35,237
Bonds, notes, and capital leases	61,768	-	61,768	94,440
Total Current Liabilities	**2,075,893**	**3,575**	**2,079,468**	**1,631,175**
Noncurrent:				
Accrued compensated absences	53,554	3,846	57,400	29,868
Total OPEB liability	1,302,311	-	1,302,311	583,048
Net pension liability	5,728,574	181,142	5,909,716	5,403,038
Bonds, notes, and capital leases	8,171,496	-	8,171,496	1,839,959
Total Noncurrent Liabilities	**15,255,935**	**184,988**	**15,440,923**	**7,855,913**
Total Liabilities	**17,331,828**	**188,563**	**17,520,391**	**9,487,088**
Deferred Inflows of Resources:				
Deferred pension related items	154,579	9,616	164,195	234,692
Total Deferred Inflows of Resources	**154,579**	**9,616**	**164,195**	**234,692**
Net Position:				
Net investment in capital assets	12,466,316	184,172	12,650,488	12,526,296
Restricted for new facilities	2,160,058	224,514	2,384,572	2,365,593
Restricted for debt service	73,879	-	73,879	358,941
Unrestricted	546,390	804,164	1,350,554	1,937,432
Total Net Position	**$ 15,246,643**	**$ 1,212,850**	**$ 16,459,493**	**$ 17,188,262**

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Water	Wastewater Disposal	Totals 2018	Totals 2017
Operating Revenues:				
Water sales:				
Residential	$ 1,862,227	$ -	$ 1,862,227	$ 1,350,610
Commercial	260,936	-	260,936	224,924
Irrigation	317,330	-	317,330	224,156
Installations and connections	10,854	-	10,854	33,044
Waste disposal:				
Zone Charges	-	313,315	313,315	311,477
Design Fees	-	2,400	2,400	6,600
Escrow Fees	-	28,725	28,725	29,505
Penalties	48,499	-	48,499	43,684
Total Operating Revenues	**2,499,846**	**344,440**	**2,844,286**	**2,224,000**
Operating Expenses:				
Source of supply	507,060	-	507,060	291,251
Transmission and distribution - raw water	694,663	-	694,663	416,978
Water treatment	835,115	-	835,115	576,938
Transmission and distribution - treated water	806,764	-	806,764	692,748
Customer service	217,882	-	217,882	245,576
Administration and hydroelectric	1,417,446	14,148	1,431,594	956,416
On-site wastewater disposal zone	-	338,696	338,696	272,233
Depreciation expense	629,569	23,394	652,963	666,864
Total Operating Expenses	**5,108,499**	**376,238**	**5,484,737**	**4,119,004**
Operating Income (Loss)	(2,608,653)	(31,798)	(2,640,451)	(1,895,004)
Nonoperating Revenues (Expenses):				
Tax revenue - general	1,577,792	-	1,577,792	1,524,159
Surcharge	657,545	-	657,545	328,751
Interest revenue	76,606	11,681	88,287	67,984
Lease revenue	128,399	-	128,399	65,795
SMUD payment	109,315	-	109,315	107,729
Hydroelectric royalty payments	28,858	-	28,858	49,655
Capital facility charge	26,892	-	26,892	53,200
Gain on disposal of capital assets	875	-	875	-
Other revenue	-	-	-	4,486
Interest expense	(138,046)	-	(138,046)	(25,210)
Other expense	(4,370)	-	(4,370)	(55,673)
Total Nonoperating Revenues (Expenses)	**2,463,866**	**11,681**	**2,475,547**	**2,120,876**
Income (Loss) Before Capital Contributions and Transfers	(144,787)	(20,117)	(164,904)	225,872
Capital contributions	221,856	-	221,856	715,365
Transfers in	-	-	-	97,736
Transfers out	-	-	-	(97,736)
Changes in Net Position	77,069	(20,117)	56,952	941,237
Net Position:				
Beginning of Year, as previously reported	15,955,295	1,232,967	17,188,262	16,247,025
Restatements	(785,721)	-	(785,721)	-
Beginning of Fiscal Year, as restated	15,169,574	1,232,967	16,402,541	16,247,025
End of Fiscal Year	**$ 15,246,643**	**$ 1,212,850**	**$ 16,459,493**	**$ 17,188,262**

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Fiscal Year Ended June 30, 2017)

	Water	Wastewater Disposal	Totals 2018	Totals 2017
Cash Flows from Operating Activities:				
Cash received from customers and users	$ 1,743,279	$ 345,354	$ 2,088,633	$ 2,080,851
Cash paid to suppliers for goods and services	(1,499,626)	(218,067)	(1,717,693)	(1,289,153)
Cash paid to employees for services	(2,226,912)	(118,216)	(2,345,128)	(2,368,115)
Net Cash Provided (Used) by Operating Activities	**(1,983,259)**	**9,071**	**(1,974,188)**	**(1,576,417)**
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	9,359
Cash transfers in	-	-	-	(9,359)
Property taxes received	1,577,792	-	1,577,792	1,524,159
Surcharge	657,545	-	657,545	328,751
Assessment receivable payments	37,597	-	37,597	102,826
Receipts from capacity charges	26,892	-	26,892	53,200
SMUD payment	109,315	-	109,315	107,729
Hydroelectric royalty payments	28,858	-	28,858	49,655
Other revenue	-	-	-	4,486
Other expense	(4,370)	-	(4,370)	(55,673)
Receipts from cellular antenna rentals	128,399	-	128,399	65,795
Net Cash Provided (Used) by Non-Capital Financing Activities	**2,562,028**	**-**	**2,562,028**	**2,180,928**
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	6,534,990	-	6,534,990	1,157,141
Capital grant	221,856	-	221,856	715,365
Acquisition and construction of capital assets	(7,076,020)	-	(7,076,020)	(1,742,763)
Principal paid on capital debt	(236,125)	-	(236,125)	(103,382)
Interest paid on capital debt	(18,578)	-	(18,578)	(25,453)
Proceeds from sales of capital assets	875	-	875	-
Net Cash Provided (Used) by Capital and Related Financing Activities	**(573,002)**	**-**	**(573,002)**	**908**
Cash Flows from Investing Activities:				
Interest received	60,817	10,595	71,412	58,728
Net Cash Provided (Used) by Investing Activities	**60,817**	**10,595**	**71,412**	**58,728**
Net Increase (Decrease) in Cash and Cash Equivalents	**66,584**	**19,666**	**86,250**	**664,147**
Cash and Cash Equivalents at Beginning of Year	8,881,625	1,145,732	10,027,357	9,363,210
Cash and Cash Equivalents at End of Year	**8,948,209**	**1,165,398**	**10,113,607**	**10,027,357**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(2,608,653)	(31,798)	(2,640,451)	$ (1,895,004)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:				
Depreciation	629,569	23,394	652,963	666,864
(Increase) decrease in accounts receivable	(727,141)	914	(726,227)	(144,852)
(Increase) decrease in inventory	42,990	-	42,990	(1,164)
(Increase) decrease in deposits and prepaid expense	4,061	1,882	5,943	7,220
(Increase) decrease in deferred outflow - pension	(60,371)	(7,787)	(68,158)	(1,097,303)
Increase (decrease) in accounts payable	412,253	(2,390)	409,863	153,158
Increase (decrease) in accrued liabilities	10,638	820	11,458	(1,812)
Increase (decrease) in deposits payable	(6,900)	-	(6,900)	2,300
Increase (decrease) in compensated absences	(5,276)	2,410	(2,866)	(5,497)
Increase (decrease) in post-employment benefits	(66,458)	-	(66,458)	87,848
Increase (decrease) in deferred inflow - pension	(73,072)	2,575	(70,497)	35,814
Increase (decrease) in net pension liability	487,627	19,051	506,678	614,308
Increase (decrease) in unearned revenue	(22,526)	-	(22,526)	1,703
Total Adjustments	**625,394**	**40,869**	**666,263**	**318,587**
Net Cash Provided (Used) by Operating Activities	**$ (1,983,259)**	**$ 9,071**	**$ (1,974,188)**	**$ (1,576,417)**

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018
(With Comparative Totals for June 30, 2017)

	Totals	
	2018	**2017**
Assets:		
Pooled cash and investments	$ 89,880	$ 84,638
Receivables:		
Assessments	148,256	154,919
Accrued interest	291	-
Due from other agencies	8,330	-
Total Assets	**$ 246,757**	**$ 239,557**
Liabilities:		
Accounts payable	$ -	$ 746
Accrued interest	1,059	2,246
Unearned revenues	61,851	52,718
Long-term liabilities:		
Due in one year	5,553	5,553
Due in more than one year	178,294	178,294
Total Liabilities	**$ 246,757**	**$ 239,557**

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of Entity

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.

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.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

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:

<u>Water</u>

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.

<u>Wastewater Disposal</u>

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.

e. Basis of Accounting

The 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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 supplied 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.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

p. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflows of resources has a positive effect on net position, similar to assets, and a deferred inflows of resources has a negative effect on net position, similar to liabilities. The District has certain items, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

q. Pension Plan

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 Cal PERS. 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.

r. Other Post-employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined using the alternative measurement valuation method accepted by GASB Statement No. 75 for plans with fewer than 100 employees (active and inactive). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

s. New Accounting Pronouncements

GASB Statement No. 75 *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions* - improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This Statement replaces GASB 45 and GASB 57.

Note 2: Cash and Investments

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	$ 6,915,762
Restricted cash and investments	3,197,845
Cash and Investments, Statement of Net Position	10,113,607
Cash and Investments, Statement of Fiduciary Assets and Liabilities	89,880
Total Cash and Investments	$ 10,203,487

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	$ 450
Deposits with financial institutions	3,162,880
Investments	7,040,157
Total Cash and Investments	$ 10,203,487

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.

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:

	Remaining Maturity (in Months)
Investment Type	12 Months or Less
State Investment Pool (LAIF)	$ 7,004,300
Held by Debt Trustees	
Money Market Funds	35,857
	$ 7,040,157

Note 2: Cash and Investments (Continued)

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.

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End: AAA	Rating as of Fiscal Year End: Not Rated
State Investment Pool (LAIF)	$ 7,004,300	N/A	$ -	$ 7,004,300
Held by Debt Trustees:				
Money Market Funds	35,857	N/A	-	35,857
	$ 7,040,157		$ -	$ 7,040,157

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, 2018, $2,912,880 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)

Restricted cash and investments are identified by use as follows at June 30, 2018:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey South	$ 55,526	$ -	$ 55,526
Kelsey North	129,783	-	129,783
State Revolving Fund	32,527	-	32,527
Total Debt Service Cash and Investments	217,836	-	217,836
New Facilities:			
Capital Facility Charges	1,746,358	-	1,746,358
Water Development	406,531	-	406,531
Auburn Lake Trails Retrofit Project	603,308	-	603,308
Community Disposal System Replacement and Expansion	-	223,812	223,812
Total New Facilities Cash and Investments	2,756,197	223,812	2,980,009
Total Restricted Cash and Investments	$ 2,974,033	$ 223,812	$ 3,197,845

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, 2018, were as follows:

	Current	Non-Current	Total
Water Restricted Assessments Receivable	$ 22,202	$ 114,889	$ 137,091
Fiduciary Assessments Receivable	4,566	143,690	148,256
Total Assessments Receivable	$ 26,768	$ 258,579	$ 285,347

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, 2018, consisted of the following:

	Ending Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
Nondepreciable Capital Assets:				
Land and land right	$ 770,975	$ -	$ -	$ 770,975
Construction-in-progress	3,512,007	7,068,037	-	10,580,044
Total nondepreciable capital assets	4,282,982	7,068,037	-	11,351,019
Capital assets, being depreciated:				
General plant equipment and facilities	1,273,069	-	-	1,273,069
Water treatment	5,768,188	2,830	-	5,771,018
Transmission and distribution	13,528,095	5,153	-	13,533,248
Auburn Lake Trails septic facilities	847,140	-	-	847,140
Source of supply	6,784,396	-	-	6,784,396
Total Capital Assets, Being Depreciated	28,200,888	7,983	-	28,208,871
Less Accumulated Depreciation:	(18,023,175)	(652,963)	-	(18,676,138)
Net depreciable capital assets	10,177,713	(644,980)	-	9,532,733
Capital Assets, Net	$ 14,460,695	$ 6,423,057	$ -	$ 20,883,752

Depreciation Allocations

Depreciation expense was charged to each fund based on their usage of the related assets. The amounts allocated to each fund was as follows:

Water	$ 629,569
Wastewater Disposal	23,394
Total Depreciation Expense	$ 652,963

Note 5: Long-Term Debt

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Repayments	Outstanding June 30, 2018	Due Within One Year
Notes Payable:					
Kelsey North Water AD 1989-1	$ 270,414	$ -	$ 21,861	$ 248,553	$ 22,604
Kelsey South Water AD 1989-4	177,518	-	177,518	-	-
Walton Lake Water Treatment Plant Filter Replacement	280,474	-	18,759	261,715	19,190
United States Bureau of Reclamation	4,538	-	4,538	-	-
Total Notes Payable	732,944	-	222,676	510,268	41,794
Loans Payable:					
ALT State Revolving Fund Loan	1,157,141	6,534,990	-	7,692,131	-
Total Loans Payable	1,157,141	6,534,990	-	7,692,131	-
Capital Leases:					
Verizon	5,963	-	-	5,963	5,963
Santander Financing	38,351	-	13,449	24,902	14,011
Total Capital Leases	44,314	-	13,449	30,865	19,974
Total Bonds, Notes and Capital Leases	1,934,399	6,534,990	236,125	8,233,264	61,768
Compensated Absences	65,105	2,410	5,276	62,239	4,839
	$ 1,999,504	$ 6,537,400	$ 241,401	$ 8,295,503	$ 66,607

a. Notes Payable

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.

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 and October 1, beginning April 1993 and ending October 1, 2022, included interest on the outstanding note balance at 3.41%. Payments are made from assessments collected from the Assessment District. In the current fiscal year, this note was fully repaid.

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 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%.

Note 5: Long-Term Debt (Continued)

Unites 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. In the current fiscal year, this note was fully repaid.

Future Minimum debt service requirements for aggregate notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 41,794	$ 14,059	$ 55,853
2020	42,989	12,864	55,853
2021	44,263	11,591	55,854
2022	45,532	10,321	55,853
2023	46,853	9,000	55,853
2024-2028	240,120	23,747	263,867
2029-2030	48,717	1,399	50,116
	$ 510,268	$ 82,981	$ 593,249

b. Loans Payable

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%. The District is required to repay interest semi-annually until one year after construction is completed. No later than one year after construction is completed, principal and additional interest accrued on the project funds are to be repaid semi-annually. Construction is estimated to be completed in fiscal year 2018-2019. The District has been approved to loan a maximum of $10 million.

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.

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 accumulated depreciation and related depreciation expense on the truck for the year ended June 30, 2018 was $24,483 and $10,881, respectively.

Note 5: Long-Term Debt (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 14,011	$ 760	$ 14,771
2020	10,891	228	11,119
	$ 24,902	$ 988	$ 25,890

d. 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.

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, 2018, and June 30, 2017, was $178,294 and $183,846, respectively.

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

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.

Note 7: On-Site Wastewater Disposal Zone (O.S.W.D.Z.) (Continued)

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: Restricted Benefit Charges

This non-operating revenue is comprised of various benefit charges and interest earned on the corresponding deposits. The implementation of the Capital Facility Charges beginning 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.

Restricted Net Position

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.

Note 9: Net Position (Continued)

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.

Restricted and unrestricted net position is identified by use as follows as of June 30, 2018:

	Water	Waste Disposal	Total
Restricted Net Position:			
New Facilities:	$ 407,891	$ -	$ 407,891
Water Development	1,752,167	-	1,752,167
C.D.S. Replacement	-	39,581	39,581
C.D.S. Expansion	-	184,933	184,933
Total New Facilities Net Position	2,160,058	224,514	2,384,572
Debt Service:			
Kelsey North	18,351	-	18,351
Kelsey South	55,528	-	55,528
Total Debt Service Net Position	73,879	-	73,879
Total Restricted Net Position	$ 2,233,937	$ 224,514	$ 2,458,451
Unrestricted Net Position:			
Unrestricted Designated Net Position:			
Stumpy Medows Emergency Reserve	$ 1,054,500	$ -	$ 1,054,500
Short-lived Asset Replacement	776,939	-	776,939
Capital Reserve	844,604	-	844,604
EPA	1,118,428	-	1,118,428
Garden Valley	106,451	-	106,451
Hydroelectric	660,467	-	660,467
Total Unrestricted Designated Net Position	4,561,389	-	4,561,389
Unrestricted Undesignated Net Position	(4,014,999)	804,164	(3,210,835)
Total Unrestricted Net Position	$ 546,390	$ 804,164	$ 1,350,554

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 (Authority), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of the Authority 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 Authority for its general liability, automobile, property, fidelity coverage, and workers' compensation. The agreement for formation of the Authority provides that the Authority 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 official's liability) for each insured event, except for workers compensation which will reinsure for claims in excess of $2,000,000. The deductibles for the Authority do not exceed $2,500. Total premiums paid for fiscal year 2018 were $129,198.

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. Cal PERS 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 service are eligible to retire at age 50 with statutorily reduced 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)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Cost-Sharing Rate Plans		
	Tier 1*	Tier 2*	PEPRA
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	minimum 55 yrs	minimum 55 yrs	minimum 55 yrs
Monthly benefits, as a % of eligible compensation	2.70%	2.70%	2.00%
Required employee contribution rates	8.000%	8.000%	6.250%
Required employer contribution rates	139.565%	13.460%	6.569%

*Plan is closed to new entrants

Contribution Description—

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the employer contributions recognized as a reduction to the net pension liability for the Plan was $532,738.

b. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan of $5,909,716.

	Net Pension Liability
Proportion - June 30, 2016	$ 5,403,038
Proportion - June 30, 2017	5,909,716
Change - Increase(Decrease)	$ 506,678

Note 11: Defined Benefit Pension Plan (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017, was as follows:

	Net Pension Liability
Proportion - June 30, 2016	0.15553%
Proportion - June 30, 2017	0.14991%
Change - Increase(Decrease)	-0.00562%

For the year ended June 30, 2018, the District recognized a total pension expense of $942,431 for the plan. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions that occurred after the measurement date of June 30, 2017	$ 574,408	$ -
Change of Assumption	701,419	53,484
Difference between Expected and Actual Experiences	5,653	80,991
Net Difference between Projected and Actual Earnings on Pension Plan Investments	158,632	-
Adjustment due to differences in proportions	76,607	-
Difference in proportionate share	133,471	29,720
Total	**$ 1,650,190**	**$ 164,195**

The $574,408 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, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2018	$ 246,823
2019	480,861
2020	278,085
2021	(94,182)
	$ 911,587

Note 11: Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
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. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF C). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

Note 11: Defined Benefit Pension Plan (Continued)

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF C) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 PERF C 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 equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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 on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

Note 11: Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate—

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate - 1% 6.15%	Current Discount 7.15%	Discount Rate +1% 8.15%
Plan Net Pension Liability	$ 8,221,792	$ 5,909,716	$ 3,994,812

Pension Plan Fiduciary Net Position—

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

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, 2018. 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.

Employees Covered

As of the June 30, 2018 alternative measurement method valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active	23
Inactive employees or beneficiaries currently receiving benefits	14
	37

Contributions

The plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2018, the District’s cash contributions were $76,948, which were recognized as a reduction to the OPEB Liability.

Note 13: Post-Employment Benefits Other Than Pensions (Continued)

Total OPEB Liability

The District's Total OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the total OPEB liability was determined by an alternate measurement method valuation dated June 30, 2018 that was used to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Contribution Policy	No pre-funding
Discount Rate	7.00%
Inflation	7.00%
Overall payroll growth	2.75%
Wage inflation	5.30%
Healthcare Trend	5.30%

Notes:
(1) Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. The District does not participate in a trust fiduciary fund.

Note 13: Post-Employment Benefits Other Than Pensions (Continued)

Changes in the OPEB Liability

The changes in the Total OPEB liability for the plan are as follows:

	Increase(Decrease) Total OPEB Liability
Balance at June 30, 2017	$ 1,325,779
Changes recognized over the measurement period:	
Service Cost	19,623
Interest	33,857
Benefit Payments	(76,948)
Net Changes	(23,468)
Balance at June 30, 2018	$ 1,302,311

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 1,465,014	$ 1,302,311	$ 1,165,159

Expense Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of ($23,468).

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.

In 2010, the District was sued over its' rights to replace a key piece of infrastructure serving the public. Both Trial and Appellate Courts have ruled in the District's favor in this lawsuit; and the California Supreme Court rejected the plaintiff's petition to hear the case. The decision upholds the District's right and obligation to maintain public infrastructure.

At June 30, 2018, the District had continued 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, 2018, and through December 31, 2018, the date when this financial statement was available to be issued, for inclusion in the financial statement and footnotes.

Note 17: Restatement of Net Position

Net position was restated in the amount of ($785,721) in the Water Fund as a result of the implementation of GASB 75 and the removal on items previously recorded as inventory that should have been expensed in previous years.

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEAR (1)

	2015	2016	2017	2018
Miscellaneous Rate Plan				
Rate Plan's Proportion of the Net Pension Liability	0.16244%	0.06977%	0.06244%	0.05959%
Rate Plan's Proportionate Share of the Net Pension Liability	$ 4,014,865	$ 4,788,730	$ 5,403,038	$ 5,909,716
Rate Plan's Covered Payroll	$ 870,074	$ 896,800	$ 1,057,557	$ 1,190,555
Rate Plan's Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	461.44%	533.98%	510.90%	496.38%
The Pension Plan's (PERF-C) Fiduciary Net Position as a Percentage of the Total Pension Liability	74.48%	78.40%	74.06%	73.31%

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of adminstrative expense) to 7.65 percent (without a reduction for pension plan adminstrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

COST SHARING MULTIPLE-EMPLOYER PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEAR (1)

	2015	2016	2017	2018
Miscellaneous Rate Plan				
Actuarially Determined Contribution	$ 316,796	$ 484,729	$ 532,748	$ 574,408
Contribution in Relation to the Actuarially Determined Contribution	(316,796)	(484,729)	(532,748)	(574,408)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 896,800	$ 1,057,557	$ 1,190,555	$ 1,281,439
Contributions as a Percentage of Covered-Employee Payroll	35.33%	45.83%	44.75%	44.83%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only four years are shown.

Note to Schedule:

Valuation Date:	June 30, 2015
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Assets valuation method	Market Value
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age,. Service, and type of employment.
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation of 2.75% and an annual production growth of 0.25%.

GEORGETOWN DIVIDE PUBLIC UTILITIES DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

		2018
Total OPEB Liability		
Service cost	$	19,623
Interest on the total OPEB liability		33,857
Benefit payments		(76,948)
Net change in total OPEB liability		**(23,468)**
Total OPEB liability - beginning		**1,325,779**
Total OPEB Liability	**$**	**1,302,311**
Covered-employee payroll	$	1,390,335
Total OPEB liability as a percentage of covered-employee payroll		93.67%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in assumptions: None

LSL

CPAs AND ADVISORS

INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund the Georgetown Divide Public Utility District, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 31, 2018.

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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Capital Asset Reconciliation

Through LSL's procedures to verify the appropriateness of the District's expenditures, material expenses were identified that should have been capitalized totaling $1,376,181. We identified these costs related to the District's ALT Water Treatment Plant Retrofit Project should have been capitalized along with the entire project, and as such a material journal entry was necessary to include such costs. We recommend that the District reconcile capital asset activity throughout the audit period to ensure all capitalizable costs are properly reflected in the financial statements.

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

Management's Response – The District accepts this finding and has implemented additional procedures to mitigate the future occurrence of errors related to the timing in year-end accrual entries and the preparation of capital asset schedules and capitalization of construction in progress expenditures.

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.*

District's Response to Findings

The District's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Sacramento, California
December 31, 2018

December 31, 2018

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

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Georgetown Divide Public Utility District, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 22, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements

As described in Note 13 to the financial statements, the District changed its accounting policies related to other postemployment benefits other than pension reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, **Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions** in fiscal year 2017-2018**.** Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of activities and the proprietary funds statement of revenues, expenses and changes in net position.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

> Management's estimates of its net pension liability and total other postemployment benefits liability are based on actuarial valuation specialist assumptions. The total other postemployment benefits liability is calculated using an alternative measurement method as allowed under GASB 75. We evaluated the key factors and assumptions used to develop the net pension liability and net other postemployment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, we detected misstatements as a result of audit procedures which were material, and were subsequently corrected by management. The details of these misstatements are described in a separate letter dated December 31, 2018.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 31, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions and the schedule of changes in the total OPEB liability and related ratios which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2017-2018 audit:

GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.*

GASB Statement No. 81, *Irrevocable Split Interest Agreements.*

GASB Statement No. 85, *Omnibus 2017.*

GASB Statement No. 86, *Certain Debt Extinguishment Issues.*

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2018-2019

GASB Statement No. 83, *Certain Assets Retirement Obligations.*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements.*

Fiscal year 2019-2020

GASB Statement No. 84, *Fiduciary Activities.*

Fiscal year 2020-2021

GASB Statement No. 87, *Leases.*

CPAs AND ADVISORS

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

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Georgetown Divide Public Utility District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lunghard, LLP

Sacramento, California