

GEORGETOWN DIVIDE
Public Utility District

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FINANCE COMMITTEE

AGENDA

**TUESDAY, JANUARY 16, 2018
2:00 P.M.**

**Georgetown Divide Public Utility District Office
6425 Main Street, Georgetown, CA 95634**

MISSION STATEMENT

"Providing financial research, review, and advisory services for the GDPUD Board of Directors and General Manager in support of sound, prudent, and business-like management of the water district."

1. Call to Order
2. Adoption of Agenda
3. Role and Responsibilities of Finance Committee
4. Election of Officers
5. Adding New Members
6. Review 2016/2017 Audit
7. Review and comment on Draft Purchasing Policy
8. Review and Comment on Electing to Follow the Uniform Construction Cost Account Act
9. Next Meeting
10. Adjourn

**RESOLUTION NO. 2017-25
OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
PROVIDING ROLE AND RESPONSIBILITIES OF THE FINANCE COMMITTEE**

WHEREAS, the Georgetown Divide Public Utility District (“District”) Board of Directors (“Board”) previously memorialized the membership, duties, responsibilities, and other matters pertaining to the Finance Committee through Resolution 2015-08; and

WHEREAS, the Board seeks to rescind and replace Resolution 2015-08 to modify the role and responsibilities of the Finance Committee; and

WHEREAS, the Finance Committee will assist the Board in the review of financial information of the District and make recommendations to the Board for actions related to the District’s finances and budgeting; and

WHEREAS, the Board finds it to be in the best interest of the public to establish the Finance Committee’s role as set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS AS FOLLOWS:

SECTION 1: Resolution 2015-08 is hereby rescinded and replaced with this Resolution 2017-25 and shall be of no further force or effect following the Board’s adoption of this Resolution 2017-25.

SECTION 2. The Finance Committee (“Committee”) shall be created as follows:

1. **Membership; Quorum.** The Committee shall be composed of no fewer than three (3) and no more than five (5) members. A quorum shall consist of a simple majority of the total number of members of the Committee.
2. **Selection of Committee Members.** The policy for selecting Committee members is shown in “*Exhibit A.*” which is attached hereto and incorporated herein by reference as if set forth in full.
3. **Role of the Committee.** The primary role of the Committee is to provide recommendations to the Board of Directors (“Board”) in response to proposals made by staff on matters related to the District’s finances. It shall be the responsibility of the Committee to:
 - a. Review annual operating budget proposed by staff and make recommendations to the Board.
 - b. Review long-range strategic financial planning proposed by staff and make recommendations to the Board.
 - c. Review the audited annual financial statements and make recommendations to the Board.

- d. Monitor District financial reports and investments and make any recommendations to the Board as requested by the Board.
- e. Present all Committee identified financial goals and proposals to the Board for approval.
4. **Meetings.** The Committee shall meet at least quarterly, and more often if needed or requested by the Board. Meetings shall be held at the District's offices. The Rules of Operating Procedure are shown in "*Exhibit B.*" which is attached hereto and incorporated herein by reference as if set forth in full.
5. **Terms.** The terms of the office shall be two (2) years. Committee members may be re-appointed to subsequent terms.
6. **Vacancies.** Any vacancies shall be filled for the unexpired term by the Board of Directors.
7. **Removal.** All Committee members serve at the will of the Board, and any member may be removed by an affirmative vote of three (3) members of the Board. There shall be no requirement to show cause for removal.
8. **Officers.** The Committee shall designate from among its members a Chair, Vice- Chair, and Secretary. The Chair shall preside over the meetings, and in the Chair's absence the Vice-Chair shall preside. If both the Chair and the Vice-Chair are absent, the remaining members, if a quorum exists, shall select from among themselves a person to preside over the meeting. The Secretary (or another member if the Secretary is absent) shall prepare agendas and minutes of every meeting and shall be responsible for transmitting the agenda and the final copy of all minutes to the General Manager or designee. Items needing Board action shall be transmitted as soon as possible to the General Manager or designee for inclusion on the next available Board agenda.
9. **Advisory Nature of the Committee.** The Committee is advisory in nature and shall report and be responsible to the Board of Directors. The Committee and its members have no authority to set policy, expend funds, or make obligations on behalf of the Board and/or the District.
10. **Board Reports.** The Committee shall report on its activities to the Board at least quarterly, and more often if needed or requested by the Board. The Board Report can be either oral or written and shall include a description of the activities of the committee for the preceding period and any on-going or outstanding activities or tasks. Committee meeting minutes can be used to satisfy this requirement.
11. **Board Liaison and Staff Support.** The Committee shall have the following Board and/or staff members to assist it with its work from time to time as may be necessary or desired by the Committee and/or the Board: Board Treasurer who will serve as the Board Liaison, and a Staff Liaison designated by the General Manager. The Board Liaison and

Staff Liaison shall (a) not be regular or ex officio members of the Committee; (b) not have the right to vote; and (c) not be counted for purposes of determining the presence of a quorum.

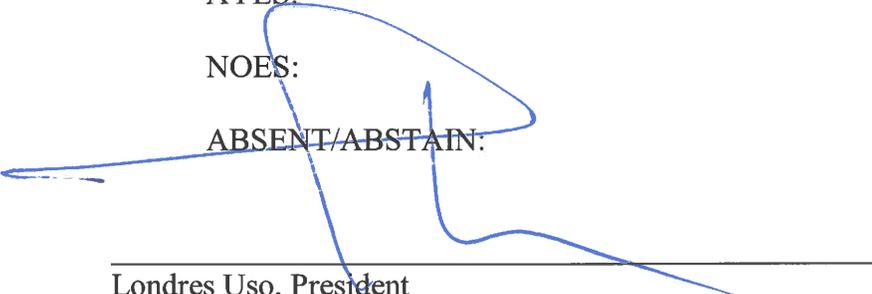
SECTION 3. This Resolution shall take effect immediately upon adoption. This Resolution shall remain in full force and effect until rescinded by a subsequent Resolution of the Board of Directors.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utilities District at a meeting of said Board held on the 10th day of October, 2017, by the following vote:

AYES:

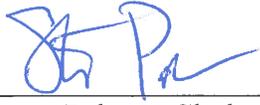
NOES:

ABSENT/ABSTAIN:



Londres Uso, President
Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

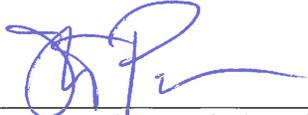
ATTEST:



Steven Palmer, Clerk and ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true and correct copy of Resolution 2017-25 duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on the 10th day of October, 2017.



Steven Palmer, Clerk and ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

EXHIBIT A

Policy for Selecting Finance Committee

- 1) Publish in a newspaper of general circulation in the District a notice of vacancy on the Committee and a desire to fill said vacancy.
- 2) The Board President will interview all applicants and return to the Board with recommendations for Committee appointment. All applicants will be eligible for the Board to appoint.
- 3) Alternatively, the Board President may elect to appoint a selection committee made up of two Board Members to interview applicants which will return to the Board with recommendation for Committee appointment. All applicants will be eligible for the Board to appoint.
- 4) The Committee will be made up of no less than three and no more than five members.
- 5) The Board will confirm the selections by resolution.

EXHIBIT B

Finance Committee of the Georgetown Divide Public Utility District Rules of Operating Procedure

MEETINGS

- a) At any meeting of the Committee, the majority of the members currently appointed shall constitute a quorum for purposes of conducting business or meetings. Unless otherwise posted, a majority vote of those present and voting shall be sufficient to adopt any motion.
- b) All meetings of the Committee shall be open and public, and all persons shall be permitted to attend any meeting of the committee as provided by Government Code Section 54950 *et seq.*
- c) All meetings of the Committee shall be held in the GDPUD offices at 6425 Main Street, Georgetown, California 95634, unless there is a special need to hold a meeting at a different location.
- d) The proceedings of all meetings of the Committee shall be conducted in accordance with Robert's Rules of Order.
- e) Each Committee shall determine the order of business for the conduct of its meetings.
- f) Any meeting may be adjourned to a time and place stated in the Order of Adjournment. Less than a quorum may so adjourn from time to time. If all members are absent, the Secretary may declare the meeting adjourned to a stated time and place and shall cause such notice to be given in the same manner as for special meetings.
- g) Special meetings may be called at any time at the direction of the chairperson or by a majority of a Committee. Twenty-four hours advance written notice of special meetings shall be provided by the chairperson stating the time, place, and business to be transacted. The public shall be notified through the District's regular communications and procedures, in accordance with the Brown Act.
- h) At least 72 hours before a regular Committee meeting, the legislative body of the District, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting. The agenda shall be filed with the Staff Liaison for posting outside the District offices.

- i) The Committee shall maintain meeting minutes, including a complete record of all transactions, findings, and determinations and present a full statement to the Board of Directors upon request. A signed copy of meeting minutes shall be filed with the Staff Liaison.
- j) The Board Liaison to the Committee shall be the Board Treasurer.
- k) The duties of the Board Liaison include presenting relevant data to the Board and arranging for the presentation of important progress on projects to the Board by the Committee chairperson.
- l) The Board Liaison's role will be advisory to the Committee, but the process is meant to be staff driven.
- m) The Board Liaison will not have a vote on the Committee.

**GDPUD Finance Committee
AGENDA ITEM 6**

**GEORGETOWN DIVIDE PUBLIC
UTILITY DISTRICT**

**ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITOR'S REPORT
THEREON**

JUNE 30, 2017

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Annual Financial Report
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the fiduciary fund of the Georgetown Divide Public Utility District (District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, the Schedule of Funding Progress for Other Postemployment Benefits on page 44, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 45, and the Schedule of Pension Contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Georgetown Divide Public Utility District's basic financial statements. The Schedules of Operating Expenses and Restricted Plant Benefit Charges and Disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Expenses and Restricted Plant Benefits Charges and Disclosures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operating Expenses and Restricted Plant Benefits Charges and Disclosures are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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

Fechter & Company,
Certified Public Accountants



Sacramento, California
December 29, 2017

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis June 30, 2017

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

Financial Highlights

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

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

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

Other significant financial activities were:

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

Overview of the Financial Statements

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis June 30, 2017

Required Financial Statements

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

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

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

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

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

Financial Analysis of the District

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

Statement of Net Position

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis June 30, 2017

**Table A-1
Condensed Statement of Net Position**

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

Statement of Revenues, Expenses, and Changes in Net Position

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis June 30, 2017

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

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

Operating Revenues

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

Table A-3
Condensed Operating Revenues

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
June 30, 2017

Operating Expenses by Department

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

Table A-4
Operating Expenses by Department

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

Operating Revenues vs. Operating Expenses

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

Table A-5
Operating Revenues vs Operating Expenses

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
June 30, 2017

Non-operating Revenues and Expenses

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

Table A-6
Non-Operating Revenues and Expenses

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

Capital Assets

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis June 30, 2017

Long-term Debt and Debt Administration

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

CalPERS Pension Plan

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

Postemployment Benefits Other Than Pensions

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

Economic Factors and Rates

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

Requests for Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

BASIC FINANCIAL STATEMENTS

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies

A. Organization and Description

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

B. Reporting Entity

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

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

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

C. Basis of Presentation

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

Government-Wide Statements

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies - continued

C. Basis of Presentation - continued

Government-Wide Statements - continued

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

Fund Financial Statements

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

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies - continued

C. Basis of Presentation - continued

Fund Financial Statements - continued

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

D. Major Funds

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

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

The District reported the following major proprietary funds:

Water

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

Wastewater Disposal

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies - continued

E. Basis of Accounting

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

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

F. Budget and Budgeting

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

G. Cash and Cash Equivalents

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

H. Inventory

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

I. Restricted Assets

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies - continued

J. Capital Assets

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

K. Compensated Absences

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

L. Property Taxes

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

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

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 1: Significant Accounting Policies - continued

N. Comparative Data

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

O. Net Position

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

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

P. Pension Plans

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government of District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to /deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 2: Cash and Investments

Classification

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

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

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

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

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 2: Cash and Investments – continued

C. Disclosures Relating to Interest Rate Risk

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

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

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 2: Cash and Investments - continued

D. Concentration of Credit Risk

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

E. Custodial Credit Risk

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

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

F. Investment in State Investment Pool

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 2: Cash and Investments - continued

F. Investment in State Investment Pool - continued

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

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

Note 3: Assessments Receivable and Long-Term Receivable

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 4: Capital Assets

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

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

Depreciation Allocations

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

Business-Type Activities:

Water	\$ 642,833
Wastewater Disposal	<u>24,031</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 666,864</u>

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 5: Long-Term Debt

A. Compensated Absences

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

B. Notes Payable

Balance
June 30, 2017

Department of Water Resources

Three long-term contracts have been entered into with the State of California Department of Water Resources (DWR) to finance the construction of various water projects.

The Kelsey North Water Assessment District 1989-1 contract of \$630,000 is to be repaid by seventy semi-annual payments of \$15,398. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2027, include interest on the outstanding note balance at 3.3712%. Payments are made from assessments collected from the Assessment District.

\$ 270,414

The Kelsey South Water Assessment District 1989-4 contract of \$666,750 is to be repaid by sixty semi-annual payments of \$17,836. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2022, includes interest on the outstanding note balance at 3.41%. Payments are made from assessments collected from the Assessment District.

177,518

The Walton Lake Water Treatment Plant Filter Replacement contract of \$400,511 is to be repaid by forty semi-annual payments of \$12,529. These payments, due April 1 and October 1, beginning October of 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%.

280,474

Total Department of Water Resources Notes Payable

728,406

United States Bureau of Reclamation

A non-interest bearing contract was entered into with the U.S. Bureau of Reclamation in 1977 to construct the Otter Creek Project. Annual principal payments of \$4,538 are due through January 1, 2018.

4,538

Total Notes Payable

\$ 732,944

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 5: Long-Term Debt - continued

B. Notes Payable – continued

California State Water Resources Control Board

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

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

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

C. Capital Leases

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 5: Long-Term Debt – continued

C. Capital Leases – continued

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

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

D. Change in Long-Term Liabilities

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

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

Note 6: Agency: Special Assessment Debt

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

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.

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 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.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 9: Net Position

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

Net Investment in Capital Assets

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

Net Position Restrictions

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

Unrestricted Net Position

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

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 9: Net Position - continued

Unrestricted Net Position - continued

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements

June 30, 2017

Note 10: Risk Management

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

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

Note 11: Defined Benefit Pension Plan

A. General Information About the Pension Plans

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

Benefits Provided—CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total services are eligible to retire at age 50 with statutorily reduces benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 11: Defined Benefit Pension Plan - continued

A. General Information About the Pension Plans – continued

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

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

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contribution for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 11: Defined Benefit Pension Plan – continued

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

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

	Proportionate Share of Net Pension Liability
	<hr/>
Miscellaneous	\$5,403,038

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

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

For the year ended June 30, 2017, the Local Government recognized pension expenses of \$182,261. At June 30, 2017, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 17,319	\$ 3,968
Change in assumptions		163,853
Difference between projected and actual investment	852,801	
Difference between employer's contribution and proportionate share of contributions	71,158	66,870
Change in employer's proportion	108,016	
Pension contributions made subsequent to the measurement date	532,738	
Total	<u>\$1,582,032</u>	<u>\$ 234,691</u>

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 11: Defined Benefit Pension Plan – continued

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

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

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

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

	Miscellaneous
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table (1)	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. Refer to the 2014 experience study for more details on this table. Net of pension plan investment expenses, including inflation.

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 11: Defined Benefit Pension Plan – continued

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down the nearest one quarter of one percent.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 11: Defined Benefit Pension Plan – continued

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

Discount Rate – continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective July 1, 2015. These rates of return are net of administrative expenses.

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

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 12: Description of Deferred Compensation Pension Plans

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

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

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

Note 13: Post-Employment Benefits Other Than Pensions

A. Plan Description

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

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

B. Funding Policy

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

C. Annual OPEB and Net OPEB Obligation

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

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

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

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

D. Funded Status and Funding Progress

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

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

E. Actuarial Methods and Assumptions

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

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Notes to Basic Financial Statements
June 30, 2017

Note 14: Revenue Limitation Imposed by California Proposition 218

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

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

Note 15: Commitments and Contingencies

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

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

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

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

Note 16: Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

**GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS
 JUNE 30, 2017**

Other Post-Employment Benefits

Schedule of Funding Progress

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

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

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

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

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

OTHER REPORT

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

Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

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

Internal Control over Financial Reporting

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

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

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

Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

Compliance and Other Matters

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

Purpose of this Report

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

Fechter & Company,
Certified Public Accountants



Sacramento, California
December 29, 2017

December 29, 2017

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

We have audited the financial statements of the Georgetown Divide Public Utility District for the year ended June 30, 2017 and have issued our report thereon dated December 29, 2017. As part of our audit we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Georgetown Divide Public Utility District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Georgetown Divide Public Utility District taken as a whole.

Our study and evaluation disclosed no condition that we believed to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose.

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

We would like to thank the District staff for taking the time to compile complete and accurate records for the audit. We look forward to working with the District and its staff in the future.

Sincerely,

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Craig R. Fechter, CPA, President
Fechter & Company, CPAs

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Management Report
For the Year Ended June 30, 2017

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you.

Accounting Estimates

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 estimate(s) affecting the financial statements were:

- Allowance for doubtful accounts
- Accrual and disclosure of pension liability and other post-employment benefits liability
- Capital asset lives and depreciation expense

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Management Report
For the Year Ended June 30, 2017

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). We did not record any audit adjustments for the year ended June 30, 2017.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

Consultations with Other Independent Auditors

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 governmental unit'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.

Issues Discussed Prior to Retention of Independent Auditors

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.

Difficulties Encountered in Performing the Audit

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

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Procurement Policy and Procedures

ARTICLE I. GENERAL

Section 1.01 Purpose

The purpose of this policy is to establish the procedures governing purchase requisitions for materials, supplies and equipment in accordance with the State of California Government Code; and contracting for public projects and consulting services in accordance with the State of California Public Contract Code and Uniform Public Construction Cost Accounting Act.

Section 1.02 Definitions

For the purposes of this chapter, unless otherwise apparent from the context, certain words and phrases used in this chapter are defined as follows:

- (a) "District" refers to the Georgetown Divide Public Utility District.
- (b) "Board" refers to the Board of Directors of Georgetown Divide Public Utility District.
- (c) "General Manager" is the General Manager as appointed by the Board of Directors of Georgetown Divide Public Utility District.
- (d) "Government Code" refers to the Government Code of the State of California.
- (e) "Public Contract Code" refers to the Public Contract Code of the State of California.
- (f) "Supplies" includes materials, small tools and equipment, and other goods or commodities utilized in the daily operational efforts of the District.
- (g) "Equipment" includes large heavy equipment, vehicles, furniture and fixtures.
- (h) "Public project" is as defined in Chapter 2, Section 22002 of the Public Contract Code:
 - (i) Construction, reconstruction, erection, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased or operated facility.
 - (ii) Painting or repainting of any publicly owned, leased, or operated facility.
 - (iii) In the case of a publicly owned utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, power plants, and electrical transmission lines of 230,000 volts and higher.
 - (iv) "Public project" does not include maintenance work. For purposes of this section, "maintenance work" includes all of the following:
 - 1) Routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes.
 - 2) Minor repainting.
 - 3) Resurfacing of streets and highways at less than one inch.
 - 4) Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

Procurement Policy and Procedures

- 5) Work performed to keep, operate, and maintain publicly owned water, power, or waste disposal systems, including, but not limited to, dams, reservoirs, power plants, and electrical transmission lines of 230,000 volts and higher.
- (i) For purposes of this chapter, “facility” means any plant, building, structure, ground facility, utility system, subject to the limitation found in paragraph (3) of subdivision (c), real property, streets and highways, or other public work improvement.
- (j) “Bidders list” refers to a list of prospective vendors.
- (k) “Contractors list” refers to a list of contractors qualified to perform the duties required to construct public projects, of which should be developed and maintained by the General Manager using the criteria detailed by the California Uniform Construction Cost Accounting Commission.
- (l) “Local business preference list” refers to a list of vendors located within the District and are qualified to provide supplies, equipment, and services for maintenance and public projects.
- (m) “Consultant” refers to a specially trained and experienced individual or firm for which they are qualified to provide expert services or advice related to financial, economic, accounting, architectural, engineering, legal, insurance, data processing, personnel or other administrative matters.
- (n) “Purchase” refers to the acquisition of property including rental, lease or trade.
- (o) “Responsible bidder” refers to a bidder who has demonstrated the specified qualifications and capabilities to satisfy the proposed work requirements.
- (p) “Responsive bidder” refers to a bidder that responds appropriately according to the demands of the bidding instructions.
- (q) “Purchasing agent” refers to the appointed positions of the District charged with responsibilities governing procurement of supplies, equipment, and contracts for maintenance and public project services.

Section 1.03 Purchasing Agents

Procurement limits and contract signing authority are listed below.

Procurement Policy and Procedures

Title	Procurement Limit	Contract Authority
General Manager	Up to \$45,000	\$45,001 and over with Board authorization Up to \$45,000 without Board Authorization
Operations Manager	Up to \$3,000	None

Section 1.04 Purchasing Agent Duties

The purchasing agent shall have the authority to:

- (a) Purchase or contract for supplies, equipment, maintenance services, or public projects in accordance with the purchasing procedures detailed in this directive;
- (b) Procure quality supplies, equipment, and services for maintenance and public projects at the least expense to the District;
- (c) Obtain as full and open competition as possible on all purchases and contracts
- (d) Keep informed of the current developments in the field of purchasing and contract administration as well as prices, market conditions and new products;
- (e) Maintain reasonably necessary forms for the administration and operation of adhering to the procedures detailed in this directive;
- (f) Supervise the regular inspection of all supplies and equipment for adequacies in their intended use;
- (g) Obtain chemical and physical tests of samples submitted with bids which are necessary to determine their quality and conformance with specifications, where the cost may be covered by the District, or the District may order the cost be covered by the bidder;
- (h) Recommend the transfer of surplus or unused supplies and equipment between departments as needed, and the sale of all supplies and equipment that cannot be used by the District;
- (i) Maintain bidders list, contractors list, local business preference list, current vendor list and other related records required to perform the duties of the purchasing function.

Section 1.05 Purchase Orders

Standardized purchase orders and contracts for supplies, equipment, maintenance services and public projects are to be submitted to the purchasing agent prior to procurement.

Section 1.06 Encumbrance of Funds

The purchasing agent is only authorized to procure supplies, equipment, and contracts for maintenance or public project services for which there is an unencumbered appropriation available to be charged.

Section 1.07 Staging of Purchases

Staging purchases and contracts into smaller units for the purposes of evading competitive bidding procedures in this directive is explicitly prohibited.

Section 1.08 Exemptions

Procurement Policy and Procedures

The purchasing procedures detailed in this policy do not include the following:

- (a) Travel expenses
- (b) Subscriptions
- (c) Advertisement of government mandated notices
- (d) Reimbursement expenses
- (e) Payroll and personnel related expenses
- (f) Insurance claims
- (g) Conference fees
- (h) Banking services
- (i) Postage, courier and delivery service charges
- (j) Dues to approved organizations
- (k) Payments to other government agencies
- (l) Land
- (m) Debt Service
- (n) Claims settlements
- (o) Grants

ARTICLE II. PURCHASING AND CONTRACTING FOR SUPPLIES, EQUIPMENT, AND MAINTENANCE SERVICES

Section 2.01 Purchasing Procedures for Supplies, Equipment, and Maintenance Services

Purchasing procedures for supplies, equipment and maintenance service, as defined in Section 1.02, authorizes the purchasing agent to acquire such items within their authorized purchasing threshold, as defined in Section 1.03.

Section 2.02 Purchase Requisition Procedures

Purchase requisitions for the purchase of supplies, equipment and maintenance services are subject to the dollar limits provided in the table below.

Procurement Limits	Purchase Order	Bidding Procedures
< \$500	No purchase order required	No quotes
\$500 - \$1,000	Purchase order required Second signature by General Manager	No quotes
\$1,001 - \$2,999	Purchase order required Second signature by General Manager	Attempt 3 quotes
\$3,000 - \$24,999	Purchase order required	3 quotes required
≥ \$25,000	Purchase order required	Formal bidding procedure

Procurement Policy and Procedures

Purchase orders are required for all purchases over \$500. Purchase greater than \$500 and up to the limit of the Operations Manager's threshold, as defined in Section 1.03, require a second approval signature by the General Manager; and those purchases greater than \$1,000 must include attempts to receive at least three (3) quotes. Purchases greater than \$3,000 and up to \$24,999 require three (3) quotes; and those greater than \$25,000 and up to the limit of the General Manager's threshold, as defined in Section 1.03, require a formal bidding procedure before the purchase order requisition is issued.

There are two types of purchase orders the purchasing agent may issue, blanket purchase orders and individual purchase order requisitions. Procedures for each are provided below.

Procurement Policy and Procedures

- (a) *Blanket purchase orders.* Blanket purchase orders are issued by the purchasing agent for the purchase of supplies, equipment and maintenance services from vendor for which there will be multiple or for ongoing monthly purchases. A blanket purchase order is issued to cover all amounts anticipated to be paid to the supplier for the fiscal year or contract term and typically expires at the end of the fiscal year or contract term. Blanket purchase orders are subject to the thresholds of the purchasing agents, as defined in Section 1.03. Once the dollar limit of the blanket purchase order has been met all subsequent purchases must revert to the use of individual purchase order requisitions.
- (b) *Purchase order requisitions.* Individual purchase order requisitions are to be submitted to the purchasing agent, as described in Section 1.05, for the purchase of supplies, equipment and maintenance services from vendors without blanket purchase orders, or from vendors with blanket purchase orders for which the dollar limit has been met.

Section 2.03 General Provisions Formal Bidding Procedures

The following provisions shall apply in contracting for supplies, equipment and maintenance services:

- (a) *Notices inviting bids.* Notices inviting bids shall be prepared describing the bid items in general terms; referencing how to obtain more detailed information about the bid items; and stating the time, date, and place for the submission of sealed bids.
- (b) *Material changes to the bid.* If a material change to the bid specification is issued by the District later than seventy-two (72) hours prior to the opening of bids, the date and time shall be extended by no less than seventy-two (72) hours. The term "material change" means a change with a substantial cost impact on the total bid as determined by the District.
- (c) *Base Contract.* Bid specifications which include one or more alternative bid schedules, shall identify and define the base bid for the purpose of awarding to the lowest responsive and responsible bidder.
- (d) *Bid opening procedure.* Sealed bids shall be submitted to the Purchasing Agent and shall be identified as bids on the envelope. Such bids shall be opened in public at the time and place stated in the notice inviting bids. A tabulation of all bids received shall be open for public inspection during regular business hours until award of the contract.
- (e) *Records of bid documents.* Bid documents received by the District shall be maintained by the District department issuing the bid in accordance with the District's records retention schedule.
- (f) *Award of contracts.* Contracts shall be awarded by the District to the responsible bidder that submits the lowest bid.
- (g) *No bids received.* In the event no bids are received, the District shall have the option of any of the following:
 - (i) Abandon the purchase or service;
 - (ii) Rebid the purchase or service;
 - (iii) Perform the service by employees of the District;

Procurement Policy and Procedures

- (h) *Rejection of bids.* The District may elect to reject all bids. In the event all bids are rejected, the District shall have the option of any of the following:
 - (i) Abandon the purchase or service;
 - (ii) Rebid the purchase or service;
 - (iii) Perform the service by employees of the District;
- (i) *Tie bids.* If two (2) or more bids are received from responsive and responsible bidders for the same total amount or unit price, and are the lowest, the District may accept the bid it chooses.
- (j) *Written contracts.* Written contracts in the form approved by the District Legal Counsel shall be used in the award of bids.

Section 2.04 Formal Bidding Procedures

The following provisions shall apply in contracting for supplies, equipment and maintenance services:

- (a) *Sending, mailing, and publishing of notices.* Notices inviting formal bids shall be published, sent, and mailed as follows:
 - (i) Sent electronically, by facsimile or electronic mail, or mailed to all prospective vendors and firms at least fifteen (15) calendar days before the date of the bid opening;
 - (ii) Published at least once in a newspaper of general circulation, printed and published in the District, at least fourteen (14) calendar days before the date of the bid opening; and
 - (iii) Other mailings, advertisements, and notifications deemed appropriate by the General Manager.

Section 2.05 Local Business Preference

The District recognizes that local businesses make significant contributions to the economic health of the District. The District supports local business opportunities, which encourage businesses to move into and stay within the District, promote economic development and maintain a strong local economic base, which in turn foster economic growth in the District. Therefore, the Board has determined it is in the District's best interest to establish and provide a preference to local businesses.

- (a) *Competitive bid process.* The General Manager is authorized to extend a preference to a responsible and responsive local business in a competitive bid for the procurement of supplies, equipment, and materials not to exceed five (5%) percent of the local businesses total bid price, or Two Thousand Five Hundred and no/100ths (\$2,500.00) Dollars, whichever is lower, for the purpose of determining the lowest bid.
- (b) *Local preference.* When a non-local business has submitted the lowest responsive and responsible bid, and when one or more local businesses have also bid, the local business's total bid amount will be reduced by five (5%) percent for bid comparison purposes. If the net amount is lower than the lowest bid, the bid will be awarded to the local business for the full amount of its bid.

Procurement Policy and Procedures

- (c) *Local business.* For purposes of this chapter, "local business" means a vendor or contractor that has an office with at least one employee physically located within the District.
- (d) *Exemptions.* The local business preference does not apply to the following:
 - (i) Contracts funded by grants which prohibit the use of preferences, and
 - (ii) Contracts for services.

ARTICLE III. PURCHASING AND CONTRACTING FOR PUBLIC PROJECTS

Purchases and contracts for public projects are subject to the Public Contract Code and Uniform Public Construction Cost Accounting Act, and shall adhere to the following competitive bidding procedures in the following sections of this article. The estimated value of purchases and contracts shall not include sales tax or freight.

Section 3.01 Purchasing and Contracting Procedures for Public Projects

- (a) *Open market bidding procedures.* Purchases and contracts of an estimated value in the amount of Forty-Five Thousand and no/100ths (\$45,000.00) Dollars or less may be made by force account, negotiated contract or by purchase order pursuant to the provisions of Section 3.04 of this article, except as otherwise provided in this section.
- (b) *Informal bidding procedures.* Purchases and contracts of an estimated value in the amount of One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars or less may be made by informal bidding procedures pursuant to the provisions of Sections 3.05 and 3.06 of this article, except as otherwise provided in this section.
- (c) *Formal bidding procedures.* Purchases and contracts of an estimated value in an amount greater than One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars shall be made by formal bidding procedures pursuant to the provisions of Sections 3.05 and 3.07 of this article, except as otherwise provided in this section.
- (d) *Exceptions.* The bidding procedures and force account restrictions set forth in this article shall be dispensed with when bidding would be impossible, impractical, or incongruent; in an emergency; when the price is controlled by law; when the commodity, maintenance service, or project can only be provided or performed by one vendor; or when the estimated value of the purchase or contract is Five Thousand and no/100ths (\$5,000.00) Dollars or less. For the purposes of this section:
 - (i) "Impossible" shall mean actual impossibility or extreme and unreasonable difficulty or expense.
 - (ii) "Impractical" shall mean incapable of being performed by the bid procedure.
 - (iii) "Incongruous" shall mean not suitable to the bid procedure.
 - (iv) "Emergency" shall mean circumstances or conditions that pose an immediate threat to the public health, welfare, or safety as determined by the General Manager, including, but not limited to, states of emergency as defined in Section 8558 of the Government Code of the State.

Procurement Policy and Procedures

- (e) *Cooperative agreements.* No provision of this article shall be interpreted or construed to prohibit or prevent the District from purchasing or contracting for supplies, equipment, maintenance services, or public projects by contracts, arrangements, and agreements for cooperative purchasing programs not otherwise prohibited by law with any Federal government agency, the State, the County, any other public agencies, or with any cooperative purchasing alliance acting on behalf of governmental entities. Any such contract, agreement, or arrangement otherwise subject to open market or informal bidding procedures shall be first approved by the Purchasing Agent and if subject to formal bidding procedures shall be first approved by the Board, or by the General Manager if the funding for the purchase has already been approved by the Board through the budget process. At the discretion of the appropriate approving authority, the bidding procedures of any agency may be used in such joint contracting arrangements.

Section 3.02 Emergencies

In cases of great emergency, as determined by the District Board, including, but not limited to, states of emergency defined in Section 8558 of the Government Code, when repair or replacement is necessary to permit the continued conduct of the operation or services of a public agency or to avoid danger to life or property, the Board by a four-fifths (4/5) vote, may direct the General Manager to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the Board, by contract, or by a combination of the two. The Board shall review the emergency action every fourteen (14) days thereafter until the action is terminated, to determine, by a four-fifths (4/5) vote, that there is a need to continue the action. When the Board reviews the emergency action, it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

Section 3.03 Authorized Signature

- (a) *Board President.* The President shall be authorized to sign on behalf of the District all approved contracts provided for in this article. In the absence of the President, the Vice President shall be so authorized.
- (b) *General Manager.* The General Manager shall be authorized to sign on behalf of the District all contracts provided for in Section 3.06 of this article and such other approved contracts as the Board may specifically direct from time to time.

Section 3.04 Open Market Bidding Procedures

Except as otherwise provided in subsections (d) and (e) of Section 3.01 of this article, the solicitation of bids and award of contracts for public projects with an estimated value in the amount of Forty-Five Thousand and no/100ths (\$45,000.00) Dollars or less may be made by the Purchasing Agent by force account, negotiated contract or by purchase order. Whenever possible, bids shall be obtained in the open market in accordance with the following procedures:

- (a) *Minimum number of bids.* Open market purchases, whenever possible, shall be based on at least three (3) bids and shall be awarded to the lowest responsive and responsible bidder.

Procurement Policy and Procedures

- (b) *Notices inviting bids.* The Purchasing Agent shall solicit bids from prospective vendors by written requests, by telephone, by facsimile or electronic mail, or by other advertising.
- (c) *Written records of bids.* Written records of bids received shall be maintained by the Purchasing Agent in accordance with the District's records retention schedule. Such records, while so kept, shall be open to public inspection and shall include the business name, address, and telephone number of the vendor; vendor representative; description of the bid items, including unit quantities if applicable, unit prices or lump sum amount quoted by the vendor; and the date the bid was received.

Section 3.05 General Provisions for Informal and Formal Bidding Procedures

The following provisions shall apply in contracting for public projects under both informal and formal bidding procedures:

- (a) *Notices inviting bids.* Notices inviting bids shall be prepared describing the bid items in general terms; referencing how to obtain more detailed information about the bid items; and stating the time, date, and place for the submission of sealed bids.
- (b) *Material changes to the bid.* If a material change to the bid specification is issued by the District later than seventy-two (72) hours prior to the opening of bids, the date and time shall be extended by no less than seventy-two (72) hours. The term "material change" means a change with a substantial cost impact on the total bid as determined by the District.
- (c) *Base Contract.* Bid specifications which include one or more alternative bid schedules, shall identify and define the base bid for the purpose of awarding to the lowest responsive and responsible bidder.
- (d) *Bid opening procedure.* Sealed bids shall be submitted to the Purchasing Agent and shall be identified as bids on the envelope. Such bids shall be opened in public at the time and place stated in the notice inviting bids. A tabulation of all bids received shall be open for public inspection during regular business hours until award of the contract.
- (e) *Records of bid documents.* Bid documents received by the District shall be maintained by the District department issuing the bid in accordance with the District's records retention schedule.
- (f) *Award of contracts.* Contracts shall be awarded by the District to the responsible bidder that submits the lowest bid.
- (g) *No bids received.* In the event no bids are received, the District shall have the option of any of the following:
 - (i) Abandoning the purchase or project;
 - (ii) Rebidding the purchase or project;
 - (iii) Perform the work by employees of the District;
- (h) *Rejection of bids.* The District may elect to reject all bids. In the event all bids are rejected, the District shall have the option of any of the following:
 - (i) Abandon the project;
 - (ii) Rebid the purchase or project using the appropriate bidding procedures;

Procurement Policy and Procedures

- (iii) For public projects requiring informal bid, perform the work by employees of the District. For public projects requiring formal bid, the Board can make a determination by two-thirds (2/3) of its members that all bids submitted are unsatisfactory or excessive and perform the work by employees of the District in lieu of contracting.
- (i) *Tie bids.* If two (2) or more bids are received from responsive and responsible bidders for the same total amount or unit price, and are the lowest, the District may accept the bid it chooses.
- (j) *Written contracts.* Written contracts in the form approved by the District Legal Counsel shall be used in the award of bids.
- (k) *Bidders' security.* For informal bids, security may be required as described in the bid specifications in an amount equal to ten (10%) percent of the bid quotation. For formal bids, security will be required in an amount equal to ten (10%) percent of the bid quotation as described in the Public Contract Code. Upon an award to the lowest bidder, the security of an unsuccessful bidder shall be returned in a reasonable period of time, but in no event shall that security be held by the district beyond 60 days from the time the award is made

Section 3.06 Informal Bidding Procedures

Except as otherwise provided in subsections (a), (d), and (e) of Section 3.01 and in Section 3.02 of this article, the solicitation of bids may be authorized by the Purchasing Agent and the award of contracts for public projects with an estimated value in the amount of One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars or less may be made by the General Manager in accordance with the requirements of the Public Contract Code Section 22032, et seq., and the following informal bidding procedures:

- (a) *Budgetary authorization.* The bid items shall have been authorized as a part of an approved budget of the District, and the purchase or contract shall not exceed the amount so authorized.
- (b) *Contractor's List.* A list of contractors shall be developed and maintained in accordance with the provisions of Section 22034 of the Public Contract Code and criteria promulgated from time to time by the California Uniform Construction Cost Accounting Commission.
- (c) *Mailing of notices.* Notices inviting informal bids shall be mailed at least ten (10) calendar days before the due date of the submission of bids as follows:
 - (i) Mailed to all firms on the bidders list or contractors list for the category of work being bid;
 - (ii) For bid items defined as public projects, mailed to all construction trade journals designated by the California Uniform Construction Cost Accounting Commission; and
 - (iii) Other mailings, advertisements, and notifications as deemed appropriate by the purchasing agent.

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- (d) *Bids received in excess of One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars.* If all bids received are in excess of One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars, the Board may award the contract to the lowest responsive and responsible bidder if the purchasing agent determines the cost estimate was reasonable and the low bid does not exceed One Hundred Eighty-Seven Thousand Five Hundred and no/100ths (\$187,500.00) Dollars.

Section 3.07 Formal Bidding Procedures

Except as provided in subsections (d) and (e) of Section 3.01 of this article, the solicitation of bids and award of contracts for public projects with an estimated value in excess of One Hundred Seventy-Five Thousand and no/100ths (\$175,000.00) Dollars shall be made in accordance with the requirements of the Public Contract Code Section 22031, et seq., and the following formal bidding procedures:

- (a) *Plans and specifications.* The Board shall adopt any plans, specifications, and working details as appropriate for the bid items prior to a solicitation for formal bids.
- (b) *Sending, mailing, and publishing of notices.* Notices inviting formal bids shall be published, sent, and mailed as follows:
- (i) For bid items defined as public projects, sent electronically, by either facsimile or electronic mail and mailed to all construction trade journals designated by the California Uniform Construction Cost Accounting Commission at least fifteen (15) calendar days before the date of the bid opening;
 - (ii) Sent electronically, by facsimile or electronic mail, or mailed to all firms on the bidders list at least fifteen (15) calendar days before the date of the bid opening;
 - (iii) Published at least once in a newspaper of general circulation, printed and published in the District, at least fourteen (14) calendar days before the date of the bid opening; and
 - (iv) Other mailings, advertisements, and notifications deemed appropriate by the department head of the requesting agency.

Section 3.08 Local Business Preference

The District recognizes that local businesses make significant contributions to the economic health of the District. The District supports local business opportunities, which encourage businesses to move into and stay within the District, promote economic development and maintain a strong local economic base, which in turn foster economic growth in the District. Therefore, the Board has determined it is in the District's best interest to establish and provide a preference to local businesses.

- (a) *Competitive bid process.* The General Manager is authorized to extend a preference to a responsible and responsive local business in a competitive bid for a public project not to exceed five (5%) percent of the local businesses total bid price, or Two Thousand Five Hundred and no/100ths (\$2,500.00) Dollars, whichever is lower, for the purpose of determining the lowest bid.

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- (b) *Local preference.* When a non-local business has submitted the lowest responsive and responsible bid, and when one or more local businesses have also bid, the local business's total bid amount will be reduced by five (5%) percent for bid comparison purposes. If the net amount is lower than the lowest bid, the bid will be awarded to the local business for the full amount of its bid.
- (c) *Local business.* For purposes of this chapter, "local business" means a vendor or contractor that has an office with at least one employee physically located within the District.
- (d) *Exemptions.* The local business preference does not apply to the following:
 - (i) Contracts funded by grants which prohibit the use of preferences, and
 - (ii) Contracts for services.

ARTICLE IV. **CONTRACTS FOR CONSULTING SERVICES**

Section 4.01 Contracting Procedures

Contracts for consultant/professional services shall be made pursuant to the provisions of this article.

Section 4.02 Architectural, Landscape Architectural, Engineering, Environmental, Land Surveying, and Construction Management Services

Contracts for architectural, landscape architectural, engineering, environmental, land surveying, and construction management services are subject to the provisions of this article and shall be awarded in accordance with the California Government Code Section 4525 et seq. Selection process will be designed to select the most qualified firm to provide the desired services at a reasonable price. Selection will not be solely based on price, however price may be a factor in selecting a firm. If price will be a factor, it will be discussed in the RFP, along with the method used to consider price.

Section 4.03 Procurement Limits

Procurement limits for consultant/professional services are as listed in Section 2.02.

Section 4.04 Authorized Signatures on Behalf of the District

- (a) *President.* The President shall be authorized to sign on the behalf of the District all approved contracts provided for in this article. In the absence of the President, the Vice President shall be so authorized.
- (b) *General Manager.* The General Manager shall be authorized to sign on behalf of the District all contracts provided for in this article, subject to the Contract Authority listed in Section 1.03 of this article, and other contracts as the Board may specifically direct from time to time.

ARTICLE V. DISPOSITION OF DISTRICT-OWNED PERSONAL PROPERTY

Section 5.01 Disposition Procedures

District-owned personal property items shall be disposed of pursuant to the procedures set forth in this article.

Section 5.02 Unusable Property

Any personal property item which is inoperative, unrepairable, not economically repairable, obsolete, or has been replaced through the budget process due to poor condition shall be disposed of as deemed appropriate by the General Manager.

Section 5.03 Surplus Property

Any personal property item which is in good condition but has become unsuitable for District use is surplus and shall be sold pursuant to the following procedures:

- (a) The Board shall be informed of the condition of any item proposed for disposition, and the determination of the Board that such item is surplus shall be obtained before proceeding with disposition.
- (b) Requests for bids shall be issued, and sales shall be made to the highest bidder; provided, however, sales may be made by public auction or private sale or exchange as deemed appropriate by the General Manager.
- (c) All sales shall be paid for by cash, cashier's check, or money order payable to the District.
- (d) The General Manager or his or her designee shall be authorized to sign bills of sale and any other papers or documents evidencing such sales for and on behalf of the District.
- (e) In the event no bids or purchase proposals are received for any item offered for sale pursuant to the provisions of this section, the item may be disposed of as deemed appropriate by the General Manager.

Section 5.04 Rules and Regulations

The Purchasing Agent shall promulgate and enforce such administrative rules and regulations as required and necessary to ensure that District-owned personal property items are disposed of in a manner consistent with generally accepted internal control and accounting principles.

Section 5.05 Exceptions

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The provisions of this article shall not apply to any District-owned personal property to be used in trade or exchange for new replacement property of a similar nature pursuant to Article 2 of this chapter.