

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY
OF NEVADA, CALIFORNIA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017



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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Fund Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Basic Financial Statements	12
Required Supplementary Information (Unaudited)	
Schedule of Net Pension Liability Proportional Share and Related Ratios and Contributions	28

SUPPLEMENTARY INFORMATION

Combining Statement of Net Position	31
Combining Statement of Revenues, Expenses, and Changes in Net Position	34
Combining Statement of Cash Flows	37

OTHER REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements 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 combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



CliftonLarsonAllen LLP

Roseville, California
December 21, 2017

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

The following Management's Discussion and Analysis (MD&A) of the County of Nevada Sanitation District No. 1 (the District) financial performance provides an introduction to the financial statements for the year ended June 30, 2017. The information contained in this MD&A should be considered in conjunction with the information contained in the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The District is structured as an enterprise operation with multiple funds to segregate the various geographical operations known as zones. The District's revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, are depreciated over their useful lives. See the notes to the financial statements for a summary of the District's significant accounting policies.

Following this discussion and analysis are the basic financial statements of the District.

The District's basic financial statements are designed to provide readers with a broad overview of the District's financial status.

The statement of net position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the District's financial position.

$$\text{Net Position} = (\text{Assets} + \text{Deferred Outflows of Resources}) - (\text{Liabilities} + \text{Deferred Inflows of Resources})$$

The statement of revenues, expenses, and changes in net position presents information showing the change in the District's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The statement of cash flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the District's cash accounts are recorded in this statement. A reconciliation of the statement of cash flows is provided at the bottom of the statement to assist in understanding the difference between cash flows from operating activities and operating income.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

On June 30, 2017, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$34,523,746 (net position). Of this amount, \$5,616,056 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors and \$28,907,690 is the District's net investment in capital assets.

The District's capital assets (e.g., land, infrastructure and equipment) increased by \$2,558,631 due to \$4,446,364 construction in progress for the Penn Valley pipeline project offset by the annual depreciation of existing infrastructure assets.

Long-term liabilities decreased 5.81% or \$1,280,568 due mainly to the regularly scheduled principal payments on long-term debt.

FINANCIAL POSITION

Analysis of the District as a whole - Government Wide Financial Statements

Sanitation District's Net Position
June 30, 2017 and 2016

	2017	2016	Variance	Change
Assets:				
Current and Other Assets	\$ 9,174,309	\$ 7,559,959	21.35 %	\$ 1,614,350
Capital Assets	49,529,625	46,970,994	5.45	2,558,631
Total Assets	<u>58,703,934</u>	<u>54,530,953</u>	7.65	<u>4,172,981</u>
Deferred Outflows	649,373	297,797	118.06	351,576
Liabilities:				
Current Liabilities	4,033,529	2,292,300	75.96	1,741,229
Long-Term Liabilities	<u>20,761,648</u>	<u>22,042,216</u>	(5.81)	<u>(1,280,568)</u>
Total Liabilities	24,795,177	24,334,516	1.89	460,661
Deferred Inflows	34,384	213,194	(83.87)	(178,810)
Net Position:				
Net Investment in Capital Assets	28,907,690	26,485,730	9.14	2,421,960
Unrestricted	<u>5,616,056</u>	<u>3,795,310</u>	47.97	<u>1,820,746</u>
Total Net Position	<u><u>\$ 34,523,746</u></u>	<u><u>\$ 30,281,040</u></u>	14.01	<u><u>\$ 4,242,706</u></u>

As shown in the schedule above, at June 30, 2017, the District's total assets are \$58,703,934. The total assets held increased \$4,172,981 or 7.65% from the June 30, 2016 balance of \$54,530,953. The increase in total assets was due primarily to the \$2,558,631 increase in capital assets as well as an increase in amounts due from other governments for Penn Valley construction cost reimbursements from a Clean Water State Revolving Fund Small Community Grant. Deferred outflows of \$649,373 represent contributions made by the District during fiscal year 2016/17 after the pension liability measurement date of June 30, 2016 and other pension related deferred outflows.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

The District's total liabilities increased by \$460,661 during the current fiscal year to \$24,795,177. The increase resulted from a \$1,694,749 increase in accounts payable related to the Penn Valley pipeline project offset by reduction in loan balances by scheduled principal payments. Deferred inflows of \$34,384 are attributable to the various components that impact pension changes such as investment change amortization, changes in actuarial assumptions and differences in actual and expected experience.

The District's total net position increased from the prior year by \$4,242,706. Unrestricted net position of the District at June 30, 2017 amounted to \$5,616,056. The increase in capital assets and related intergovernmental revenues were the main contributing factors to the increase in net position.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016	Variance	Change
Revenues:				
Operating	\$ 6,775,285	\$ 6,702,672	1.08 %	\$ 72,613
Nonoperating	<u>1,320,250</u>	<u>49,095</u>	2589.17	<u>1,271,155</u>
Total Revenues	8,095,535	6,751,767	19.90	1,343,768
Expenses:				
Operating Expenses	6,174,909	4,868,417	26.84	1,306,492
Nonoperating Expenses	<u>428,190</u>	<u>458,897</u>	(6.69)	<u>(30,707)</u>
Total Expenses	6,603,099	5,327,314	23.95	1,275,785
Capital Contributions	<u>2,750,270</u>	<u>738,449</u>	272.44	<u>2,011,821</u>
Change in Net Position	4,242,706	2,162,902	96.16	2,079,804
Net Position - Beginning	30,281,040	28,118,138	7.69	2,162,902
Net Position - Ending	<u><u>\$ 34,523,746</u></u>	<u><u>\$ 30,281,040</u></u>	14.01	<u><u>\$ 4,242,706</u></u>

Revenues - The District's revenues for fiscal year 2016/17 increased by 19.90% or \$1,343,768. An increase in intergovernmental revenues related to \$1,203,511 in Community Development Block Grant funding for the Penn Valley pipeline project was the major factor in the increase.

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Expenses - The District's expenses for fiscal year 2016/17 increased by 23.95% or \$1,275,785. Non-operating expenses decreased by 6.69% due to a decrease in interest expense. Operating expenses increased by 26.84% from the prior fiscal year due to a negative \$1,360,192 pension liability adjustment to salary and benefits expense in the prior year and a \$223,047 positive adjustment in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of June 30, 2017 amounted to \$28,907,690 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, infrastructure and equipment. The \$2,421,960 increase is due to depreciation of \$2,200,890 offset by reductions in related debt and a \$4,666,079 increase in construction in progress. The increase in construction in progress is related to a pipeline project to connect the Penn Valley zone to the Lake Wildwood treatment plant.

Additional information on the District's capital assets can be found in Note 3 on page 18 of this report.

Long-term debt - At June 30, 2017, the District had total debt outstanding of \$18,904,234 net of unamortized discounts. Of this amount, \$1,599,003 is due within one year. The long-term debt consists of three loans from the State of California, and two bank loans. The three State Water Resources Control Board (SWRCB) loans are being repaid through a dedicated revenue source from the specific zones that received the loan proceeds. The two bank loans are scheduled to be repaid by August 2026. They are being repaid with operating revenues from the specific zones that received the loan proceeds.

Additional information on the District's long-term debt can be found in Note 5 on page 19-21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District operates and maintains sewage collection systems and treatment facilities for Nevada County Sanitation District No. 1. There are 10 zones within the District with facilities that collect and treat 1,245,000 gallons of wastewater each day. The Sanitation District provides sewer service to 5,230 accounts in western Nevada County with a population of approximately 14,000.

**NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Wastewater treatment plants that discharge to surface waters are required to obtain a National Pollutant Discharge Elimination System (NPDES) permit. The permits are normally renewed every five years by the California Regional Water Quality Control Board (CRWQCB) and may contain new treatment objectives and discharge regulations. The Penn Valley treatment facility has been issued a Cease and Desist Order by the CRWQCB to address problems related to a lack of storage capacity. Transporting the wastewater to the Lake Wildwood treatment facility via a pipeline has been determined to be the most cost effective alternative to address the Cease and Desist Order. The District has been awarded a State Revolving Fund grant with 100% loan forgiveness and a Community Development Block Grant to finance the project. The project is currently in the construction phase with an anticipated construction completion date of February 2018.

The operating costs of the Cascade Shores treatment plant are not being met with their current rate structure. The District is changing the Cascade Shores treatment facility from a tertiary treatment plant to land application of effluent to reduce operating costs and has acquired land for this purpose. The District has been awarded a \$2,200,000 Clean Water State Revolving Fund Small Community Wastewater loan, with 50% loan forgiveness, for the project.

The operating costs of the District's treatment plants to meet permitting requirements continues to increase. The District has been able to absorb these costs in the fiscal year 2017/2018 budget utilizing available unrestricted net position without rate increases.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Nevada County Auditor-Controller, Marcia L. Salter, 950 Maidu Avenue, Suite 230, Nevada City, California 95959. This entire report is available online at <https://www.mynevadacounty.com/195/Annual-Financial-Reports-Collection>.

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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

Current Assets:

Cash and Investments	\$ 7,870,792
Accounts Receivable	7,502
Due from Other Governments	<u>1,296,015</u>
Total Current Assets	9,174,309

Noncurrent Assets:

Capital Assets:

Nondepreciable	7,286,503
Depreciable, Net	<u>42,243,122</u>
Total Noncurrent Assets	<u>49,529,625</u>
Total Assets	58,703,934

DEFERRED OUTFLOWS OF RESOURCES

Pension	649,373
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 1,887,412
Salaries and Benefits Payable	59,911
Interest Payable	331,767
Due to County	146,268
Compensated Absences	9,168
Loan Payable	<u>1,599,003</u>
Total Current Liabilities	4,033,529

Noncurrent Liabilities:

Compensated Absences	66,860
Loan Payable	17,305,231
Net OPEB Obligation	121,245
Net Pension Liability	<u>3,268,312</u>
Total Noncurrent Liabilities	<u>20,761,648</u>
Total Liabilities	24,795,177

DEFERRED INFLOWS OF RESOURCES

Pension	34,384
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NET POSITION

Net Investment in Capital Assets	28,907,690
Unrestricted	<u>5,616,056</u>
Total Net Position	<u><u>\$ 34,523,746</u></u>

See accompanying Notes to Financial Statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

Charges for Services	\$ 6,772,621
Other Revenues	<u>2,664</u>
Total Operating Revenues	6,775,285

OPERATING EXPENSES

Salaries and Benefits	1,663,782
Services and Supplies	1,645,866
Other Charges	169,801
Expense Transfers	494,570
Depreciation	<u>2,200,890</u>
Total Operating Expenses	6,174,909

OPERATING INCOME

600,376

NONOPERATING REVENUE (EXPENSES)

Interest Income	62,035
Interest Expense	(428,190)
Intergovernmental Revenues	<u>1,258,215</u>
Total Nonoperating Revenue (Expenses)	892,060

INCOME BEFORE CAPITAL CONTRIBUTIONS

1,492,436

CAPITAL CONTRIBUTIONS

2,750,270

CHANGE IN NET POSITION

4,242,706

Net Position - Beginning of Year

30,281,040

NET POSITION - END OF YEAR

\$ 34,523,746

See accompanying Notes to Financial Statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 6,767,783
Payments to Suppliers	(2,333,189)
Payments to Employees	<u>(1,869,874)</u>
Net Cash Provided by Operating Activities	2,564,720

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Interfund Loans Made	(375,659)
Interfund Loans Repaid	407,902
Grants and Other Receipts	<u>522,852</u>
Net Cash Provided by Noncapital Financing Activities	555,095

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(3,041,820)
Capital Contributions	2,750,270
Principal Paid on Capital Debt	(1,767,826)
Interest Paid on Capital Debt	<u>(250,989)</u>
Net Cash Used by Capital and Related Financing Activities	(2,310,365)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>62,035</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

871,485

Cash and Cash Equivalents - Beginning of Year

6,999,307

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 7,870,792

See accompanying Notes to Financial Statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 600,376
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,200,890
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	(7,502)
Deferred Outflows of Resources	(351,576)
Increase (Decrease) in:	
Accounts Payable	(22,952)
Accrued Salaries and Benefits	7,411
Compensated Absences Payable	(1,248)
Deferred Inflows of Resources	(178,810)
Net Pension Liability	307,338
Net OPEB Obligation	10,793
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,564,720</u>

Noncash Investing, Capital and Financing Activities:

Acquisition of capital assets in accounts payable	<u>\$ 1,717,701</u>
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See accompanying Notes to Financial Statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Nevada County Sanitation District No. 1 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a public agency formed on August 2, 1965, by order of the Nevada County Board of Supervisors pursuant to provisions of the California Health and Safety Code. As of June 30, 2017, the District is composed of ten zones and the Wastewater Management System.

The District, for financial purposes, includes all of the activity relevant to the operations of the District in eleven enterprise funds, as follows:

Wastewater Management System

Sanitation District Zone 1 – Lake Wildwood

- O & M
- Debt Assessment
- Capital Improvement
- Lasalle Project

Sanitation District Zone 2 – Lake of the Pines

- O & M
- Debt Assessment
- Capital Improvement
- Lasalle Project

Sanitation District Zone 4 – North San Juan

- O & M

Sanitation District Zone 5 – Gold Creek

- O & M

Sanitation District Zone 6 – Penn Valley

- O & M
- Capital Improvement

Sanitation District Zone 7 – Mountain Lake Estates

- O & M

Sanitation District Zone 8 – Cascade Shores

- O & M
- Capital Improvement
- Debt Assessment

Sanitation District Zone 9 – Eden Ranch

- O & M

Sanitation District Zone 11 – Higgins Village

- O & M

Sanitation District Zone 12 – Valley Oak

- O & M

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

The financial statements included in this report are intended to present the financial position and results of operations of only the District. They are not intended to present the financial position or results of operations of the County of Nevada taken as a whole.

The District is considered to be a component unit of the County of Nevada. The Board of Supervisors is the governing body of the District. The District is a legally separate entity for which the County is considered to be financially accountable and for which the nature and significance of the District's relationship with the County is such that exclusion would cause the combined financial statements to be misleading.

The District is considered a blended component unit of the County of Nevada and is reported as a major enterprise fund in the County of Nevada's financial statements.

B. Basis of Presentation

The fund financial statements provide information about the District's funds. Funds are organized into the proprietary category. An emphasis is placed on major funds within the proprietary category; each is displayed in a separate column. For presentation purposes all zones of the District are combined into one major fund.

The District reports the following major proprietary fund:

- The Sanitation District fund is an enterprise fund used to account for activity related to providing customers with sanitation management and billing for services provided by the District.

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include revenues from grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

D. Cash, Cash Equivalents, and Investments

The District pools cash and investments of all funds with the County of Nevada. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participants' deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

The County monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors reviews and approves the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller at 950 Maidu Avenue, Nevada City, California 95959, or via the web at <https://www.mynevadacounty.com/196/Excellence-in-Financial-Reporting>.

For purposes of the accompanying statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased, and its equity in the County Treasurer's investment pool, to be cash equivalents.

E. Receivables

Management only accrues those revenues it deems collectible; as such, the District has no allowance for uncollectible accounts.

F. Capital Assets

Capital assets, including public domain (infrastructure assets such as water, sewer, and similar items) are defined by the District as assets with a cost of more than \$5,000 for equipment and \$50,000 for structures and infrastructure and an estimated useful life of more than one year. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

reported at acquisition value, which is the amount that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets estimated useful life. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Life</u>
Equipment	2-25 Years
Structures and Improvements	5-50 Years
Infrastructure	20-75 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

G. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenses.

Reimbursements occur when the funds responsible for particular expenses repay the funds that initially paid for them. Such reimbursements are reflected as expenses in the reimbursing fund and reductions to expenses in the reimbursed fund.

All other interfund transactions are treated as transfers.

H. Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation or personal paid leave. An unlimited amount of sick leave may be accrued in accordance with the bargaining unit's memorandum of understanding (MOU) and, upon separation from District's service, will either be paid to the employee or converted to a public employees retirement system (PERS) service credit. In proprietary funds the accrued compensated absences is recorded as an expense and related liability in the year earned, with the current portion estimated based on historical trends. The District includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to pension.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to pension.

J. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

A. Financial Statement Presentation

At June 30, 2017, the District's cash and investments consisted of the following:

Investments:

Nevada County Treasurer's Pool	\$ 7,870,792
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B. Cash

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The County's investment policy requires that deposits in banks must meet the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105% to 150% of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits more than the \$250,000 insured amount are collateralized.

At year-end, the District had no deposits outside the Nevada County Treasury.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

C. Investments

The investment policy provides the basis for the management of a prudent, conservative investment program. Funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the investment policy is more restrictive than state law. Under the provisions of the County's investment policy the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- Local Agency Investment Fund
- Medium Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies
- California State Registered Warrants, Treasury Notes and Bonds
- Local Agency Obligations
- Certificates of Deposit
- Pass-Through Security

Interest Rate Risk

Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to five years or less.

Credit Risk

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. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2017, the District's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County's investment policy requires that all investments owned

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

by the County with the exception of certificates of deposit shall be held in safekeeping by a third party under contract with the County.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in the County investment pool which contains a diversification of investments.

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2015	Additions	Retirements and Adjustments	Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 1,452,944	\$ 16,675	\$ 971	\$ 1,470,590
Construction in Progress	1,149,834	4,666,079	-	5,815,913
Total Capital Assets, Not Being Depreciated	2,602,778	4,682,754	971	7,286,503
Capital Assets, Being Depreciated:				
Infrastructures	69,832,147	-	-	69,832,147
Structures and Improvements	320,598	-	-	320,598
Equipment	1,852,903	76,135	603	1,929,641
Total Capital Assets, Being Depreciated	72,005,648	76,135	603	72,082,386
Less Accumulated Depreciation for:				
Infrastructure	(26,170,342)	(2,071,385)	-	(28,241,727)
Structures and Improvements	(97,598)	(10,687)	-	(108,285)
Equipment	(1,369,492)	(118,819)	(941)	(1,489,252)
Total Accumulated Depreciation	(27,637,432)	(2,200,891)	(941)	(29,839,264)
Total Capital Assets, Being Depreciated, Net	44,368,216	(2,124,756)	(338)	42,243,122
Total Capital Assets, Net	\$ 46,970,994	\$ 2,557,998	\$ 633	\$ 49,529,625

Construction in Progress

Construction in progress is related to work performed on the Penn Valley pipeline design.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 INTERFUND TRANSACTIONS

Due to/from Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. The following are due from and due to balances by zone as of June 30:

	Due from Other Funds	Due to Other Funds
Wastewater Management System	\$ -	\$ 416,884
Sanitation District Zone 1 - Lake Wildwood	686,656	-
Sanitation District Zone 2 - Lake of the Pines	178,593	-
Sanitation District Zone 4 - North San Juan	4,706	-
Sanitation District Zone 5 - Gold Creek	1,896	-
Sanitation District Zone 6 - Penn Valley	15,592	500,000
Sanitation District Zone 7 - Mountain Lake Estates	1,329	-
Sanitation District Zone 8 - Cascade Shores	21,117	-
Sanitation District Zone 9 - Eden Ranch	-	804
Sanitation District Zone 11 - Higgins Village	7,698	-
Sanitation District Zone 12 - Valley Oak	101	-
Total	<u>\$ 917,688</u>	<u>\$ 917,688</u>

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30:

<u>Types of Indebtedness</u>	Balance July 1, 2016	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2017	Amounts Due Within One Year
Special Assessment Bonds with County Commitment	\$ 9,000	\$ -	\$ (9,000)	\$ -	\$ -
Loans	21,732,100	-	(1,758,826)	19,973,274	1,771,739
Less: Unamortized discount	(1,255,836)	-	186,796	(1,069,040)	(172,736)
Loans, Net	20,476,264	-	(1,572,030)	18,904,234	1,599,003
Compensated Absences	77,276	160,187	(161,435)	76,028	9,168
OPEB Obligation	110,452	77,333	(66,540)	121,245	-
Total Long-Term Liabilities	<u>\$ 20,672,992</u>	<u>\$ 237,520</u>	<u>\$ (1,809,005)</u>	<u>\$ 19,101,507</u>	<u>\$ 1,608,171</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Individual issues of debt payable outstanding at June 30, 2017 are as follows:

<u>Business-Type Activities</u>	<u>Amount</u>
Loans	
State Water Resources Control Board loan, issued November 13, 2010, in the amount of \$339,164 and payable in annual installments of \$16,958, with an interest rate of 0.0% and maturity on June 30, 2029. Loan proceeds were used for the acquisition and construction of improvements to the Cascade Shores Wastewater system. The loan includes a loan discount of \$56,528.	203,500
Banc of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$2,500,000 and payable in annual installments of \$73,529, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system.	1,397,059
Banc of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$1,000,000 and payable in annual installments of \$29,412, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	558,823
State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$12,122,824 plus accrued interest of \$110,523 and payable in annual installments of \$492,213 to \$739,310 with an interest rate of 1.20% and maturity on November 23, 2027. Loan proceeds were used for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	7,375,354

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Individual issues of debt payable outstanding at June 30, 2017 are as follows:

<u>Business-Type Activities</u>	<u>Amount</u>
Loans (Continued)	
State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$18,964,071 and payable in annual installments of \$948,204 with an interest rate of 0.00% and maturity on January 1, 2028. Loan proceeds were used for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system. The loan includes a discount of \$3,160,742.	<u>\$ 10,438,538</u>
Total Loans	<u>19,973,274</u>
Total Business-Type Activities	<u><u>\$ 19,973,274</u></u>

Following is a schedule of debt payment requirements to maturity for long-term debt excluding compensated absences that have indefinite maturities and net OPEB obligation which is reported in Note 7 under Net Pension Liability.

<u>Year Ending June 30,</u>	<u>Loans</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Service Charge</u>	<u>Total</u>
2018	\$ 1,771,739	\$ 156,613	\$ 73,754	\$ 2,002,106
2019	1,784,937	141,600	67,754	1,994,291
2020	1,798,426	127,330	61,623	1,987,379
2021	1,812,212	112,447	55,356	1,980,015
2022	1,826,302	97,399	48,952	1,972,653
2023-2027	9,250,990	255,225	143,659	9,649,874
2028-2032	1,728,668	8,949	7,458	1,745,075
Total	<u><u>\$ 19,973,274</u></u>	<u><u>\$ 899,563</u></u>	<u><u>\$ 458,556</u></u>	<u><u>\$ 21,331,393</u></u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 NET POSITION

The proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position is available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 7 EMPLOYEE BENEFITS

A. Employee’s Retirement Plan

The District is a component unit of the County of Nevada and as such the District’s employees are covered under the retirement plan of the County of Nevada (the Plan).

The County contributes to the California Public Employees Retirement System (PERS), an agent multiple- employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS’ annual financial report may be obtained from their executive office – 400 Q Street, Lincoln Plaza East, Sacramento, California 95811 or www.calpers.ca.gov.

Additional disclosure information regarding employee’s retirement plan can be found in the County’s audited financial statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

B. Net Pension Liability

The District's net pension liability is measured as the proportionate share of the total net pension liability as reported by the Plan. The net pension liability is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on the contributions of all participants in the plan. As of June 30, 2017, the District's proportional share of the net pension liability was \$3,268,312.

C. Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District's proportionate share of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	Discount Rate <u>-1% (6.65%)</u>	Discount Rate <u>(7.65%)</u>	Discount Rate <u>+1% (8.65%)</u>
Net Pension Liability	\$ 4,386,545	\$ 3,268,312	\$ 2,335,204

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. During the year ended June 30, 2017, the District recognized a pension expense of \$102,976. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 326,024	\$ -
Changes in Assumptions	-	(18,911)
Differences Between Expected and Actual Experience	-	(15,473)
Net Difference Between Projected and Actual Earnings on Plan Investments	323,349	-
Total	<u>\$ 649,373</u>	<u>\$ (34,384)</u>

\$326,024 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 10,281
2019	44,251
2020	149,402
2021	85,031

E. Other Postemployment Benefits (OPEB)

The District is a component unit of the County of Nevada and as such the District's employees are covered under the postemployment benefit plan of the County of Nevada.

The County of Nevada provides, under a defined benefit plan, retiree healthcare benefits to qualifying employees retiring directly from the County. The benefit level is determined by date of hire and length of service. The County has contracted for medical coverage to be provided through an agent multiple-employer CalPERS Healthcare (PEMHCA) plan.

A portion of the County's postemployment benefit costs have been allocated to the District as follows:

Annual Required Contribution	\$ 79,126
Interest on Prior OPEB Obligations	6,635
Amortization of Prior Year Net OPEB Obligation	<u>(8,409)</u>
Annual OPEB Cost	77,352
Pay As You Go Contribution	(42,429)
Funding of Full ARC Contribution	<u>(24,130)</u>
Increase (Decrease) in Net OPEB Obligation	10,793
Net OPEB Obligation - Beginning of Year	110,452
Net OPEB Obligation - End of Year	<u><u>\$ 121,245</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 80,325	101.2%	\$ 111,377
2016	82,572	101.1%	110,452
2017	77,352	86.1%	121,245

The quantifications of costs set forth above should not be interpreted in any way as vesting such benefits: rather the disclosures are made solely to comply with the District's reporting obligations under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (Issued 6/04), as the District understands these obligations.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Additional disclosure information regarding OPEB can be found in the County's audited financial statements.

NOTE 8 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.

Because of the close relationship the District has with the County of Nevada, the District's coverage is provided by the County of Nevada. Disclosure of complete information on risk management can be found in the County of Nevada's financial statements.

NOTE 9 RELATED PARTY TRANSACTIONS

The District has related party transactions with the County of Nevada.

The following is a summary of payables due to the County of Nevada by fund at June 30:

Wastewater Management System	\$ 146,268
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REQUIRED SUPPLEMENTARY INFORMATION

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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017

1. SCHEDULE OF NET PENSION LIABILITY PROPORTIONAL SHARE AND RELATED RATIOS AND CONTRIBUTIONS

Proportional share of the County's Miscellaneous Plan

Last 10 Fiscal Years*

	Miscellaneous Plan		
	Reporting Fiscal Year (Measurement Date)		
	June 30, 2017 <i>June 30, 2016</i>	June 30, 2016 <i>June 30, 2015</i>	June 30, 2015 <i>June 30, 2014</i>
Proportionate share of the net pension liability	2.30%	2.43%	3.45%
Proportion of the net pension liability	\$ 3,268,312	\$ 2,960,974	\$ 4,046,214
Covered Employee payroll	\$ 1,125,915	\$ 1,036,937	\$ 1,437,835
Proportionate share of the net pension liability as a percentage of covered employee payroll	290.28%	285.55%	281.41%
Plan's fiduciary net position as a percentage of the total pension liability	64.49%	68.27%	69.28%

* Fiscal year 2015 was the 1st year of implementation. Additional years will be presented as they become available.

Schedule of District's Contribution

Last 10 Fiscal Years*

	Miscellaneous Plan		
	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contribution	\$ 326,024	\$ 296,780	\$ 257,239
Contributions Related to the Actuarially Determined Contribution	(326,024)	(296,780)	(257,239)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
County's Covered-Employee Payroll	\$ 1,125,915	\$ 1,036,937	\$ 1,437,835
Contributions as a Percentage of	(28.96)%	(28.62)%	(17.89)%

*Fiscal year 2015 was the first year of implementation. Additional years will be presented as they become available.

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SUPPLEMENTARY INFORMATION

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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
ASSETS				
Current Assets:				
Cash and Investments	\$ 288,109	\$ 2,680,186	\$ 2,903,401	\$ 232,561
Accounts Receivable	-	7,502	-	-
Due from Other Governments	-	4,614	6,944	460
Due from Other Funds	-	686,656	178,593	4,706
Total Current Assets	288,109	3,378,958	3,088,938	237,727
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	-	238,190	436,504	139,084
Depreciable, Net	248,660	15,682,297	20,603,558	146,704
Total Noncurrent Assets	248,660	15,920,487	21,040,062	285,788
Total Assets	536,769	19,299,445	24,129,000	523,515
DEFERRED OUTFLOWS OF RESOURCES				
Pension	649,373	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 30,422	\$ 80,868	\$ 23,610	\$ 400
Salaries and Benefits Payable	59,911	-	-	-
Interest Payable	-	110,390	91,428	-
Due to Other Funds	416,884	-	-	-
Due to County	145,946	-	-	-
Compensated Absences	9,168	-	-	-
Loan Payable	-	658,764	926,554	-
Total Current Liabilities	662,331	850,022	1,041,592	400
Noncurrent Liabilities:				
Compensated Absences	66,860	-	-	-
Loan Payable	-	7,275,414	9,861,974	-
Net OPEB Obligation	121,245	-	-	-
Net Pension Liability	3,268,312	-	-	-
Total Noncurrent Liabilities	3,456,417	7,275,414	9,861,974	-
Total Liabilities	4,118,748	8,125,436	10,903,566	400
DEFERRED INFLOWS OF RESOURCES				
Pension	34,384	-	-	-
NET POSITION				
Net Investment in Capital Assets	248,660	7,979,231	10,251,534	285,788
Unrestricted	(3,215,650)	3,194,778	2,973,900	237,327
Total Net Position	<u>\$ (2,966,990)</u>	<u>\$ 11,174,009</u>	<u>\$ 13,225,434</u>	<u>\$ 523,115</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
ASSETS				
Current Assets:				
Cash and Investments	\$ 22,547	\$ 1,275,619	\$ 45,643	\$ 108,081
Accounts Receivable	-	-	-	-
Due from Other Governments	-	1,242,884	-	41,113
Due from Other Funds	1,896	15,592	1,329	21,117
Total Current Assets	24,443	2,534,095	46,972	170,311
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	5,950	6,155,112	45,231	236,439
Depreciable, Net	20,707	718,925	266,628	4,085,389
Total Noncurrent Assets	26,657	6,874,037	311,859	4,321,828
Total Assets	51,100	9,408,132	358,831	4,492,139
DEFERRED OUTFLOWS OF RESOURCES				
Pension	-	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ -	\$ 1,747,210	\$ -	\$ 4,278
Salaries and Benefits Payable	-	-	-	-
Interest Payable	-	-	-	129,949
Due to Other Funds	-	500,000	-	-
Due to County	-	322	-	-
Compensated Absences	-	-	-	-
Loan Payable	-	-	-	13,685
Total Current Liabilities	-	2,247,532	-	147,912
Noncurrent Liabilities:				
Compensated Absences	-	-	-	-
Loan Payable	-	-	-	167,843
Net OPEB Obligation	-	-	-	-
Net Pension Liability	-	-	-	-
Total Noncurrent Liabilities	-	-	-	167,843
Total Liabilities	-	2,247,532	-	315,755
DEFERRED INFLOWS OF RESOURCES				
Pension	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	26,657	5,163,414	311,859	4,140,300
Unrestricted	24,443	1,997,186	46,972	36,084
Total Net Position	\$ 51,100	\$ 7,160,600	\$ 358,831	\$ 4,176,384

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
ASSETS					
Current Assets:					
Cash and Investments	\$ 122,385	\$ 122,899	\$ 69,361	\$ -	\$ 7,870,792
Accounts Receivable	-	-	-	-	7,502
Due from Other Governments	-	-	-	-	1,296,015
Due from Other Funds	-	7,698	101	(917,688)	-
Total Current Assets	122,385	130,597	69,462	(917,688)	9,174,309
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	29,993	-	-	-	7,286,503
Depreciable, Net	86,242	319,136	64,876	-	42,243,122
Total Noncurrent Assets	116,235	319,136	64,876	-	49,529,625
Total Assets	238,620	449,733	134,338	(917,688)	58,703,934
DEFERRED OUTFLOWS OF RESOURCES					
Pension	-	-	-	-	649,373
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 123	\$ 142	\$ 359	\$ -	\$ 1,887,412
Salaries and Benefits Payable	-	-	-	-	59,911
Interest Payable	-	-	-	-	331,767
Due to Other Funds	804	-	-	(917,688)	-
Due to County	-	-	-	-	146,268
Compensated Absences	-	-	-	-	9,168
Loan Payable	-	-	-	-	1,599,003
Total Current Liabilities	927	142	359	(917,688)	4,033,529
Noncurrent Liabilities:					
Compensated Absences	-	-	-	-	66,860
Loan Payable	-	-	-	-	17,305,231
Net OPEB Obligation	-	-	-	-	121,245
Net Pension Liability	-	-	-	-	3,268,312
Total Noncurrent Liabilities	-	-	-	-	20,761,648
Total Liabilities	927	142	359	(917,688)	24,795,177
DEFERRED INFLOWS OF RESOURCES					
Pension	-	-	-	-	34,384
NET POSITION					
Net Investment in Capital Assets	116,235	319,136	64,876	-	28,907,690
Unrestricted	121,458	130,455	69,103	-	5,616,056
Total Net Position	\$ 237,693	\$ 449,591	\$ 133,979	\$ -	\$ 34,523,746

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
OPERATING REVENUES				
Charges for Services	\$ -	\$ 3,153,556	\$ 2,792,573	\$ 69,535
Other Revenues	-	-	1,514	150
Total Operating Revenues	-	3,153,556	2,794,087	69,685
OPERATING EXPENSES				
Salaries and Benefits	1,663,782	-	-	-
Services and Supplies	436,036	518,956	534,772	13,219
Other Charges	169,801	-	-	-
Expense Transfers	(2,477,662)	1,433,722	1,020,939	37,245
Depreciation and Amortization	49,717	844,080	1,031,268	8,848
Total Operating Expenses	(158,326)	2,796,758	2,586,979	59,312
OPERATING INCOME (LOSS)	158,326	356,798	207,108	10,373
NONOPERATING REVENUE (EXPENSES)				
Interest Income	(4,182)	30,423	25,419	2,058
Interest Expense	-	(188,236)	(229,239)	(286)
Intergovernmental Revenues	-	4,614	6,944	460
Total Nonoperating Revenue (Expenses)	(4,182)	(153,199)	(196,876)	2,232
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	154,144	203,599	10,232	12,605
TRANSFERS AND CONTRIBUTIONS				
Transfers In	79,776	-	-	-
Transfers Out	-	(42,269)	(27,064)	(1,468)
Capital Contributions	-	-	-	-
CHANGE IN NET POSITION	233,920	161,330	(16,832)	11,137
Net Position - Beginning of Year	(3,200,910)	11,012,679	13,242,266	511,978
NET POSITION - END OF YEAR	<u>\$ (2,966,990)</u>	<u>\$ 11,174,009</u>	<u>\$ 13,225,434</u>	<u>\$ 523,115</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
OPERATING REVENUES				
Charges for Services	\$ 10,340	\$ 374,205	\$ 23,428	\$ 224,235
Other Revenues	-	-	-	1,000
Total Operating Revenues	<u>10,340</u>	<u>374,205</u>	<u>23,428</u>	<u>225,235</u>
OPERATING EXPENSES				
Salaries and Benefits	-	-	-	-
Services and Supplies	1,268	55,152	3,617	74,340
Other Charges	-	-	-	-
Expense Transfers	16,387	226,138	21,221	115,302
Depreciation and Amortization	<u>1,295</u>	<u>56,120</u>	<u>15,598</u>	<u>173,047</u>
Total Operating Expenses	<u>18,950</u>	<u>337,410</u>	<u>40,436</u>	<u>362,689</u>
OPERATING INCOME (LOSS)	(8,610)	36,795	(17,008)	(137,454)
NONOPERATING REVENUE (EXPENSES)				
Interest Income	281	3,661	450	1,113
Interest Expense	-	(5,504)	-	(4,925)
Intergovernmental Revenues	-	1,205,084	-	41,113
Total Nonoperating Revenue (Expenses)	<u>281</u>	<u>1,203,241</u>	<u>450</u>	<u>37,301</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(8,329)	1,240,036	(16,558)	(100,153)
TRANSFERS AND CONTRIBUTIONS				
Transfers In	-	-	-	-
Transfers Out	(522)	(5,446)	(542)	(1,346)
Capital Contributions	<u>-</u>	<u>2,750,270</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(8,851)	3,984,860	(17,100)	(101,499)
Net Position - Beginning of Year	<u>59,951</u>	<u>3,175,740</u>	<u>375,931</u>	<u>4,277,883</u>
NET POSITION - END OF YEAR	<u>\$ 51,100</u>	<u>\$ 7,160,600</u>	<u>\$ 358,831</u>	<u>\$ 4,176,384</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
OPERATING REVENUES					
Charges for Services	\$ 32,684	\$ 80,065	\$ 12,000	\$ -	\$ 6,772,621
Other Revenues	-	-	-	-	2,664
Total Operating Revenues	32,684	80,065	12,000	-	6,775,285
OPERATING EXPENSES					
Salaries and Benefits	-	-	-	-	1,663,782
Services and Supplies	2,375	5,058	1,073	-	1,645,866
Other Charges	-	-	-	-	169,801
Expense Transfers	15,480	82,978	2,820	-	494,570
Depreciation and Amortization	4,763	13,268	2,886	-	2,200,890
Total Operating Expenses	22,618	101,304	6,779	-	6,174,909
OPERATING INCOME (LOSS)	10,066	(21,239)	5,221	-	600,376
NONOPERATING REVENUE (EXPENSES)					
Interest Income	1,005	1,233	574	-	62,035
Interest Expense	-	-	-	-	(428,190)
Intergovernmental Revenues	-	-	-	-	1,258,215
Total Nonoperating Revenue (Expenses)	1,005	1,233	574	-	892,060
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	11,071	(20,006)	5,795	-	1,492,436
TRANSFERS AND CONTRIBUTIONS					
Transfers In	-	-	-	(79,776)	-
Transfers Out	(370)	(632)	(117)	79,776	-
Capital Contributions	-	-	-	-	2,750,270
CHANGE IN NET POSITION	10,701	(20,638)	5,678	-	4,242,706
Net Position - Beginning of Year	226,992	470,229	128,301	-	30,281,040
NET POSITION - END OF YEAR	<u>\$ 237,693</u>	<u>\$ 449,591</u>	<u>\$ 133,979</u>	<u>\$ -</u>	<u>\$ 34,523,746</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ -	\$ 3,146,054	\$ 2,794,087	\$ 69,685
Payments to Suppliers	1,880,957	(1,950,824)	(1,565,426)	(50,682)
Payments to Employees	(1,869,874)	-	-	-
Net Cash Provided (Used) by Operating Activities	11,083	1,195,230	1,228,661	19,003
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from Other Funds	-	(202,010)	(168,347)	1,227
Payments to Other Funds	276,961	83,407	64,312	(5,114)
Grants and Other Receipts	-	-	-	-
Transfers In	79,776	-	-	-
Transfers Out	-	(42,269)	(27,064)	(1,468)
Net Cash Provided (Used) for Noncapital Financing Activities	356,737	(160,872)	(131,099)	(5,355)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(75,797)	(153,297)	-	-
Capital Contributions	-	-	-	-
Principal Paid on Capital Debt	-	(645,849)	(1,096,019)	(9,000)
Interest Paid on Capital Debt	-	(189,234)	(53,906)	(436)
Net Cash Provided (Used) by Capital and Related Financing Activities	(75,797)	(988,380)	(1,149,925)	(9,436)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received (Paid)	(4,182)	30,423	25,419	2,058
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,841	76,401	(26,944)	6,270
Cash and Cash Equivalents - Beginning of Year	268	2,603,785	2,930,345	226,291
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 288,109</u>	<u>\$ 2,680,186</u>	<u>\$ 2,903,401</u>	<u>\$ 232,561</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 158,326	\$ 356,798	\$ 207,108	\$ 10,373
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	49,717	844,080	1,031,268	8,848
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts Receivable	-	(7,502)	-	-
Deferred Outflows of Resources	(351,576)	-	-	-
Increase (Decrease) in:				
Accounts Payable	9,132	1,854	(9,715)	(218)
Accrued Salaries and Benefits	7,411	-	-	-
Compensated Absences Payable	(1,248)	-	-	-
Deferred Inflows of Resources	(178,810)	-	-	-
Net Pension Liability	307,338	-	-	-
Net OPEB Obligation	10,793	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,083</u>	<u>\$ 1,195,230</u>	<u>\$ 1,228,661</u>	<u>\$ 19,003</u>
Noncash Investing, Capital and Financing Activities:				
Acquisition of capital assets in accounts payable	<u>\$ -</u>	<u>\$ 7,078</u>	<u>\$ -</u>	<u>\$ -</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 10,340	\$ 374,205	\$ 23,428	\$ 225,235
Payments to Suppliers	(17,655)	(304,274)	(24,838)	(191,154)
Payments to Employees	-	-	-	-
Net Cash Provided (Used) by Operating Activities	(7,315)	69,931	(1,410)	34,081
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from Other Funds	(1,723)	(3,704)	840	4,231
Payments to Other Funds	-	-	(1,923)	(10,155)
Grants and Other Receipts	-	522,852	-	-
Transfers In	-	-	-	-
Transfers Out	(522)	(5,446)	(542)	(1,346)
Net Cash Provided (Used) for Noncapital Financing Activities	(2,245)	513,702	(1,625)	(7,270)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	-	(2,812,726)	-	-
Capital Contributions	-	2,750,270	-	-
Principal Paid on Capital Debt	-	-	-	(16,958)
Interest Paid on Capital Debt	-	(7,412)	-	(1)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(69,868)	-	(16,959)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received (Paid)	281	3,661	450	1,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,279)	517,426	(2,585)	10,965
Cash and Cash Equivalents - Beginning of Year	31,826	758,193	48,228	97,116
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 22,547</u>	<u>\$ 1,275,619</u>	<u>\$ 45,643</u>	<u>\$ 108,081</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (8,610)	\$ 36,795	\$ (17,008)	\$ (137,454)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,295	56,120	15,598	173,047
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts Receivable	-	-	-	-
Deferred Outflows of Resources	-	-	-	-
Increase (Decrease) in:				
Accounts Payable	-	(22,984)	-	(1,512)
Accrued Salaries and Benefits	-	-	-	-
Compensated Absences Payable	-	-	-	-
Deferred Inflows of Resources	-	-	-	-
Net Pension Liability	-	-	-	-
Net OPEB Obligation	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (7,315)</u>	<u>\$ 69,931</u>	<u>\$ (1,410)</u>	<u>\$ 34,081</u>
Noncash Investing, Capital and Financing Activities:				
Acquisition of capital assets in accounts payable	<u>\$ -</u>	<u>\$ 1,710,623</u>	<u>\$ -</u>	<u>\$ -</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 32,684	\$ 80,065	\$ 12,000	\$ -	\$ 6,767,783
Payments to Suppliers	(17,865)	(87,894)	(3,534)	-	(2,333,189)
Payments to Employees	-	-	-	-	(1,869,874)
Net Cash Provided (Used) by Operating Activities	14,819	(7,829)	8,466	-	2,564,720
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from Other Funds	1,636	(7,401)	(408)	-	(375,659)
Payments to Other Funds	-	-	414	-	407,902
Grants and Other Receipts	-	-	-	-	522,852
Transfers In	-	-	-	(79,776)	-
Transfers Out	(370)	(632)	(117)	79,776	-
Net Cash Provided (Used) for Noncapital Financing Activities	1,266	(8,033)	(111)	-	555,095
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	-	-	-	-	(3,041,820)
Capital Contributions	-	-	-	-	2,750,270
Principal Paid on Capital Debt	-	-	-	-	(1,767,826)
Interest Paid on Capital Debt	-	-	-	-	(250,989)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-	(2,310,365)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received (Paid)	1,005	1,233	574	-	62,035
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,090	(14,629)	8,929	-	871,485
Cash and Cash Equivalents - Beginning of Year	105,295	137,528	60,432	-	6,999,307
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 122,385</u>	<u>\$ 122,899</u>	<u>\$ 69,361</u>	<u>\$ -</u>	<u>\$ 7,870,792</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 10,066	\$ (21,239)	\$ 5,221	\$ -	\$ 600,376
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	4,763	13,268	2,886	-	2,200,890
Changes in Assets and Liabilities:					
(Increase) Decrease in:					
Accounts Receivable	-	-	-	-	(7,502)
Deferred Outflows of Resources	-	-	-	-	(351,576)
Increase (Decrease) in:					
Accounts Payable	(10)	142	359	-	(22,952)
Accrued Salaries and Benefits	-	-	-	-	7,411
Compensated Absences Payable	-	-	-	-	(1,248)
Deferred Inflows of Resources	-	-	-	-	(178,810)
Net Pension Liability	-	-	-	-	307,338
Net OPEB Obligation	-	-	-	-	10,793
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,819</u>	<u>\$ (7,829)</u>	<u>\$ 8,466</u>	<u>\$ -</u>	<u>\$ 2,564,720</u>
Noncash Investing, Capital and Financing Activities:					
Acquisition of capital assets in accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,717,701</u>

OTHER REPORTS

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

Board of Directors and Grand Jury
Nevada County Sanitation District No. 1
Nevada City, California

We have audited, 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, the accompanying financial statements of Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

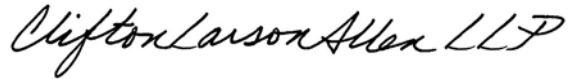
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 results 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Roseville, California
December 21, 2017