

JUNE LAKE PUBLIC UTILITY DISTRICT

Independent Auditors' Report
&
Financial Statements

For the Year Ended June 30, 2017



TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL INFORMATION	
Independent Auditors' Report	1-2
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-16
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position - All Enterprise Funds	17
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - All Enterprise Funds	18
Comparison of Actual Operations to Budgeted and Prior Year Operations - Sewer Operations and Maintenance	19
Comparison of Actual Operations to Budgeted and Prior Year Operations - Water Operations and Maintenance	20
Analysis of Functional Expenses - Sewer Operations and Maintenance	21
Analysis of Functional Expenses - Water Operations and Maintenance	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability and Related Ratios	23
Schedule of Pension Contributions	23
INTERNAL CONTROL AND COMPLIANCE MATTERS	
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	24-25
Schedule of Findings	26
Corrective Action Plan	27
Schedule of Prior Year Audit Findings	28

FINANCIAL INFORMATION



Smith Marion & Company, LLP • Certified Public Accountants
Brentwood Office • 5141 Virginia Way, Suite 400 • Brentwood, TN 37027 • (615) 309-8959

Board of Directors
June Lake Public Utility District
June Lake, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the June Lake Public Utility District as of and for the year ended June 30, 2017, and the 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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 June Lake Public Utility District at June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The management of June Lake Public Utility District has elected to omit this information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios and schedule of pension contributions on page 22 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 June Lake Public Utility District's financial statements as a whole. The supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 5, 2017, on our consideration of June Lake Public Utility District's internal control over financial reporting and 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 the 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 June Lake Public Utility District's internal control over financial reporting and compliance.


December 5, 2017

June Lake Public Utility District

Statement of Net Position

June 30, 2017

ASSETS

Cash and cash equivalents	\$ 841,216
Accounts receivable	112,489
Other assets	1,411
Total Current Assets	<u>955,116</u>

Investments	1,240,521
Capital assets	4,992,967
TOTAL ASSETS	<u><u>7,188,604</u></u>

DEFERRED OUTFLOWS OF RESOURCES 692,290

LIABILITIES

Accounts payable - trade	38,698
Accrued expenses - payroll	12,443
Other current liabilities	16,725
Unearned revenues	11,865
Total Current Liabilities	<u>79,731</u>

Vacation payable	77,196
Long-term fund held in trust	219,680
Pension	1,135,765
TOTAL LIABILITIES	<u><u>1,512,372</u></u>

DEFERRED INFLOWS OF RESOURCES 419,869

NET POSITION

Unrestricted net position	955,686
Investment in capital assets	4,992,967
TOTAL NET POSITION	<u><u>\$ 5,948,653</u></u>

June Lake Public Utility District
Statement of Revenues, Expenses and Change in Fund Net Position
For the Year Ended June 30, 2017

OPERATING REVENUES	
Service charges	\$ 686,552
Taxes and assessments	645,975
Delinquent charges	11,974
Mosquito income	-
Cell tower income	13,000
Inspection fees	101
Connection fees	15,224
Total Operating Revenues	<u>1,372,826</u>
OPERATING EXPENSES	
Salaries and wages	391,679
Employee benefits	66,183
Vacation/holiday/sick leave	62,960
Directors' fees	4,650
Professional fees and contracted services	389,689
Maintenance and repairs	5,913
Office expenses	7,632
General insurance	22,618
Rents and leases	3,600
Communications	16,818
Utilities	78,450
Small tools and supplies	78,709
Dues, subscriptions and fees	29,825
Publications and notices	1,293
Travel and meetings	5,973
USFS maintenance	6,181
Gas, fuel and oil	10,924
Total Operating Expenses	<u>1,183,097</u>
Net operating income (loss) before depreciation	189,729
Depreciation expense	<u>347,818</u>
Net operating income (loss)	(158,089)
NON-OPERATING REVENUES	
Other revenue	-
Interest revenues	11,272
Total Non-operating Revenues	<u>11,272</u>
Change in Net Position	(146,817)
Beginning Net Position	<u>6,095,470</u>
Ending Net Position	<u>\$ 5,948,653</u>

June Lake Public Utility District
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from services	\$ 693,169
Other receipts	658,975
Payments for personnel services	(644,008)
Payments for other operating activities	<u>(629,538)</u>
Net Cash Provided (Used) by Operating Activities	<u>78,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of additional investments	266,724
Interest received	<u>11,272</u>
Net Cash Provided (Used) by Investing Activities	<u>277,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and construction of plant and equipment	(244,050)
Receipts from bond fees	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(244,050)</u>
Net Increase (Decrease) in Cash	112,544
Cash at Beginning of Year	<u>728,672</u>
Cash at End of Year	<u><u>\$ 841,216</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (158,089)
<i>Non-cash Items Included In net Income:</i>	
Depreciation expense	347,818
Pension expense	(108,844)
<i>(Increase) decrease in:</i>	
Accounts receivable	(20,682)
Other current assets	(1,411)
<i>Increase (decrease) in:</i>	
Accounts payable - trade	5,372
Accounts payable - payroll	(9,692)
Other current liabilities	<u>24,126</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 78,598</u></u>

June Lake Public Utility District

Notes to Financial Statements

For the Year Ended June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Background

The June Lake Public Utility District was setup to provide water distribution and sewage disposal services for the residents and businesses of the June Lake area. During April 1991 the District also took over responsibility of Mosquito Abatement.

Basis of Accounting

The District uses the accrual basis of accounting for financial statement purposes. Revenues are recognized in the period they are earned. Expenses are recognized in the period in which the liability is incurred (when goods are received or service rendered).

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. The original and final budgets are the same no modifications were made during the year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have a maturity date at time of purchase of three months or less. Cash of all funds is pooled into a common interest bearing account with the Local Area Investment Fund (LAIF) in order to maximize investment opportunities.

Estimates

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

Inventories

Parts and supplies inventories, when material, are stated at the lower of cost or market. However, the District's policy is to purchase parts and supplies only as needed and directly expense such purchases to supplies and expendable equipment at the time of acquisition. No material parts and supplies inventories were on hand as of June 30, 2017.

Capital Assets

Capital assets are defined as an asset with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Estimate useful lives range from 5 to 40 years.

Revenues

The district distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. **DESCRIPTION OF REPORTING SEGMENTS**

Proprietary Fund Type - Enterprise Funds

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

In addition, the accounting records of the District are organized on the basis of funds. Each of the District's programs is accounted for in a separate fund. The basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, including resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The district operations include the following funds:

Sewer Operations & Maintenance (O & M)

The O & M segment accounts for all operating expenses attributable to the sewage disposal activities performed by the District which include:

- . Sewage collections
- . Sewage treatment
- . Sewage disposal
- . Administration and general - waste disposal

The Sewer O & M segment also includes the sewer fixed assets, related long term debt and the revenues and cash balances restricted for servicing long-term general obligation bonds issued to finance construction of waste disposal facilities.

Sewer Improvements

The sewer improvements segment accounts for all construction and potential capitalized repairs performed to the District's waste disposal facilities. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the sewer operations and maintenance segment where they are capitalized and depreciated.

Water Operations & Maintenance (O & M)

The O & M segment accounts for all operating expenses attributable to the water delivery activities performed by the District which include:

- . Source of supply
- . Water pumping
- . Water treatment
- . Transmission and distribution
- . Administration and General - water delivery

The water O & M segment also includes the water fixed assets, related long-term debt and the revenues and cash balances restricted for servicing long-term general obligation bonds issued to finance construction of water delivery facilities.

Water Improvements

The water improvements segment accounts for all construction and potential capitalized repairs performed to the District's water delivery facilities. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the water operations and maintenance segment where they are capitalized and depreciated.

Down Canyon Improvements

The Down Canyon improvements segment accounts for all construction and potential capitalized repairs performed to water delivery facilities located in what was formally the Williams Tract County Water District. The Improvement District was formed pursuant to a resolution dissolving the Williams Tract County Water District. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the water operations and maintenance segment where they are capitalized and depreciated.

Notes to Financial Statements (Continued)

3. COMPOSITION OF CASH AND CASH EQUIVALENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Deposits with financial institutions	\$ 59,162
Local Agency Investment Fund	751,543
Petty Cash	50
Cash in County	<u>30,461</u>
Total cash	<u>841,216</u>
Certificates of Deposit	<u>1,240,521</u>
Total investments	<u>1,240,521</u>
Total cash and investments	<u>\$ 2,081,737</u>

Required Note Disclosure

Acknowledging that deposits and investments of state and local governments are subject to various risks, the Governmental Accounting Standards Board requires note disclosures about investment policies and five deposit and investment risks identified as custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Investment Policy

In October 1999 (Fiscal Year 2000), the Board of Directors of the District formally adopted the Investment Policy still in effect for the District as of June 30, 2017. This Investment Policy identifies the specific types of deposits and investments which are authorized by that Investment Policy and by the California Government Code (CGC).

The Investment Policy of the District does not name the five specific deposit and investment risks identified by GASB 40, but this Investment Policy does address these risks in principal by stating that it shall be the policy of the District to invest funds in a manner which will provide the maximum safety, liquidity and reasonable investment return while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

Authorized Types of Deposits and Investments

All types of deposits with financial institutions and all types of investments made by the District during Fiscal Year 2017 were authorized by its own Investment Policy and by the CGC. The type and value of these deposits with financial institutions and investments as of June 30, 2017 are identified below.

Deposits with Financial Institutions

Insured Demand Deposit Accounts		
Bank of America	\$ 59,162	66.0%
Other Deposit Accounts		
County of Mono	30,461	34.0%
Petty Cash	<u>50</u>	<u>0.1%</u>
Total Insured Deposits	<u>\$ 89,673</u>	<u>100.0%</u>

Disclosure Required for Risks Related to Deposits with Financial Institutions

Custodial Credit Risk

For **deposits, custodial credit risk** 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 Investment Policy of the District and the California Government Code do not address 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 government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market 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 such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Notes to Financial Statements (Continued)

Investments

State Depository Funds		
Local Agency Investment Fund (LAIF)	\$ 751,543	37.7%
Brokerage Account		
Cantella & Co., Inc.	1,240,521	62.3%
Total Investments	<u>\$ 1,992,064</u>	<u>100.0%</u>

Disclosure Required for Risks Related to Investments

State Depository Funds

All District funds on deposit with the Local Area Investment Fund (LAIF) are subject to the California Government Code (CGC). All securities purchased by the LAIF are purchased under the authority of CGC Section 16430 and 16480.4. CGC Section 16429.3 states that money placed with the state treasurer for deposit in the LAIF shall not be subject to transfer, loan or impoundment by any state official or state agency. CGC Section 16429.4 states that the right of a qualified government agency to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year.

Custodial Credit Risk

For **investments**, **custodial credit risk** is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to 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.

All District funds invested in LAIF and Trustee Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of custodial credit risk.

Credit Risk

For **investments**, **credit risk** is the risk that an issuer of an **investment** will not fulfill its obligation to the holder of the investment.

All District funds invested in LAIF and Trustee Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of credit risk.

Concentration of Credit Risk

For **investments**, **concentration of credit risk** is the risk associated with the District having 5% or more of total investments with any one issuer.

The District has 37.7% (\$751,543) of its investments in LAIF, which is subject to the California Government Code which places no limits on the amount of funds the District may invest in LAIF. The entire balance is backed by the full faith and credit of the State of California.

The District has 62.3% (\$1,240,521) of its investments in a brokerage account with Cantella & Co., Inc. The investments are all in Certificates of Deposits with maturities between 6 months and 3 years. All the funds are FDIC insured by individual banks in which the Certificates of Deposits are invested.

Interest Rate Risk

For **investments**, **interest rate risk** is the risk that changes in market interest rates will adversely affect the fair value of or cash flow from an investment.

All District funds invested in LAIF and Trustee Funds and any required cash flows from LAIF are subject to the California Government Code and are not subject to any significant degree of interest rate risk. The brokerage accounts are in fixed interest Certificates of Deposits and are not subject to any significant degree of interest rate risk.

Fair Value Estimates

Accounting pronouncements define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These pronouncements established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of the District's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the District could be realized in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, receivables, payables and accrued liabilities are a reasonable estimate of their fair value, due to their short-term nature and method of computation.

All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. All of the District's investments consist of certificates of deposit valued using Level 1 inputs.

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Notes to Financial Statements (Continued)

4. COMPOSITION OF ACCOUNTS RECEIVABLE

The total accounts receivable of the District consist of the following:

Water and sewer billings	\$ 108,739
Other	3,750
TOTAL	\$ 112,489

5. COMPOSITION OF CAPITAL ASSETS

Capital assets of the District consist of the following categories:

Asset	Beginning		Ending	
	Balance	Additions	Deletions	Balance
Sewage facility	\$ 5,413,642	\$ 30,749	\$ -	\$ 5,444,391
Water facility	8,181,072	216,329	-	8,397,401
Sewage general plant	308,659	725	-	309,384
Water general plant	314,889	725	-	315,614
Subtotal	14,218,262	248,528	-	14,466,790
Accumulated Depreciation				
Sewage facility	(4,550,394)	(136,111)	-	(4,686,505)
Water facility	(4,154,248)	(209,935)	-	(4,364,183)
Sewage general plant	(299,563)	(3,094)	-	(302,657)
Water general plant	(117,322)	(3,156)	-	(120,478)
Subtotal	(9,121,527)	(352,296)	-	(9,473,823)
Net Capital Assets	\$ 5,096,735	\$ (103,768)	\$ -	\$ 4,992,967

Depreciation expense for the year end June 30, 2017 was \$347,818.

6. PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the appropriations of taxes received by the District during the 2016-2017 fiscal years, and have found them to be within the guidelines established by Proposition 111.

7. CHANGE IN LONG-TERM LIABILITIES

The changes in long-term liabilities for the fiscal year ended June 30, 2017 are as follows:

Long-term Liabilities	Beginning		Ending	
	Balance	Additions	Deletions	Balance
Vacation payable	\$ 89,740	\$ 8,974	\$ (21,518)	\$ 77,196
Funds held in trust	209,419	10,261	-	219,680
Pension payable	1,288,472	-	(152,707)	1,135,765
Total	\$ 1,587,631	\$ 19,235	\$ (174,225)	\$ 1,432,641

Notes to Financial Statements (Continued)

8. INSURANCE COVERAGE

Insurance in force at June 30, 2017 is as follows:

<u>Type of Policy Coverage</u>	<u>Number</u>	<u>Amount of Coverage</u>	<u>Policy Expiration Date</u>
Liability and Property	SDRMA Program	\$2,500,000	June 30, 2017
Workers' Compensation	000120-87	Statutory as Required	Continuous policy
Automobile	SDRMA Program	\$2,500,000	June 30, 2017
Employee Bond	SDRMS Program	\$400,000	June 30, 2017

9. PROPERTY TAX CALENDAR

The District's assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	March 1	
Levy date	July 1 to June 30	
Due date	November 1	- First installment
	March 1	- Second installment
Delinquent date	December 10	- First installment
	April 10	- Second installment

10. INTERFUND TRANSACTIONS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." The amounts are eliminated on the basic financial statements.

11. PENSION PLANS

General Information about the Pension Plans

Plans Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. A full description of the pension plans benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2015 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2015 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plans contributions are determined through the CalPERS' annual actuarial valuation process.

Notes to Financial Statements (Continued)

For public agency cost-sharing plans covered by either the Miscellaneous or Safety Risk Pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active employee contribution rate is 7.947 percent of annual pay, and the average employer’s contribution rate is 33.400 percent of annual payroll. Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

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

Allocation of Net Pension Liability and Pension Expense to Individual Plans

Paragraph 49 of GASB 68 indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer’s share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS’ website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan’s proportionate share of total pension liability.

The Plan’s proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense.

The following table shows the Plan’s proportionate share of the risk pool collective net pension liability over the measurement period.

	Plan Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Plan Net Pension Liability (Asset) [c] = [a] - [b]
Balance at 6/30/2015 (valuation date):	\$ 4,403,104	\$ 3,114,632	\$ 1,288,472
Balance at 6/30/2016 (measurement date):	4,661,863	3,526,098	1,135,765
Plan Net Changes	\$ 258,759	\$ 411,466	\$ (152,707)

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 1,763,397	\$ 1,135,765	\$ 617,058

For the measurement period ended June 30, 2016 (the measurement date), the District incurred a pension expense / (income) of \$91,692 for the Plan (the pension expense for the risk pool for the measurement period is \$396,802,310).

Notes to Financial Statements (Continued)

As of June 30, 2017, the District reports other amounts for the Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,306	\$ -
Changes in assumptions	-	(52,848)
Net differences between projected and actual earnings on pension plan	275,057	-
Adjustment due to differences in proportions	320,786	-
Differences between contributions and proportionate share of contributions	449	(367,021)
<i>Plan Total</i>	<u>600,598</u>	<u>(419,869)</u>
Contributions subsequent to the measurement date of 6/30/16	91,692	NA
Authority Total	<u><u>\$ 692,290</u></u>	<u><u>\$ (419,869)</u></u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions, other than the employer-specific item, will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ (9,682)
2018	(1,352)
2019	120,521
2020	71,243
2021	-
Thereafter	-
	<u><u>\$ 180,730</u></u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Subsequent Events Related to Pension

There were no subsequent events that would materially affect the results presented in this disclosure.

Notes to Financial Statements (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method

Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions

Discount Rate	7.65 percent
Inflation	2.75 percent
Salary increases	Varies by Entry Age and Service
Mortality Rate Table 1	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter

1 The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report. (based on CalPERS demographic data from 1997 to 2011).

Expected Rate of Return

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 to the nearest one quarter of one percent.

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Notes to Financial Statements (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Private Equity	10%	6.83%	3.36%
Real Estate	10%	4.50%	6.95%
Inflation assets	6%	45.00%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. 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 is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 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.

Payable to the Pension Plan

At June 30, 2017, June Lake Public Utility District reported a payable of \$0 for the outstanding amount of contributions to the pension plan.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2017, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

June Lake Public Utility District
Combining Statement of Net Position - All Enterprise Funds
June 30, 2017

	SEWER		WATER		DOWN CANYON	DISTRICT TOTAL (MEMORANDUM ONLY)
	O&M	IMPROVEMENTS	O&M	IMPROVEMENTS	IMPROVEMENTS	
ASSETS						
Cash and cash equivalents	\$ 749,666	\$ 85,416	\$ -	\$ -	\$ 6,134	\$ 841,216
Accounts receivable	48,732	-	60,007	3,750	-	112,489
Other assets	-	-	1,411	-	-	1,411
Due from other segments	-	-	-	-	-	-
Total Current Assets	798,398	85,416	61,418	3,750	6,134	955,116
Investments	1,240,521	-	-	-	-	1,240,521
Capital assets	764,613	-	4,228,354	-	-	4,992,967
TOTAL ASSETS	2,803,532	85,416	4,289,772	3,750	6,134	7,188,604
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	332,611	-	359,679	-	-	692,290
TOTAL DEFERRED OUTFLOWS OF RESOURCE	332,611	-	359,679	-	-	692,290
LIABILITIES						
Accounts payable - trade	28,065	-	3,132	4,370	3,131	38,698
Accrued expenses - payroll	12,443	-	-	-	-	12,443
Due to other segments	-	-	-	-	-	-
Other current liabilities	-	-	16,725	-	-	16,725
Unearned revenues	11,865	-	-	-	-	11,865
Total Current Liabilities	52,373	-	19,857	4,370	3,131	79,731
Vacation payable	38,598	-	38,598	-	-	77,196
Long-term fund held in trust	219,680	-	-	-	-	219,680
Pension	537,718	-	598,047	-	-	1,135,765
TOTAL LIABILITIES	848,369	-	656,502	4,370	3,131	1,512,372
DEFERRED INFLOWS OF RESOURCES						
Pension related	204,660	-	215,209	-	-	419,869
TOTAL DEFERRED INFLOWS OF RESOURCES	204,660	-	215,209	-	-	419,869
NET POSITION						
Unrestricted net position	1,318,501	85,416	(450,614)	(620)	3,003	955,686
Investment in capital assets	764,613	-	4,228,354	-	-	4,992,967
TOTAL NET POSITION	\$ 2,083,114	\$ 85,416	\$ 3,777,740	\$ (620)	\$ 3,003	\$ 5,948,653

June Lake Public Utility District
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position - All Enterprise Funds
For the Year Ended June 30, 2017

	SEWER		WATER		DOWN CANYON	DISTRICT TOTAL
	O&M	IMPROVE- MENTS	O&M	IMPROVE- MENTS	IMPROVE- MENTS	
OPERATING REVENUES						
Service charges	\$ 317,559	\$ -	\$ 368,959	\$ 34	\$ -	\$ 686,552
Taxes and assessments	325,509	-	267,786	52,680	-	645,975
Delinquent charges	5,690	-	5,685	599	-	11,974
Mosquito income	-	-	-	-	-	-
Cell tower income	13,000	-	-	-	-	13,000
Inspection fees	50	-	51	-	-	101
Connection fees	-	6,232	-	8,992	-	15,224
Total Operating Revenues	<u>661,808</u>	<u>6,232</u>	<u>642,481</u>	<u>62,305</u>	<u>-</u>	<u>1,372,826</u>
OPERATING EXPENSES						
Salaries and wages	217,870	-	173,809	-	-	391,679
Employee benefits	30,120	-	36,063	-	-	66,183
Vacation/holiday/sick leave	31,480	-	31,480	-	-	62,960
Directors' fees	2,325	-	2,325	-	-	4,650
Professional fees and contracted services	173,269	50,156	90,335	7,203	68,726	389,689
Maintenance and repairs	3,389	-	2,524	-	-	5,913
Office expenses	3,816	-	3,816	-	-	7,632
General insurance	11,309	-	11,309	-	-	22,618
Rents and leases	1,800	-	1,800	-	-	3,600
Communications	7,557	-	9,261	-	-	16,818
Utilities	51,893	-	26,557	-	-	78,450
Small tools and supplies	41,821	-	36,888	-	-	78,709
Dues, subscriptions and fees	20,262	-	9,563	-	-	29,825
Publications and notices	722	-	571	-	-	1,293
Travel and meetings	3,650	-	2,323	-	-	5,973
USFS maintenance	6,181	-	-	-	-	6,181
Gas, fuel and oil	5,799	-	5,125	-	-	10,924
Total Operating Expenses	<u>613,263</u>	<u>50,156</u>	<u>443,749</u>	<u>7,203</u>	<u>68,726</u>	<u>1,183,097</u>
Net operating income (loss) before depreciation	48,545	(43,924)	198,732	55,102	(68,726)	189,729
Depreciation expense	139,204	-	208,614	-	-	347,818
Net Operating Income (Loss)	<u>(90,659)</u>	<u>(43,924)</u>	<u>(9,882)</u>	<u>55,102</u>	<u>(68,726)</u>	<u>(158,089)</u>
NON-OPERATING REVENUES						
Other revenue	-	-	-	-	-	-
Interest revenues	8,841	447	1,178	436	370	11,272
Total Non-Operating Revenues	<u>8,841</u>	<u>447</u>	<u>1,178</u>	<u>436</u>	<u>370</u>	<u>11,272</u>
NON-OPERATING EXPENSES						
Transfer in	-	-	55,755	445,464	-	501,219
Transfer out	(501,219)	-	-	-	-	(501,219)
Total Non-Operating Expenditures	<u>(501,219)</u>	<u>-</u>	<u>55,755</u>	<u>445,464</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(583,037)</u>	<u>(43,477)</u>	<u>47,051</u>	<u>501,002</u>	<u>(68,356)</u>	<u>(146,817)</u>
Beginning Net Position	<u>2,666,151</u>	<u>128,893</u>	<u>3,730,689</u>	<u>(501,622)</u>	<u>71,359</u>	<u>6,095,470</u>
Ending Net Position	<u>\$ 2,083,114</u>	<u>\$ 85,416</u>	<u>\$ 3,777,740</u>	<u>\$ (620)</u>	<u>\$ 3,003</u>	<u>\$ 5,948,653</u>

June Lake Public Utility District
Comparison of Actual Operations to Budgeted and Prior Years Operations
Sewer Operations and Maintenance
For the Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	OVER (UNDER) BUDGET	ACTUAL 6/30/17	ACTUAL 6/30/16
OPERATING REVENUES				
Service charges	\$ 343,500	\$ (25,941)	\$ 317,559	\$ 358,974
Delinquent charges	3,650	2,040	5,690	3,044
Inspection fees	750	(700)	50	49
Interest income	16,000	(7,159)	8,841	18,807
Cell tower income	9,000	4,000	13,000	6,387
Mosquito income	11,000	(11,000)	-	-
Miscellaneous fees	2,500	(2,500)	-	-
Connection fees	-	-	-	199
Total Operating Revenues	<u>386,400</u>	<u>(41,260)</u>	<u>345,140</u>	<u>387,460</u>
OPERATING EXPENDITURES				
Salaries and wages	201,421	16,449	217,870	176,135
Employee benefits	151,489	(121,369)	30,120	126,888
Vacation, holiday and sick leave	15,000	16,480	31,480	29,805
Directors' fees	2,000	325	2,325	1,375
Professional fees and contracted services	38,950	134,319	173,269	10,604
Maintenance and repairs	1,500	1,889	3,389	951
Office expenses	8,000	(4,184)	3,816	1,479
General insurance	8,593	2,716	11,309	8,068
Rents and leases	1,800	-	1,800	1,800
Communications	6,000	1,557	7,557	4,260
Utilities	63,800	(11,907)	51,893	57,703
Small tools and supplies	26,750	15,071	41,821	9,572
Dues, subscriptions and fees	30,000	(9,738)	20,262	1,529
Publications and notices	1,500	(778)	722	53
Travel and meetings	900	2,750	3,650	-
USFS maintenance	-	6,181	6,181	5,977
Gas, fuel and oil	7,258	(1,459)	5,799	10,460
Uncollectible accounts	-	-	-	-
Total Operating Expenditures	<u>564,961</u>	<u>48,302</u>	<u>613,263</u>	<u>446,659</u>
Excess (Deficit) of Operating Revenues Over Operating Expendi- tures before Depreciation	<u>\$ (178,561)</u>	<u>\$ (89,562)</u>	<u>\$ (268,123)</u>	<u>\$ (59,199)</u>

June Lake Public Utility District
Comparison of Actual Operations to Budgeted and Prior Years Operations
Water Operations and Maintenance
For the Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	OVER (UNDER) BUDGET	ACTUAL 6/30/17	ACTUAL 6/30/16
OPERATING REVENUES				
Service charges	\$ 365,000	\$ 3,959	\$ 368,959	\$ 283,845
Delinquent charges	4,000	1,685	5,685	-
Inspection fees	750	(699)	51	51
Interest Income	16,000	(14,822)	1,178	369
Mosquito income	10,000	(10,000)	-	-
Miscellaneous fees	2,500	(2,500)	-	-
Connection fees	-	-	-	404
Total Operating Revenues	398,250	(22,377)	375,873	284,669
OPERATING EXPENDITURES				
Salaries and wages	179,049	(5,240)	173,809	180,684
Employee benefits	146,625	(110,562)	36,063	213,434
Vacation, holiday and sick leave	15,000	16,480	31,480	16,217
Directors' fees	2,000	325	2,325	2,020
Professional fees and contracted services	46,107	44,228	90,335	55,618
Maintenance and repairs	1,500	1,024	2,524	1,039
Office expenses	8,000	(4,184)	3,816	8,803
General insurance	8,593	2,716	11,309	8,042
Rents and leases	1,800	-	1,800	1,800
Communications	8,000	1,261	9,261	8,388
Utilities	25,600	957	26,557	27,984
Small tools and supplies	70,986	(34,098)	36,888	69,057
Dues, subscriptions and fees	9,000	563	9,563	9,409
Publications and notices	700	(129)	571	565
Travel and meetings	600	1,723	2,323	421
Gas, fuel and oil	6,600	(1,475)	5,125	6,490
Uncollectible accounts	-	-	-	-
Total Operating Expenditures	530,160	(86,411)	443,749	609,971
Excess (Deficit) of Operating Revenues Over Operating Expendi- tures before Depreciation	\$ (131,910)	\$ 64,034	\$ (67,876)	\$ (325,302)

June Lake Public Utility District
 Analysis of Functional Expenses
 Sewer Operations and Maintenance
 For the Year Ended June 30, 2017

	SEWAGE COLLECTIONS	SEWAGE TREATMENT	SEWAGE DISPOSAL	MOSQUITO ABATEMENT	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 75,986	\$ 53,549	\$ 335	\$ 5,259	\$ 82,741	\$ 217,870
Employee benefits	-	-	-	-	30,120	30,120
Vacations, holidays and sick leave	-	-	-	-	31,480	31,480
Directors fees	-	-	-	-	2,325	2,325
Professional fees and contracted services	49,419	22,175	-	554	101,121	173,269
Maintenance and repairs	-	-	-	-	3,389	3,389
Office expenses	-	-	-	-	3,816	3,816
General insurance	-	-	-	-	11,309	11,309
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	7,557	7,557
Utilities	22,557	28,347	-	-	989	51,893
Small tools and supplies	3,608	24,952	-	7,157	6,104	41,821
Dues, subscriptions and fees	-	-	-	-	20,262	20,262
Publications and notices	-	-	-	-	722	722
Travel and meetings	-	-	-	-	3,650	3,650
USFS maintenance	-	-	-	-	6,181	6,181
Gas, fuel and oil	-	-	-	-	5,799	5,799
Uncollectible accounts	-	-	-	-	-	-
Totals	\$ 151,570	\$ 129,023	\$ 335	\$ 12,970	\$ 319,365	\$ 613,263

June Lake Public Utility District
 Analysis of Functional Expenses
 Water Operations and Maintenance
 For the Year Ended June 30, 2017

	SOURCE OF SUPPLY	WATER PUMPING	WATER TREATMENT	TRANSPORT AND DISTR	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 7,270	\$ 732	\$ 88,569	\$ (5,519)	\$ 82,757	\$ 173,809
Employee benefits	-	-	-	-	36,063	36,063
Vacations, holidays and sick leave	-	-	-	-	31,480	31,480
Directors fees	-	-	-	-	2,325	2,325
Professional fees and contracted services	-	-	12,355	-	77,980	90,335
Maintenance and repairs	-	-	-	-	2,524	2,524
Office expenses	-	-	-	-	3,816	3,816
General insurance	-	-	-	-	11,309	11,309
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	9,261	9,261
Utilities	-	10,599	14,969	-	989	26,557
Small tools and supplies	138	-	22,508	8,473	5,769	36,888
Dues and subscriptions	-	-	-	-	9,563	9,563
Publications and notices	-	-	-	-	571	571
Travel and meetings	-	-	-	-	2,323	2,323
Gas, fuel and oil	-	-	-	-	5,125	5,125
Uncollectible accounts	-	-	-	-	-	-
Totals	<u>\$ 7,408</u>	<u>\$ 11,331</u>	<u>\$ 138,401</u>	<u>\$ 2,954</u>	<u>\$ 283,655</u>	<u>\$ 443,749</u>

REQUIRED SUPPLEMENTARY INFORMATION

June Lake Public Utility District
 Required Supplementary Information
 As of the Measurement Date June 30, 2016

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	2014	2015	2016
Plan's Proportion of the Net Pension Liability (Asset)	0.01795%	0.01877%	0.01313%
Plan's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,116,702	\$ 1,288,472	\$ 1,135,765
Plan's Covered-Employee Payroll	\$ 434,759	\$ 298,564	\$ 432,538
Plan's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	256.86%	431.56%	262.58%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	81.15%	81.15%

SCHEDULE OF DISTRICT CONTRIBUTIONS CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

	2014	2015	2016
Contractually required contribution	\$ 145,851	\$ 190,338	\$ 156,318
Contributions in relation to the contractually required contribution	145,851	540,338	156,318
Contribution deficiency (excess)	\$ -	\$ (350,000)	\$ -
District's covered-employee payroll	\$ 434,759	\$ 298,564	\$ 432,538
Contributions as a percentage of covered employee payroll	33.55%	63.75%	36.14%

Notes to Schedule:

Changes in Benefits: None

Changes in Assumptions: None

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**INTERNAL CONTROL
AND
COMPLIANCE MATTERS**



Smith Marion & Company, LLP - Certified Public Accountants
Brentwood Office · 5141 Virginia Way, Suite 400 · Brentwood, TN 37027 · (615) 309-8959

Board of Directors
June Lake Public Utility District
June Lake, CA

**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**

INDEPENDENT AUDITORS' REPORT

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of June Lake Public Utility District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise June Lake Public Utility District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered June Lake Public Utility District's internal control over financial reporting (internal control) to determine the auditing 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 June Lake Public Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the June Lake Public Utility District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2016-001)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no such deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether June Lake Public Utility District's financial statements are free of 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 statements 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*.

June Lake Public Utility District's Response to Findings

June Lake Public Utility District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. June Lake Public Utility District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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



December 5, 2017

June Lake Public Utility District

Schedule Of Findings

June 30, 2017

FINDING 2017 – 001

Material Weakness

Interfund Repayments

Criteria

Governmental Accounting Standards require interfund payables in excess of 12 months be reclassified to long term fund advances.

Condition

During the audit, it was noted that the interfund payable accounts were not clearing at the end of the fiscal period. It was determined that the amounts included interfund activity that is in excess of twelve months of the transactions, resulting in an overstatement of cash within some funds and the misclassification between current and non-current liabilities.

Cause

This deficiency was the result of the overall lack of fiscal management at the District during the period under audit.

Effect

This had the effect of misstating the financial statements. The account balances have been corrected as of the end of the year.

Recommendation

We recommend that management address interfund procedures and internal controls in its development of an improved system of fiscal management. The use of an outside consultant assistance in reconciling these amounts and ensuring repayments are made is also recommended to maintain the interfund within accounting standards.

June Lake Public Utility District

Corrective Action Plan

June 30, 2017

Views of Responsible Officials and Planned Corrective Actions

2017-001 Interfund Repayments

Corrective Action Plan: Review and correction of errors in the categorization of revenue and liabilities will be completed by August 1, 2017. Interface of the billing and accounting software and changes to the accounting policies and interfund procedures will allow for future entries to be correct, with appropriate check and balances as provided for in the formal accounting procedures and policies manual.

Contact Person: Clint Hilderbrand

Anticipated Completion Date: August 1, 2017

June Lake Public Utility District
Schedule Of Prior Year Audit Findings
June 30, 2017

2016 – 1 Fiscal Management

Condition

The accounting and information system does not provide management with accurate and timely financial information.

Current Status

Resolved and matter considered closed.

2016 – 2 Interfund Repayments

Condition

During the audit, it was noted that the interfund payable accounts were not clearing at the end of the fiscal period. It was determined that the amounts included interfund activity that is in excess of twelve months of the transactions, resulting in an overstatement of cash within some funds and the misclassification between current and non-current liabilities.

Current Status

See current year 2017-1 for additional comments.

2016 – 3 Missing I-9 Forms

Condition

We noted that many current and past personnel files did not contain data required by federal and state labor laws, including the I-9 Employment Eligibility Verification Form.

Current Status

Resolved and matter considered closed.