

JUNE LAKE PUBLIC UTILITY DISTRICT

**Independent Auditors' Report
&
Financial Statements**

For the Year Ended June 30, 2016

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FINANCIAL INFORMATION



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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, 2016, 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, 2016, 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.

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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 May 23, 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.



May 23, 2017

June Lake Public Utility District
Statement of Net Position
June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 728,672
Accounts receivable	91,807
Total Current Assets	<u>820,479</u>
Investments	1,507,245
Capital assets	5,096,735
TOTAL ASSETS	<u><u>7,424,459</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	 610,590
 LIABILITIES	
Accounts payable - trade	33,326
Accrued expenses - payroll	9,591
Other current liabilities	14,725
Total Current Liabilities	<u>57,642</u>
Vacation payable	89,740
Long-term fund held in trust	209,419
Pension	1,288,472
TOTAL LIABILITIES	<u><u>1,645,273</u></u>
 DEFERRED INFLOWS OF RESOURCES	 294,306
 NET POSITION	
Unrestricted net position	998,735
Investment in capital assets	5,096,735
TOTAL NET POSITION	<u><u>\$ 6,095,470</u></u>

June Lake Public Utility District
Statement of Revenues, Expenses and Change in Fund Net Position
For the Year Ended June 30, 2016

OPERATING REVENUES	
Service charges	\$ 635,664
Taxes and assessments	568,914
Delinquent charges	-
Mosquito income	-
Cell tower income	11,000
Inspection fees	101
Connection fees	9,425
Total Operating Revenues	1,225,104
 OPERATING EXPENSES	
Salaries and wages	372,831
Employee benefits	440,214
Vacation/holiday/sick leave	32,404
Directors' fees	4,020
Professional fees and contracted services	100,351
Maintenance and repairs	34,706
Office expenses	17,606
General insurance	16,084
Rents and leases	3,600
Communications	13,635
Utilities	91,798
Small tools and supplies	78,734
Dues and subscriptions	37,294
Publications and notices	1,776
Travel and meetings	2,032
USFS maintenance	8,749
Gas, fuel and oil	12,980
Total Operating Expenses	1,268,814
Net operating income (loss) before depreciation	(43,710)
 Depreciation expense	 350,734
Net operating income (loss)	(394,444)
 NON-OPERATING REVENUES	
Other revenue	42,268
Interest revenues	53,751
Total Non-operating Revenues	96,019
 NON-OPERATING EXPENSES	
Interest expenses	-
Total Non-operating Expenditures	-
 Change in Net Position	 (298,425)
 Beginning Net Position	 6,393,895
Ending Net Position	\$ 6,095,470

June Lake Public Utility District
Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from services	\$ 656,731
Other receipts	579,914
Payments for personnel services	(709,776)
Payments for other operating activities	<u>(376,163)</u>
Net Cash Provided (Used) by Operating Activities	<u>150,706</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Pension contributions	<u>(350,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>(350,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of additional investments	(47,015)
Interest received	<u>53,751</u>
Net Cash Provided (Used) by Investing Activities	<u>6,736</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase and construction of plant and equipment	(62,657)
Receipts from bond fees	<u>42,268</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(20,389)</u>
Net Increase (Decrease) in Cash	(212,947)
Cash at Beginning of Year	<u>941,619</u>
Cash at End of Year	<u><u>\$ 728,672</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (394,444)
<i>Non-cash items included in net income:</i>	
Depreciation expense	350,734
Pension expense	143,804
<i>(Increase) decrease in:</i>	
Accounts receivable	11,541
Other current assets	30
<i>Increase (decrease) in:</i>	
Accounts payable - trade	32,578
Accounts payable - payroll	(4,111)
Other current liabilities	10,574
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 150,706</u></u>

June Lake Public Utility District

Notes to Financial Statements
For the Year Ended June 30, 2016

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, 2016.

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, 2016 are classified in the accompanying financial statements as follows:

Deposits with financial institutions	\$ 134,005
Local Agency Investment Fund	568,396
Petty Cash	50
Cash in County	<u>26,221</u>
Total cash	<u>728,672</u>
Certificates of Deposit	<u>1,507,245</u>
Total investments	<u>1,507,245</u>
Total cash and investments	<u>\$ 2,235,917</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, 2016. 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 2016 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, 2016 are identified below.

Deposits with Financial Institutions

Insured Demand Deposit Accounts		
Bank of America	\$ 134,005	83.6%
Other Deposit Accounts		
County of Mono	26,221	16.4%
Petty Cash	<u>50</u>	<u>0.0%</u>
Total Insured Deposits	<u>\$ 160,276</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)	\$ 568,396	27.4%
Brokerage Account		
Cantella & Co., Inc.	1,507,245	72.6%
Total Investments	<u>\$ 2,075,641</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 27.4% (\$568,396) 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 72.6% (\$1,507,245) 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	\$ 87,004
Other	4,803
TOTAL	<u><u>\$ 91,807</u></u>

5. **COMPOSITION OF CAPITAL ASSETS**

Capital assets of the District consist of the following categories:

Asset	Beginning Balance	Additions	Deletions	Ending Balance
Sewage facility	\$ 5,411,738	\$ 1,904	\$ -	\$ 5,413,642
Water facility	8,179,168	1,904	-	8,181,072
Sewage general plant	308,659	-	-	308,659
Water general plant	256,042	58,847	-	314,889
Subtotal	<u>14,155,607</u>	<u>62,655</u>	<u>-</u>	<u>14,218,262</u>
Accumulated Depreciation				
Sewage facility	(4,415,054)	(135,340)	-	(4,550,394)
Water facility	(3,949,722)	(204,526)	-	(4,154,248)
Sewage general plant	(291,846)	(7,717)	-	(299,563)
Water general plant	(114,173)	(3,149)	-	(117,322)
Subtotal	<u>(8,770,795)</u>	<u>(350,732)</u>	<u>-</u>	<u>(9,121,527)</u>
Net Capital Assets	<u>\$ 5,384,812</u>	<u>\$ (288,077)</u>	<u>\$ -</u>	<u>\$ 5,096,735</u>

Depreciation expense for the year end June 30, 2016 was \$350,734.

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 2015-2016 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, 2016 are as follows:

Long-term Liabilities	Beginning Balance	Additions	Deletions	Ending Balance
Vacation payable	\$ 89,740	\$ -	\$ -	\$ 89,740
Funds held in trust	199,845	9,574	-	209,419
Total	<u>\$ 289,585</u>	<u>\$ 9,574</u>	<u>\$ -</u>	<u>\$ 299,159</u>

Notes to Financial Statements (Continued)

8. INSURANCE COVERAGE

Insurance in force at June 30, 2016 is as follows:

Type of Policy <u>Coverage</u>	<u>Number</u>	Amount of <u>Coverage</u>	Policy Expiration <u>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, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2013 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, 2015 (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 6/30/2014 (valuation date):	\$ 4,305,028	\$ 3,188,326	\$ 1,116,702
Balance at 6/30/2015 (measurement date):	4,403,104	3,114,632	1,288,472
Plan Net Changes	<u>\$ 98,076</u>	<u>\$ (73,694)</u>	<u>\$ 171,770</u>

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)	\$ 2,160,857	\$ 1,288,472	\$ 568,216

For the measurement period ended June 30, 2015 (the measurement date), the District incurred a pension expense / (income) of \$91,009 for the Plan (the pension expense for the risk pool for the measurement period is \$239,824,465).

Notes to Financial Statements (Continued)

As of June 30, 2016, 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	\$ 9,389	\$ -
Changes in assumptions	-	(88,827)
Net differences between projected and actual earnings on pension plan	-	(44,530)
Adjustment due to differences in proportions	-	(160,949)
Differences between contributions and proportionate share of contributions	87,636	-
<i>Plan Total</i>	<u>97,025</u>	<u>(294,306)</u>
Contributions subsequent to the measurement date of 6/30/15	513,565	NA
Authority Total	<u>\$ 610,590</u>	<u>\$ (294,306)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," 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
2016	\$ (79,728)
2017	(79,728)
2018	(55,693)
2019	(8,906)
2020	-
Thereafter	-
	<u>\$ (224,055)</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.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 total pension liability and the June 30, 2014 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
Investment Rate of Return	7.50 percent, net of pension plan investment and administrative expenses, including inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Study for the period from 1997 to 2007
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

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.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
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, 2016, 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 May 23, 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, 2016

	SEWER		WATER		DOWN CANYON	DISTRICT TOTAL (MEMORANDUM ONLY)
	O&M	IMPROVEMENTS	O&M	IMPROVEMENTS	IMPROVEMENTS	
ASSETS						
Cash and cash equivalents	\$ 554,329	\$ 66,639	\$ -	\$ 56,313	\$ 51,391	\$ 728,672
Accounts receivable	50,581	-	36,423	4,803	-	91,807
Due from other segments	442,471	62,254	38,045	-	19,968	562,738
Total Current Assets	1,047,381	128,893	74,468	61,116	71,359	1,383,217
Investments	1,507,245	-	-	-	-	1,507,245
Capital assets	872,344	-	4,224,391	-	-	5,096,735
TOTAL ASSETS	3,426,970	128,893	4,298,859	61,116	71,359	7,987,197
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	49,934	-	47,091	-	-	97,025
Pension contributions	241,828	-	271,737	-	-	513,565
TOTAL DEFERRED OUTFLOWS OF RESOURCE	291,762	-	318,828	-	-	610,590
LIABILITIES						
Accounts payable - trade	32,750	-	576	-	-	33,326
Accrued expenses - payroll	9,591	-	-	-	-	9,591
Due to other segments	-	-	-	562,738	-	562,738
Other current liabilities	-	-	14,725	-	-	14,725
Total Current Liabilities	42,341	-	15,301	562,738	-	620,380
Vacation payable	44,870	-	44,870	-	-	89,740
Long-term fund held in trust	209,419	-	-	-	-	209,419
Pension	614,073	-	674,399	-	-	1,288,472
TOTAL LIABILITIES	910,703	-	734,570	562,738	-	2,208,011
DEFERRED INFLOWS OF RESOURCES						
Pension related	141,878	-	152,428	-	-	294,306
TOTAL DEFERRED INFLOWS OF RESOURCES	141,878	-	152,428	-	-	294,306
NET POSITION						
Unrestricted net position	1,793,807	128,893	(493,702)	(501,622)	71,359	998,735
Investment in capital assets	872,344	-	4,224,391	-	-	5,096,735
TOTAL NET POSITION	\$ 2,666,151	\$ 128,893	\$ 3,730,689	\$ (501,622)	\$ 71,359	\$ 6,095,470

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, 2016

	SEWER		WATER		DOWN CANYON	DISTRICT TOTAL
	O&M	IMPROVE- MENTS	O&M	IMPROVE- MENTS	IMPROVE- MENTS	
OPERATING REVENUES						
Service charges	\$ 351,819	\$ -	\$ 283,845	\$ -	\$ -	\$ 635,664
Taxes and assessments	284,457	-	284,457	-	-	568,914
Delinquent charges	-	-	-	-	-	-
Mosquito income	-	-	-	-	-	-
Cell tower income	11,000	-	-	-	-	11,000
Inspection fees	50	-	51	-	-	101
Connection fees	204	5,450	404	-	3,367	9,425
Total Operating Revenues	647,530	5,450	568,757	-	3,367	1,225,104
OPERATING EXPENSES						
Salaries and wages	192,147	-	180,684	-	-	372,831
Employee benefits	226,780	-	213,434	-	-	440,214
Vacation/holiday/sick leave	16,187	-	16,217	-	-	32,404
Directors' fees	2,000	-	2,020	-	-	4,020
Professional fees and contracted services	45,795	-	55,618	55	(1,117)	100,351
Maintenance and repairs	1,039	1,587	32,080	-	-	34,706
Office expenses	8,803	-	8,803	-	-	17,606
General insurance	8,042	-	8,042	-	-	16,084
Rents and leases	1,800	-	1,800	-	-	3,600
Communications	5,247	-	8,388	-	-	13,635
Utilities	63,814	-	27,984	-	-	91,798
Small tools and supplies	36,910	-	38,016	3,808	-	78,734
Dues and subscriptions	27,885	-	9,409	-	-	37,294
Publications and notices	1,211	-	565	-	-	1,776
Travel and meetings	1,611	-	421	-	-	2,032
USFS maintenance	8,749	-	-	-	-	8,749
Gas, fuel and oil	6,490	-	6,490	-	-	12,980
Total Operating Expenses	654,510	1,587	609,971	3,863	(1,117)	1,268,814
Net operating income (loss) before depreciation	(6,980)	3,863	(41,214)	(3,863)	4,484	(43,710)
Depreciation expense	143,058	-	207,676	-	-	350,734
Net Operating Income (Loss)	(150,038)	3,863	(248,890)	(3,863)	4,484	(394,444)
NON-OPERATING REVENUES						
Other revenue	-	-	-	42,268	-	42,268
Interest revenues	52,606	226	369	362	188	53,751
Total Non-Operating Revenues	52,606	226	369	42,630	188	96,019
NON-OPERATING EXPENSES						
Interest expenses	-	-	-	-	-	-
Total Non-Operating Expenditures	-	-	-	-	-	-
Change in Net Position	(97,432)	4,089	(248,521)	38,767	4,672	(298,425)
Beginning Net Position	2,763,583	124,804	3,979,210	(540,389)	66,687	6,393,895
Ending Net Position	\$ 2,666,151	\$ 128,893	\$ 3,730,689	\$ (501,622)	\$ 71,359	\$ 6,095,470

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, 2016

	ORIGINAL AND FINAL BUDGET	OVER (UNDER) BUDGET	ACTUAL 6/30/16	ACTUAL 6/30/15
OPERATING REVENUES				
Service charges	\$ 343,500	\$ 8,319	\$ 351,819	\$ 358,974
Delinquent charges	3,650	(3,650)	-	3,044
Inspection fees	750	(700)	50	49
Interest income	16,000	36,606	52,606	18,807
Cell tower income	9,000	2,000	11,000	6,387
Mosquito income	11,000	(11,000)	-	9,347
Miscellaneous fees	2,500	(2,500)	-	-
Connection fees	-	204	204	199
Total Operating Revenues	386,400	29,279	415,679	396,807
OPERATING EXPENDITURES				
Salaries and wages	161,000	31,147	192,147	176,135
Employee benefits	126,300	100,480	226,780	126,888
Vacation, holiday and sick leave	16,000	187	16,187	29,805
Directors' fees	1,375	625	2,000	1,375
Professional fees and contracted services	10,825	34,970	45,795	10,604
Maintenance and repairs	-	1,039	1,039	951
Office expenses	1,200	7,603	8,803	1,479
General insurance	8,000	42	8,042	8,068
Rents and leases	1,650	150	1,800	1,800
Communications	4,500	747	5,247	4,260
Utilities	55,900	7,914	63,814	57,703
Small tools and supplies	9,000	27,910	36,910	9,572
Dues and subscriptions	3,000	24,885	27,885	1,529
Publications and notices	150	1,061	1,211	53
Travel and meetings	200	1,411	1,611	-
USFS maintenance	-	8,749	8,749	5,977
Gas, fuel and oil	10,250	(3,760)	6,490	10,460
Uncollectible accounts	-	-	-	-
Total Operating Expenditures	409,350	245,160	654,510	446,659
Excess (Deficit) of Operating Revenues Over Operating Expendi- tures before Depreciation	<u>\$ (22,950)</u>	<u>\$ (215,881)</u>	<u>\$ (238,831)</u>	<u>\$ (49,852)</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, 2016

	ORIGINAL AND FINAL BUDGET	OVER (UNDER) BUDGET	ACTUAL 6/30/16	ACTUAL 6/30/15
OPERATING REVENUES				
Service charges	\$ 365,000	\$ (81,155)	\$ 283,845	\$ 330,735
Delinquent charges	4,000	(4,000)	-	2,136
Inspection fees	750	(699)	51	203
Interest Income	16,000	(15,631)	369	272
Mosquito income	10,000	(10,000)	-	-
Miscellaneous fees	2,500	(2,500)	-	-
Connection fees	-	404	404	1,202
Total Operating Revenues	398,250	(113,581)	284,669	334,548
OPERATING EXPENDITURES				
Salaries and wages	171,000	9,684	180,684	189,396
Employee benefits	126,300	87,134	213,434	87,217
Vacation, holiday and sick leave	16,000	217	16,217	23,755
Directors' fees	1,375	645	2,020	1,225
Professional fees and contracted services	17,200	38,418	55,618	17,232
Maintenance and repairs	-	32,080	32,080	3,938
Office expenses	1,200	7,603	8,803	1,168
General insurance	8,000	42	8,042	8,593
Rents and leases	1,650	150	1,800	1,800
Communications	5,500	2,888	8,388	5,071
Utilities	24,900	3,084	27,984	25,504
Small tools and supplies	19,425	18,591	38,016	31,062
Dues and subscriptions	7,500	1,909	9,409	2,967
Publications and notices	150	415	565	1,094
Travel and meetings	200	221	421	534
Gas, fuel and oil	10,250	(3,760)	6,490	6,598
Uncollectible accounts	-	-	-	-
Total Operating Expenditures	410,650	199,321	609,971	407,154
Excess (Deficit) of Operating Revenues Over Operating Expendi- tures before Depreciation	<u>\$ (12,400)</u>	<u>\$ (312,902)</u>	<u>\$ (325,302)</u>	<u>\$ (72,606)</u>

June Lake Public Utility District
 Analysis of Functional Expenses
 Sewer Operations and Maintenance
 For the Year Ended June 30, 2016

	SEWAGE COLLECTIONS	SEWAGE TREATMENT	SEWAGE DISPOSAL	MOSQUITO ABATEMENT	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 72,411	\$ 47,318	\$ 412	\$ 5,034	\$ 66,972	\$ 192,147
Employee benefits	-	-	-	-	226,780	226,780
Vacations, holidays and sick leave	-	-	-	-	16,187	16,187
Directors fees	-	-	-	-	2,000	2,000
Professional fees and contracted services	-	3,900	-	2,534	39,361	45,795
Maintenance and repairs	-	-	-	-	1,039	1,039
Office expenses	-	-	-	-	8,803	8,803
General insurance	-	-	-	-	8,042	8,042
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	5,247	5,247
Utilities	23,898	39,083	-	-	833	63,814
Small tools and supplies	7,906	19,234	-	4,254	5,516	36,910
Dues and subscriptions	-	-	-	-	27,885	27,885
Publications and notices	-	-	-	-	1,211	1,211
Travel and meetings	-	-	-	-	1,611	1,611
USFS maintenance	-	-	-	-	8,749	8,749
Gas, fuel and oil	-	-	-	-	6,490	6,490
Totals	<u>\$ 104,215</u>	<u>\$ 109,535</u>	<u>\$ 412</u>	<u>\$ 11,822</u>	<u>\$ 428,526</u>	<u>\$ 654,510</u>

June Lake Public Utility District
 Analysis of Functional Expenses
 Water Operations and Maintenance
 For the Year Ended June 30, 2016

	SOURCE OF SUPPLY	WATER PUMPING	WATER TREATMENT	TRANSPORT AND DISTR	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 6,520	\$ 448	\$ 74,868	\$ 31,243	\$ 67,605	\$ 180,684
Employee benefits	-	-	-	-	213,434	213,434
Vacations, holidays and sick leave	-	-	-	-	16,217	16,217
Directors fees	-	-	-	-	2,020	2,020
Professional fees and contracted services	-	-	12,349	-	43,269	55,618
Maintenance and repairs	-	-	-	-	32,080	32,080
Office expenses	-	-	-	-	8,803	8,803
General insurance	-	-	-	-	8,042	8,042
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	8,388	8,388
Utilities	-	9,055	18,096	-	833	27,984
Small tools and supplies	-	-	26,458	6,309	5,249	38,016
Dues and subscriptions	-	-	-	-	9,409	9,409
Publications and notices	-	-	-	-	565	565
Travel and meetings	-	-	-	-	421	421
Gas, fuel and oil	-	-	-	-	6,490	6,490
Uncollectible accounts	-	-	-	-	-	-
Totals	\$ 6,520	\$ 9,503	\$ 131,771	\$ 37,552	\$ 424,625	\$ 609,971

REQUIRED SUPPLEMENTARY INFORMATION

JUNE LAKE PUBLIC UTILITY DISTRICT
 REQUIRED SUPPLEMENTAL INFORMATION
 As of the Measurement Date June 30, 2015

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

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

SCHEDULE OF DISTRICT CONTRIBUTIONS CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

Notes to Schedule:

Changes in Benefits: None

Changes in Assumptions: Discount rate was changed from 7.5% to 7.65% in 2015

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

**INTERNAL CONTROL
AND
COMPLIANCE MATTERS**



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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, 2016, 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 May 23, 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.

June Lake Public Utility District

Schedule Of Findings

June 30, 2016

FINDING 2016 – 001

Material Weakness

Fiscal Management & Accounting Records

Criteria

The accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made.

Condition

In the process of performing our audit, we noted that there was a significant lack of reviews and reconciliations in many areas of the accounting function. We noted a lack of controls and policies that require accounting tasks such as monthly reconciliations, cross-checks, and reviews which play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. Additionally, the current accounting system also lacks several key controls to maintain fund based accounting records.

Cause

We feel that the contributing factors to this finding include:

- Lack of well-defined accounting policies and procedures,
- Lack of training in the accounting department, and
- Accounting personnel performing numerous administrative duties.

Effect

In the process of performing our audit, we encountered various instances where audit schedules and support provided by management did not reconcile with what was recorded in the general ledger. Complete and accurate supporting schedules are necessary for complete and accurate financial statements.

Constant problems in receiving timely and current financial information has significantly impacted management's ability to effectively guide an organization. Critical areas such as financial analysis, budgetary control, and cash flow can all be negatively impacted.

Recommendation

Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. Therefore, in order to provide more accurate and timely accounting information, we strongly recommend that the District establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. We suggest that a formal accounting policies and procedures manual be developed, documented, and distributed to all employees. This would involve monthly reconciliations of all accounts, making various adjustments throughout the year that have typically been performed at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. This can be accomplished using an outside CPA firm to set up quality controls and train responsible District personnel, matters such as internal control, systems processes, financial analysis, and budgeting are areas we feel could be improved if the services of an accounting firm were available throughout the year.

Identification of Repeat Finding

This is a repeat finding (2015-1 & 2015-2) as management did contract with a quality outside CPA firm to assist them in the year end close of the accounting records, there were still significant weakness detected by not having a firm involved during the year and only at the close of the year.

FINDING 2016 – 002

Non-Compliance
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 not 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 CPA firm's assistance in reconciling these amounts and ensuring repayments are made is also recommended.

FINDING 2016 – 003

Non-Compliance
Personnel Files – Missing I-9 Forms

Criteria

Federal Employment Laws requires the District prepare and maintain an I-9 Employment Eligibility Verification Form for all personnel employed at the District hired after November 6, 1986, including up to 7 years after an employee has left their employment.

Condition

While conducting our audit, we noted that many current and past personnel files did not contain data that is required, namely the I-9 Employment Eligibility Verification Form. Maintaining current personnel files is an important internal control. Complete and current personnel files should be established and maintained for each employee to ensure compliance with laws and regulations.

Cause

The district did not have a central location for all forms or a specific place in the employee file to locate the form.

Effect

The lack of the forms would represent non-compliance with Federal Employment Laws and Regulations, resulting in the potential for a penalty imposed on the District of up to \$2,156 for each missing form.

Recommendation

We recommend the District obtain a new form I-9 on all current employees and set up a master file or a specific place in the employee file for this important document. They should also conduct annual reviews of the personnel files to ensure compliance with all applicable employment laws and regulations.

June Lake Public Utility District

Corrective Action Plan

June 30, 2016

Views of Responsible Officials and Planned Corrective Actions

2016-001 Fiscal Management & Accounting Records

Corrective Action Plan: To provide management with accurate and timely financial information, the JLPUD has created one additional office staff position that was filled on May 1, 2017. Onsite Sage50 training by Sage consultants for the office personnel is scheduled the week of June 19, 2017. American Payroll Association training for obtaining Fundamental Payroll Certification is scheduled for the week of July 11, 2017. Evaluation of options for the metering and billing software to interface with the accounting software is in process. Presently, all data entries are being duplicated, which is both timely and creates delays, and has led to accounting errors. The options being considered are building an interface which will create GL journal entries in Sage 50 exported from the billing program UBMax, or converting to a general accounting program that will interface with UBMax. A formal accounting procedures and policies manual is being drafted to provide more effective review and reconciliation policies and procedures of the accounting process.

Contact Person: Clint Hilderbrand

Anticipated Completion Date: June 30, 2017

2016-002 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: June 30, 2017

Finding 2016-003 Personnel Files – Missing I-9 Forms

Corrective Action Plan: Complete missing documents

Contact Person: Clint Hilderbrand

Anticipated Completion Date: January 24, 2017