

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Financial Statements

June 30, 2016



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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Annual Financial Report
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 District as of June 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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


Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen, LLP

Roseville, California
January 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the County of Nevada Sanitation District No. 1 (the "District") financial performance provides an introduction to the financial statements for the year ended June 30, 2016. The information contained in this MD&A should be considered in conjunction with the information contained in the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Net Position = (Assets + Deferred Outflows of Resources) – (Liabilities + Deferred Inflows of Resources)

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

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

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

FINANCIAL HIGHLIGHTS

On June 30, 2016, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$30,281,040 (net position). Of this amount, \$3,795,310 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors and \$26,485,730 is the District's net investment in capital assets.

The District's capital assets (e.g., land, infrastructure and equipment) decreased by \$1,380,266 as a result of annual depreciation of infrastructure assets.

Long-term liabilities decreased 10.59% or \$2,611,573 due mainly to the regularly scheduled principal payments on long-term debt.

Financial Position

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

Sanitation District's Net Position June 30, 2016 and 2015

	2016	2015	Variance	Change
Current and other assets	\$ 7,559,959	\$ 6,846,553	10.42%	\$ 713,406
Capital assets	46,970,994	48,351,260	-2.85%	(1,380,266)
Total Assets	<u>\$ 54,530,953</u>	<u>\$ 55,197,813</u>	<u>-1.21%</u>	<u>\$ (666,860)</u>
Deferred outflows	297,797	439,386	-32.22%	\$ (141,589)
Current liabilities	2,292,300	2,235,537	2.54%	56,763
Long term liabilities	22,042,216	24,653,789	-10.59%	(2,611,573)
Total Liabilities	<u>24,334,516</u>	<u>26,889,326</u>	<u>-9.50%</u>	<u>(2,554,810)</u>
Deferred inflows	213,194	629,735	-66.15%	\$ (416,541)
Net investment in capital assets	26,485,730	26,317,412	0.64%	168,318
Unrestricted	3,795,310	1,800,726	110.77%	1,994,584
Total Net Position	<u>30,281,040</u>	<u>28,118,138</u>	<u>7.69%</u>	<u>2,162,902</u>
Total Liabilities and Net Position	<u>\$ 54,828,750</u>	<u>\$ 55,637,199</u>	<u>-1.45%</u>	<u>\$ (808,449)</u>

As shown in the schedule above, at June 30, 2016, the District's total assets are \$54,530,953. The total assets held decreased \$666,860 or 1.21% from the June 30, 2015 balance of \$55,197,813. The decrease in total assets was due primarily to a decrease in depreciable assets. Deferred outflows of \$297,797 primarily represent contributions made by the District during fiscal year 2015-16 after the pension liability measurement date of June 30, 2015.

The District's total liabilities decreased by \$2,554,810 during the current fiscal year to \$24,334,516. The decrease resulted from a reduction of \$1,085,240 in the net pension liability and the reduction in loan balances by scheduled principal payments. Deferred inflows of \$213,194 are attributable to the various components that impact pension changes such as investment change amortization, changes in actuarial assumptions and differences in actual and expected experience.

The District's total net position increased from the prior year by \$2,162,902. Unrestricted net position of the District at June 30, 2016 amounted to \$3,795,310. The 110.77% increase from the prior year's amount of \$1,800,726 was the main contributing factor to the increase in net position.

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

**Changes in Net Position
For the Years Ended June 30, 2016 and 2015**

	2016	2015	Variance	Change
Revenues:				
Operating	\$ 6,702,672	\$ 6,583,375	1.81%	\$ 119,297
Non-operating	49,095	54,414	-9.78%	(5,319)
Total Revenues	<u>6,751,767</u>	<u>6,637,789</u>	<u>1.72%</u>	<u>113,978</u>
Expenses:				
Operating expenses	4,868,417	5,883,220	-17.25%	(1,014,803)
Non-operating expenses	458,897	491,223	-6.58%	(32,326)
Total Expenses	<u>5,327,314</u>	<u>6,374,443</u>	<u>-16.43%</u>	<u>(1,047,129)</u>
Capital Contributions	<u>738,449</u>	<u>322,203</u>	<u>129.19%</u>	<u>416,246</u>
Change in net position	2,162,902	585,549	269.38%	1,577,353
Net Position - beginning	28,119,138	31,839,511	-11.68%	(3,720,373)
Prior Period Adjustment		(4,306,922)		
Net Position - beginning, restated	28,118,138	27,532,589	2.13%	585,549
Net Position - ending	<u>\$ 30,281,040</u>	<u>\$ 28,118,138</u>	<u>7.69%</u>	<u>\$ 2,162,902</u>

Revenues - The District's revenues for fiscal year 2015/16 increased by 1.72% or \$113,976. An increase in charges for services from the prior fiscal year was the major factor in the increase.

Expenses - The District's expenses for fiscal year 2015/16 decreased by 16.43% or \$1,047,129. Non-operating expenses decreased by 6.58% due to a decrease in interest expense. Operating expenses decreased by 17.25% from the prior fiscal year due to a decrease in salaries and benefits and a decrease in salaries and benefits related to pension liability adjustments.

Prior Period Adjustment – There were no prior period adjustments in FY 2015/16.

Capital Assets and Debt Administration

Capital Assets - The District's investment in capital assets as of June 30, 2016 amounted to \$26,485,730 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, infrastructure and equipment. The \$168,318 increase is due to depreciation of \$2,289,124 offset by reductions in related debt and a \$751,545 increase in construction in progress. The increase in construction in progress is related to a pipeline project to connect the Penn Valley zone to the Lake Wildwood treatment plant.

Additional information on the District's capital assets can be found in Note 3 on page 17 of this report.

Long-term debt - At June 30, 2016, the District had total debt outstanding of \$20,476,264 net of unamortized discounts. Of this amount, \$1,572,030 is due within one year. The long-term debt consists of one voter-approved bond, four loans from the State of California, and two bank loans. The North San Juan Sewer Assessment bond is being repaid through a restricted revenue source. A special assessment charge is placed on the tax bills of the parcels within the specific zone that benefited from the borrowing. The four State Water Resources Control Board (SWRCB) loans are being repaid through a dedicated revenue source from the specific zones that received the loan proceeds. The two bank loans are scheduled to be repaid by August 2026. They are being repaid with operating revenues from the specific zones that received the loan proceeds.

Additional information on the District's long-term debt can be found in Note 5 on page 18-20 of this report.

Economic Factors and Next Year's Budget

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

Wastewater treatment plants that discharge to surface waters are required to obtain a National Pollutant Discharge Elimination System (NPDES) permit. The permits are normally renewed every 5 years by the California Regional Water Quality Control Board (CRWQCB) and may contain new treatment objectives and discharge regulations. The Penn Valley treatment facility has been issued a Cease and Desist Order by the CRWQCB to address problems related to a lack of storage capacity. Transporting the wastewater to the Lake Wildwood treatment facility via a pipeline has been determined to be the most cost effective alternative to address the Cease and Desist Order. The District has been awarded a State Revolving Fund grant with 100% loan forgiveness and a Community Development Block Grant to finance the project. The project is currently in the construction phase with an anticipated construction completion date of winter 2017.

The operating costs of the Cascade Shores treatment plant are not being met with their current rate structure. The District is proposing to change the Cascade Shores treatment facility from a tertiary treatment plant to land application of effluent to reduce operating costs and has acquired land for this purpose. The District has been awarded a State Revolving Fund loan, with 50% loan forgiveness, for the project.

The cost of many resources required by the District's treatment plants to meet permitting requirements continues to increase. The District has been able to absorb these costs utilizing available unrestricted net position in fiscal year 2016-17 without rate increases.

Request for Information

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

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NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Statement of Net Position
June 30, 2016

ASSETS

Current Assets:

Cash and investments	\$ 6,999,307
Due from other governments	560,652
Total Current Assets	7,559,959

Noncurrent Assets:

Capital assets:

Non-depreciable	2,602,778
Depreciable, net	44,368,216
Total Noncurrent Assets	46,970,994
Total Assets	54,530,953

DEFERRED OUTFLOWS OF RESOURCES

Deferred employer pension contributions	297,797
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Total Assets and Deferred Outflows of Resources	\$54,828,750
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 192,663
Salaries and benefits payable	52,500
Interest payable	341,362
Due to County	114,025
Compensated absences	16,720
Special assessment bonds	3,000
Loan payable	1,572,030
Total Current Liabilities	2,292,300

Noncurrent Liabilities:

Compensated absences	60,556
Special assessment bonds	6,000
Loan payable	18,904,234
Net OPEB obligation	110,452
Net pension liability	2,960,974
Total Noncurrent Liabilities	22,042,216
Total Liabilities	24,334,516

DEFERRED INFLOWS OF RESOURCES

Pension	213,194
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NET POSITION

Net investment in capital assets	26,485,730
Unrestricted	3,795,310
Total Net Position	30,281,040

Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 54,828,750
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The accompanying notes are an integral part of these financial statements.

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

Operating Revenues:	
Charges for services	\$ 6,674,749
Other revenues	27,923
Total Operating Revenues	<u>6,702,672</u>
Operating Expenses:	
Salaries and benefits	421,563
Services and supplies	1,494,604
Other charges	181,983
Expense transfers	481,143
Depreciation	2,289,124
Total Operating Expenses	<u>4,868,417</u>
Operating Income	<u>1,834,255</u>
Non-Operating Revenue (Expenses):	
Interest income	49,095
Interest expense	(458,897)
Total Non-Operating Revenue (Expenses)	<u>(409,802)</u>
Income before Capital Contributions	1,424,453
Capital Contributions	<u>738,449</u>
Change in Net Position	2,162,902
Net Position - Beginning of Year	<u>28,118,138</u>
Net Position - End of Year	<u>\$ 30,281,040</u>

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 6,148,471
Payments to suppliers	(2,032,701)
Payments to employees	<u>(1,791,558)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,324,212</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund loans made	553,198
Interfund loans repaid	<u>(565,074)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(11,876)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(908,858)
Capital contributions	738,449
Principal paid on capital debt	(1,760,299)
Interest paid on capital debt	<u>(271,518)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,202,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>49,095</u>
Net Cash Provided (Used) by Investing Activities	<u>49,095</u>
Net Increase (Decrease) in Cash and Cash Equivalents	159,205
Cash and Cash Equivalents, Beginning of Year	<u>6,840,102</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,999,307</u></u>

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Statement of Cash Flows (continued)
For the Year Ended June 30, 2016

Reconciliation of Operating Income (Loss)
to Net Cash Provided (Used) by

Operating Activities:

Operating income (loss)	\$ 1,834,255
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	2,289,124
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(554,201)
Deferred outflows of resources	141,589
Increase (decrease) in:	
Accounts payable	125,029
Accrued salaries and benefits	11,639
Compensated absences payable	(20,517)
Deferred inflows of resources	(416,541)
Net pension liability	(1,085,240)
Net OPEB obligation	(925)

Net Cash Provided (Used) by Operating Activities \$ 2,324,212

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is a public agency formed on August 2, 1965, by order of the Nevada County Board of Supervisors pursuant to provisions of the California Health and Safety Code. As of June 30, 2016, the District is composed of ten zones and the Wastewater Management System.

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

Wastewater Management System	Sanitation District Zone 6 – Penn Valley <ul style="list-style-type: none">• O & M• Capital Improvement
Sanitation District Zone 1 – Lake Wildwood <ul style="list-style-type: none">• O & M• Debt Assessment• Capital Improvement• Lasalle Project	Sanitation District Zone 7 – Mountain Lake Estates <ul style="list-style-type: none">• O & M
Sanitation District Zone 2 – Lake of the Pines <ul style="list-style-type: none">• O & M• Debt Assessment• Capital Improvement• Lasalle Project	Sanitation District Zone 8 – Cascade Shores <ul style="list-style-type: none">• O & M• Capital Improvement• Debt Assessment
Sanitation District Zone 4 – North San Juan <ul style="list-style-type: none">• O & M• Sewer Assessment	Sanitation District Zone 9 – Eden Ranch <ul style="list-style-type: none">• O & M
Sanitation District #5 – Gold Creek <ul style="list-style-type: none">• O & M	Sanitation District Zone 11 – Higgins Village <ul style="list-style-type: none">• O & M
	Sanitation District Zone 12 – Valley Oak <ul style="list-style-type: none">• O & M

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

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

B. Basis of Presentation

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

The District reports the following major proprietary fund:

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

C. Basis of Accounting and Measurement Focus

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include revenues from grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

D. Cash, Cash Equivalents and Investments

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

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller at 950 Maidu Avenue, Nevada City, CA 95959, www.mynevadacounty.com/nc/auditor/.

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

E. Receivables

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

F. Capital Assets

Capital assets, including public domain (infrastructure assets such as water, sewer, and similar items) are defined by the District as assets with a cost of more than \$5,000 for equipment and \$50,000 for structures and infrastructure and an estimated useful life of more than one year. Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their estimated fair market value at the date of donation.

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

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

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

G. Interfund Transactions

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

G. Interfund Transactions (Continued)

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

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

All other interfund transactions are treated as transfers.

H. Compensated Absences

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

I. Deferred Outflows/Inflows of Resources

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

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

J. Estimates

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

K. New Accounting Pronouncements

In February 2015, the GASB issues GASB Statement No. 72, Fair Value Measurement and Application. This Statement is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The District implemented this Statement in the year ended June 30, 2016.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

At June 30, 2016, the District's cash and investments consisted of the following:

Investments:	
Nevada County Treasurer's Pool	<u>\$ 6,999,307</u>
Total Cash and Investments	<u><u>\$ 6,999,307</u></u>

B. Cash

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

C. Investments

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

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

Interest Rate Risk – Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2016, the District's investments were all pooled with the County Treasury which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk for Investments – Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. To mitigate the custodial credit risk the County's investment policy requires that all investments owned by the County with the exception of certificates of deposit shall be held in safekeeping by a third party under contract with the County.

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements & Adjustments	Balance June 30, 2016
Capital Assets, Not Being Depreciated:				
Land and easements	\$ 1,452,944	\$ --	\$ --	\$ 1,452,944
Construction in progress	398,289	751,545	--	1,149,834
Total Capital Assets, Not Being Depreciated	<u>1,851,233</u>	<u>751,545</u>	<u>--</u>	<u>2,602,778</u>
Capital Assets, Being Depreciated:				
Infrastructures	69,832,146	--	1	69,832,147
Structures and Improvements	320,598	--	--	320,598
Equipment	1,695,590	157,313	--	1,852,903
Total Capital Assets, Being Depreciated	<u>71,848,334</u>	<u>157,313</u>	<u>1</u>	<u>72,005,648</u>
Less Accumulated Depreciation for:				
Infrastructure	(23,991,100)	(2,179,241)	(1)	(26,170,342)
Structures and improvements	(86,911)	(10,687)	--	(97,598)
Equipment	(1,270,296)	(99,196)	--	(1,369,492)
Total Accumulated Depreciation	<u>(25,348,307)</u>	<u>(2,289,124)</u>	<u>(1)</u>	<u>(27,637,432)</u>
Total Capital Assets, Being Depreciated, Net	<u>46,500,027</u>	<u>(2,131,811)</u>	<u>--</u>	<u>44,368,216</u>
Total Capital Assets, Net	<u>\$ 48,351,260</u>	<u>\$ (1,380,266)</u>	<u>\$ --</u>	<u>\$ 46,970,994</u>

Construction in Progress

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 4: INTERFUND TRANSACTIONS

Due To/From Other Funds

During the course of operations, transactions occur between funds to account for goods received or services rendered. These receivables and payables are classified as due from or due to other funds. The following are due from and due to balances by zone as of June 30, 2016:

	Due From Other Funds	Due To Other Funds
Wastewater Management System	\$ 432,335	\$ 604,179
Sanitation District Zone 1 - Lake Wildwood	770,063	202,010
Sanitation District Zone 2 - Lake of the Pines	242,905	168,347
Sanitation District Zone 4 - North San Juan	5,933	5,114
Sanitation District Zone 5 - Gold Creek	2,883	2,710
Sanitation District Zone 6 - Penn Valley	38,304	526,738
Sanitation District Zone 7 - Mountain Lake Estates	2,169	1,923
Sanitation District Zone 8 - Cascade Shores	25,348	10,155
Sanitation District Zone 9 - Eden Ranch	2,411	1,579
Sanitation District Zone 11 - Higgins Village	10,923	10,626
Sanitation District Zone 12 - Valley Oak	515	408
	\$ 1,533,789	\$ 1,533,789

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities transactions for the year ended June 30, 2016:

Types of Indebtedness	Balance July 1, 2015	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2016	Amounts Due Within One Year
Special Assessment Bonds with County Commitment	\$ 12,000	\$ --	\$ (3,000)	\$ 9,000	\$ 3,000
Loans	23,489,399	--	(1,757,299)	21,732,100	1,758,824
Less: Unamortized discount	(1,456,435)	--	200,599	(1,255,836)	(186,794)
Loans, Net	22,032,964	--	(1,556,700)	20,476,264	1,572,030
Compensated Absences	97,793	--	(20,517)	77,276	16,720
OPEB Obligation	111,377	--	(925)	110,452	--
	\$ 22,254,134	\$ --	\$ (1,581,142)	\$ 20,672,992	\$ 1,591,750

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

Individual issues of debt payable outstanding at June 30, 2016, are as follows:

Business-Type Activities

Special Assessment Bonds with County Commitment:

USDA Rural Development Bond – North San Juan, issued July 19, 1988, in the amount of \$76,130 and payable in annual installments of \$1,000 to \$3,000 with an interest rate of 5.00% and maturity on September 2, 2018. Bond proceeds were used to construct improvements in the north San Juan Sewer Assessment District.	<u>\$ 9,000</u>
Total Special Assessment Bonds With County Commitment	<u>9,000</u>

Loans:

State Water Resources Control Board loan, issued November 13, 2010, in the amount of \$339,164 and payable in annual installments of \$16,958, with an interest rate of 0.0% and maturity on June 30, 2029. Loan proceeds were used for the acquisition and construction of improvements to the Cascade Shores Wastewater system. The loan includes a loan discount of \$56,528.	220,456
Banc of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$2,500,000 and payable in annual installments of \$73,529, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system.	1,544,111
Banc of America Leasing and Capital, LLC loan, issued August 1, 2009, in the amount of \$1,000,000 and payable in annual installments of \$29,412, with an interest rate of 3.55% and maturity on August 1, 2026. Loan proceeds were used for interim financing for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	617,649
State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$12,122,824 plus accrued interest of \$110,523 and payable in annual installments of \$492,213 to \$739,310 with an interest rate of 1.20% and maturity on November 23, 2027. Loan proceeds were used for the acquisition and construction of improvements to the Lake Wildwood Zone 1 wastewater system.	7,962,386

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

Individual issues of debt payable outstanding at June 30, 2016, are as follows:

State Water Resources Control Board loan, issued September 13, 2010, in the amount of \$18,964,071 and payable in annual installments of \$948,204 with an interest rate of 0.00% and maturity on January 1, 2028. Loan proceeds were used for the acquisition and construction of improvements to the Lake of the Pines Zone 2 wastewater system. The loan includes a discount of \$3,160,742.	<u>11,387,498</u>
Total Loans	<u>21,732,100</u>
Total Business-Type Activities	<u>\$ 21,741,100</u>

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

Year Ended June 30	Special Assessment Bonds			Total
	Principal	Interest	Total	
2017	3,000	375	3,375	
2018	3,000	225	3,225	
2019	3,000	75	3,075	
Total	\$ 9,000	\$ 675	\$ 9,675	

Year Ended June 30	Loans			
	Principal	Interest	Service Charge	Total
2017	1,758,824	171,020	79,624	2,009,468
2018	1,771,739	156,613	73,754	2,002,106
2019	1,784,936	141,600	67,754	1,994,290
2020	1,798,426	127,330	61,623	1,987,379
2021	1,812,212	112,447	55,356	1,980,015
2022-2026	9,278,703	333,078	177,856	9,789,637
2027-2029	3,527,260	28,496	22,213	3,577,969
Total	\$ 21,732,100	\$ 1,070,584	\$ 538,180	\$ 23,340,864

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 6: NET POSITION

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

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

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

NOTE 7: EMPLOYEE BENEFITS

A. Employee’s Retirement Plan

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

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

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

B. Net Pension Liability

The District’s net pension liability is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. As of June 30, 2016 the District’s proportional share of the net pension liability is as follows:

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 13,169,623	\$ 9,123,409	\$ 4,046,214
Change in the year:			
Service cost	183,568	-	183,568
Interest on total pension liability	674,340	-	674,340
Changes of benefit terms	-	-	-
Changes of assumptions	(152,675)	-	(152,675)
Differences between expected and actual experience	(4,043,178)	(2,719,442)	(1,323,736)
Plan to plan resource movement	-	32	(32)
Contributions - employer	-	257,239	(257,239)
Contributions - employee	-	74,278	(74,278)
Net investment income	-	142,410	(142,410)
Benefit payments, including refunds of employee contributions	(501,291)	(501,291)	-
Administrative expenses	-	(7,222)	7,222
Other changes	-	-	-
Net changes	<u>(3,839,236)</u>	<u>(2,753,996)</u>	<u>(1,085,240)</u>
Balance at June 30, 2015	<u>\$ 9,330,387</u>	<u>\$ 6,369,413</u>	<u>\$ 2,960,974</u>

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

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

	Discount Rate -1% (6.65%)	Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Net Pension Liability	\$ 4,107,707	\$ 2,960,974	\$ 2,005,292

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

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. During the year ended June 30, 2016, the District recognized a pension gain of \$1,360,192. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 296,780	\$ -
Changes in assumptions	-	(93,818)
Differences between expected and actual experience	-	(58,528)
Change in proportion	693	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	324	-
Net difference between projected and actual earnings on plan investments	-	(60,848)
Total	\$ 297,797	\$ (213,194)

\$296,780 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		
2017	\$	(138,172)
2018		(72,504)
2019		(44,361)
2020		45,383
2021		(2,523)

E. Other Postemployment Benefits (OPEB)

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

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

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

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

Annual Required Contribution	\$ 83,496
Interest on Prior OPEB Obligations	7,056
Amortization of Prior Year Net OPEB Obligation	<u>(7,980)</u>
Annual OPEB Cost	82,572
Pay As You Go Contribution	(45,244)
Funding of Full ARC Contribution	<u>(38,253)</u>
Increase (Decrease) in Net OPEB Obligation	(925)
Net OPEB Obligation - Beginning of Year	<u>111,377</u>
Net OPEB Obligation - End of Year	<u><u>\$ 110,452</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	96,253	83.5%	112,351
6/30/2015	80,325	101.2%	111,377
6/30/2016	82,572	101.1%	110,452

The quantifications of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the District's reporting obligations under GASB 45, as the District understands these obligations.

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

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

NOTE 9: RELATED PARTY TRANSACTIONS

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

The following is a summary of payables to the County of Nevada by fund at June 30, 2016:

Wastewater Management System	\$ 114,025
Total Due to County of Nevada	<u><u>\$ 114,025</u></u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Notes to Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated events subsequent to June 30, 2016 through January 23, 2017, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Required Supplementary Information
For the Year Ended June 30, 2016

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Proportional share of the County's Miscellaneous Plan – Agent Multiple-Employer Defined Benefit Plan

Last 10 Fiscal Years*	Miscellaneous Plan	
	6/30/2015	6/30/2014
Total Pension Liability		
Service Cost	\$ 183,568	\$ 293,462
Interest on total pension liability	674,340	931,563
Changes of benefit terms	-	-
Changes of assumptions	(152,675)	-
Differences between expected and actual experience	(4,043,178)	-
Benefit payments, including refunds of employee contributions	(501,291)	(659,019)
Net change in total pension liability	(3,839,236)	566,006
Total pension liability - beginning	13,169,623	12,603,617
Total pension liability - ending	\$ 9,330,387	\$ 13,169,623
 Plan fiduciary net position		
Differences between expected and actual experience	(2,719,442)	-
Plan to plan resource movement	32	-
Contributions - employer	257,239	328,428
Contributions - employee	74,278	107,293
Net investment income	142,410	1,374,114
Benefit payments, including refunds of employee contributions	(501,291)	(659,020)
Administrative expense	(7,222)	-
Other charges	-	-
Net change in plan fiduciary net position	(2,753,996)	1,150,815
Plan fiduciary net position - beginning	9,123,409	7,972,594
Plan fiduciary net position - ending	\$ 6,369,413	\$ 9,123,409
 Net pension liability - ending	\$ 2,960,974	\$ 4,046,214
 Plan fiduciary net percentage as a percentage of the total pension liability	68.27%	69.28%
 Covered - employee payroll	\$ 1,036,937	\$ 1,437,835
 Net pension liability as a percentage of covered-employee payroll	285.55%	281.41%

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

NEVADA COUNTY SANITATION DISTRICT NO. 1
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Required Supplementary Information
For the Year Ended June 30, 2016

Schedule of District's Contribution

Last 10 Fiscal Years*	Miscellaneous Plans	
	6/30/2015	6/30/2014
Actuarially determined contribution	\$ 257,239	\$ 328,428
Contributions related to the actuarially determined contribution	(257,239)	(328,428)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,036,937	\$ 1,437,835
Contributions as a percentage of	24.81%	22.84%

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

Notes to schedule

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	For details, see June 30, 2014 Funding Valuation Report.
Asset valuation method	Actuarial value of assets. For details, see June 30, 2014 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expense; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience 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 rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Schedule of Funding Progress – Other Postemployment Benefits provides a consolidated snapshot of the District's ability to meet current and future liabilities with the plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

The table below shows a three year analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll for the District Other Post-Employment Benefit Plan.

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2014	350,963	1,276,784	925,821	27.49%	1,257,716	73.61%
June 30, 2015	411,722	1,288,887	877,165	31.94%	1,104,054	79.45%
June 30, 2016	486,800	1,342,949	856,149	36.25%	1,158,311	73.91%

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SUPPLEMENTARY INFORMATION

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NEVADA COUNTY SANITATION DISTRICT NO. 1
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Combining Statement of Net Position
June 30, 2016

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
ASSETS				
Current Assets:				
Cash and investments	\$ 268	\$ 2,603,785	\$ 2,930,345	\$ 226,291
Due from other governments	--	--	--	--
Due from other funds	432,335	770,063	242,905	5,933
Total Current Assets	<u>432,603</u>	<u>3,373,848</u>	<u>3,173,250</u>	<u>232,224</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	--	77,814	436,504	139,084
Depreciable, net	222,580	16,526,378	21,634,826	155,552
Total Noncurrent Assets	<u>222,580</u>	<u>16,604,192</u>	<u>22,071,330</u>	<u>294,636</u>
Total Assets	<u>655,183</u>	<u>19,978,040</u>	<u>25,244,580</u>	<u>526,860</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contributions	297,797	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 952,980</u>	<u>\$ 19,978,040</u>	<u>\$ 25,244,580</u>	<u>\$ 526,860</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	21,290	71,936	33,325	618
Salaries and benefits payable	52,500	--	--	--
Interest payable	--	111,388	99,376	150
Due to other funds	604,179	202,010	168,347	5,114
Due to County	114,025	--	--	--
Compensated absences	16,720	--	--	--
Bonds payable	--	--	--	3,000
Loan payable	--	645,850	912,737	--
Total Current Liabilities	<u>808,714</u>	<u>1,031,184</u>	<u>1,213,785</u>	<u>8,882</u>
Noncurrent Liabilities:				
Compensated absences	60,556	--	--	--
Bonds payable	--	--	--	6,000
Loan payable	--	7,934,177	10,788,529	--
Net OPEB obligation	110,452	--	--	--
Net pension liability	2,960,974	--	--	--
Total Noncurrent Liabilities	<u>3,131,982</u>	<u>7,934,177</u>	<u>10,788,529</u>	<u>6,000</u>
Total Liabilities	<u>3,940,696</u>	<u>8,965,361</u>	<u>12,002,314</u>	<u>14,882</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	213,194	--	--	--
Net investment in capital assets	222,580	8,024,165	10,370,064	285,636
Unrestricted	(3,423,490)	2,988,514	2,872,202	226,342
Total Net Position	<u>(3,200,910)</u>	<u>11,012,679</u>	<u>13,242,266</u>	<u>511,978</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 952,980</u>	<u>\$ 19,978,040</u>	<u>\$ 25,244,580</u>	<u>\$ 526,860</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Net Position
June 30, 2016

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
ASSETS				
Current Assets:				
Cash and investments	\$ 31,826	\$ 758,193	\$ 48,228	\$ 97,116
Due from other governments	--	560,652	--	--
Due from other funds	2,883	38,304	2,169	25,348
Total Current Assets	<u>34,709</u>	<u>1,357,149</u>	<u>50,397</u>	<u>122,464</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	5,950	1,631,763	45,231	236,439
Depreciable, net	22,002	775,045	282,226	4,258,436
Total Noncurrent Assets	<u>27,952</u>	<u>2,406,808</u>	<u>327,457</u>	<u>4,494,875</u>
Total Assets	<u>62,661</u>	<u>3,763,957</u>	<u>377,854</u>	<u>4,617,339</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contributions	--	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 62,661</u>	<u>\$ 3,763,957</u>	<u>\$ 377,854</u>	<u>\$ 4,617,339</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	--	59,571	--	5,790
Salaries and benefits payable	--	--	--	--
Interest payable	--	1,908	--	128,540
Due to other funds	2,710	526,738	1,923	10,155
Due to County	--	--	--	--
Compensated absences	--	--	--	--
Bonds payable	--	--	--	--
Loan payable	--	--	--	13,443
Total Current Liabilities	<u>2,710</u>	<u>588,217</u>	<u>1,923</u>	<u>157,928</u>
Noncurrent Liabilities:				
Compensated absences	--	--	--	--
Bonds payable	--	--	--	--
Loan payable	--	--	--	181,528
Net OPEB obligation	--	--	--	--
Net pension liability	--	--	--	--
Total Noncurrent Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>181,528</u>
Total Liabilities	<u>2,710</u>	<u>588,217</u>	<u>1,923</u>	<u>339,456</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	--	--	--	--
Net investment in capital assets	27,952	2,406,808	327,457	4,299,904
Unrestricted	31,999	768,932	48,474	(22,021)
Total Net Position	<u>59,951</u>	<u>3,175,740</u>	<u>375,931</u>	<u>4,277,883</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 62,661</u>	<u>\$ 3,763,957</u>	<u>\$ 377,854</u>	<u>\$ 4,617,339</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Net Position
June 30, 2016

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Totals
ASSETS				
Current Assets:				
Cash and investments	\$ 105,295	\$ 137,528	\$ 60,432	\$ 6,999,307
Due from other governments	--	--	--	560,652
Due from other funds	2,411	10,923	515	1,533,789
Total Current Assets	<u>107,706</u>	<u>148,451</u>	<u>60,947</u>	<u>9,093,748</u>
Noncurrent Assets:				
Capital assets:				
Non-depreciable	29,993	--	--	2,602,778
Depreciable, net	91,005	332,404	67,762	44,368,216
Total Noncurrent Assets	<u>120,998</u>	<u>332,404</u>	<u>67,762</u>	<u>46,970,994</u>
Total Assets	<u>228,704</u>	<u>480,855</u>	<u>128,709</u>	<u>56,064,742</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contributions	--	--	--	297,797
Total Assets and Deferred Outflows of Resources	<u>\$ 228,704</u>	<u>\$ 480,855</u>	<u>\$ 128,709</u>	<u>\$ 56,362,539</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	133	--	--	\$ 192,663
Salaries and benefits payable	--	--	--	52,500
Interest payable	--	--	--	341,362
Due to other funds	1,579	10,626	408	1,533,789
Due to County	--	--	--	114,025
Compensated absences	--	--	--	16,720
Bonds payable	--	--	--	3,000
Loan payable	--	--	--	1,572,030
Total Current Liabilities	<u>1,712</u>	<u>10,626</u>	<u>408</u>	<u>3,826,089</u>
Noncurrent Liabilities:				
Compensated absences	--	--	--	60,556
Bonds payable	--	--	--	6,000
Loan payable	--	--	--	18,904,234
Net OPEB obligation	--	--	--	110,452
Net pension liability	--	--	--	2,960,974
Total Noncurrent Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,042,216</u>
Total Liabilities	<u>1,712</u>	<u>10,626</u>	<u>408</u>	<u>25,868,305</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	--	--	--	213,194
Net investment in capital assets	120,998	332,404	67,762	26,485,730
Unrestricted	105,994	137,825	60,539	3,795,310
Total Net Position	<u>226,992</u>	<u>470,229</u>	<u>128,301</u>	<u>30,281,040</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 228,704</u>	<u>\$ 480,855</u>	<u>\$ 128,709</u>	<u>\$ 56,362,539</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
Operating Revenues:				
Charges for services	\$ 570	\$ 3,151,410	\$ 2,691,669	\$ 74,404
Other revenues	45	17,755	10,123	--
Total Operating Revenues	<u>615</u>	<u>3,169,165</u>	<u>2,701,792</u>	<u>74,404</u>
Operating Expenses:				
Salaries and benefits	421,563	--	--	--
Services and supplies	422,402	527,329	427,534	11,720
Other charges	181,569	--	--	414
Expense transfers	(2,202,988)	1,129,747	1,087,416	37,432
Depreciation and amortization	29,927	844,080	1,138,872	9,103
Total Operating Expenses	<u>(1,147,527)</u>	<u>2,501,156</u>	<u>2,653,822</u>	<u>58,669</u>
Operating Income (Loss)	<u>1,148,142</u>	<u>668,009</u>	<u>47,970</u>	<u>15,735</u>
Non-Operating Revenue (Expenses):				
Interest income	(292)	17,455	21,342	1,687
Interest expense	--	(203,228)	(248,172)	(475)
Total Non-Operating Revenue (Expenses)	<u>(292)</u>	<u>(185,773)</u>	<u>(226,830)</u>	<u>1,212</u>
Income (Loss) Before Transfers and Contributions	1,147,850	482,236	(178,860)	16,947
Transfers in	149,197	905,303	1,250,005	--
Transfers out	--	(984,930)	(1,300,180)	(2,805)
Capital contributions	--	--	--	--
Change in Net Position	1,297,047	402,609	(229,035)	14,142
Net Position - Beginning of Year	<u>(4,497,957)</u>	<u>10,610,070</u>	<u>13,471,301</u>	<u>497,836</u>
Net Position - End of Year	<u>\$ (3,200,910)</u>	<u>\$ 11,012,679</u>	<u>\$ 13,242,266</u>	<u>\$ 511,978</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
Operating Revenues:				
Charges for services	\$ 10,341	\$ 373,946	\$ 23,427	\$ 224,235
Other revenues	--	--	--	--
Total Operating Revenues	<u>10,341</u>	<u>373,946</u>	<u>23,427</u>	<u>224,235</u>
Operating Expenses:				
Salaries and benefits	--	--	--	--
Services and supplies	1,719	35,907	3,696	57,078
Other charges	--	--	--	--
Expense transfers	10,994	213,088	12,339	111,642
Depreciation and amortization	1,295	56,120	15,599	173,212
Total Operating Expenses	<u>14,008</u>	<u>305,115</u>	<u>31,634</u>	<u>341,932</u>
Operating Income (Loss)	<u>(3,667)</u>	<u>68,831</u>	<u>(8,207)</u>	<u>(117,697)</u>
Non-Operating Revenue (Expenses):				
Interest income	264	5,437	334	686
Interest expense	--	(1,908)	--	(5,114)
Total Non-Operating Revenue (Expenses)	<u>264</u>	<u>3,529</u>	<u>334</u>	<u>(4,428)</u>
Income (Loss) Before Transfers and Contributions	(3,403)	72,360	(7,873)	(122,125)
Transfers in	--	--	--	18,654
Transfers out	(985)	(10,220)	(1,029)	(21,011)
Capital contributions	--	738,449	--	--
Change in Net Position	(4,388)	800,589	(8,902)	(124,482)
Net Position - Beginning of Year	<u>64,339</u>	<u>2,375,151</u>	<u>384,833</u>	<u>4,402,365</u>
Net Position - End of Year	<u>\$ 59,951</u>	<u>\$ 3,175,740</u>	<u>\$ 375,931</u>	<u>\$ 4,277,883</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Totals
Operating Revenues:				
Charges for services	\$ 32,683	\$ 80,064	\$ 12,000	\$ 6,674,749
Other revenues	--	--	--	27,923
Total Operating Revenues	<u>32,683</u>	<u>80,064</u>	<u>12,000</u>	<u>6,702,672</u>
Operating Expenses:				
Salaries and benefits	--	--	--	421,563
Services and supplies	2,199	4,228	792	1,494,604
Other charges	--	--	--	181,983
Expense transfers	13,213	65,627	2,633	481,143
Depreciation and amortization	4,763	13,268	2,885	2,289,124
Total Operating Expenses	<u>20,175</u>	<u>83,123</u>	<u>6,310</u>	<u>4,868,417</u>
Operating Income (Loss)	<u>12,508</u>	<u>(3,059)</u>	<u>5,690</u>	<u>1,834,255</u>
Non-Operating Revenue (Expenses):				
Interest income	741	1,004	437	49,095
Interest expense	--	--	--	(458,897)
Total Non-Operating Revenue (Expenses)	<u>741</u>	<u>1,004</u>	<u>437</u>	<u>(409,802)</u>
Income (Loss) Before Transfers and Contributions	13,249	(2,055)	6,127	1,424,453
Transfers in	--	--	--	2,323,159
Transfers out	(701)	(1,074)	(224)	(2,323,159)
Capital contributions	--	--	--	738,449
Change in Net Position	12,548	(3,129)	5,903	2,162,902
Net Position - Beginning of Year	<u>214,444</u>	<u>473,358</u>	<u>122,398</u>	<u>28,118,138</u>
Net Position - End of Year	<u>\$ 226,992</u>	<u>\$ 470,229</u>	<u>\$ 128,301</u>	<u>\$ 30,281,040</u>

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 615	\$ 3,169,165	\$ 2,701,792	\$ 74,404
Payments to suppliers	1,606,970	(1,595,794)	(1,516,897)	(49,328)
Payments to employees	(1,791,558)	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>(183,973)</u>	<u>1,573,371</u>	<u>1,184,895</u>	<u>25,076</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from other funds	--	12,563	16,344	1,773
Payments to other funds	(81,195)	(465,280)	(13,949)	(1,288)
Transfers in	149,197	905,303	1,250,005	--
Transfers out	--	(984,930)	(1,300,180)	(2,805)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>68,002</u>	<u>(532,344)</u>	<u>(47,780)</u>	<u>(2,320)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(149,147)	--	--	--
Capital contributions	--	--	--	--
Principal paid on capital debt	--	(717,269)	(1,013,799)	(3,000)
Interest paid on capital debt	--	(127,420)	(141,385)	(525)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(149,147)</u>	<u>(844,689)</u>	<u>(1,155,184)</u>	<u>(3,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	(292)	17,455	21,342	1,687
Net Cash Provided (Used) by Investing Activities	<u>(292)</u>	<u>17,455</u>	<u>21,342</u>	<u>1,687</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(265,410)	213,793	3,273	20,918
Cash and Cash Equivalents, Beginning of Year	<u>265,678</u>	<u>2,389,992</u>	<u>2,927,072</u>	<u>205,373</u>
Cash and Cash Equivalents, End of Year	<u>\$ 268</u>	<u>\$ 2,603,785</u>	<u>\$ 2,930,345</u>	<u>\$ 226,291</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 10,341	\$ (180,255)	\$ 23,427	\$ 224,235
Payments to suppliers	(12,713)	(192,256)	(16,035)	(166,946)
Payments to employees	--	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>(2,372)</u>	<u>(372,511)</u>	<u>7,392</u>	<u>57,289</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from other funds	1,096	508,066	998	958
Payments to other funds	--	--	(514)	(2,747)
Transfers in	--	--	--	18,654
Transfers out	(985)	(10,220)	(1,029)	(21,011)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>111</u>	<u>497,846</u>	<u>(545)</u>	<u>(4,146)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	--	(751,545)	--	(8,166)
Capital contributions	--	738,449	--	--
Principal paid on capital debt	--	--	--	(26,231)
Interest paid on capital debt	--	--	--	(2,188)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>(13,096)</u>	<u>--</u>	<u>(36,585)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	264	5,437	334	686
Net Cash Provided (Used) by Investing Activities	<u>264</u>	<u>5,437</u>	<u>334</u>	<u>686</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,997)	117,676	7,181	17,244
Cash and Cash Equivalents, Beginning of Year	<u>33,823</u>	<u>640,517</u>	<u>41,047</u>	<u>79,872</u>
Cash and Cash Equivalents, End of Year	<u>\$ 31,826</u>	<u>\$ 758,193</u>	<u>\$ 48,228</u>	<u>\$ 97,116</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 32,683	\$ 80,064	\$ 12,000	\$ 6,148,471
Payments to suppliers	(15,355)	(70,922)	(3,425)	(2,032,701)
Payments to employees	--	--	--	(1,791,558)
Net Cash Provided (Used) by Operating Activities	<u>17,328</u>	<u>9,142</u>	<u>8,575</u>	<u>2,324,212</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipts from other funds	997	10,193	210	553,198
Payments to other funds	--	--	(101)	(565,074)
Transfers in	--	--	--	2,323,159
Transfers out	(701)	(1,074)	(224)	(2,323,159)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>296</u>	<u>9,119</u>	<u>(115)</u>	<u>(11,876)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	--	--	--	(908,858)
Capital contributions	--	--	--	738,449
Principal paid on capital debt	--	--	--	(1,760,299)
Interest paid on capital debt	--	--	--	(271,518)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,202,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	741	1,004	437	49,095
Net Cash Provided (Used) by Investing Activities	<u>741</u>	<u>1,004</u>	<u>437</u>	<u>49,095</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,365	19,265	8,897	159,205
Cash and Cash Equivalents, Beginning of Year	<u>86,930</u>	<u>118,263</u>	<u>51,535</u>	<u>6,840,102</u>
Cash and Cash Equivalents, End of Year	<u>\$ 105,295</u>	<u>\$ 137,528</u>	<u>\$ 60,432</u>	<u>\$ 6,999,307</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 1,148,142	\$ 668,009	\$ 47,970	\$ 15,735
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	29,927	844,080	1,138,872	9,103
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	--
Deferred outflows of resources	141,589			
Increase (decrease) in:				
Accounts payable	7,953	61,282	(1,947)	238
Accrued salaries and benefits	11,639	--	--	--
Compensated absences payable	(20,517)	--	--	--
Deferred inflows of resources	(416,541)			
Net pension liability	(1,085,240)	--	--	--
Net OPEB obligation	(925)	--	--	--
	\$ (183,973)	\$ 1,573,371	\$ 1,184,895	\$ 25,076
Net Cash Provided (Used) by Operating Activities	\$ (183,973)	\$ 1,573,371	\$ 1,184,895	\$ 25,076

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Sanitation District Zone 5 - Gold Creek	Sanitation District Zone 6 - Penn Valley	Sanitation District Zone 7 - Mountain Lake Estates	Sanitation District Zone 8 - Cascade Shores
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (3,667)	\$ 68,831	\$ (8,207)	\$ (117,697)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,295	56,120	15,599	173,212
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	(554,201)	--	--
Deferred outflows of resources				
Increase (decrease) in:				
Accounts payable	--	56,739	--	1,774
Accrued salaries and benefits	--	--	--	--
Compensated absences payable	--	--	--	--
Deferred inflows of resources				
Net pension liability	--	--	--	--
Net OPEB obligation	--	--	--	--
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,372)</u>	<u>\$ (372,511)</u>	<u>\$ 7,392</u>	<u>\$ 57,289</u>

continued

NEVADA COUNTY SANITATION DISTRICT NO. 1
(A Component Unit of the County of Nevada, California)

Combining Statement of Cash Flows
For the Year Ended June 30, 2016

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 12,508	\$ (3,059)	\$ 5,690	\$ 1,834,255
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	4,763	13,268	2,885	2,289,124
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	--	--	--	(554,201)
Deferred outflows of resources				141,589
Increase (decrease) in:				
Accounts payable	57	(1,067)	--	125,029
Accrued salaries and benefits	--	--	--	11,639
Compensated absences payable	--	--	--	(20,517)
Deferred inflows of resources				(416,541)
Net pension liability	--	--	--	(1,085,240)
Net OPEB obligation	--	--	--	(925)
Net Cash Provided (Used) by Operating Activities	\$ 17,328	\$ 9,142	\$ 8,575	\$ 2,324,212

OTHER REPORTS

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INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2017.

Internal Control Over Financial Reporting

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

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

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

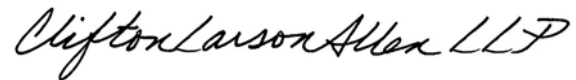
Compliance and Other Matters

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

The Board of Directors and Grand Jury
Nevada County Sanitation District No. 1

Purpose of this Report

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

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

CliftonLarsonAllen, LLP

Roseville, California
January 23, 2017