

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**



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**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
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**YEAR ENDED JUNE 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2019, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Roseville, California  
December 30, 2019

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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, 2019. The information contained in this MD&A should be considered in conjunction with the information contained in the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL HIGHLIGHTS**

On June 30, 2019, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$35,266,971 (net position). Of this amount, \$1,751,753 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors and \$33,515,218 is the District's net investment in capital assets.

The District's capital assets (e.g., land, infrastructure and equipment) decreased by \$1,966,955 due to the annual depreciation of existing infrastructure assets.

Long-term liabilities decreased 8.31% or \$1,642,553 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, 2019 and 2018**

	2019	2018	Variance	Change
Assets:				
Current and Other Assets	\$ 6,503,705	\$ 6,910,972	(5.89)%	\$ (407,267)
Capital Assets	50,860,626	52,827,581	(3.72)	(1,966,955)
Total Assets	<u>57,364,331</u>	<u>59,738,553</u>	(3.97)	<u>(2,374,222)</u>
Deferred Outflows	571,736	809,575	(29.38)	(237,839)
Liabilities:				
Current Liabilities	4,485,242	4,481,582	0.08	3,660
Long-Term Liabilities	<u>18,131,985</u>	<u>19,774,538</u>	(8.31)	<u>(1,642,553)</u>
Total Liabilities	<u>22,617,227</u>	<u>24,256,120</u>	(6.76)	<u>(1,638,893)</u>
Deferred Inflows	51,869	46,360	11.88	5,509
Net Position:				
Net Investment in Capital Assets	33,515,218	33,595,380	(0.24)	(80,162)
Unrestricted	<u>1,751,753</u>	<u>2,650,268</u>	(33.90)	<u>(898,515)</u>
Total Net Position	<u><u>\$ 35,266,971</u></u>	<u><u>\$ 36,245,648</u></u>	(2.70)	<u><u>\$ (978,677)</u></u>

As shown in the schedule above, at June 30, 2019, the District's total assets are \$57,364,331. The total assets held decreased \$2,374,222 or 3.97% from the June 30, 2018 balance of \$59,738,553. The decrease in total assets was due primarily to the \$1,966,955 decrease in capital assets mentioned above and a \$591,733 decrease in amount due from other governments for reimbursement of construction costs for the completed Penn Valley Pipeline Project in the prior year. Deferred outflows of \$571,736 represent contributions made by the District during fiscal year 2018/19 after the pension and OPEB liability measurement date of June 30, 2018 and other pension related deferred outflows.



**NEVADA COUNTY SANITATION DISTRICT NO. 1  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The District's total liabilities decreased by \$1,638,893 during the current fiscal year to \$22,617,227. The decrease resulted from the reduction in loan balances by scheduled principal payments. Deferred inflows of \$51,869 are attributable to the various components that impact pension and OPEB changes such as investment change amortization, changes in actuarial assumptions and differences in actual and expected experience.

The District's total net position decreased from the prior year by \$978,677. Unrestricted net position of the District at June 30, 2019 amounted to \$1,751,753. The decrease in capital assets was the main contributing factor to the decrease in net position offset by the reduction in loan payable liability.

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

**Changes in Net Position  
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	<u>Change</u>
Revenues:				
Operating	\$ 6,747,624	\$ 6,703,436	0.66 %	\$ 44,188
Nonoperating	227,395	95,048	139.24	132,347
Total Revenues	<u>6,975,019</u>	<u>6,798,484</u>	2.60	<u>176,535</u>
Expenses:				
Operating Expenses	7,567,744	6,720,745	12.60	846,999
Nonoperating Expenses	495,473	386,190	28.30	109,283
Total Expenses	<u>8,063,217</u>	<u>7,106,935</u>	13.46	<u>956,282</u>
Capital Contributions	<u>109,521</u>	<u>2,479,729</u>	(95.58)	<u>(2,370,208)</u>
Change in Net Position	(978,677)	2,171,278	(145.07)	(3,149,955)
Net Position - Beginning, As Previously Stated	36,245,648	34,523,746	4.99	1,721,902
Prior Period Adjustment	-	(449,376)	(100.00)	449,376
Net Position - Beginning, Restated	36,245,648	34,074,370	6.37	2,171,278
Net Position - Ending	<u>\$ 35,266,971</u>	<u>\$ 36,245,648</u>	(2.70)	<u>\$ (978,677)</u>

*Revenues* - The District's revenues for fiscal year 2018/19 increased by 2.6% or \$176,535. The increase was related to increased interest revenue due to the adjustment to investments to reflect the fair market value.

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

*Expenses* - The District's expenses for fiscal year 2018/19 increased by 13.46% or \$956,282. Non-operating expenses increased by 28.30% due to a loss on sale of capital assets. Operating expenses increased by 12.60% from the prior fiscal year due to the increased utility costs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets* - The District's investment in capital assets as of June 30, 2019 amounted to \$33,515,218 (net of accumulated depreciation and related debt). This investment in capital assets includes land, land improvements, infrastructure and equipment. The \$80,162 decrease is due to depreciation of \$2,351,735 offset by reductions in related debt.

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

*Long-term debt* - At June 30, 2019, the District had total debt outstanding of \$15,678,719 net of unamortized discounts. Of this amount, \$1,654,574 is due within one year. The long-term debt consists of three loans from the State of California, and two bank loans. The three State Water Resources Control Board (SWRCB) loans are being repaid through a dedicated revenue source from the specific zones that received the loan proceeds. The two bank loans are scheduled to be repaid by August 2026. They are being repaid with operating revenues from the specific zones that received the loan proceeds.

*Additional information on the District's long-term debt can be found in Note 5 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 services 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. Construction of the Penn Valley pipeline is complete and a successful connection from Penn Valley to Lake Wildwood has been activated. The next phase to decommission the Penn Valley treatment system is currently underway.

The operating costs of the Cascade Shores treatment plant are not being met with their current rate structure. The District is proposing a rate study this year to establish a sustainable rate for operations and maintenance, as well as future capital needs. The District is also proposing to upgrade sections of the treatment process to address the heavy metal removal needs to remain compliant with State mandates by the end of calendar year 2020. Funding for these improvements are not currently identified, and the District is looking for additional project funding from both State Revolving Fund and USDA grant funding sources. To achieve these grants, an income study must be conducted to establish eligibility. This study is also being proposed by the District.

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 2019-20 without rate increases.

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**REQUEST FOR INFORMATION**

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

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**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**ASSETS**

Current Assets:

Cash and Investments	\$ 6,452,767
Accounts Receivable	8,941
Due from County	22,898
Due from Other Governments	19,099
Total Current Assets	6,503,705

Noncurrent Assets:

Capital Assets:

Nondepreciable	1,732,001
Depreciable, Net	49,128,625
Total Noncurrent Assets	50,860,626
Total Assets	57,364,331

**DEFERRED OUTFLOWS OF RESOURCES**

OPEB	76,404
Pension	495,332
Total Deferred Outflows of Resources	571,736

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 99,809
Salaries and Benefits Payable	70,145
Interest Payable	298,327
Due to County	690,831
Advance from County	1,666,689
Compensated Absences	4,867
Loan Payable	1,654,574
Total Current Liabilities	4,485,242

Noncurrent Liabilities:

Compensated Absences	78,436
Loan Payable	14,024,145
Net OPEB Liability	585,600
Net Pension Liability	3,443,804
Total Noncurrent Liabilities	18,131,985
Total Liabilities	22,617,227

**DEFERRED INFLOWS OF RESOURCES**

OPEB	12,902
Pension	38,967
Total Deferred Inflows of Resources	51,869

**NET POSITION**

Net Investment in Capital Assets	33,515,218
Unrestricted	1,751,753
Total Net Position	\$ 35,266,971

See accompanying Notes to Financial Statements.

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 6,735,050
Other Revenues	12,574
Total Operating Revenues	<u>6,747,624</u>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	2,173,959
Services and Supplies	2,316,195
Other Charges	259,001
Expense Transfers	466,854
Depreciation	2,351,735
Total Operating Expenses	<u>7,567,744</u>
<b>OPERATING INCOME (LOSS)</b>	(820,120)
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Interest Income	227,395
Interest Expense	(351,700)
Sale of Capital Assets	(143,773)
Total Nonoperating Revenue (Expenses)	<u>(268,078)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(1,088,198)
<b>CAPITAL CONTRIBUTIONS</b>	<u>109,521</u>
<b>CHANGE IN NET POSITION</b>	(978,677)
Net Position - Beginning of Year	<u>36,245,648</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 35,266,971</u></u>

See accompanying Notes to Financial Statements.

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 6,796,778
Payments to Suppliers	(3,533,725)
Payments to Employees	<u>(2,081,097)</u>
Net Cash Provided by Operating Activities	1,181,956

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Grants and Other Receipts	<u>1,179,845</u>
Net Cash Provided by Noncapital Financing Activities	1,179,845

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES**

Acquisition of Capital Assets	(493,256)
Capital Contributions	109,521
Principal Paid on Capital Debt	(1,630,027)
Interest Paid on Capital Debt	<u>(364,712)</u>
Net Cash Used by Capital and Related Financing Activities	(2,378,474)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	<u>227,395</u>
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**NET DECREASE IN CASH AND CASH EQUIVALENTS**

210,722

Cash and Cash Equivalents - Beginning of Year

6,242,045

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 6,452,767

**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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

Operating Income (Loss)	\$ (820,120)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,351,735
Changes in Assets and Liabilities:	
(Increase) Decrease in:	
Accounts Receivable	49,154
Deferred Outflows of Resources	237,839
Increase (Decrease) in:	
Accounts Payable	(491,675)
Accrued Salaries and Benefits	(2,613)
Compensated Absences Payable	13,477
Deferred Inflows of Resources	5,509
Net Pension Liability	(122,682)
Net OPEB Liability	(38,668)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,181,956</u>
 <b>Noncash Investing, Capital and Financing Activities:</b>	
Acquisition of capital assets in advances from other funds	<u>\$ 35,297</u>

See accompanying Notes to Financial Statements.



**NEVADA COUNTY SANITATION DISTRICT NO. 1  
(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District is a public agency formed on August 2, 1965, by order of the Nevada County Board of Supervisors pursuant to provisions of the California Health and Safety Code. As of June 30, 2019, 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:

<p>Wastewater Management System</p> <p>Sanitation District Zone 1 – Lake Wildwood</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> <li>• Debt Assessment</li> <li>• Capital Improvement</li> <li>• Lasalle Project</li> </ul> <p>Sanitation District Zone 2 – Lake of the Pines</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> <li>• Debt Assessment</li> <li>• Capital Improvement</li> <li>• Lasalle Project</li> </ul> <p>Sanitation District Zone 4 – North San Juan</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul> <p>Sanitation District Zone 5 – Gold Creek</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul>	<p>Sanitation District Zone 6 – Penn Valley</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> <li>• Capital Improvement</li> </ul> <p>Sanitation District Zone 7 – Mountain Lake Estates</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul> <p>Sanitation District Zone 8 – Cascade Shores</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> <li>• Capital Improvement</li> <li>• Debt Assessment</li> </ul> <p>Sanitation District Zone 9 – Eden Ranch</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul> <p>Sanitation District Zone 11 – Higgins Village</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul> <p>Sanitation District Zone 12 – Valley Oak</p> <ul style="list-style-type: none"> <li>• O &amp; M</li> </ul>
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**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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

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

**B. Basis of Presentation**

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

The District reports the following major proprietary fund:

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

**C. Basis of Accounting and Measurement Focus**

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

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

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**D. Cash, Cash Equivalents, and Investments**

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

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

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

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Nevada's financial statements may be obtained by contacting the County of Nevada Auditor-Controller at 950 Maidu Avenue, Nevada City, California 95959, or via the web at <https://www.mynevadacounty.com/Archive.aspx?AMID=39>.

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

**E. Receivables**

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

**F. Capital Assets**

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

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

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

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

**G. Interfund Transactions**

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

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

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

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

All other interfund transactions are treated as transfers.

**H. Compensated Absences**

It is the District’s policy to permit employees to accumulate a limited amount of earned but unused vacation or personal paid leave. An unlimited amount of sick leave may be accrued in accordance with the bargaining unit’s memorandum of understanding (MOU) and, upon separation from District’s service, will either be paid to the employee or converted to a public employee’s 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.

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**I. Deferred Outflows/Inflows of Resources**

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

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

**J. Estimates**

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

**NOTE 2 CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

At June 30, 2019, the District's cash and investments consisted of the following:

Investments:	
Nevada County Treasurer's Pool	\$ 6,452,767

**B. Cash**

Custodial Credit Risk for Deposits

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

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

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**C. Investments**

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

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2019, 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

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

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

**Concentration of Credit Risk**

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

**NOTE 3 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Retirements and Adjustments	Balance June 30, 2019
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 1,561,069	\$ -	\$ (90,478)	\$ 1,470,591
Construction in Progress	10,896,853	170,932	(10,806,375)	261,410
Total Capital Assets, Not Being Depreciated	12,457,922	170,932	(10,896,853)	1,732,001
Capital Assets, Being Depreciated:				
Infrastructures	69,832,147	1,215	8,346,490	78,179,852
Structures and Improvements	320,598	-	-	320,598
Equipment	1,963,526	356,407	1,581,511	3,901,444
Total Capital Assets, Being Depreciated	72,116,271	357,622	9,928,001	82,401,894
Less Accumulated Depreciation for:				
Infrastructure	(30,207,452)	(2,094,538)	825,079	(31,476,911)
Structures and Improvements	(118,971)	(10,687)	-	(129,658)
Equipment	(1,420,189)	(246,511)	-	(1,666,700)
Total Accumulated Depreciation	(31,746,612)	(2,351,736)	825,079	(33,273,269)
Total Capital Assets, Being Depreciated, Net	40,369,659	(1,994,114)	10,753,080	49,128,625
Total Capital Assets, Net	<u>\$ 52,827,581</u>	<u>\$ (1,823,182)</u>	<u>\$ (143,773)</u>	<u>\$ 50,860,626</u>

**Construction in Progress**

Construction in progress is related to work performed on the Cascade Shores treatment facility design.

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**NOTE 4 LONG-TERM LIABILITIES**

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

Types of Indebtedness	Balance July 1, 2018	Additions/ Adjustments	Retirements/ Adjustments	Balance June 30, 2018	Amounts Due Within One Year
Loans	\$ 18,201,535	\$ -	\$ (1,784,936)	\$ 16,416,599	\$ 1,798,427
Less: Unamortized discount	(896,304)	-	158,424	(737,880)	(143,853)
Loans, Net	17,305,231	-	(1,626,512)	15,678,719	1,654,574
Compensated Absences	69,826	157,977	(144,500)	83,303	4,867
OPEB Liability	624,268	-	(38,668)	585,600	-
Net Pension Liability	3,566,486	-	(122,682)	3,443,804	-
Total Long-Term Liabilities	<u>\$ 21,565,811</u>	<u>\$ 157,977</u>	<u>\$ (1,932,362)</u>	<u>\$ 19,791,426</u>	<u>\$ 1,659,441</u>

Individual issues of debt payable outstanding at June 30, 2019 are as follows:

Business-Type Activities

Amount

**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.

\$ 169,583

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.

1,102,942

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.

441,177

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.

6,162,276



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Individual issues of debt payable outstanding at June 30, 2019 are as follows:

<u>Business-Type Activities</u>	<u>Amount</u>
<b>Loans (Continued)</b>	
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>8,540,621</u>
Total Loans	<u><u>\$ 16,416,599</u></u>

Following is a schedule of debt payment requirements to maturity for long-term debt excluding compensated absences that have indefinite maturities and net OPEB obligation which is reported in Note 6 under Net Pension Liability.

<u>Year Ending June 30,</u>	<u>Loans</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Service Charge</u>	<u>Total</u>
2020	\$ 1,798,427	\$ 127,330	\$ 61,623	\$ 1,987,380
2021	1,812,213	112,447	55,356	1,980,016
2022	1,826,302	97,400	48,952	1,972,654
2023	1,840,701	82,182	42,407	1,965,290
2024	1,855,417	66,792	35,718	1,957,927
2025-2029	7,283,539	115,200	72,991	7,471,730
Total	<u>\$ 16,416,599</u>	<u>\$ 601,351</u>	<u>\$ 317,047</u>	<u>\$ 17,334,997</u>

**NOTE 5 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”.

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**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 6 EMPLOYEE BENEFITS**

**A. Employee’s Retirement Plan**

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

The County contributes to the California Public Employees Retirement System (PERS), an agent multiple- employer public employee defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute. Copies of PERS’ annual financial report may be obtained from their executive office – 400 Q Street, Lincoln Plaza East, Sacramento, California 95811 or [www.calpers.ca.gov](http://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 proportionate share of the total net pension liability as reported by the Plan. The net pension liability is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net pension liability was based on the contributions of all participants in the plan. As of June 30, 2019, the District’s proportional share of the net pension liability was \$3,443,804.

**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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate	Discount Rate	Discount Rate
	-1% (6.15%)	(7.15%)	+1% (8.15%)
Net Pension Liability	\$ 4,682,083	\$ 3,443,804	\$ 2,412,106

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**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, 2019, the District recognized a pension expense of \$468,192. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 356,701	\$ -
Changes in Assumptions	65,996	(31,420)
Differences Between Expected and Actual Experience	54,210	(7,547)
Net Difference Between Projected and Actual Earnings on Plan Investments	18,424	-
Total	\$ 495,331	\$ (38,967)

\$356,701 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, 2020. 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 Ending June 30,	Amount
2020	\$ 156,350
2021	23,668
2022	(63,461)
2023	(16,894)

**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 liabilities and related deferred inflows and outflows have been allocated to the District.

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**OPEB Liability**

The District's net OPEB liability is measured as the proportionate share of the total net OPEB liability as reported by the Plan. The net OPEB liability is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on the contributions of all participants in the plan. As of June 30, 2019, the District's proportional share of the net OPEB liability was \$585,600.

**Discount Rate and Trend Sensitivity**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	5.75%	6.75%	7.75%
Net OPEB Liability	\$ 725,274	\$ 585,600	\$ 469,795

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 451,516	\$ 585,600	\$ 749,491

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$46,911. As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 76,404	\$ -
Net Difference Between Projected and Actual Earnings on Plan Investments	-	(12,902)
Total	\$ 76,404	\$ (12,902)

The \$76,404 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2020	\$ (3,946)
2021	(3,946)
2022	(3,985)
2023	(1,025)

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

**NOTE 7 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 8 RELATED PARTY TRANSACTIONS**

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

The following is a summary of payables due to the County of Nevada by fund at June 30, 2019:

Wastewater Management System	\$ 2,357,520
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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NEVADA COUNTY SANITATION DISTRICT NO. 1  
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REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

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

**Proportionate share of the County's Miscellaneous Pension Plan**

Last 10 Fiscal Years\*

	Miscellaneous Plan				
	Reporting Fiscal Year (Measurement Date)				
	June 30, 2019 <i>June 30, 2018</i>	June 30, 2018 <i>June 30, 2017</i>	June 30, 2017 <i>June 30, 2016</i>	June 30, 2016 <i>June 30, 2015</i>	June 30, 2015 <i>June 30, 2014</i>
Proportionate share of the net pension liability	2.18%	2.28%	2.30%	2.43%	3.45%
Proportion of the net pension liability	\$ 3,443,804	\$ 3,566,486	\$ 3,268,312	\$ 2,960,974	\$ 4,046,214
Covered payroll	\$ 1,007,407	\$ 1,003,549	\$ 1,125,915	\$ 1,036,937	\$ 1,437,835
Proportionate share of the net pension liability as a percentage of covered payroll	341.85%	355.39%	290.28%	285.55%	281.41%
Plan's fiduciary net position as a percentage of the total pension liability	65.68%	64.49%	64.49%	68.27%	69.28%

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

**Schedule of District's Contribution**

Last 10 Fiscal Years\*

	Miscellaneous Plan				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially Determined Contribution	\$ 356,338	\$ 341,823	\$ 356,701	\$ 296,780	\$ 257,239
Contributions Related to the Actuarially Determined Contribution	(356,338)	(341,823)	(356,701)	(296,780)	(257,239)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,027,555	\$ 1,007,407	\$ 1,003,549	\$ 1,125,915	\$ 1,036,937
Contributions as a Percentage	34.68 %	33.93 %	35.54 %	26.36 %	24.81 %

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



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REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**2. SCHEDULE OF NET OPEN LIABILITY PROPORTIONATE SHARE AND RELATED RATIOS**

**Proportionate share of the Net OPEB Liability**

Last 10 Fiscal Years\*

	Reporting Fiscal Year <i>(Measurement Date)</i> June 30, 2019 <i>June 30, 2018</i>	Reporting Fiscal Year <i>(Measurement Date)</i> June 30, 2018 <i>June 30, 2017</i>
Proportionate share of the net OPEB liability	1.93%	1.99%
Proportion of the net OPEB liability	\$ 585,600	\$ 624,268
Covered-employee payroll	\$ 1,065,437	\$ 1,043,247
Proportionate share of the net OPEB liability as a percentage of covered-employee payroll	54.96%	59.84%
Plan's fiduciary net position as a percentage of the total OPEB liability	45.87%	41.85%

\* Fiscal year 2018 was the 1st year of implementation. Additional years will be presented as they become available.

**Schedule of District's OPEB Contribution**

Last 10 Fiscal Years\*

	Reporting Fiscal Year June 30, 2019	Reporting Fiscal Year June 30, 2018
Actuarially Determined Contribution	\$ 72,993	\$ 80,798
Contributions in Relation to the Actuarially Determined Contribution	(72,993)	(80,798)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 1,100,216	\$ 1,098,884
Contributions as a Percentage of Covered-Employee Payroll	6.63%	7.35%

\* Fiscal year 2018 was the 1st year of implementation. Additional years will be presented as they become available.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial cost method	Entry Age Normal, Level Percentage of Payroll
Amortization method	Level percent of pay
Amortization period	19-year fixed period for 2018/19
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.0% for 2019, decreasing to an ultimate rate of 5.0% in 2076 and later years Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational based on Scale MP-2017

**SUPPLEMENTARY INFORMATION**

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**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 147,804	\$ 2,382,639	\$ 2,659,378	\$ 235,915
Accounts Receivable	7,161	-	-	785
Due from County	22,898	-	-	-
Due from Other Governments	13,628	462	694	46
Due from Other Funds	327,517	373,287	304,417	10,133
Total Current Assets	<u>519,008</u>	<u>2,756,388</u>	<u>2,964,489</u>	<u>246,879</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	-	77,814	436,504	139,084
Depreciable, Net	333,369	15,624,187	20,399,907	129,007
Total Noncurrent Assets	<u>333,369</u>	<u>15,702,001</u>	<u>20,836,411</u>	<u>268,091</u>
Total Assets	<u>852,377</u>	<u>18,458,389</u>	<u>23,800,900</u>	<u>514,970</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB	76,404	-	-	-
Pension	495,332	-	-	-
Total Deferred Outflows of Resources	<u>571,736</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ 13,438	\$ 26,968	\$ 19,903	\$ 9,597
Salaries and Benefits Payable	70,145	-	-	-
Interest Payable	-	85,657	75,219	-
Due to Other Funds	672,254	214,520	151,627	5,425
Due to County	91,355	431,788	69,266	10,311
Advance from County	-	-	1,666,689	-
Compensated Absences	4,867	-	-	-
Loan Payable	-	685,452	954,939	-
Total Current Liabilities	<u>852,059</u>	<u>1,444,385</u>	<u>2,937,643</u>	<u>25,333</u>
Noncurrent Liabilities:				
Compensated Absences	78,436	-	-	-
Loan Payable	-	5,918,001	7,966,416	-
Net OPEB Liability	585,600	-	-	-
Net Pension Liability	3,443,804	-	-	-
Total Noncurrent Liabilities	<u>4,107,840</u>	<u>5,918,001</u>	<u>7,966,416</u>	<u>-</u>
Total Liabilities	<u>4,959,899</u>	<u>7,362,386</u>	<u>10,904,059</u>	<u>25,333</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB	12,902	-	-	-
Pension	38,967	-	-	-
Total Deferred Inflows of Resources	<u>51,869</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	333,369	9,098,548	10,248,367	268,091
Unrestricted	(3,921,024)	1,997,455	2,648,474	221,546
Total Net Position	<u>\$ (3,587,655)</u>	<u>\$ 11,096,003</u>	<u>\$ 12,896,841</u>	<u>\$ 489,637</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2019**

	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
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 10,654	\$ 429,740	\$ 53,226	\$ 184,126
Accounts Receivable	-	995	-	-
Due from County	-	-	-	-
Due from Other Governments	-	157	-	4,112
Due from Other Funds	3,317	73,174	4,339	30,893
Total Current Assets	<u>13,971</u>	<u>504,066</u>	<u>57,565</u>	<u>219,131</u>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	5,950	499,575	45,231	497,850
Depreciable, Net	<u>18,118</u>	<u>8,220,889</u>	<u>235,430</u>	<u>3,739,295</u>
Total Noncurrent Assets	<u>24,068</u>	<u>8,720,464</u>	<u>280,661</u>	<u>4,237,145</u>
Total Assets	<u>38,039</u>	<u>9,224,530</u>	<u>338,226</u>	<u>4,456,276</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB	-	-	-	-
Pension	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$ -	\$ 14,316	\$ -	\$ 11,628
Salaries and Benefits Payable	-	-	-	-
Interest Payable	-	7,502	-	129,949
Due to Other Funds	918	73,066	1,252	17,228
Due to County	-	40,205	-	47,123
Advance from County	-	-	-	-
Compensated Absences	-	-	-	-
Loan Payable	-	-	-	14,183
Total Current Liabilities	<u>918</u>	<u>135,089</u>	<u>1,252</u>	<u>220,111</u>
Noncurrent Liabilities:				
Compensated Absences	-	-	-	-
Loan Payable	-	-	-	139,728
Net OPEB Liability	-	-	-	-
Net Pension Liability	-	-	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,728</u>
Total Liabilities	<u>918</u>	<u>135,089</u>	<u>1,252</u>	<u>359,839</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB	-	-	-	-
Pension	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	24,068	8,720,464	280,661	4,083,234
Unrestricted	<u>13,053</u>	<u>368,977</u>	<u>56,313</u>	<u>13,203</u>
Total Net Position	<u>\$ 37,121</u>	<u>\$ 9,089,441</u>	<u>\$ 336,974</u>	<u>\$ 4,096,437</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2019**

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
<b>ASSETS</b>					
Current Assets:					
Cash and Investments	\$ 150,270	\$ 131,861	\$ 67,154	\$ -	\$ 6,452,767
Accounts Receivable	-	-	-	-	8,941
Due from County	-	-	-	-	22,898
Due from Other Governments	-	-	-	-	19,099
Due from Other Funds	4,008	20,268	1,309	(1,152,662)	-
Total Current Assets	<u>154,278</u>	<u>152,129</u>	<u>68,463</u>	<u>(1,152,662)</u>	<u>6,503,705</u>
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	29,993	-	-	-	1,732,001
Depreciable, Net	76,717	292,600	59,106	-	49,128,625
Total Noncurrent Assets	<u>106,710</u>	<u>292,600</u>	<u>59,106</u>	<u>-</u>	<u>50,860,626</u>
Total Assets	<u>260,988</u>	<u>444,729</u>	<u>127,569</u>	<u>(1,152,662)</u>	<u>57,364,331</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
OPEB	-	-	-	-	76,404
Pension	-	-	-	-	495,332
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571,736</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	\$ 3,915	\$ 44	\$ -	\$ -	\$ 99,809
Salaries and Benefits Payable	-	-	-	-	70,145
Interest Payable	-	-	-	-	298,327
Due to Other Funds	1,939	12,960	1,473	(1,152,662)	-
Due to County	783	-	-	-	690,831
Advance from County	-	-	-	-	1,666,689
Compensated Absences	-	-	-	-	4,867
Loan Payable	-	-	-	-	1,654,574
Total Current Liabilities	<u>6,637</u>	<u>13,004</u>	<u>1,473</u>	<u>(1,152,662)</u>	<u>4,485,242</u>
Noncurrent Liabilities:					
Compensated Absences	-	-	-	-	78,436
Loan Payable	-	-	-	-	14,024,145
Net OPEB Liability	-	-	-	-	585,600
Net Pension Liability	-	-	-	-	3,443,804
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,131,985</u>
Total Liabilities	<u>6,637</u>	<u>13,004</u>	<u>1,473</u>	<u>(1,152,662)</u>	<u>22,617,227</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
OPEB	-	-	-	-	12,902
Pension	-	-	-	-	38,967
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,869</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	106,710	292,600	59,106	-	33,515,218
Unrestricted	147,641	139,125	66,990	-	1,751,753
Total Net Position	<u>\$ 254,351</u>	<u>\$ 431,725</u>	<u>\$ 126,096</u>	<u>\$ -</u>	<u>\$ 35,266,971</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**  
**YEAR ENDED JUNE 30, 2019**

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,216	\$ 3,158,017	\$ 2,746,178	\$ 69,142
Other Revenues	1,343	-	-	-
Total Operating Revenues	<u>2,559</u>	<u>3,158,017</u>	<u>2,746,178</u>	<u>69,142</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	2,173,959	-	-	-
Services and Supplies	473,563	785,048	586,830	40,421
Other Charges	259,001	-	-	-
Expense Transfers	(2,786,659)	1,617,397	1,069,831	60,935
Depreciation and Amortization	89,750	796,115	1,063,741	8,848
Total Operating Expenses	<u>209,614</u>	<u>3,198,560</u>	<u>2,720,402</u>	<u>110,204</u>
<b>OPERATING INCOME (LOSS)</b>	(207,055)	(40,543)	25,776	(41,062)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest Income	7,853	80,060	103,767	9,327
Interest Expense	-	(158,045)	(190,629)	-
Total Nonoperating Revenue (Expenses)	<u>7,853</u>	<u>(77,985)</u>	<u>(86,862)</u>	<u>9,327</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	(199,202)	(118,528)	(61,086)	(31,735)
<b>TRANSFERS AND CONTRIBUTIONS</b>				
Transfers In	6,895	-	-	-
Transfers Out	-	(3,667)	(2,310)	(127)
Sale of Capital Assets	-	-	-	-
Capital Contributions	-	-	-	-
<b>CHANGE IN NET POSITION</b>	(192,307)	(122,195)	(63,396)	(31,862)
Net Position - Beginning of Year	<u>(3,395,348)</u>	<u>11,218,198</u>	<u>12,960,237</u>	<u>521,499</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (3,587,655)</u>	<u>\$ 11,096,003</u>	<u>\$ 12,896,841</u>	<u>\$ 489,637</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	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
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 10,340	\$ 376,470	\$ 23,428	\$ 223,857
Other Revenues	-	-	-	11,231
Total Operating Revenues	<u>10,340</u>	<u>376,470</u>	<u>23,428</u>	<u>235,088</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	-	-	-	-
Services and Supplies	1,109	329,279	2,964	86,912
Other Charges	-	-	-	-
Expense Transfers	10,439	241,578	14,137	143,681
Depreciation and Amortization	1,295	182,424	15,599	173,047
Total Operating Expenses	<u>12,843</u>	<u>753,281</u>	<u>32,700</u>	<u>403,640</u>
<b>OPERATING INCOME (LOSS)</b>	(2,503)	(376,811)	(9,272)	(168,552)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest Income	456	4,538	1,873	6,810
Interest Expense	-	-	-	(3,026)
Total Nonoperating Revenue (Expenses)	<u>456</u>	<u>4,538</u>	<u>1,873</u>	<u>3,784</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	(2,047)	(372,273)	(7,399)	(164,768)
<b>TRANSFERS AND CONTRIBUTIONS</b>				
Transfers In	-	-	-	-
Transfers Out	(47)	(489)	(49)	(113)
Sale of Capital Assets	-	(143,773)	-	-
Capital Contributions	-	-	-	109,521
<b>CHANGE IN NET POSITION</b>	(2,094)	(516,535)	(7,448)	(55,360)
Net Position - Beginning of Year	<u>39,215</u>	<u>9,605,976</u>	<u>344,422</u>	<u>4,151,797</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 37,121</u>	<u>\$ 9,089,441</u>	<u>\$ 336,974</u>	<u>\$ 4,096,437</u>



**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 33,997	\$ 80,065	\$ 12,340	\$ -	\$ 6,735,050
Other Revenues	-	-	-	-	12,574
Total Operating Revenues	<u>33,997</u>	<u>80,065</u>	<u>12,340</u>	<u>-</u>	<u>6,747,624</u>
<b>OPERATING EXPENSES</b>					
Salaries and Benefits	-	-	-	-	2,173,959
Services and Supplies	5,887	3,531	651	-	2,316,195
Other Charges	-	-	-	-	259,001
Expense Transfers	17,623	75,217	2,675	-	466,854
Depreciation and Amortization	4,763	13,268	2,885	-	2,351,735
Total Operating Expenses	<u>28,273</u>	<u>92,016</u>	<u>6,211</u>	<u>-</u>	<u>7,567,744</u>
<b>OPERATING INCOME (LOSS)</b>	5,724	(11,951)	6,129	-	(820,120)
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Interest Income	5,353	4,857	2,501	-	227,395
Interest Expense	-	-	-	-	(351,700)
Total Nonoperating Revenue (Expenses)	<u>5,353</u>	<u>4,857</u>	<u>2,501</u>	<u>-</u>	<u>(124,305)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	11,077	(7,094)	8,630	-	(944,425)
<b>TRANSFERS AND CONTRIBUTIONS</b>					
Transfers In	-	-	-	(6,895)	-
Transfers Out	(33)	(54)	(6)	6,895	-
Sale of Capital Assets	-	-	-	-	(143,773)
Capital Contributions	-	-	-	-	109,521
<b>CHANGE IN NET POSITION</b>	11,044	(7,148)	8,624	-	(978,677)
Net Position - Beginning of Year	<u>243,307</u>	<u>438,873</u>	<u>117,472</u>	<u>-</u>	<u>36,245,648</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 254,351</u>	<u>\$ 431,725</u>	<u>\$ 126,096</u>	<u>\$ -</u>	<u>\$ 35,266,971</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,559	\$ 3,169,672	\$ 2,752,427	\$ 68,771
Receipts from Interfund	2,779,498	-	-	-
Payments to Suppliers	(743,933)	(2,424,799)	(1,672,644)	(93,792)
Payments to Employees	(2,081,097)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(42,973)</u>	<u>744,873</u>	<u>1,079,783</u>	<u>(25,021)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Net Receipts (Payments) from/ to Other Funds	(71,922)	(520,172)	5,876	(768)
Grants and Other Receipts (Payments)	(11,364)	439,789	69,266	10,311
Transfers In	6,895	-	-	-
Transfers Out	-	(3,667)	(2,310)	(127)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>(76,391)</u>	<u>(84,050)</u>	<u>72,832</u>	<u>9,416</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(6,896)	(78,571)	(235,643)	-
Capital Contributions	-	-	-	-
Principal Paid on Capital Debt	-	(671,961)	(940,619)	-
Interest Paid on Capital Debt	-	(166,415)	(198,786)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,896)</u>	<u>(916,947)</u>	<u>(1,375,048)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received (Paid)	<u>7,853</u>	<u>80,060</u>	<u>103,767</u>	<u>9,327</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(118,407)</b>	<b>(176,064)</b>	<b>(118,666)</b>	<b>(6,278)</b>
Cash and Cash Equivalents - Beginning of Year	<u>266,211</u>	<u>2,558,703</u>	<u>2,778,044</u>	<u>242,193</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 147,804</u></b>	<b><u>\$ 2,382,639</u></b>	<b><u>\$ 2,659,378</u></b>	<b><u>\$ 235,915</u></b>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Wastewater Management System	Sanitation District Zone 1 - Lake Wildwood	Sanitation District Zone 2 - Lake of the Pines	Sanitation District Zone 4 - North San Juan
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>				
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (207,055)	\$ (40,543)	\$ 25,776	\$ (41,062)
Adjustments to Reconcile Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities:				
Depreciation	89,750	796,115	1,063,741	8,848
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts Receivable	(7,161)	11,655	6,249	(371)
Deferred Outflows of Resources	237,839	-	-	-
Increase (Decrease) in:				
Accounts Payable	(11,369)	(22,354)	(15,983)	7,564
Accrued Salaries and Benefits	(2,613)	-	-	-
Compensated Absences Payable	13,477	-	-	-
Deferred Inflows of Resources	5,509	-	-	-
Net Pension Liability	(122,682)	-	-	-
Net OPEB Obligation	(38,668)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (42,973)</u>	<u>\$ 744,873</u>	<u>\$ 1,079,783</u>	<u>\$ (25,021)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Acquisition of capital assets in advances from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,297</u>	<u>\$ -</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 10,340	\$ 376,891	\$ 23,428	\$ 273,449
Receipts from Interfund Activity	-	-	-	-
Payments to Suppliers	(11,584)	(969,530)	(17,101)	(285,160)
Payments to Employees	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(1,244)</u>	<u>(592,639)</u>	<u>6,327</u>	<u>(11,711)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Net Receipts (Payments) from/ to Other Funds	(1,434)	572,621	(1,038)	22,759
Grants and Other Receipts (Payments)	-	580,815	-	90,245
Transfers In	-	-	-	-
Transfers Out	(47)	(489)	(49)	(113)
Net Cash Provided (Used) for Noncapital Financing Activities	<u>(1,481)</u>	<u>1,152,947</u>	<u>(1,087)</u>	<u>112,891</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	-	(1,215)	-	(170,931)
Capital Contributions	-	-	-	109,521
Principal Paid on Capital Debt	-	-	-	(17,447)
Interest Paid on Capital Debt	-	-	-	489
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(1,215)</u>	<u>-</u>	<u>(78,368)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received (Paid)	<u>456</u>	<u>4,538</u>	<u>1,873</u>	<u>6,810</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(2,269)</u>	<u>563,631</u>	<u>7,113</u>	<u>29,622</u>
Cash and Cash Equivalents - Beginning of Year	<u>12,923</u>	<u>(133,891)</u>	<u>46,113</u>	<u>154,504</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 10,654</u>	<u>\$ 429,740</u>	<u>\$ 53,226</u>	<u>\$ 184,126</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	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
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (2,503)	\$ (376,811)	\$ (9,272)	\$ (168,552)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,295	182,424	15,599	173,047
Changes in Assets and Liabilities:				
(Increase) Decrease in:				
Accounts Receivable	-	421	-	38,361
Deferred Outflows of Resources	-	-	-	-
Increase (Decrease) in:				
Accounts Payable	(36)	(398,673)	-	(54,567)
Accrued Salaries and Benefits	-	-	-	-
Compensated Absences Payable	-	-	-	-
Deferred Inflows of Resources	-	-	-	-
Net Pension Liability	-	-	-	-
Net OPEB Obligation	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,244)</u>	<u>\$ (592,639)</u>	<u>\$ 6,327</u>	<u>\$ (11,711)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Acquisition of capital assets in advances from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers	\$ 33,997	\$ 80,065	\$ 12,340	\$ (7,161)	\$ 6,796,778
Receipts from Interfund Activity	-	-	-	(2,779,498)	-
Payments to Suppliers	(19,680)	(78,835)	(3,326)	2,786,659	(3,533,725)
Payments to Employees	-	-	-	-	(2,081,097)
Net Cash Provided (Used) by Operating Activities	<u>14,317</u>	<u>1,230</u>	<u>9,014</u>	<u>-</u>	<u>1,181,956</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Net Receipts (Payments) from/ to Other Funds	(114)	3,669	(9,477)	-	-
Grants and Other Receipts (Payments)	783	-	-	-	1,179,845
Transfers In	-	-	-	(6,895)	-
Transfers Out	(33)	(54)	(6)	6,895	-
Net Cash Provided (Used) for Noncapital Financing Activities	<u>636</u>	<u>3,615</u>	<u>(9,483)</u>	<u>-</u>	<u>1,179,845</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	-	-	-	-	(493,256)
Capital Contributions	-	-	-	-	109,521
Principal Paid on Capital Debt	-	-	-	-	(1,630,027)
Interest Paid on Capital Debt	-	-	-	-	(364,712)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,378,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received (Paid)	<u>5,353</u>	<u>4,857</u>	<u>2,501</u>	<u>-</u>	<u>227,395</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>20,306</u>	<u>9,702</u>	<u>2,032</u>	<u>-</u>	<u>210,722</u>
Cash and Cash Equivalents - Beginning of Year	<u>129,964</u>	<u>122,159</u>	<u>65,122</u>	<u>-</u>	<u>6,242,045</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 150,270</u>	<u>\$ 131,861</u>	<u>\$ 67,154</u>	<u>\$ -</u>	<u>\$ 6,452,767</u>

**NEVADA COUNTY SANITATION DISTRICT NO. 1**  
**(A COMPONENT UNIT OF THE COUNTY OF NEVADA, CALIFORNIA)**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2019**

	Sanitation District Zone 9 - Eden Ranch	Sanitation District Zone 11 - Higgins Village	Sanitation District Zone 12 - Valley Oak	Eliminations	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 5,724	\$ (11,951)	\$ 6,129	\$ -	\$ (820,120)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	4,763	13,268	2,885	-	2,351,735
Changes in Assets and Liabilities:					
(Increase) Decrease in:					
Accounts Receivable	-	-	-	-	49,154
Deferred Outflows of Resources	-	-	-	-	237,839
Increase (Decrease) in:					
Accounts Payable	3,830	(87)	-	-	(491,675)
Accrued Salaries and Benefits	-	-	-	-	(2,613)
Compensated Absences Payable	-	-	-	-	13,477
Deferred Inflows of Resources	-	-	-	-	5,509
Net Pension Liability	-	-	-	-	(122,682)
Net OPEB Obligation	-	-	-	-	(38,668)
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,317</u>	<u>\$ 1,230</u>	<u>\$ 9,014</u>	<u>\$ -</u>	<u>\$ 1,181,956</u>
<b>Noncash Investing, Capital and Financing Activities:</b>					
Acquisition of capital assets in advances from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,297</u>

## **OTHER REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of Nevada County Sanitation District No. 1 (District), a component unit of the County of Nevada, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2019.

**Internal Control Over Financial Reporting**

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

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

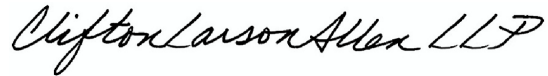
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Roseville, California  
December 30, 2019