

**OLIVEHURST PUBLIC
UTILITY DISTRICT**
Olivehurst, California

**Annual Financial Report
With Independent Auditor's Report Thereon
June 30, 2016**

**Olivehurst Public Utilities District
TABLE OF CONTENTS
June 30, 2016**

<i>Independent Auditor's Report</i>	1-2
 <i>Management's Discussion and Analysis</i>	
Required Supplementary Information, as prepared by management.....	3-7
 <i>Government-Wide Financial Statements</i>	
Statement of Net Position	8
Statement of Activities	9
 <i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds.....	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Statement of Activities and Changes in Net Position.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance by Function - Governmental Funds	14
Statement of Net Position - Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Statement of Fiduciary Net Position.....	18
 <i>Notes to Financial Statements</i>	
	19-32
 <i>Required Supplementary Information</i>	
Budgetary Comparison Schedule – General Fund.....	33
Notes to Required Supplementary Information	34

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Olivehurst Public Utility District
Olivehurst, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Olivehurst Public Utility District, as of and for the year ending 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 opinions 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. 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 judgement, 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 audit 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 opinions.

To the Members of the Board of Directors
Olivehurst Public Utility District
Olivehurst, California

Opinions

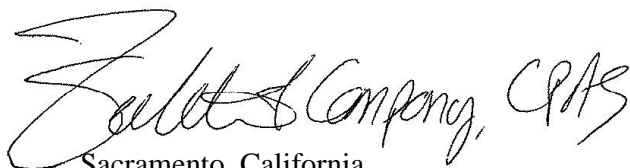
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Olivehurst Public Utility District as of June 30, 2016, and the respective changes in financial position for the year 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 budgetary comparison schedule - General Fund, 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.

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs". The signature is written in dark ink and is positioned above the printed name and date.

Sacramento, California
March 24, 2017

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

This section of the Olivehurst Public Utility District's (District) annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2016. This information is presented in conjunction with the basic financial statements and related notes, which follow this section.

Overview of the District's Annual Financial Report

The annual financial report consists of the following three parts: Management's Discussion and Analysis, the Basic Financial Statements, and the Notes to the Basic Financial Statements.

Required Financial Statements

Basic financial statements. The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the District's most significant funds – not the District as a whole, is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The *Statement of Net Position*, a government-wide statement, presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities*, a government-wide statement, presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet*, a fund statement for its governmental fund, presents financial information by fund types showing money left at year-end available for spending. The District reports one governmental fund, the General Fund.

The *Statement of Revenues, Expenditures and Changes in Fund Balance*, a fund statement for its governmental fund, focuses on how money flows into and out of the fund.

The *Statement of Net Position – Proprietary Funds*, a fund statement for its proprietary funds, presents financial information by fund types showing money left at year-end available for spending. The District reports two proprietary funds, the Water Fund and the Sewer Fund.

The *Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Funds*, a fund statement for its proprietary funds, focuses on how money flows into and out of these funds.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

The *Statement of Cash Flows - Proprietary Funds* provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments, and financing activities for its proprietary funds. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in the cash and cash equivalents balance for the fiscal year.

Notes to the Basic Financial Statements

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

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information comparing the District's budgeted amounts to actual results.

Financial Analysis of the District

The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position provide an indication of the District's financial condition and also indicate whether the financial condition of the District improved over time. The District's net position reflect the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition. However, considerations should be made for other non-financial factors such as changes in economic conditions (e.g., the significant decrease in development during the last few years), population growth, and new or changed government legislation which could impact our financial condition.

Financial Highlights for Fiscal Year 2015-2016

- At June 30, 2016, the District's total assets exceeded total liabilities by \$77.7 million (net position).
- Current assets decreased by \$0.9 million.
- Capital assets decreased by \$1.5 million to a balance of \$63.5 million.
- Operating revenues increased by \$337.8 thousand, or 5.05%, from the prior year.
- Non-operating revenues increased by \$358.5 thousand from the prior year. This is primarily due to increased revenue from capacity fees.
- Operating expenses increased by \$173.6 thousand, or 2.39%, from the prior year.
- Non-operating expenses decreased by \$30.1 thousand from the prior year.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Net Position

A summary of the District's Statement of Net Position is presented below:

	June 30		Change	% Change
	2016	2015		
Assets:				
Current Assets	\$ 16,934,605	\$ 17,881,996	\$ (947,391)	-5.30%
Capital Assets, net	63,508,841	64,987,154	(1,478,313)	-2.27%
Total Assets	80,443,446	82,869,150	(2,425,704)	-2.93%
Liabilities:				
Current Liabilities	1,497,021	7,585,892	(6,088,871)	-80.27%
Non-Current Liabilities	1,283,927	1,309,651	(25,724)	-1.96%
Total Liabilities	2,780,948	8,895,543	(6,114,595)	-68.74%
Net Position				
Net Investment in				
Capital Assets	62,381,567	63,828,625	(1,447,058)	-2.27%
Restricted	3,184,176	2,575,709	608,467	23.62%
Unrestricted (Unreserved)	12,096,755	7,569,273	4,527,482	59.81%
Total Net Position	\$ 77,662,498	\$ 73,973,607	\$ 3,688,891	4.99%

As noted earlier, net position, over time, can be a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$77.7 million and \$74.0 million as of June 30, 2016 and 2015, respectively.

It should be noted that a large segment of the District's net position is invested in capital assets (net of related debt). The District uses these capital assets to provide service to our customers; consequently, these assets are not available for future spending. In 2016, 80.32% of the District's total net position was invested in capital assets; compared to the total of 87.85% in 2015.

Revenue and Expenses

The District finances the operation of its Fire Department and Parks Department through the receipt of property tax revenues, tax assessments, and other income. The District's Water and Wastewater (Sewer) Departments are financed through drinking water service fees, sewer collection service fees, and other income. Operating revenues were up \$337.8 thousand, or 5.05%, from the prior year. Non-operating revenues were up \$358.5 thousand, or 91.37%, resulting in total revenues increasing by \$696.3 thousand or 9.83% from the prior year.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Revenues

	June 30		Change	% Change
	2016	2015		
Operating Revenues:				
Tax Revenues/Assessments	\$ 1,235,281	\$ 1,219,852	\$ 15,429	1.26%
Operating Grants	444,121	650,694	(206,573)	-31.75%
Charges for Service - Water	2,279,847	2,198,982	80,865	3.68%
Charges for Service - Sewer	3,071,011	2,622,961	448,050	17.08%
Total Operating Revenue	<u>7,030,260</u>	<u>6,692,489</u>	<u>337,771</u>	5.05%
Non-operating Revenues:				
Mitigation Fees	5,571	3,515	2,056	58.49%
Capacity Fees	431,061	186,451	244,610	131.19%
Interest	205,727	186,114	19,613	10.54%
Other	108,537	16,291	92,246	566.24%
Total Non-operating Revenues	<u>750,896</u>	<u>392,371</u>	<u>358,525</u>	91.37%
Total Revenues	<u>\$ 7,781,156</u>	<u>\$ 7,084,860</u>	<u>\$ 696,296</u>	9.83%

Expenses

	June 30		Change	% Change
	2016	2015		
Operating Expenses:				
Personnel Costs	\$ 2,806,980	\$ 2,496,875	\$ 310,105	12.42%
Operations and Maintenance	2,840,005	2,990,485	(150,480)	-5.03%
Depreciation	1,781,513	1,767,552	13,961	0.79%
Total Operating Expenses	<u>7,428,498</u>	<u>7,254,912</u>	<u>173,586</u>	2.39%
Non-Operating Expenses:				
Interest and amortization	52,172	52,967	(795)	-1.50%
Capital Outlay	171,873	201,177	(29,304)	-14.57%
Total Non-Operating Expenses	<u>224,045</u>	<u>254,144</u>	<u>(30,099)</u>	-11.84%
Total Expenses	<u>\$ 7,652,543</u>	<u>\$ 7,509,056</u>	<u>\$ 143,487</u>	1.91%

As of June 30, 2016, the District had \$1.13 million in outstanding debt compared to \$1.16 million as of June 30, 2015. The District has two loans with USDA Rural Development for upgrading its water treatment plants in 1994 and 2002. Both loans are financed at an interest rate of 4.5% and are amortized over 40 years.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Changes in long-term debt amounts for the year were as follows:

	June 30		Change	% Change
	2016	2015		
Long-Term Debt:				
Certificate of Participation	\$ 614,000	\$ 635,000	\$ (21,000)	-3.31%
Loan Payable - 2002 WTP	513,274	523,529	(10,255)	-1.96%
Total Long-Term Debt	\$ 1,127,274	\$ 1,158,529	\$ (31,255)	-2.70%

Additional information on the District's long-term debt is provided in Notes 7 and 8 of the financial statements.

Economic Factors, Budget, and Rates

The Board of Directors adopted the District's 2015-2016 Budget on June 18, 2015. The budget provides funding for the District's operating, capital, and debt service costs for the 2015-16 fiscal year. The District's water and sewer rates are reviewed periodically.

Requests for Information

This financial report is designed to provide the District's elected officials, customers, creditors, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Financial Manager, Olivehurst Public Utility District, 1970 9th Avenue, P.O. Box 670, Olivehurst, California 95961.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and investments	\$ 7,206,165	\$ 9,073,135	\$ 16,279,300
Accounts receivable, net	14,593	387,720	402,313
Interest receivable	23,477	32,493	55,970
Grants receivable	196,022	-	196,022
Prepaid expenses	-	1,000	1,000
Internal balances	104,499	(104,499)	-
Capital assets, net of accumulated depreciation	8,781,041	54,727,800	63,508,841
Total assets	\$ 16,325,797	\$ 64,117,649	\$ 80,443,446
Liabilities and Net Position			
Current liabilities			
Accounts payable	\$ 63,755	\$ 362,183	\$ 425,938
Payroll liabilities	19,840	55,131	74,971
Customer deposits	126,267	65,681	191,948
Developer deposits	790,892	-	790,892
Accrued interest	-	13,272	13,272
Non-current liabilities			
Compensated absences	30,878	125,775	156,653
Loans/COPs payable, short-term	-	32,780	32,780
Loans/COPs payable, long-term	-	1,094,494	1,094,494
Total liabilities	1,031,632	1,749,316	2,780,948
Net position			
Net investment in capital assets	8,781,041	53,600,526	62,381,567
Restricted	3,184,176	-	3,184,176
Unrestricted	3,328,948	8,767,807	12,096,755
Total net position	15,294,165	62,368,333	77,662,498
Total liabilities and net position	\$ 16,325,797	\$ 64,117,649	\$ 80,443,446

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net Changes in Net Position		
	Expenses	Service Charges	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
Parks, fire, and administration	\$1,214,305	\$ 14,859	\$ 444,121	\$ -	\$ (755,325)	\$ -	\$ (755,325)
Depreciation	320,748	-	-	-	(320,748)	-	(320,748)
Total Governmental Activities	1,535,053	14,859	444,121	-	(1,076,073)	-	(1,076,073)
Business-Type Activities:							
Water utility	2,710,306	2,279,847	-	7,476	-	(422,983)	(422,983)
Sewer utility	3,558,649	3,071,011	-	423,585	-	(64,053)	(64,053)
Total Business-type Activities	6,268,955	5,350,858	-	431,061	-	(487,036)	(487,036)
Totals	<u>\$7,804,008</u>	<u>\$5,365,717</u>	<u>\$ 444,121</u>	<u>\$ 431,061</u>	(1,076,073)	(487,036)	(1,563,109)

General Revenues:

Taxes and assessments	1,235,281	-	1,235,281
Use of money and property	98,479	107,248	205,727
Mitigation fees	5,571	-	5,571
Other revenues	93,678	-	93,678
Total general revenues	1,433,009	107,248	1,540,257
Change in net position	356,936	(379,788)	(22,852)
Net position beginning of year	14,659,524	59,314,083	73,973,607
Prior period adjustment	277,705	3,434,038	3,711,743
Restated net position, beginning of year	14,937,229	62,748,121	77,685,350
Net position end of year	<u>\$15,294,165</u>	<u>\$62,368,333</u>	<u>\$77,662,498</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

**OLIVEHURST PUBLIC UTILITY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2016**

	General Fund
Assets	
Cash and investments	\$ 7,206,165
Accounts receivable, net	14,593
Interest receivable	23,477
Grants receivable	196,022
Due from other funds	104,499
Total assets	\$ 7,544,756
 Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 63,755
Payroll liabilities	19,840
Developer deposits	917,159
Total liabilities	1,000,754
 Fund Equity	
Restricted for park development	3,184,176
Unassigned	3,359,826
Total fund balances	6,544,002
Total liabilities and fund balances	\$ 7,544,756

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position
As of June 30, 2016

Fund Balances of Governmental Funds	\$ 6,544,002
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, are not current financial resources and are not included in the governmental funds.	8,781,041
Some liabilities, including long-term debt, compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,878)</u>
Net position of governmental activities	<u>\$ 15,294,165</u>

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>
Revenues	
Taxes and assessments	\$ 1,235,281
Service charges	14,859
Use of money and property	98,479
Mitigation fees	5,571
Intergovernmental revenues	444,121
Other revenues	<u>93,678</u>
Total Revenues	<u>1,891,989</u>
Expenditures	
Salaries and benefits	616,013
Services and supplies	595,702
Capital outlay	<u>171,873</u>
Total Expenditures	<u>1,383,588</u>
Excess of Revenues Over Expenditures	<u>508,401</u>
Fund Balances, beginning of year	5,993,968
Prior period adjustment	<u>41,633</u>
Restated fund balance, beginning of year	<u>6,035,601</u>
Fund Balances, end of year	<u><u>\$ 6,544,002</u></u>

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund
Balance of Governmental Funds to the
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 508,401
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:</p>	
<p>Capital asset additions are reported as an expense in the Statement of Revenues, Expenditures, and Changes in Fund Balances while they are capitalized in the Statement of Activities</p>	171,871
<p>Depreciation expense is recorded in the Statement of Activities but not in the Statement of Revenue, Expenditures, and Changes in Fund Balances</p>	(320,748)
<p>Changes in long-term compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in governmental funds.</p>	<u>(2,588)</u>
<p>Change in net position of governmental activities</p>	<u><u>\$ 356,936</u></u>

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE BY FUNCTION
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	Fire	Lighting	Parks and Recreation	Administration	Total General
Revenues					
Taxes and assessments	\$ 522,511	\$ 65,147	\$ 647,623	\$ -	\$ 1,235,281
Service charges	4,128	-	10,731	-	14,859
Use of money and property	-	-	35,920	62,559	98,479
Mitigation fees	5,571	-	-	-	5,571
Intergovernmental revenues	393,124	-	50,997	-	444,121
Other revenues	-	-	89,197	4,481	93,678
Total Revenues	925,334	65,147	834,468	67,040	1,891,989
Expenditures					
Salaries and benefits	578,799	-	118,488	(81,274)	616,013
Services and supplies	159,709	56,060	296,240	83,693	595,702
Capital outlay	-	-	171,873	-	171,873
Total Expenditures	738,508	56,060	586,601	2,419	1,383,588
Excess of Revenues Over Expenditures	\$ 186,826	\$ 9,087	\$ 247,867	\$ 64,621	\$ 508,401

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds		Totals
	Water	Sewer	
Assets			
Cash and investments	\$ -	\$ 9,073,135	\$ 9,073,135
Accounts receivable, net of allowance \$74,407 and \$52,919, respectively	143,100	244,620	387,720
Interest receivable	8,817	23,676	32,493
Prepaid expenses	500	500	1,000
Total current assets	152,417	9,341,931	9,494,348
Non-current assets			
Capital assets, net of accumulated depreciation	22,943,774	31,784,026	54,727,800
Total assets	\$ 23,096,191	\$ 41,125,957	\$ 64,222,148
Liabilities and net position			
Current liabilities			
Accounts payable	\$ 95,700	\$ 266,483	\$ 362,183
Payroll liabilities	24,162	30,969	55,131
Customer deposits	42,812	22,869	65,681
Accrued interest	13,272	-	13,272
Loans payable, current portion	32,780	-	32,780
Due to other funds	104,499	-	104,499
Total current liabilities	313,225	320,321	633,546
Non-current liabilities			
Loans payable, long-term	1,094,494	-	1,094,494
Compensated absences	74,094	51,681	125,775
Total non-current liabilities	1,168,588	51,681	1,220,269
Total liabilities	1,481,813	372,002	1,853,815
Net position			
Invested in capital assets, net of related debt	21,816,500	31,784,026	53,600,526
Unrestricted	(202,122)	8,969,929	8,767,807
Total net position	21,614,378	40,753,955	62,368,333
Total liabilities and net position	\$ 23,096,191	\$ 41,125,957	\$ 64,222,148

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds		Totals
	Water	Sewer	
Operating Revenues			
Charges for services	\$ 2,279,847	\$ 3,071,011	\$ 5,350,858
Operating Expenses			
Personnel costs	971,237	1,219,730	2,190,967
Operations and maintenance	1,121,833	1,122,470	2,244,303
Depreciation	565,064	1,216,449	1,781,513
Total operating expenses	<u>2,658,134</u>	<u>3,558,649</u>	<u>6,216,783</u>
Operating Loss	<u>(378,287)</u>	<u>(487,638)</u>	<u>(865,925)</u>
Non-Operating Revenues (Expenses)			
Capital improvement charges	7,476	423,585	431,061
Use of money and property	25,816	81,432	107,248
Interest and amortization expense	(52,172)	-	(52,172)
Total non-operating revenues (expenses)	<u>(18,880)</u>	<u>505,017</u>	<u>486,137</u>
Decrease in Net Position	(397,167)	17,379	(379,788)
Net position - beginning of the year	<u>18,573,708</u>	<u>40,740,375</u>	<u>59,314,083</u>
Prior period adjustment	3,437,837	(3,799)	3,434,038
Restated net position - beginning of the year	<u>22,011,545</u>	<u>40,736,576</u>	<u>62,748,121</u>
Net position - ending of the year	<u><u>\$ 21,614,378</u></u>	<u><u>\$ 40,753,955</u></u>	<u><u>\$ 62,368,333</u></u>

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS PROVIDED BY (USED FOR)	Enterprise Funds		Totals
	Water	Sewer	
Operating Activities			
Receipts from customers	\$ 2,251,028	\$ 3,068,663	\$ 5,319,691
Payments to suppliers and vendors	(1,099,421)	(951,094)	(2,050,515)
Payments for employee costs	(963,607)	(1,206,637)	(2,170,244)
Net cash provided	188,000	910,932	1,098,932
Noncapital Financing Activities			
Capital improvement charges and other	7,476	423,585	431,061
Water capacity fees - prior period adjustment	3,437,837	-	3,437,837
Net cash provided	3,445,313	423,585	3,868,898
Capital and Related Financing Activities			
Acquisition/purchase of capital assets	(78,537)	(137,468)	(216,005)
Principal payments on capital debt	(31,255)	-	(31,255)
Interest and penalties paid	(52,172)	-	(52,172)
Interfund loans	(4,914,876)	(1,290,073)	(6,204,949)
Net cash used	(5,076,840)	(1,427,541)	(6,504,381)
Investing Activities			
Investment earnings	22,985	73,314	96,299
Net cash provided	22,985	73,314	96,299
Net decrease in cash	(1,420,542)	(19,710)	(1,440,252)
Cash and investments - beginning of year	1,420,542	9,092,845	10,513,387
Cash and investment - end of year	\$ -	\$ 9,073,135	\$ 9,073,135
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating loss	\$ (378,287)	\$ (487,638)	\$ (865,925)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization, a noncash expense	565,064	1,216,449	1,781,513
Uncollectible receivables	6,732	6,107	12,839
Change in Assets and Liabilities:			
Receivables	(28,819)	(8,455)	(37,274)
Accounts payable and accrued expenses	13,480	171,376	184,856
Payroll liabilities	5,531	12,249	17,780
Customer deposits	2,200	-	2,200
Compensated absences	2,099	844	2,943
Net cash provided	\$ 188,000	\$ 910,932	\$ 1,098,932

The accompanying notes are an integral part of these financial statements

**OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

Assets	CFD 2002-1	CFD 2005-1	CFD 2005-2	Park Developer Fees	Total Agency Funds
Cash and investments	\$ 5,302,629	\$ 852,221	\$ 186,432	\$ 3,361,305	\$ 9,702,587
Cash with fiscal agent	871,879	-	-	-	871,879
Receivable - property owners	9,420,000	-	-	-	9,420,000
Total assets	15,594,508	852,221	186,432	3,361,305	19,994,466
Liabilities					
Due to others	4,691	1,500	-	-	6,191
Park development fees	-	123,923	-	2,116,400	2,240,323
Bonds payable	9,420,000	-	-	-	9,420,000
Total liabilities	9,424,691	125,423	-	2,116,400	11,666,514
Net Position Held in Trust	\$ 6,169,817	\$ 726,798	\$ 186,432	\$ 1,244,905	\$ 8,327,952

The accompanying notes are an integral part of these financial statements

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 1: Defining the Financial Reporting Entity

The District was established in November 1948 to provide domestic and fire protection, water supply, storage and distribution system, or a sanitary sewerage collection treatment and disposal system, or both. Revenues are derived primarily from the property taxes, a special assessment on improved parcels within the District, and the countywide tax levy. The District also collects fees for water and sewer services, and fees for construction within the District, which are used to offset the increased capital costs associated with development. The District is administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

Government-Wide Financial Statements

The statement of activities demonstrates the degree to which program expenses of a given function are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function, and allocated indirect expenses. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies – (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they both are measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met. Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, which is usually 60 days. For this purpose the District generally considers revenues to be available if they are collected within ninety days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District has three primary funds; the general fund and two enterprise funds - water and sewer. The remaining funds are fiduciary funds that are used to account for the deposits received from housing developers of the Plumas Lake area.

Governmental Funds

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District uses one governmental fund, the general fund.

Proprietary Funds (Business-type activities)

The District reports on two major enterprise funds:

- Water - accounts for operating activities of the District's water utility services.
- Sewer - accounts for operating activities of the District's sewer wastewater utility services.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. The District accounts for the operation of its water and sewer utility funds on this basis.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies – (continued)

C. Fund Accounting – (continued)

Fiduciary Funds

The District's fiduciary funds are agency funds that account for assets held by the District as an agent for the state and various local governments. These funds typically do not involve a formal trust agreement and are used to account for situations where the role is purely custodial such as the receipt, temporary investment or remittance of fiduciary resources. The District reports four fiduciary funds:

D. Budget

The Board of Directors prepares a budget for the general fund and enterprise funds by August 1st of each year.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Investments

All cash is pooled for investment purposes and held by the Yuba County Treasurer and a local bank. Investment earnings are apportioned to the District based on the average daily balances on deposit with the Yuba County Treasurer. Since the District has not adopted an investment policy of their own, the District follows the Yuba County Treasurer's investment policy. As such, the Yuba County Treasurer's policy is to invest in any security authorized by Section 53635 of the Government Code of the State of California, and any other Government Code that permits investments in various securities or participation in investment trading techniques or strategies.

G. Accounts and Interest Receivable

Accounts and interest receivable consists of amounts due from outside parties for grants, interest, taxes, and service charges receivable. Accounts receivable is presented net of an allowance for doubtful accounts that reflects management's best estimate of receivables that will become uncollectible. The estimate made is based on a variety of factors including the length of time receivables are past due, economic trends and conditions affecting our customer base and historical write-off experience. Accounts that are deemed to be uncollectible are written off against the allowance for doubtful accounts.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

H. Property, Plant, and Equipment

Capital assets are valued at historic cost or estimated historic cost if actual historic cost is not available. The District's capitalization threshold is \$5,000 for non-infrastructure capital assets and \$10,000 for infrastructure capital assets. Contributed capital assets are recorded at the estimated fair market value on the date donated. Improvements are capitalized if material in amount; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The District depreciates capital assets to spread their costs over the estimated useful lives of the assets, in order that each fiscal year absorbs its share of capital asset costs. The District uses straight-line depreciation, by which each asset's cost is divided by its expected useful life in years, then the same amount is charged to expense each year until the asset is fully depreciated.

The following useful lives are assigned to capital assets:

Buildings and improvements	25-40 years
Water and Sewer utility plants, facilities, and infrastructure	40-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years

Capital assets may also be acquired through federal or state grants or by contribution from developers or other governments. Contributed assets are reported as revenue when acquired.

I. Other Information

The General Fund is the main operating fund of the District. Fire and Rescue operations, Park operations, Youth Center operations, and administrative support are the focus of the activity in this fund.

The Fire Mitigation account within the general fund is used to account for mitigation fees allowed by California State Law AB1600 for the purpose of offsetting increased capital costs due to development. Yuba County Board of Supervisors allows the collection of these fees and requires that they be spent only for capital additions due to development, and additionally, requires that these funds be spent and/or designated within five years of collection or they are refundable with interest to the payers. The District's policy is to fully expend these funds within the required time frame and, accordingly, no liability has been recognized.

The Special Assessment - Fire account within the general fund is used to account for the benefit assessment fees established in accordance with State Government Code Section 50078 by resolution No. 2076 of the District. These fees are levied on a per parcel basis for the purpose of providing for the retention, maintenance, and operation of fire suppression personnel for twenty-four/seven coverage, vehicle replacement, and safety equipment necessary to provide fire suppression services for the area of Olivehurst Public Utility District Fire Department Fire Protection.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

J. Net Position / Fund Balance

In February 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are now broken out in five categories:

- Non-spendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e., prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e., fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

The government-wide and proprietary fund financial statements (pages 9 and 16) utilize a net assets presentation. Net assets are categorized as follows:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the District, not restricted for any project or other purpose.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

J. Net Position / Fund Balance – (continued)

As of June 30, 2016, restrictions of fund balance are described as follows:

- *Restricted for park development* – to reflect management’s intent to expend these funds solely for planned park development.

When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted.

K. Interfund Loans

Interfund loans are reported as either receivables and payables and are referred to as “due to/from other funds”.

L. Property Taxes and Special Assessments

Property taxes and special assessments are levied against real property on July 1st of each fiscal year and can be paid in two equal installments. The first and second installments are due November 1st and February 1st, respectfully, and are considered delinquent if not paid before the close of business on December 10th and April 10th, respectfully. After June 30th, delinquent taxes are in default, thereafter a property lien attaches to the secured property in the following fiscal year, on March 1st. Property in tax default can be sold after five years to pay off the delinquent taxes and accrued interest.

M. New Pronouncements – Future Years

The following new pronouncements may have an effect on the financial statements of the District in future years:

Government Accounting Standards Board Statement No. 72

GASB Statement No. 72, Fair Value Measurement and Application, is effective for periods beginning after June 15, 2016.

Government Accounting Standards Board Statement No. 76

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, is effective for periods beginning after June 15, 2017.

Note 3: Stewardship, Compliance, and Accountability

Management is not aware of any material violations of finance-related legal or contractual provisions in any of the funds of the District.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 4: Prior Period Adjustments

The following is a summary of the restatement of beginning fund balances/net position in the fund financial statements:

	General Fund	Water	Sewer	Fiduciary Funds	Total
Fund balance/net position, beginning of year, as originally reported:	\$ 5,993,968	\$ 18,573,708	\$ 40,740,375	\$ 11,797,050	\$ 77,105,101
Correct water capacity fees	-	65,824	-	(65,824)	-
Metal building addition	75,070	24,761	-	-	99,831
Correct accounts payable	(46,284)	15,790	-	-	(30,494)
Capital asset adjustment from other funds	704,105	3,331,462	(3,799)	(4,031,768)	-
Park development fees restricted interest	(963,379)	-	-	963,379	-
Correct due to/from for Wheeler Park	277,316	-	-	(277,316)	-
Other miscellaneous	(5,195)	-	-	-	(5,195)
Total adjustments	<u>41,633</u>	<u>3,437,837</u>	<u>(3,799)</u>	<u>(3,411,529)</u>	<u>64,142</u>
Fund balance/net position, beginning of year, restated:	<u>\$ 6,035,601</u>	<u>\$ 22,011,545</u>	<u>\$ 40,736,576</u>	<u>\$ 8,385,521</u>	<u>\$ 77,169,243</u>

The following is a summary of the restatement of beginning net position in the government-wide financial statements:

	Governmental Activities	Business-Type Activities	Total
Net position, beginning of year, as originally reported:	\$ 14,659,524	\$ 59,314,083	\$ 73,973,607
Adjustments from fund statements	41,633	3,434,038	3,475,671
Adjust accumulated depreciation for Parks to reflect salvage value	236,072	-	236,072
Total adjustments	<u>277,705</u>	<u>3,434,038</u>	<u>3,711,743</u>
Net position, beginning of year, restated:	<u>\$ 14,937,229</u>	<u>\$ 62,748,121</u>	<u>\$ 77,685,350</u>

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 5: Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position – Cash and investments	\$16,279,300
Statement of Fiduciary Net Position:	
Cash and investments	9,702,587
Cash and investments with fiscal agent	<u>871,879</u>
Total cash and investments	<u>\$26,853,766</u>

Investments Authorized by the District’s Investment Policy

The District’s treasurer is granted the authority to invest funds for the benefit of the District in accordance with California Government Code Section 53600, Chapter 4 - Financial Affairs.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District deposits virtually all funds with the Treasurer of Yuba County, who is responsible for the investment of these funds in accordance with the investment policy of the County.

County investment pool	\$25,867,165
Deposit with financial institutions	114,462
Treasury obligations (cash with fiscal agent)	871,879
Cash on hand	<u>260</u>
	<u>\$26,853,766</u>

The District does not own any specific identifiable investments in the pool. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The Yuba County Treasurer is accountable to the Yuba County Treasury Oversight Committee. The District’s fair value portion in the pool was the same as the District’s pool share (fair value was 100.43% of carrying value.) Information regarding categorization of cash and investments held in the County pool can be found in the Yuba County’s financial statements by contacting the County Treasurer at 915 8th Street, Suite 103, Marysville, CA 95901.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 5: Cash and Investments - (continued)

The following table shows the maturity date of each investment:

		<u>Maturity Date / Yield</u>
County investment pool	\$25,867,165	due on demand, yield unknown
Treasury obligations	\$ 871,879	due on demand, yield 0.06%

Disclosures Relating to Credit Risk

Generally, 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 Yuba County investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The District's portfolio is concentrated primarily in the Yuba County investment pool.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools such as the Yuba County investment pool.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 6: Capital Assets

Capital activity for the year ended June 30, 2016, is as follows in the tables below:

	<u>7/1/2015 Balance</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>6/30/2016 Balance</u>
Governmental Activities:				
Non-depreciating capital assets:				
Land	\$ 15,678	\$ -	\$ -	\$ 15,678
Total non-depreciating assets:	15,678	-	-	15,678
Depreciating capital assets:				
Plant and facilities	9,346,244	65,824	-	9,412,068
Building and improvements	1,241,611	75,070	-	1,316,681
Equipment and furnishings	2,580,221	30,977	-	2,611,198
Total cost	13,168,076	171,871	-	13,339,947
Accumulated depreciation	(4,489,908)	(320,748)	236,072	(4,574,584)
Total depreciating capital assets	8,678,168	(148,877)	236,072	8,765,363
Governmental Type Capital Assets	<u>\$ 8,693,846</u>	<u>\$(148,877)</u>	<u>\$ 236,072</u>	<u>\$ 8,781,041</u>
	<u>7/1/2015 Balance</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>6/30/2016 Balance</u>
Business Type Activities:				
Non-depreciating capital assets:				
Land	\$ 52,032	\$ -	\$ -	\$ 52,032
Total non-depreciating assets:	52,032	-	-	52,032
Depreciating capital assets:				
Plant and facilities	45,508,328	97,972	-	45,606,300
Building and improvements	26,153,132	24,761	-	26,177,893
Equipment and furnishings	6,734,686	93,272	-	6,827,958
Total cost	78,396,146	216,005	-	78,612,151
Accumulated depreciation	(22,154,870)	(1,781,513)	-	(23,936,383)
Total depreciating assets	56,241,276	(1,565,508)	-	54,675,768
Business Type Capital Assets	<u>\$56,293,308</u>	<u>\$(1,565,508)</u>	<u>\$ -</u>	<u>\$54,727,800</u>

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 7: Developer Deposits

The District acts as a fiduciary agent for real estate developers in the Olivehurst Public Utility District. The cash funds are deposited by these developers to meet their financial obligation under an Agreement for Advanced Funding and Reimbursement, and an Agreement for Reimbursement of Funds for the Community Facilities District's formation costs. These cash deposits provided by the developers covered the initial development and construction costs of the water and sewer infrastructure, and the formation of the CFD under the Mello-Roos legislation which provided the District the funds for reimbursement to the developers.

Note 8: Long Term Obligations

Below is the activity of the District's long-term liabilities for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Compensated absences	\$ 28,290	\$ 2,588	\$ -	\$ 30,878	\$ 30,878
	<u>\$ 28,290</u>	<u>\$ 2,588</u>	<u>\$ -</u>	<u>\$ 30,878</u>	<u>\$ 30,878</u>
Business-type activities:					
Certificates of Participation	635,000	\$ -	\$ (21,000)	\$ 614,000	\$ 22,000
Loan payable	523,529	-	(10,255)	513,274	10,780
Compensated absences	122,832	2,943	-	125,775	125,775
	<u>\$ 1,281,361</u>	<u>\$ 2,943</u>	<u>\$ (31,255)</u>	<u>\$ 1,253,049</u>	<u>\$ 158,555</u>

Compensated Absences

The District accounts for compensated absences (unpaid vacation and sick leave) in accordance with Financial Accounting Standards Board Statement No. 43, Accounting for Compensated Absences. Accordingly, vested or accumulated benefits are recorded as an expense as the benefits accrue or are earned. Executive directors and managerial staff follow separate policies based upon individual negotiated contracts.

The District policy is to allow employees to carryover unused compensated absences in the following manner:

- Annual Leave - maximum of 280 hours per employee at the end of each calendar year.
- Compensated Time - maximum of 40 hours per employee is allowed at any time throughout the year and is cashed out to the employee at the end of each calendar year.
- Sick Leave - An employee can accrue up to 1,000 hours. Upon retirement, 25% of any accrued time is paid to an employee in good standing who is 53 years of age and has 15 years of continuous service with OPUD.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 8: Long Term Obligations – (continued)

Debt

The District incurs long term debt obligations to finance projects or acquire assets, whose lives equal or exceed the related debt. The bonded debt and loan payable outstanding as of June 30, 2016, are as follows:

Certificates of Participation - 1994 Water Treatment Facility

In 1994, the District issued bonds to the USDA Rural Development in the initial amount of \$902,000 with an interest rate of 4.5% per annum. The proceeds were used for a water treatment facility improvement project. Unspent funds at the completion of the project were used to pay off a State of California Department of Water Resources loan. These bonds will be fully amortized over 40 years, with principal and interest payments due annually on April 1st, and interest only payments due October 1st, and are secured by water fund revenues.

Balance due	\$614,000
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Loan Payable - 2002 Water Treatment Project

In 2002, the District received a loan from the USDA Rural Development in the amount of \$623,000 with interest at 4.5% per annum. The funds were used in the construction of an upgraded water treatment facility. The loan will be repaid over 40 years with principal and interest payments due annually each April 25th, and is secured by water fund revenues.

Balance due	\$ 513,274
Total	<u>\$ 1,127,274</u>

Future Debt Service Requirements

The following schedule illustrates the debt service requirements to maturity for the Certificates of Participation and the Loan Payable:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 32,780	\$ 50,706	\$ 83,486
2018	34,265	49,231	83,496
2019	35,772	47,689	83,461
2020	37,302	46,079	83,381
2021	39,855	44,401	84,256
2021-2025	227,492	193,528	421,020
2026-2030	287,584	137,141	424,725
2031-2035	257,130	68,245	325,375
2036-2040	142,227	27,053	169,280
2041-2043	32,867	1,458	34,325
	\$ 1,127,274	\$ 665,531	\$ 1,792,805

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 9: Special Assessment Debt

The District acts as an agent for property owners in collecting special assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, when appropriate. The District is not liable for the repayment of the special assessment bonds, and accordingly, they are not reflected in the accompanying basic financial statements. Since the District acts as an agent for the property owners, only year-end balances relating to the special assessment debt is reported in the Agency Funds.

At June 30, 2016, the following special assessment debt was outstanding:

Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds Series 2005

On April 27, 2005, the Plumas Lake Community Facility District (CFD) 2002-1 issued \$7,910,000 of Special tax bonds in the initial amount of \$7,910,000, with an interest rates varying between 2.6% and 5.2%. The principal purpose was to provide funding for the costs of acquiring and constructing certain water and wastewater infrastructure improvements necessary for development of property within the CFD. The outstanding balance was \$6,275,000 at June 30, 2016.

Plumas Lake Community Facilities District No. 2002-1 Subordinate Special Tax Bonds Series 2008

On June 26, 2008, the Plumas Lake Community Facility District (CFD) 2002-1 issued \$3,235,000 of Special tax bonds in the initial amount of \$3,235,000, with interest rate of 7.625%. The principal purpose was to provide funding for the costs of acquiring and constructing certain water and wastewater infrastructure improvements necessary for development of property within the CFD. The outstanding balance was \$3,145,000 at June 30, 2016.

Note 10: Retirement Commitments

A. Plan Description

The District's benefit pension plan allows employees the option of putting money in: (1) an Operating Engineers Pension Trust plan (based on maximum actual hours worked), (2) a Deferred Compensation plan with a bank, or (3) a combination of options 1 and 2. The plan covers all fulltime, permanent employees who are members of the union, and is defined by the union agreement with Operating Engineers Local Union No. 3 Public Employees Division. The District also funds a medical welfare pension account as prescribed by the Operating Engineers Local Union No. 3 Public Employees Division, and the Memorandum of Understanding with the District Employees. After five years, an employee becomes vested in the medical plan.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2016

Note 10: Retirement Commitments - continued

B. Funding Policy

Active plan members in the pension plan are allowed to contribute up to a maximum percentage of their salary based on actual hours worked. The District is required to contribute a percentage defined by the union agreement with Operating Engineers Local Union No. 3 Public Employees Division, and the Memorandum of Understanding with the employees. The required employer contribution rates vary between employees and management. The maximum amount of contribution of the plan members are established by State statute and the employer contribution rate is established and may be amended by the union and the District. The District has created a Memorandum of Understanding (MOU) between itself and the full-time employees of the District. Under this MOU, the District contributes the amount that is required by the active plan members directly to the plan as described above.

C. Annual Pension Cost

It is the Engineer's Union and the District's position that their ratio constitutes an annual required contribution.

For fiscal years ending June 30, 2014, 2015, and 2016, the total required contributions, which were made, were as follows:

<u>Year Ended</u>	<u>Trust Plan</u>	<u>Deferred Plan</u>	<u>Total Cost</u>
June 30, 2014	\$24,926	\$144,752	\$169,678
June 30, 2015	24,969	172,400	197,369
June 30, 2016	27,609	176,677	204,286

D. Trend Information

Trend information is not available for presentation in these financial statements.

E. Related Party Investments

During the years described above, the pension plans held no securities issued by the District.

Note 11: Commitments and Contingencies

The District is subject to general risk and exposure due to normal operations in the course of business. These risks involve various claims against the District, both asserted and unasserted, all of which management considers to be immaterial to these financial statements.

Note 12: Subsequent Events

Subsequent events were reviewed through March 24, 2017.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

OLIVEHURST PUBLIC UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Taxes and assessments	\$ 1,059,604	\$ 1,088,604	\$ 1,235,281	\$ 146,677
Service charges	12,300	1,300	14,859	13,559
Use of money and property	35,000	35,000	98,479	63,479
Mitigation fees	-	-	5,571	5,571
Intergovernmental revenues	57,284	474,000	273,912	(200,088)
Strike team reimbursements	50,000	185,863	170,209	(15,654)
Other revenues	(65,882)	(128,462)	93,678	222,140
Total Revenues	<u>1,148,306</u>	<u>1,656,305</u>	<u>1,891,989</u>	<u>235,684</u>
Expenditures				
Salaries and benefits	395,297	1,586,577	616,013	970,564
Services and supplies	674,459	828,791	595,702	233,089
Capital outlay	-	-	171,873	(171,873)
Total Expenditures	<u>\$ 1,069,756</u>	<u>\$ 2,415,368</u>	<u>1,383,588</u>	<u>\$ 1,031,780</u>
Excess of Revenues Over Expenditures			<u>\$ 508,401</u>	

See accompanying footnote

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Required Supplementary Information
June 30, 2016

BUDGETARY BASIS OF ACCOUNTING

The District prepares and legally adopts a final budget on or before August 30th of each fiscal year. Until the final budget is adopted, operations of the District commencing July 1st are governed by a continuing resolution which is adopted by the Board at their final meeting of the preceding fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from, or changed only by Board resolution. All such changes must be within the revenues and reserve as estimated as available in the final budget or within revised revenue estimates as approved by the Board. During the fiscal year ended June 30, 2016, the Board of Directors approved all necessary supplementary appropriations.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year and included in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level except for fixed assets which are controlled at the sub-object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, other charges including debt service, capital outlay, contingencies, expenditure transfers, and other financing uses. Sub-object levels of expenditures for fixed assets are land, structures and improvements, and equipment.

For budgetary purposes, actual GAAP expenditures have been adjusted to include encumbrances outstanding at year-end. Encumbrance accounting is employed as an extension of formal budgetary integration of the General and Special Revenue Funds under the jurisdiction of the Board of Directors.