

Olivehurst Public Utility District



Agenda Item Staff Report

Meeting Date: January 17, 2019

Item description/summary:

Audit Completion FY 2017-18.

The final audit report and financial statements for the fiscal year ending June 30, 2018 were presented at the Ad Hoc Committee for Financial Audits January 4, 2019 by Craig Fechter, CPA. Fechter & Company, CPAs issued an unqualified opinion, which expresses the auditor's judgment that OPUD's financial records and statements are fairly and appropriately presented and in accordance with Generally Accepted Accounting Principles (GAAP). The District's audit resulted in no findings for the 2nd year.

Fiscal Analysis:

Highlights (Attachement1):

The District's Water and Waste Water Department asset portfolio consists of mostly capital assets such as infrastructure, land, equipment used to provide services. Cash based assets include restricted capacity fees and unrestricted and board designated reserves. Building activity increased during 2017-18, which allowed the District to add to capacity fee cash balances. The Water Fund's operating cash deficit improved from June's 2017 deficit of (\$ 915,769) to (\$481,570) June 2018. Sewer operating cash and reserves increased from \$3,382,040 June 2017 to \$4,861,919 June 2018.

Employee Feedback

Sample Motion:

Motion to accept Audited Financial Statements for the 2017-18 Fiscal Year.

Prepared by:

Karin Helvey, Financial Manager

Attachment 1

| | WATER | | | SEWER | | | Annual Audit page |
|----------------------------------------|-------------|------------------|------------------|--------------------|--------------------|---------------------|-------------------------|
| | 2015-16 | 2016-17 | 2017-18 | 2015-16 | 2016-17 | 2017-18 | |
| Service Fees | \$2,279,847 | \$2,648,882 | \$2,792,379 | \$3,071,011 | \$3,443,305 | \$3,727,172 | 16 |
| Operating Expenses | \$2,063,070 | \$2,493,979 | \$2,215,918 | \$2,342,200 | \$2,480,241 | \$2,284,385 | 16 |
| Annual Depreciation Expense - non-cash | 565,064 | 560,740 | 552,430 | 1,216,449 | 1,221,101 | 1,210,294 | 16 |
| Operating Cash Balance & Reserves | (857,494) | (915,769) | (481,570) | 3,746,028 | 3,382,040 | 4,861,919 | |
| Capacity Fee Cash Balance (restricted) | 857,494 | 1,101,820 | 1,455,240 | 5,327,107 | 5,486,320 | 6,172,305 | |
| Total Cash | \$0 | \$186,051 | \$973,670 | \$9,073,135 | \$8,868,360 | \$11,034,224 | 15 |
| Capacity Fees Collected | \$7,476 | \$244,326 | \$353,420 | \$423,585 | \$159,213 | \$685,985 | 16 |
| Fixed Assets(net of depreciation) | 22,943,774 | 22,380,280 | 21,878,772 | 31,784,026 | 30,670,688 | 29,689,048 | 15 |

OLIVEHURST PUBLIC UTILITY DISTRICT

MANAGEMENT REPORT

JUNE 30, 2018

December 7, 2018

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

We have audited the financial statements of the Olivehurst Public Utility District for the year ended June 30, 2018 and have issued our report thereon dated December 7, 2018. As part of our audit we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Olivehurst Public Utility District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Olivehurst Public Utility District taken as a whole.

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

Our study and evaluation disclosed no condition that we believed to be a material weakness. However, we have enclosed recommendations for your consideration.

This report is intended solely for the use of management and should not be used for any other purpose.

We would like to thank the District staff for taking the time to compile complete and accurate records for the audit. We look forward to working with the District and its staff in the future.

Sincerely,

A handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style.

Fechter & Company, CPAs

OLIVEHURST PUBLIC UTILITY DISTRICT
Management Report
For the Year Ended June 30, 2018

The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We did, however, identify a transaction that was entered into by the District that did not following the Districts policy to obtain competitive bids prior to approving of a purchase. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Allowance for doubtful accounts
- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense

OLIVEHURST PUBLIC UTILITY DISTRICT
Management Report
For the Year Ended June 30, 2018

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process:

- Posting of all GASB 34 entries on behalf of the district
- Beginning balance adjustments posted on behalf of the district.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

**OLIVEHURST PUBLIC UTILITY DISTRICT
Management Report
For the Year Ended June 30, 2018**

Current Year Findings

None.

**OLIVEHURST PUBLIC
UTILITY DISTRICT**
Olivehurst, California

**Annual Financial Report
With Independent Auditor's Report Thereon
June 30, 2018**

Olivehurst Public Utilities District

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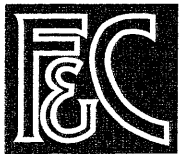
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INDEPENDENT AUDITOR'S REPORT

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, 2018, 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, 2018, 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".

Sacramento, California
December 7, 2018

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018. 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, 2018

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 reflects 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 2017-2018

- At June 30, 2018, the District's total assets exceeded total liabilities by \$79.9 million (net position).
- Current assets increased by \$3.2 million.
- Capital assets decreased by \$1.2 million to a balance of \$60.3 million.
- Operating revenues increased by \$537.3 thousand, or 6.86%, from the prior year.
- Non-operating revenues increased by \$636.1 thousand from the prior year. This is primarily due to increased capacity fees.
- Operating expenses decreased by \$511.9 thousand, or 6.3%, from the prior year, due primarily to utility savings from the waste water solar plant, decrease in Yuba County road projects billed to the District, and increased effort to maintain cash reserves.
- Non-operating expenses increased by \$166.6 thousand from the prior year.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Net Position

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

| Net Position | | | | |
|---------------------------|---------------|---------------|--------------|----------|
| June 30 | | | | |
| Assets: | 2018 | 2017 | Change | % Change |
| Current Assets | \$ 20,856,304 | \$ 17,687,087 | \$ 3,169,217 | 17.92% |
| Capital Assets, net | 60,347,568 | 61,591,256 | (1,243,688) | -2.02% |
| Total Assets | 81,203,872 | 79,278,343 | 1,925,529 | 2.43% |
| | | | | |
| Liabilities: | | | | |
| Current Liabilities | 1,175,071 | 1,360,725 | (185,654) | -13.64% |
| Non-Current Liabilities | 152,760 | 151,696 | 1,064 | 0.70% |
| Total Liabilities | 1,327,831 | 1,512,421 | (184,590) | -12.20% |
| | | | | |
| Net Position | | | | |
| Net Investment in | | | | |
| Capital Assets | 60,347,568 | 61,591,256 | (1,243,688) | -2.02% |
| Restricted | 293,347 | 277,715 | 15,632 | 5.63% |
| Unrestricted (Unreserved) | 19,235,126 | 15,896,951 | 3,338,175 | 21.00% |
| Total Net Position | \$ 79,876,041 | \$ 77,765,922 | \$ 2,110,119 | 2.71% |

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 \$77.8 million and \$79.9 million as of June 30, 2017 and 2018, 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 2017, 79.20% of the District's total net position was invested in capital assets; compared to the total of 75.55% in 2018.

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 \$537.3 thousand, or 6.86%, from the prior year. Non-operating revenues were up \$636.1 thousand, or 83.40%, resulting in total revenues increasing by \$1,173.4 thousand or 13.65% from the prior year.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Revenues

| | June 30, | | Change | % Change |
|-------------------------------------|---------------------|---------------------|---------------------|---------------|
| | 2018 | 2017 | | |
| Operating Revenues: | | | | |
| Tax Revenues/Assessments | \$ 1,298,976 | \$ 1,300,550 | \$ (1,574) | -0.12% |
| Operating Grants | 553,115 | 441,633 | 111,482 | 25.24% |
| Charges for Service - Water | 2,792,379 | 2,648,882 | 143,497 | 5.42% |
| Charges for Service - Sewer | 3,727,172 | 3,443,305 | 283,867 | 8.24% |
| Total Operating Revenue | 8,371,642 | 7,834,370 | 537,272 | 6.86% |
| Non-operating Revenues: | | | | |
| Mitigation Fees | 12,868 | 3,352 | 9,516 | 283.89% |
| Capacity Fees | 1,039,405 | 403,539 | 635,866 | 157.57% |
| Interest | 307,279 | 304,347 | 2,932 | 0.96% |
| Other | 39,312 | 51,482 | (12,170) | -23.64% |
| Total Non-Operating Revenues | 1,398,864 | 762,720 | 636,144 | 83.40% |
| Total Revenues | \$ 9,770,506 | \$ 8,597,090 | \$ 1,173,416 | 13.65% |

Expenses

| | June 30, | | Change | % Change |
|-------------------------------------|---------------------|---------------------|--------------------|----------------|
| | 2018 | 2017 | | |
| Operating Expenses: | | | | |
| Personnel Costs | \$ 2,769,903 | \$ 2,717,657 | \$ 52,246 | 1.92% |
| Operations and Maintenance | 3,077,293 | 3,622,326 | (545,033) | -15.05% |
| Depreciation | 1,762,724 | 1,781,862 | (19,138) | -1.07% |
| Total Operating Expenses | 7,609,920 | 8,121,845 | (511,925) | -6.30% |
| Non-Operating Expenses: | | | | |
| Interest and amortization | 10,911 | 48,263 | (37,352) | -77.39% |
| Capital Outlay | 567,992 | 77,274 | 490,718 | 635.04% |
| Total Non-Operating Expenses | 578,903 | 125,537 | 453,366 | 361.14% |
| Total Expenses | \$ 8,188,823 | \$ 8,247,382 | \$ (58,559) | -0.71% |

Capital Assets

The District's capital asset balances, net of accumulated depreciation, decreased by \$1,243,688 from 6/30/17 to 6/30/18. During fiscal year 17-18, the District reported \$830,037 of additions, \$109,322 of disposals, and an increase in accumulated depreciation of \$2,073,725.

Additional information on the District's capital assets is provided in Note 6 of the financial statements.

OLIVEHURST PUBLIC UTILITY DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Debt

As of June 30, 2018, the District had no long-term debt.

Economic Factors, Budget, and Rates

The Board of Directors adopted the District's 2017-18 Budget on June 15, 2017. The budget provides funding for the District's operating, capital, and debt service costs for the 2017-18 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, 2018

| | Governmental Activities | Business-Type Activities | Totals |
|-------------------------------------------------|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and investments | \$ 8,199,000 | \$ 12,007,894 | \$ 20,206,894 |
| Accounts receivable, net | 21,342 | 448,210 | 469,552 |
| Interest receivable | 37,417 | 46,911 | 84,328 |
| Grants receivable | 95,310 | - | 95,310 |
| Prepaid expenses | 180 | 40 | 220 |
| Capital assets, net of accumulated depreciation | 8,779,748 | 51,567,820 | 60,347,568 |
| Total assets | 17,132,997 | 64,070,875 | 81,203,872 |
| Liabilities | | | |
| Accounts payable | \$ 59,566 | \$ 110,293 | \$ 169,859 |
| Payroll liabilities | 26,298 | 59,787 | 86,085 |
| Customer deposits | 101,130 | 110,871 | 212,001 |
| Developer deposits | 693,854 | - | 693,854 |
| Accrued interest | - | 13,272 | 13,272 |
| Non-current liabilities | | | |
| Compensated absences | 23,447 | 129,313 | 152,760 |
| Total liabilities | 904,295 | 423,536 | 1,327,831 |
| Net position | | | |
| Net investment in capital assets | 8,779,748 | 51,567,820 | 60,347,568 |
| Restricted for fire mitigation | 293,347 | - | 293,347 |
| Unrestricted | 7,155,607 | 12,079,519 | 19,235,126 |
| Total net position | \$ 16,228,702 | \$ 63,647,339 | \$ 79,876,041 |

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

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| 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 | \$1,362,223 | \$ 17,305 | \$ 553,115 | \$ - | \$ (791,803) | \$ - | \$ (791,803) |
| Depreciation | 311,000 | - | - | - | (311,000) | - | (311,000) |
| Total Governmental Activities | 1,673,223 | 17,305 | 553,115 | - | (1,102,803) | - | (1,102,803) |
| Business-Type Activities: | | | | | | | |
| Water utility | 2,779,259 | 2,792,379 | - | 353,420 | - | 366,540 | 366,540 |
| Sewer utility | 3,494,679 | 3,727,172 | - | 685,985 | - | 918,478 | 918,478 |
| Total Business-type Activities | 6,273,938 | 6,519,551 | - | 1,039,405 | - | 1,285,018 | 1,285,018 |
| Totals | <u>\$7,947,161</u> | <u>\$6,536,856</u> | <u>\$ 553,115</u> | <u>\$ 1,039,405</u> | (1,102,803) | 1,285,018 | 182,215 |
| General Revenues: | | | | | | | |
| | | | | | 1,298,976 | - | 1,298,976 |
| | | | | | 148,245 | 159,034 | 307,279 |
| | | | | | 12,868 | - | 12,868 |
| | | | | | 22,007 | - | 22,007 |
| | | | | | 1,482,096 | 159,034 | 1,641,130 |
| | | | | | 379,293 | 1,444,052 | 1,823,345 |
| | | | | | 15,562,635 | 62,203,287 | 77,765,922 |
| | | | | | 286,774 | - | 286,774 |
| | | | | | 15,849,409 | 62,203,287 | 78,052,696 |
| | | | | | <u>\$ 16,228,702</u> | <u>\$ 63,647,339</u> | <u>\$ 79,876,041</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, 2018**

| | <u>General Fund</u> |
|------------------------------------------------|--------------------------------|
| Assets | |
| Cash and investments | \$ 8,199,000 |
| Accounts receivable, net | 21,342 |
| Interest receivable | 37,417 |
| Grants receivable | 95,310 |
| Prepaid expenses | <u>180</u> |
| Total assets | <u><u>\$ 8,353,249</u></u> |
| Liabilities and Fund Equity | |
| Liabilities | |
| Accounts payable | \$ 59,566 |
| Payroll liabilities | 26,298 |
| Developer deposits | <u>794,984</u> |
| Total liabilities | <u>880,848</u> |
| Fund Balances | |
| Restricted for fire mitigation | 293,347 |
| Committed for capital asset repair | 309,000 |
| Committed for park maintenance | 293,000 |
| Unassigned | <u>6,577,054</u> |
| Total fund balances | <u>7,472,401</u> |
| Total liabilities and fund balances | <u><u>\$ 8,353,249</u></u> |

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, 2018

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Fund Balances of Governmental Funds | \$ 7,472,401 |
| 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. | 8,779,748 |
| 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 Governmental fund statements. | <u>(23,447)</u> |
| Net position of governmental activities | \$ <u><u>16,228,702</u></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 -
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2018

| | <u>General Fund</u> |
|-------------------------------------------------|----------------------------|
| Revenues | |
| Taxes and assessments | \$ 1,298,976 |
| Service charges | 17,305 |
| Use of money and property | 148,245 |
| Mitigation fees | 12,868 |
| Intergovernmental revenues | 553,115 |
| Other revenues | <u>22,007</u> |
| Total Revenues | <u>2,052,516</u> |
| Expenditures | |
| Salaries and benefits | 507,170 |
| Services and supplies | 839,723 |
| Capital outlay | <u>567,992</u> |
| Total Expenditures | <u>1,914,885</u> |
| Excess of Revenues Over Expenditures | 137,631 |
| Fund Balances, beginning of year | 7,047,996 |
| Prior period adjustment | <u>286,774</u> |
| Fund Balances, beginning of year - restated | <u>7,334,770</u> |
| Fund Balances, end of year | <u><u>\$ 7,472,401</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 Changes in Fund
Balance of Governmental Funds to the
Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 137,631 |
| <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> | 550,460 |
| <p>Depreciation expense is recorded in the Statement of Activities but not in the Statement of Revenue, Expenditures, and Changes in Fund Balances</p> | (311,000) |
| <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>2,202</u> |
| Change in net position of governmental activities | <u><u>\$ 379,293</u></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 BY FUNCTION
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

| | Fire | Lighting | Parks and Recreation | Administration | Total General |
|-------------------------------------------------|---------------------|------------------|-------------------------|------------------|-------------------|
| Revenues | | | | | |
| Taxes and assessments | \$ 552,860 | \$ 70,436 | \$ 675,680 | \$ - | \$ 1,298,976 |
| Service charges | 2,063 | - | 15,242 | - | 17,305 |
| Use of money and property | - | - | 41,603 | 106,642 | 148,245 |
| Mitigation fees | 12,868 | - | - | - | 12,868 |
| Intergovernmental revenues | 509,915 | - | 43,200 | - | 553,115 |
| Other revenues | 2,255 | - | 630 | 19,122 | 22,007 |
| Total Revenues | 1,079,961 | 70,436 | 776,355 | 125,764 | 2,052,516 |
| Expenditures | | | | | |
| Salaries and benefits | 605,676 | - | 126,992 | (225,498) | 507,170 |
| Services and supplies | 197,545 | 59,081 | 373,492 | 209,605 | 839,723 |
| Capital outlay | 497,431 | - | 22,680 | 47,881 | 567,992 |
| Total Expenditures | 1,300,652 | 59,081 | 523,164 | 31,988 | 1,914,885 |
| Excess of Revenues Over Expenditures | \$ (220,691) | \$ 11,355 | \$ 253,191 | \$ 93,776 | \$ 137,631 |

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

OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

| | Enterprise Funds | | Totals |
|------------------------------------------------------------------------------|-------------------------|----------------------|----------------------|
| | Water | Sewer | |
| Assets | | | |
| Cash and investments | \$ 973,670 | \$ 11,034,224 | \$ 12,007,894 |
| Accounts receivable, net of allowance \$74,407 and \$52,919, respectively | 191,920 | 256,290 | 448,210 |
| Interest receivable | 5,237 | 41,674 | 46,911 |
| Prepaid expenses | 40 | - | 40 |
| Advance receivable | - | 1,031,362 | 1,031,362 |
| Total current assets | 1,170,867 | 12,363,550 | 13,534,417 |
| Non-current assets | | | |
| Capital assets, net of accumulated depreciation | 21,878,772 | 29,689,048 | 51,567,820 |
| Total assets | \$ 23,049,639 | \$ 42,052,598 | \$ 65,102,237 |
| Liabilities and net position | | | |
| Current liabilities | | | |
| Accounts payable | \$ 30,470 | \$ 79,823 | \$ 110,293 |
| Payroll liabilities | 29,285 | 30,502 | 59,787 |
| Customer deposits | 63,356 | 47,515 | 110,871 |
| Accrued interest | 13,272 | - | 13,272 |
| Advance payable | 1,031,362 | - | 1,031,362 |
| Total current liabilities | 1,167,745 | 157,840 | 1,325,585 |
| Non-current liabilities | | | |
| Compensated absences | 76,289 | 53,024 | 129,313 |
| Total non-current liabilities | 76,289 | 53,024 | 129,313 |
| Total liabilities | 1,244,034 | 210,864 | 1,454,898 |
| Net position | | | |
| Net investment in capital assets | 21,878,772 | 29,689,048 | 51,567,820 |
| Unrestricted | (73,167) | 12,152,686 | 12,079,519 |
| Total net position | 21,805,605 | 41,841,734 | 63,647,339 |
| Total liabilities and net position | \$ 23,049,639 | \$ 42,052,598 | \$ 65,102,237 |

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, 2018

| | <u>Enterprise Funds</u> | | <u>Totals</u> |
|------------------------------------------|-------------------------|----------------------|----------------------|
| | <u>Water</u> | <u>Sewer</u> | |
| Operating Revenues | | | |
| Charges for services | \$ 2,792,379 | \$ 3,727,172 | \$ 6,519,551 |
| Operating Expenses | | | |
| Personnel costs | 1,049,608 | 1,213,125 | 2,262,733 |
| Operations and maintenance | 1,166,310 | 1,071,260 | 2,237,570 |
| Depreciation | 552,430 | 1,210,294 | 1,762,724 |
| Total operating expenses | <u>2,768,348</u> | <u>3,494,679</u> | <u>6,263,027</u> |
| Operating income | <u>24,031</u> | <u>232,493</u> | <u>256,524</u> |
| Non-Operating Revenues (Expenses) | | | |
| Capital improvement charges | 353,420 | 685,985 | 1,039,405 |
| Use of money and property | 10,316 | 148,718 | 159,034 |
| Interest and amortization expense | (10,911) | - | (10,911) |
| Total non-operating revenues (expenses) | <u>352,825</u> | <u>834,703</u> | <u>1,187,528</u> |
| Increase in Net Position | 376,856 | 1,067,196 | 1,444,052 |
| Net position - beginning of the year | <u>21,428,749</u> | <u>40,774,538</u> | <u>62,203,287</u> |
| Net position - ending of the year | <u>\$ 21,805,605</u> | <u>\$ 41,841,734</u> | <u>\$ 63,647,339</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, 2018

| CASH FLOWS PROVIDED BY (USED FOR) | Enterprise Funds | | Totals |
|-----------------------------------------------------------------------------------------|------------------|---------------|---------------|
| | Water | Sewer | |
| Operating Activities | | | |
| Receipts from customers | \$ 2,787,688 | \$ 3,781,248 | \$ 6,568,936 |
| Payments to suppliers and vendors | (1,201,598) | (1,060,461) | (2,262,059) |
| Payments for employee costs | (1,041,243) | (1,215,542) | (2,256,785) |
| Net cash provided by operating activities | 544,847 | 1,505,245 | 2,050,092 |
| Noncapital Financing Activities | | | |
| Capital improvement charges and other | 353,420 | 685,985 | 1,039,405 |
| Net cash provided | 353,420 | 685,985 | 1,039,405 |
| Capital and Related Financing Activities | | | |
| Acquisition/purchase of capital assets | (50,922) | (228,654) | (279,576) |
| Interest and penalties paid | (10,911) | - | (10,911) |
| Interfund loans | (59,727) | 59,727 | - |
| Net cash used | (121,560) | (168,927) | (290,487) |
| Investing Activities | | | |
| Investment earnings | 10,912 | 143,561 | 154,473 |
| Net cash provided | 10,912 | 143,561 | 154,473 |
| Net increase in cash | 787,619 | 2,165,864 | 2,953,483 |
| Cash and investments - beginning of year | 186,051 | 8,868,360 | 9,054,411 |
| Cash and investment - end of year | \$ 973,670 | \$ 11,034,224 | \$ 12,007,894 |
| Reconciliation of Operating Income to | | | |
| Net Cash Provided by Operating Activities: | | | |
| Operating income | \$ 24,031 | \$ 232,493 | \$ 256,524 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization, a noncash expense | 552,430 | 1,210,294 | 1,762,724 |
| Uncollectible receivables | 7,167 | 7,937 | 15,104 |
| Change in Assets and Liabilities: | | | |
| Receivables | (37,504) | 21,493 | (16,011) |
| Prepaid expenses | (40) | - | (40) |
| Accounts payable and accrued expenses | (35,248) | 10,799 | (24,449) |
| Payroll liabilities | 1,858 | 824 | 2,682 |
| Customer deposits | 25,646 | 24,646 | 50,292 |
| Compensated absences | 6,507 | (3,241) | 3,266 |
| Net cash provided by operating activities | \$ 544,847 | \$ 1,505,245 | \$ 2,050,092 |

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

**OLIVEHURST PUBLIC UTILITY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

| Assets | CFD 2002-1 | CFD 2005-1 | CFD 2005-2 | Park Developer Fees | Total Agency Funds |
|-----------------------------------|---------------------|-------------------|-------------------|------------------------------------|-----------------------------------|
| Cash and investments | \$ 5,403,546 | \$ 857,094 | \$ 48,303 | \$4,943,653 | \$11,252,596 |
| Cash with fiscal agent | 873,046 | - | - | - | 873,046 |
| Interest receivable | 18,734 | - | - | 18,568 | 37,302 |
| Due from others | 15,237 | - | - | - | 15,237 |
| Receivable - property owners | 8,980,000 | - | - | - | 8,980,000 |
| Total assets | 15,290,563 | 857,094 | 48,303 | 4,962,221 | 21,158,181 |
| Liabilities | | | | | |
| Due to others | - | - | 403 | - | 403 |
| Park development fees | - | 123,923 | - | 2,116,400 | 2,240,323 |
| Bonds payable | 8,980,000 | - | - | - | 8,980,000 |
| Total liabilities | 8,980,000 | 123,923 | 403 | 2,116,400 | 11,220,726 |
| Net Position Held in Trust | \$ 6,310,563 | \$ 733,171 | \$ 47,900 | \$2,845,821 | \$ 9,937,455 |

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

OLIVEHURST PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2018

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.

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, 2018

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 Plum 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, 2018

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: CFD 2002-1, CFD 2005-1, CFD 2005-2, and Park Developer Fees.

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, 2018

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 District.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2018

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.

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

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2018

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

K. Interfund Loans

Interfund loans are reported as either receivables or 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 Governmental Accounting Standards Board (GASB) Statements may have an effect on the financial statements of the District in future years:

Statement No. 83, *Certain Asset Retirement Obligations*, is effective for periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after June 15, 2019.

Statement No. 87, *Leases*, is effective for periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is effective for periods beginning after December 15, 2019.

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.

Note 4: Prior period adjustment

The District recorded a prior period adjustment of \$250,000 to restate the beginning balance of cash in the General Fund for a transfer of cash from the Park Developer Fees Fund.

The District also recorded a prior period adjustment of \$36,774 to restate the beginning balance of accounts payable in the General Fund.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2018

Note 5: Cash and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------------------|---------------------|
| Statement of Net Position – Cash and investments | \$20,206,894 |
| Statement of Fiduciary Net Position: | |
| Cash and investments | 11,252,596 |
| Cash and investments with fiscal agent | <u>873,046</u> |
| Total cash and investments | <u>\$32,332,536</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 | \$31,291,196 |
| Deposit with financial institutions | 167,044 |
| Treasury obligations (cash with fiscal agent) | 873,046 |
| Cash on hand | <u>1,250</u> |
| | <u>\$32,332,536</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 99.67% 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.

The following table shows the maturity date of each investment:

| | <u>Maturity Date/Yield</u> |
|------------------------|---------------------------------|
| County investment pool | \$ Due on demand, yield unknown |
| Treasury obligation | Due on demand, yield 0.06% |

OLIVEHURST PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2018

Note 5: Cash and Investments - (continued)

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, 2018

Note 6: Capital Assets

Capital activity for the year ended June 30, 2018, is as follows in the tables below:

| | <u>July 1, 2017</u> | | <u>Adjustments/</u> | <u>June 30, 2018</u> |
|-----------------------------------|----------------------|-----------------------|---------------------|----------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>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 | 9,412,068 | 10,600 | - | 9,422,668 |
| Building and improvements | 1,366,936 | - | - | 1,366,936 |
| Equipment and furnishings | <u>2,631,830</u> | <u>539,862</u> | <u>(42,449)</u> | <u>3,129,243</u> |
| Total cost | 13,410,834 | 550,462 | (42,449) | 13,918,847 |
| Accumulated depreciation | <u>(4,886,224)</u> | <u>(311,002)</u> | <u>42,449</u> | <u>(5,154,777)</u> |
| Total depreciating capital assets | <u>8,524,610</u> | <u>239,460</u> | <u>-</u> | <u>8,764,070</u> |
| Governmental Type Capital Assets | <u>\$ 8,540,288</u> | <u>\$ 239,460</u> | <u>\$ -</u> | <u>\$ 8,779,748</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 | 45,650,363 | 222,150 | - | 45,872,513 |
| Building and improvements | 26,202,699 | - | - | 26,202,699 |
| Equipment and furnishings | <u>6,860,849</u> | <u>57,425</u> | <u>(66,873)</u> | <u>6,851,401</u> |
| Total cost | 78,713,911 | 279,575 | (66,873) | 78,926,613 |
| Accumulated depreciation | <u>(25,714,975)</u> | <u>(1,762,723)</u> | <u>66,873</u> | <u>(27,410,825)</u> |
| Total depreciating assets | <u>52,998,936</u> | <u>(1,483,148)</u> | <u>-</u> | <u>51,515,788</u> |
| Business Type Capital Assets | <u>\$ 53,050,968</u> | <u>\$ (1,483,148)</u> | <u>\$ -</u> | <u>\$ 51,567,820</u> |

OLIVEHURST PUBLIC UTILITY DISTRICT

Notes to Financial Statements

June 30, 2018

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, 2018:

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2018</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|---------------------------|---------------------------------------|------------------|-------------------|----------------------------------------|------------------------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 25,649 | \$ - | \$ (2,202) | \$ 23,447 | \$ 23,447 |
| | <u>\$ 25,649</u> | <u>\$ -</u> | <u>\$ (2,202)</u> | <u>\$ 23,447</u> | <u>\$ 23,447</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ 126,047 | \$ 3,266 | \$ - | \$ 129,313 | \$ 129,313 |
| | <u>\$ 126,047</u> | <u>\$ 3,266</u> | <u>\$ -</u> | <u>\$ 129,313</u> | <u>\$ 129,313</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. The general manager 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, 2018

Note 9: Advances Receivable/Payable

In fiscal year 2016-2017, the Water Fund received a loan from the Sewer Fund in the amount \$1,158,331. The proceeds of the loan were used to pay off the District's loan with the USDA. The interest rate on the advance is 1% and will be paid over a term of 18 years. The balance of the loan at June 30, 2018 was \$1,031,362.

Note 10: 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, 2018, 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 rate 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 \$5,875,000 at June 30, 2018.

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 an 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 \$3,105,000 at June 30, 2018.

Note 11: 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 welfare pension plan.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Financial Statements
June 30, 2018

Note 11: 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, 2016, 2017, and 2018, 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, 2016 | \$27,609 | \$176,677 | \$204,286 |
| June 30, 2017 | 30,055 | 185,362 | 215,417 |
| June 30, 2018 | 32,097 | 183,541 | 215,638 |

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 12: 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 13: Subsequent Events

Management has evaluated subsequent events through December 7, 2018, the date on which the financial statements were available to be issued.

On July 31, 2018, the District refinanced the CFD 2002 - Series 2005 and 2008 Bonds at a interest rate of 4% which will reduce the annual property assessment by approximately 50%.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

OLIVEHURST PUBLIC UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with |
|---------------------------------------------|-------------------------|---------------------|-------------------|----------------------------------------|
| | <u>Original</u> | <u>Final</u> | | Final Budget Positive (Negative) |
| Revenues | | | | |
| Taxes and assessments | \$ 1,241,000 | \$ 1,438,500 | \$ 1,298,976 | \$ (139,524) |
| Service charges | 20,000 | 15,000 | 17,305 | 2,305 |
| Use of money and property | 3,500 | 16,800 | 148,245 | 131,445 |
| Mitigation fees | 4,000 | 4,000 | 12,868 | 8,868 |
| Intergovernmental revenues | 168,288 | 257,154 | 329,852 | 72,698 |
| Strike team reimbursements | 183,680 | 200,000 | 223,263 | 23,263 |
| Other revenues | 59,914 | 49,380 | 22,007 | (27,373) |
| | <u>1,680,382</u> | <u>1,980,834</u> | <u>2,052,516</u> | <u>71,682</u> |
| Expenditures | | | | |
| Salaries and benefits | 869,547 | 870,347 | 507,170 | 363,177 |
| Services and supplies | 698,294 | 1,040,345 | 839,723 | 200,622 |
| Capital outlay | 116,618 | 236,618 | 567,992 | (331,374) |
| | <u>\$ 1,684,459</u> | <u>\$ 2,147,310</u> | <u>1,914,885</u> | <u>\$ 232,425</u> |
| Excess of Revenues Over Expenditures | | | <u>\$ 137,631</u> | |

See accompanying footnote.

OLIVEHURST PUBLIC UTILITY DISTRICT
Notes to Required Supplementary Information
June 30, 2018

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, 2018, 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.