



**Independent Auditors' Report
&
Financial Statements**

For the Year Ended June 30, 2018

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Smith Marion & Co. · Certified Public Accountants

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The Governing Body

June Lake Public Utility District

June Lake, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the June Lake Public Utility District as of and for the year ended June 30, 2018, and the notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the June Lake Public Utility District at June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The management of June Lake Public Utility District has elected to omit this information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios and schedule of pension contributions on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the June Lake Public Utility District's financial statements as a whole. The supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of June Lake Public Utility District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering June Lake Public Utility District's internal control over financial reporting and compliance.



January 23, 2019

June Lake Public Utility District

Statement of Net Position

June 30, 2018

ASSETS

Current

Cash and cash equivalents	\$ 1,048,003
Accounts receivable	132,683
Other assets	1,111
Total Current Assets	<u>1,181,797</u>

Non-current

Investments	1,112,922
Capital assets (net)	4,961,054
Total Non-current Assets	<u>6,073,976</u>

TOTAL ASSETS 7,255,773

TOTAL DEFERRED OUTFLOWS OF RESOURCES 381,755

LIABILITIES

Current

Accounts payable - trade	38,645
Accrued expenses - payroll	8,325
Other current liabilities	6,725
Unearned revenues	6,504
Total Current Liabilities	<u>60,199</u>

Non-current

Vacation payable	73,898
Long-term fund held in trust	230,767
Pension	1,217,879
Total Non-current Liabilities	<u>1,522,544</u>

TOTAL LIABILITIES 1,582,743

TOTAL DEFERRED INFLOWS OF RESOURCES 255,449

NET POSITION

Unrestricted	838,282
Net investment in capital assets	4,961,054

TOTAL NET POSITION \$ 5,799,336

June Lake Public Utility District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

OPERATING REVENUES		
Service charges	\$	684,333
Taxes and assessments		815,476
Delinquent charges		6,389
Cell tower income		11,000
Inspection fees		109
Connection fees		54,324
Total Operating Revenues		1,571,631
OPERATING EXPENSES		
Salaries and wages		434,438
Employee benefits		437,512
Vacation/holiday/sick leave		59,102
Directors' fees		2,050
Professional fees and contracted services		178,614
Maintenance and repairs		4,705
Office expenses		9,551
General insurance		19,318
Rents and leases		3,600
Communications		11,236
Utilities		93,281
Small tools and supplies		51,382
Dues, subscriptions and fees		35,271
Publications and notices		659
Travel and meetings		6,153
USFS maintenance		5,858
Gas, fuel and oil		16,166
Total Operating Expenses		1,368,896
	Net operating income (loss) before depreciation	202,735
	Depreciation expense	344,957
	Net operating income (loss)	(142,222)
NON-OPERATING		
Investment gain (loss)		(7,095)
Total Non-operating		(7,095)
	Change in Net Position	(149,317)
Beginning Net Position		5,948,653
Ending Net Position		\$ 5,799,336

June Lake Public Utility District

Statement of Cash Flows
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from services	\$ 724,961
Other receipts	826,476
Payments for personnel services	(712,289)
Payments for other operating activities	<u>(439,821)</u>
Net Cash Provided (Used) by Operating Activities	<u>399,327</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of additional investments	127,599
Interest received	<u>(7,095)</u>
Net Cash Provided (Used) by Investing Activities	<u>120,504</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase and construction of capital assets	<u>(313,044)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(313,044)</u>

	Net Increase (Decrease) in Cash	206,787
Cash at Beginning of Year		<u>841,216</u>
Cash at End of Year		<u><u>\$ 1,048,003</u></u>

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

Operating income (loss)	\$ (142,222)
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Non-cash items included in net income:

Depreciation expense	344,957
Pension related	228,229

Change in Operating Accounts:

Accounts receivable	(20,194)
Other current assets	300
Accounts payable - trade	(53)
Accounts payable - payroll	(7,416)
Other current liabilities	<u>(4,274)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 399,327</u></u>

1. SIGNIFICANT ACCOUNTING POLICIES

Background

The June Lake Public Utility District (the District) was setup to provide water distribution and sewage disposal services for the residents and businesses of the June Lake area. During April 1991, the District also took over responsibility of Mosquito Abatement.

Basis of Accounting

The District uses the accrual basis of accounting for financial statement purposes. Revenues are recognized in the period they are earned. Expenses are recognized in the period in which the liability is incurred (when goods are received or service rendered).

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. The original and final budgets are the same no modifications were made during the year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have a maturity date at time of purchase of three months or less. Cash of all funds is pooled into a common interest-bearing account with the Local Area Investment Fund (LAIF) in order to maximize investment opportunities.

Estimates

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

Capital Assets

Capital assets are defined as an asset with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Estimate useful lives range from 5 to 40 years.

Compensated Absences

Pursuant to GASB Statement 16, the accompanying financial statements present accrued vacation and sick pay benefits due to employees at year-end. These amounts are reflected as Compensated Absences Payable in the accompanying financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows related to pensions. This includes pension contributions subsequent to the measurement date of the net pension liability which are amortized by an actuarial determined period.

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additional to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Revenues

The district distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsequent Events

Management has evaluated subsequent events through January 23, 2019, the date on which the financial statements were available to be issued.

Board Members

The Board of Directors were comprised of the following members as of June 30, 2018:

Commissioner	Position	Term Ending
Cheri Bromberger	Director	November 2020
Barbara Miller	Vice President	November 2018
Mary Hallum	Director	November 2018
Doug Smith	President	November 2020
Bob Strong	Director	November 2020

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2. DESCRIPTION OF REPORTING SEGMENTS

Proprietary Fund Type - Enterprise Funds

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. In addition, the accounting records of the District are organized on the basis of funds. Each of the District's programs is accounted for in a separate fund. The basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, including resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The district operations include the following funds:

Sewer Operations & Maintenance (O & M)

The O & M segment accounts for all operating expenses attributable to the sewage disposal activities performed by the District which include:

- . Sewage collections
- . Sewage disposal
- . Sewage treatment
- . Administration and general - waste disposal

The Sewer O & M segment also includes the sewer fixed assets, related long-term debt and the revenues and cash balances restricted for servicing long-term general obligation bonds issued to finance construction of waste disposal facilities.

Sewer Improvements

The sewer improvements segment accounts for all construction and potential capitalized repairs performed to the District's waste disposal facilities. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the sewer operations and maintenance segment where they are capitalized and depreciated.

Water Operations & Maintenance (O & M)

The O & M segment accounts for all operating expenses attributable to the water delivery activities performed by the District which include:

- . Source of supply
- . Water treatment
- . Administration and General - water delivery
- . Water pumping
- . Transmission and distribution

The water O & M segment also includes the water fixed assets, related long-term debt and the revenues and cash balances restricted for servicing long-term general obligation bonds issued to finance construction of water delivery facilities.

Water Improvements

The water improvements segment accounts for all construction and potential capitalized repairs performed to the District's water delivery facilities. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the water operations and maintenance segment where they are capitalized and depreciated.

Down Canyon Improvements

The Down Canyon improvements segment accounts for all construction and potential capitalized repairs performed to water delivery facilities located in what was formally the Williams Tract County Water District. The Improvement District was formed pursuant to a resolution dissolving the Williams Tract County Water District. Retained earnings reported by this segment are restricted for future improvements to such facilities. Upon completion of construction or repairs, the new fixed assets are transferred to the water operations and maintenance segment where they are capitalized and depreciated.

3. COMPOSITION OF CASH AND CASH EQUIVALENTS

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

Deposits with financial institutions	\$	115,393
Local Agency Investment Fund		932,560
Petty Cash		50
Cash in County		-
Total cash and cash equivalents		1,048,003
Certificates of Deposit		1,112,922
Total investments		1,112,922
Total cash and investments	\$	2,160,925

Required Note Disclosure

Acknowledging that deposits and investments of state and local governments are subject to various risks, the Governmental Accounting Standards Board requires note disclosures about investment policies and five deposit and investment risks identified as custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Investment Policy

In October 1999 (Fiscal Year 2000), the Board of Directors of the District formally adopted the Investment Policy still in effect for the District as of June 30, 2018. This Investment Policy identifies the specific types of deposits and investments which are authorized by that Investment Policy and by the California Government Code (CGC).

The Investment Policy of the District does not name the five-specific deposit and investment risks identified by GASB 40, but this Investment Policy does address these risks in principal by stating that it shall be the policy of the District to invest funds in a manner which will provide the maximum safety, liquidity and reasonable investment return while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

Authorized Types of Deposits and Investments

All types of deposits with financial institutions and all types of investments made by the District during Fiscal Year 2018 were authorized by its own Investment Policy and by the CGC. The type and value of these deposits with financial institutions and investments as of June 30, 2018 are identified below.

Deposits with Financial Institutions

Insured Demand Deposit Accounts		
Bank of America	\$	115,393
Other Deposit Accounts		
County of Mono		-
Petty Cash		50
Total Insured Deposits	\$	115,443
		100.0%

Disclosure Required for Risks Related to Deposits with Financial Institutions

Custodial Credit Risk

For **deposits, custodial credit risk** is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Investment Policy of the District and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investments

State Depository Funds		
Local Agency Investment Fund (LAIF)	\$ 932,560	45.6%
Brokerage Account		
Cantella & Co., Inc.	1,112,922	54.4%
Total Investments	<u>\$ 2,045,482</u>	<u>100.0%</u>

Disclosure Required for Risks Related to Investments

State Depository Funds

All District funds on deposit with the Local Area Investment Fund (LAIF) are subject to the California Government Code (CGC). All securities purchased by the LAIF are purchased under the District of CGC Section 16430 and 16480.4. CGC Section 16429.3 states that money placed with the state treasurer for deposit in the LAIF shall not be subject to transfer, loan or impoundment by any state official or state agency. CGC Section 16429.4 states that the right of a qualified government agency to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State’s failure to adopt a State Budget by July 1 of each new fiscal year.

Custodial Credit Risk

For **investments**, **custodial credit risk** is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

All District funds invested in LAIF and Trustee Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of custodial credit risk.

Credit Risk

For **investments**, **credit risk** is the risk that an issuer of an **investment** will not fulfill its obligation to the holder of the investment.

All District funds invested in LAIF and Trustee Funds are subject to the California Government Code and to written debt agreements, respectively, and are not subject to any significant degree of credit risk.

Concentration of Credit Risk

For **investments, concentration of credit risk** is the risk associated with the District having 5% or more of total investments with any one issuer.

The District has investments in LAIF, which is subject to the California Government Code which places no limits on the amount of funds the District may invest in LAIF. The entire balance is backed by the full faith and credit of the State of California.

The District also has investments in a brokerage account with Cantella & Co., Inc. The investments are all in Certificates of Deposits with maturities between 6 months and 3 years. All the funds are FDIC insured by individual banks in which the Certificates of Deposits are invested.

Interest Rate Risk

For **investments, interest rate risk** is the risk that changes in market interest rates will adversely affect the fair value of or cash flow from an investment.

All District funds invested in LAIF and Trustee Funds and any required cash flows from LAIF are subject to the California Government Code and are not subject to any significant degree of interest rate risk. The brokerage accounts are in fixed interest Certificates of Deposits and are not subject to any significant degree of interest rate risk.

Fair Value Estimates

Accounting pronouncements define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These pronouncements established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of the District's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the District could be realized in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, receivables, payables and accrued liabilities are a reasonable estimate of their fair value, due to their short-term nature and method of computation.

All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. All of the District's investments consist of certificates of deposit valued using Level 1 inputs.

4. COMPOSITION OF ACCOUNTS RECEIVABLE

The total accounts receivable of the District consists of the following:

Water and sewer billings	\$ 128,611
Other	<u>4,072</u>
TOTAL	<u><u>\$ 132,683</u></u>

5. COMPOSITION OF CAPITAL ASSETS

Capital assets of the District consist of the following categories:

Asset	Beginning Balance	Additions	Deletions	Ending Balance
Sewage facility	\$ 5,444,391	\$ 5,930	\$ -	\$ 5,450,321
Water facility	8,397,401	274,566	-	8,671,967
Sewage general plant	309,384	16,274	-	325,658
Water general plant	315,614	16,274	-	331,888
Subtotal	<u>14,466,790</u>	<u>313,044</u>	-	<u>14,779,834</u>
Accumulated Depreciation				
Sewage facility	(4,686,505)	(135,961)	-	(4,822,466)
Water facility	(4,364,183)	(203,072)	-	(4,567,255)
Sewage general plant	(302,657)	(2,931)	-	(305,588)
Water general plant	(120,478)	(2,993)	-	(123,471)
Subtotal	<u>(9,473,823)</u>	<u>(344,957)</u>	-	<u>(9,818,780)</u>
Net Capital Assets	<u>\$ 4,992,967</u>	<u>\$ (31,913)</u>	<u>\$ -</u>	<u>\$ 4,961,054</u>

Depreciation expense for the year end June 30, 2018 was \$344,957.

6. PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. We have reviewed the appropriations of taxes received by the District during the 2017-2018 fiscal years, and have found them to be within the guidelines established by Proposition 111.

7. CHANGE IN LONG-TERM LIABILITIES

The changes in long-term liabilities for the fiscal year ended June 30, 2018 are as follows:

Long-term Liabilities	Beginning Balance	Additions	Deletions	Ending Balance
Vacation payable	\$ 77,196	\$ 7,720	\$ (11,018)	\$ 73,898
Funds held in trust	219,680	11,087	-	230,767
Pension payable	1,288,472	-	(70,593)	1,217,879
Total	<u>\$ 1,585,348</u>	<u>\$ 18,807</u>	<u>\$ (81,611)</u>	<u>\$ 1,522,544</u>

8. INSURANCE COVERAGE

Insurance in force at June 30, 2018 is as follows:

Type of Policy <u>Coverage</u>	<u>Number</u>	Amount of <u>Coverage</u>	Policy Expiration <u>Date</u>
Liability and Property	SDRMA Program	\$2,500,000	June 30, 2018
Workers' Compensation	000120-87	Statutory as Required	Continuous policy
Automobile	SDRMA Program	\$2,500,000	June 30, 2018
Employee Bond	SDRMS Program	\$400,000	June 30, 2018

9. PROPERTY TAX CALENDAR

The District's assessments are included on county property tax bills. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	March 1	
Levy date	July 1 to June 30	
Due date	November 1	- First installment
	March 1	- Second installment
Delinquent date	December 10	- First installment
	April 10	- Second installment

10. INTERFUND TRANSACTIONS

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." The amounts are eliminated on the basic financial statements.

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11. PENSION PLANS

Summary of Significant Accounting Policies of the Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date: June 30, 2016

Measurement Date: June 30, 2017

Measurement Period: July 1, 2016 to June 30, 2017

General Information about the Pension Plans

Plan description, benefits provided and employees covered. The District contracts with the CalPERS to provide retirement benefits to its employees. Under GASB Statement No. 68, both the County and the District are agent multiple-employer defined benefit pension plans due to their pooling composite.

The Plan is an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2016 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The June 30, 2016 valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.	

All other actuarial assumptions used in the June 30, 2016 valuation was based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions There were no changes in assumptions.

Discount rate. The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

June Lake Public Utility District

Notes to Financial Statements

Year Ended June 30, 2018

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class	Current Target Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.20%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0 used for this period

Amortization of Deferred Outflows and Deferred Inflows of Resources. Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

June Lake Public Utility District

Notes to Financial Statements

Year Ended June 30, 2018

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Allocation of Net Pension Liability and Pension Expense to Individual Plans. Pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset-related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

Please refer to the CalPERS Public Agency Cost-Sharing Allocation Methodology Report that can be obtained at CalPERS' website under the GASB 68 section, and see Appendix D of this report for the calculation of the plan's proportionate share of total pension liability.

The plans' proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of the components of the aggregate pension expense.

Proportionate share of the net pension liability for the Plan as of 6/30/2017 and 6/30/2018:

	Miscellaneous	Total
Proportion - June 30, 2017	0.03269%	0.01313%
Proportion - June 30, 2018	0.03089%	0.01228%
Change - Increase/(Decrease)	-0.00180%	-0.00084%

Note: Due to the nature of calculating proportionate share of the net pension liability, total proportion for all employer plans will not equal the sum of the miscellaneous proportion % and the safety proportion %

The District incurred a pension expense/ (credit) as of June 30, 2018 of \$184,349.

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate:

	Discount Rate	Current	Discount Rate
	-1%	Discount Rate	+1%
	6.15%	7.15%	8.15%
Employer's Net Pension Liability/(Asset) - Miscellaneous	\$ 1,872,178	\$ 1,217,879	\$ 675,977
Employer's Net Pension Liability/(Asset) - Total	<u>\$ 1,872,178</u>	<u>\$ 1,217,879</u>	<u>\$ 675,977</u>

June Lake Public Utility District

Notes to Financial Statements

Year Ended June 30, 2018

6/30/2018 reported deferred outflows of resources and deferred inflows of resources related to pensions:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 198,496	\$ 15,135
Differences between Expected and Actual Experience	1,600	22,920
Differences between Projected and Actual Investment Earnings	44,892	-
Differences between Employer's Contributions and Proportionate Share of Contributions	10,107	34,309
Change in Employer's Proportion	60,080	183,085
Pension Contributions Made Subsequent to Measurement Date	66,580	-
	<u>\$ 381,755</u>	<u>\$ 255,449</u>

Other deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30:	Miscellaneous	Total
2019	\$ (10,894)	\$ (10,894)
2020	33,222	33,222
2021	64,051	64,051
2022	(26,653)	(26,653)
2023	-	-
Thereafter	-	-
	<u>\$ 59,726</u>	<u>\$ 59,726</u>

Payable to the Pension Plan. At June 30, 2018, June Lake Public Utility District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Subsequent Events Related to Pension. There were no subsequent events that would materially affect the results presented in this disclosure.

June Lake Public Utility District
 Schedule of the Pension Plan's Share of the Net
 Pension Liability (Asset) and Related Ratios
 Year Ended June 30, 2018

Plan Measurement Date under GASB 68 as of June 30	Proportion of Pension Liability	Proportionate share of Net Pension Liability	Covered Employee Payroll**	Proportionate share of the Net Pension Liability as a percentage of covered- employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability***
2015	0.017950%	\$ 1,116,702	\$ 434,759	256.86%	74.06%
2016	0.018770%	\$ 1,288,472	\$ 298,564	431.56%	70.74%
2017	0.013130%	\$ 1,135,765	\$ 432,538	262.58%	75.64%
2018	0.012280%	\$ 1,217,879	\$ 487,594	249.77%	74.40%

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

**Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

*** The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is the same for all General employers because neither the Plan Fiduciary Net Position nor the Total Pension Liability have been maintained separately for each of those employers. The same is also the case for all Safety employers.

June Lake Public Utility District

Schedule of the Pension Plan's Contributions

Year Ended June 30, 2018

Plan Measurement Date under GASB 68 as of June 30	Contributions in relation to			Contribution deficiency (excess) [C]=[A]-[B]	Covered- employee payroll	Contribution as a percentage covered- employees payroll
	Actuarially determined contribution [A]	actuarially determined contribution [B]				
2015	\$ 145,851	\$ 145,851	\$ -	\$ 434,759	33.55%	
2016	\$ 190,338	\$ 540,338	\$ (350,000)	\$ 298,564	180.98%	
2017	\$ 156,318	\$ 156,318	\$ -	\$ 432,538	36.14%	
2018	\$ 66,580	\$ 66,580	\$ -	\$ 487,594	13.65%	

Notes to Required Supplementary Information Schedules:

Change in Benefits: There were no changes to benefit terms that applied to all members of the Public Agency Pool.

Change in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

June Lake Public Utility District

Combining Statements of Net Position

June 30, 2018

	SEWER		WATER		DOWN CANYON
	O&M	IMPROVEMENTS	O&M	IMPROVEMENTS	IMPROVEMENTS
ASSETS					
Current					
Cash and cash equivalents	\$ 607,954	\$ 333,342	\$ (5,539)	\$ 18,182	\$ 94,064
Accounts receivable	54,161	-	67,160	11,362	-
Other assets	-	-	1,111	-	-
Total Current Assets	662,115	333,342	62,732	29,544	94,064
Non-current					
Investments	1,112,922	-	-	-	-
Capital assets (net)	647,925	-	4,313,129	-	-
Total Non-current Assets	1,760,847	-	4,313,129	-	-
TOTAL ASSETS	2,422,962	333,342	4,375,861	29,544	94,064
TOTAL DEFERRED					
OUTFLOWS OF RESOURCES					
	170,536	-	211,219	-	-
LIABILITIES					
Current					
Accounts payable - trade	9,430	-	7,683	21,532	-
Accrued expenses - payroll	8,325	-	-	-	-
Other current liabilities	-	-	6,725	-	-
Unearned revenues	6,504	-	-	-	-
Total Current Liabilities	24,259	-	14,408	21,532	-
Non-current					
Vacation payable	36,949	-	36,949	-	-
Long-term fund held in trust	230,767	-	-	-	-
Pension	580,575	-	637,304	-	-
Total Non-current Liabilities	848,291	-	674,253	-	-
TOTAL LIABILITIES	872,550	-	688,661	21,532	-
TOTAL DEFERRED					
INFLOWS OF RESOURCES					
	118,846	-	136,603	-	-
NET POSITION					
Unrestricted	954,177	333,342	(551,313)	8,012	94,064
Net investment in capital assets	647,925	-	4,313,129	-	-
TOTAL NET POSITION	\$ 1,602,102	\$ 333,342	\$ 3,761,816	\$ 8,012	\$ 94,064

June Lake Public Utility District

Combining Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	SEWER		WATER		DOWN CANYON
	O&M	IMPROVE- MENTS	O&M	IMPROVE- MENTS	IMPROVE- MENTS
OPERATING REVENUES					
Service charges	\$ 336,704	\$ -	\$ 347,629	\$ -	\$ -
Taxes and assessments	318,626	-	298,787	198,063	-
Delinquent charges	2,777	-	3,099	513	-
Cell tower income	11,000	-	-	-	-
Inspection fees	54	-	55	-	-
Connection fees	218	19,681	12,438	18,347	3,640
Total Operating Revenues	<u>669,379</u>	<u>19,681</u>	<u>662,008</u>	<u>216,923</u>	<u>3,640</u>
OPERATING EXPENSES					
Salaries and wages	226,742	-	207,696	-	-
Employee benefits	223,745	-	213,767	-	-
Vacation/holiday/sick leave	29,551	-	29,551	-	-
Directors' fees	1,025	-	1,025	-	-
Professional fees and contracted services	60,957	-	97,599	1	20,057
Maintenance and repairs	2,353	-	2,352	-	-
Office expenses	4,773	-	4,778	-	-
General insurance	9,659	-	9,659	-	-
Rents and leases	1,800	-	1,800	-	-
Communications	4,476	-	6,760	-	-
Utilities	57,482	-	35,799	-	-
Small tools and supplies	22,395	-	28,985	2	-
Dues, subscriptions and fees	21,119	-	14,152	-	-
Publications and notices	251	-	408	-	-
Travel and meetings	2,868	-	3,285	-	-
USFS maintenance	5,858	-	-	-	-
Gas, fuel and oil	7,720	-	8,446	-	-
Total Operating Expenses	<u>682,774</u>	<u>-</u>	<u>666,062</u>	<u>3</u>	<u>20,057</u>
Net operating income (loss) before depreciation	(13,395)	19,681	(4,054)	216,920	(16,417)
Depreciation expense	138,893	-	206,064	-	-
Net operating income (loss)	<u>(152,288)</u>	<u>19,681</u>	<u>(210,118)</u>	<u>216,920</u>	<u>(16,417)</u>
NON-OPERATING					
Investment gain (loss)	(10,235)	1,434	777	738	191
Total Non-operating	<u>(10,235)</u>	<u>1,434</u>	<u>777</u>	<u>738</u>	<u>191</u>
OTHER FINANCING					
Transfers in (out)	(318,489)	226,811	193,417	(209,026)	107,287
Total Other Financing	<u>(318,489)</u>	<u>226,811</u>	<u>193,417</u>	<u>(209,026)</u>	<u>107,287</u>
Change in Net Position	(481,012)	247,926	(15,924)	8,632	91,061
Beginning Net Position	2,083,114	85,416	3,777,740	(620)	3,003
Ending Net Position	<u>\$ 1,602,102</u>	<u>\$ 333,342</u>	<u>\$ 3,761,816</u>	<u>\$ 8,012</u>	<u>\$ 94,064</u>

June Lake Public Utility District

Comparison of Actual Operations to Budgeted and Prior Year
Operations – Sewer Operations and Maintenance
Year Ended June 30, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL	OVER (UNDER) BUDGET
OPERATING REVENUES			
Service charges	\$ 317,559	\$ 336,704	\$ 19,145
Taxes and assessments	325,509	318,626	(6,883)
Delinquent charges	5,690	2,777	(2,913)
Cell tower income	13,000	11,000	(2,000)
Inspection fees	50	54	4
Connection fees	-	218	218
Total Operating Revenues	661,808	669,379	7,571
OPERATING EXPENDITURES			
Salaries and wages	237,999	226,742	(11,257)
Employee benefits	102,750	223,745	120,995
Vacation/holiday/sick leave	20,000	29,551	9,551
Directors' fees	2,000	1,025	(975)
Professional fees and contracted services	54,400	60,957	6,557
Maintenance and repairs	3,000	2,353	(647)
Office expenses	7,000	4,773	(2,227)
General insurance	8,593	9,659	1,066
Rents and leases	1,800	1,800	-
Communications	5,000	4,476	(524)
Utilities	63,800	57,482	(6,318)
Small tools and supplies	32,750	22,395	(10,355)
Dues, subscriptions and fees	30,000	21,119	(8,881)
Publications and notices	1,000	251	(749)
Travel and meetings	3,000	2,868	(132)
USFS maintenance	-	5,858	5,858
Gas, fuel and oil	7,258	7,720	462
Total Operating Expenditures	580,350	682,774	102,424
Excess (Deficit) of Operating Revenues Over Operating Expenditures	\$ 81,458	\$ (13,395)	\$ (94,853)

June Lake Public Utility District

Comparison of Actual Operations to Budgeted and Prior Year
Operations – Water Operations and Maintenance
Year Ended June 30, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL	OVER (UNDER) BUDGET
OPERATING REVENUES			
Service charges	\$ 368,959	\$ 347,629	\$ (21,330)
Taxes and assessments	267,786	298,787	31,001
Delinquent charges	5,685	3,099	(2,586)
Inspection fees	51	55	4
Connection fees	-	12,438	12,438
Total Operating Revenues	642,481	662,008	19,527
OPERATING EXPENDITURES			
Salaries and wages	221,742	207,696	(14,046)
Employee benefits	98,200	213,767	115,567
Vacation/holiday/sick leave	20,000	29,551	9,551
Directors' fees	2,000	1,025	(975)
Professional fees and contracted services	65,027	97,599	32,572
Maintenance and repairs	5,000	2,352	(2,648)
Office expenses	7,000	4,778	(2,222)
General insurance	8,593	9,659	1,066
Rents and leases	1,800	1,800	-
Communications	6,000	6,760	760
Utilities	25,700	35,799	10,099
Small tools and supplies	46,986	28,985	(18,001)
Dues, subscriptions and fees	10,000	14,152	4,152
Publications and notices	500	408	(92)
Travel and meetings	1,200	3,285	2,085
Gas, fuel and oil	6,600	8,446	1,846
Total Operating Expenditures	526,348	666,062	139,714
Excess (Deficit) of Operating Revenues Over Operating Expenditures	\$ 116,133	\$ (4,054)	\$ (120,187)

June Lake Public Utility District

Analysis of Functional Expense – Sewer Operations and Maintenance

Year Ended June 30, 2018

	SEWAGE COLLECTIONS	SEWAGE TREATMENT	SEWAGE DISPOSAL	MOSQUITO ABATEMENT	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 63,782	\$ 64,862	\$ -	\$ 4,997	\$ 93,101	\$ 226,742
Employee benefits	-	-	-	-	223,745	223,745
Vacations, holidays and sick leave	-	-	-	-	29,551	29,551
Directors fees	-	-	-	-	1,025	1,025
Professional fees and contracted services	242	8,370	-	1,160	51,185	60,957
Maintenance and repairs	-	-	-	-	2,353	2,353
Office expenses	-	-	-	-	4,773	4,773
General insurance	-	-	-	-	9,659	9,659
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	4,476	4,476
Utilities	22,124	34,137	-	-	1,221	57,482
Small tools and supplies	9,421	10,895	-	130	1,949	22,395
Dues, subscriptions and fees	-	-	-	-	21,119	21,119
Publications and notices	-	-	-	-	251	251
Travel and meetings	-	-	-	-	2,868	2,868
USFS maintenance	-	-	-	-	5,858	5,858
Gas, fuel and oil	-	-	-	-	7,720	7,720
Uncollectible accounts	-	-	-	-	-	-
	<u>\$ 95,569</u>	<u>\$ 118,264</u>	<u>\$ -</u>	<u>\$ 6,287</u>	<u>\$ 462,654</u>	<u>\$ 682,774</u>

June Lake Public Utility District

Analysis of Functional Expense – Water Operations and Maintenance

Year Ended June 30, 2018

	SOURCE OF SUPPLY	WATER PUMPING	WATER TREATMENT	TRANSPORT AND DISTR	ADMIN AND GENERAL	TOTAL
Salaries and wages	\$ 5,977	\$ 328	\$ 88,907	\$ 18,146	\$ 94,338	\$ 207,696
Employee benefits	-	-	-	-	213,767	213,767
Vacations, holidays and sick leave	-	-	-	-	29,551	29,551
Directors fees	-	-	-	-	1,025	1,025
Professional fees and contracted services	-	-	24,201	319	73,079	97,599
Maintenance and repairs	-	-	-	-	2,352	2,352
Office expenses	-	-	-	-	4,778	4,778
General insurance	-	-	-	-	9,659	9,659
Rents and leases	-	-	-	-	1,800	1,800
Communications	-	-	-	-	6,760	6,760
Utilities	-	14,514	20,076	-	1,209	35,799
Small tools and supplies	144	-	20,112	6,905	1,824	28,985
Dues and subscriptions	-	-	-	-	14,152	14,152
Publications and notices	-	-	-	-	408	408
Travel and meetings	-	-	-	-	3,285	3,285
Gas, fuel and oil	-	-	-	-	8,446	8,446
Uncollectible accounts	-	-	-	-	-	-
	<u>\$ 6,121</u>	<u>\$ 14,842</u>	<u>\$ 153,296</u>	<u>\$ 25,370</u>	<u>\$ 466,433</u>	<u>\$ 666,062</u>



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The Governing Body

June Lake Public Utility District

June Lake, CA

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

INDEPENDENT AUDITORS' REPORT

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of June Lake Public Utility District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise June Lake Public Utility District's basic financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2018-001)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no such deficiencies.

Compliance and Other Matters

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

June Lake Public Utility District's Response to Findings

June Lake Public Utility District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. June Lake Public Utility District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

January 23, 2019

FINDING 2018 – 001

Material Weakness
Interfund Repayments

Criteria

Governmental Accounting Standards require interfund payables in excess of 12 months be reclassified to long term fund advances.

Condition

During the audit, it was noted that the interfund payable accounts were not clearing at the end of the fiscal period. It was determined that the amounts included interfund activity that is in excess of twelve months of the transactions, resulting in an overstatement of cash within some funds and the misclassification between current and non-current liabilities.

Cause

This deficiency was the result of the overall lack of fiscal management at the District during the period under audit.

Effect

This had the effect of misstating the financial statements. The account balances have been corrected as of the end of the year.

Recommendation

We recommend that management address interfund procedures and internal controls in its development of an improved system of fiscal management. The use of an outside consultant assistance in reconciling these amounts and ensuring repayments are made is also recommended to maintain the interfund within accounting standards.

June Lake Public Utility District

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Views of Responsible Officials and Planned Corrective Actions

2018-001 Interfund Repayments

Corrective Action Plan: Review and correction of errors in the categorization of revenue and liabilities will be completed by June 30, 2019. Interface of the billing and accounting software and changes to the accounting policies and interfund procedures will allow for future entries to be correct, including a yearend closeout of interfunds, with appropriate check and balances as provided for in the formal accounting procedures and policies manual.

Contact Person: Shane Jeff

Anticipated Completion Date: June 2019

2017 – 1 Interfund Repayments

Condition

During the audit, it was noted that the interfund payable accounts were not clearing at the end of the fiscal period. It was determined that the amounts included interfund activity that is in excess of twelve months of the transactions, resulting in an overstatement of cash within some funds and the misclassification between current and non-current liabilities.

Current Status

See current year 2018-1 for additional comments.