CALAVERAS PUBLIC UTILITY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2018

CALAVERAS PUBLIC UTILITY DISTRICT

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LARRY BAIN, CPA
AN ACCOUNTING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Calaveras Public Utility District
San Andreas, CA

We have audited the accompanying financial statements of the Calaveras Public Utility District as of and for the year ended 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.

Auditors' Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 District'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 District'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 financial statement presentation.

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 business-type activities of the Calaveras Public Utility District as of June 30, 2018, and the changes in financial position and the results of its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Calaveras Public Utility District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information other than MD&A, as listed in the table of contents on page 22 as Schedule of the Plan's Proportionate Share of the Net Pension Liability, page 23 as Schedule of District Contributions and page 25 as the District's Other Postemployment Benefits (OPEB) Plan Schedule of Changes in the District's Net OPEB Liability and Related Rations, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Larry Bain, CPA,
An Accounting Corporation
November 11, 2018

CALAVERAS PUBLIC UTILITY DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets and Deferred Outflows of Resources	
Current Assets	
Cash	$ 110,671
Investments	4,877,671
Accounts receivable	184,404
Interest receivable	17,795
Prepaid accounts	63,205
Deposits-ACWA	12,435
Total current assets	5,266,181
Noncurrent Assets	
Capital assets	
Nondepreciable capital assets	
Land	150,436
Construction in progress	316,793
Depreciable capital assets	
Building and improvements	321,134
Dam	100,771
Pumping equipment	1,312,921
Treatment	4,052,797
Transmission and distribution	7,789,368
General	78,199
Less accumulated depreciation	(6,504,633)
Total depreciable capital assets-net	7,150,557
Total capital assets (net of accumulated depreciation)	7,617,786
Total noncurrent assets	7,617,786
Total assets	12,883,967
Deferred Outflows of Resources	
Deferred outflows-pension	381,216
Deferred outflows-OPEB	130,394
Total deferred outflows of resources	511,610
Total assets and deferred outflows of resources	$ 13,395,577
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accrued expenses	$ 237,944
Unearned revenue	25,000
Current portion-long term debt	14,364
Total current liabilities	277,308
Noncurrent Liabilities	
Compensated absences	23,639
Net pension liability	1,162,316
Net OPEB liability	619,953
Total long-term liabilities	1,805,908
Total liabilities	2,083,216
Deferred Inflows of Resources	
Deferred inflows-pension	83,484
Deferred inflows-OPEB	16,105
Total deferred inflows of resources	99,589
Net Position	
Net investment in capital assets	7,603,422
Unrestricted	3,609,350
Total Net Position	$ 11,212,772

The notes to financial statements are an integral part of this statements

CALAVERAS PUBLIC UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating revenue	
Water sales	$ 1,574,613
Hydro electric charges	104,973
Hookup fees	10,205
Total operating revenues	1,689,791
Operating expenses	
Source of supply	
Hydro expense	49,151
Pumping	139,518
Water treatment	155,508
Transmission and distribution	677,816
Administration and general	1,009,182
Depreciation	262,253
Total operating expenses	2,293,428
Operating income (loss)	(603,637)
Nonoperating revenue (expenses)	
Interest income	74,260
Rents and leases	19,576
Other	44,753
Grant revenue	50,233
County taxes	113,511
Interest expense	(8,791)
Nonoperating revenues (expenses)	293,542
Decrease in Net Position	(310,095)
Net Position, July 1	11,522,867
Net Position, June 30	$ 11,212,772

The notes to financial statements are an integral part of this statements

CALAVERAS PUBLIC UTILITY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash receipts from customers	$ 1,679,524
Cash payments to suppliers for goods and services	(766,789)
Cash payments to employees for services and benefits	(995,684)
Net cash used in operating activities	(82,949)
Cash flows from noncapital and related financing activities:	
Proceeds from property tax and assessments	113,511
Proceeds from rents and leases	19,576
Proceeds from grant reimbursements	50,233
Proceeds from miscellaneous items	44,753
Net cash provided by noncapital financing activities	228,073
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(316,000)
Interest paid	(14,847)
Additions to capital assets	(898,405)
Net cash used in capital and related financing activities	(1,229,252)
Cash flows from investing activities:	
Interest received on investments	66,770
Net increase (decrease) in cash and cash equivalents	(1,017,358)
Cash and cash equivalents, beginning of year	6,005,700
Cash and cash equivalents, end of year	$ 4,988,342
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash	$ 110,671
Investments	4,877,671
Cash and cash equivalents, June 30	$ 4,988,342
Reconciliation of operating income (loss) to	
net cash provided by operating activities	
Operating Income (Loss)	$ (603,637)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	262,253
Changes in assets and liabilities:	
Accounts receivable	(10,267)
Prepaid expenses	(13,491)
Deposits	(3,447)
Accrued expenses	182,273
Deferred revenue	-
OPEB liability	-
GASB 68-pension adjustments	98,812
Compensated absences	4,555
Net Cash Used In Operating Activities	$ (82,949)

Note 1: Summary of Significant Accounting Policies

The Calaveras Public Utility District operates under the Public Utility District Act, Division 7, of the Public Utilities Code, State of California. The Act permits formation of multipurpose government agencies to provide public services on a regional basis. In accordance with the Act, voters approved creating the Calaveras Public Utility District to provide domestic water to unincorporated communities of San Andreas and Mokelumne Hill. The District's governing body is a Board of Directors comprised of 5 members with 4 year staggered terms.

A. Reporting Entity

The District has defined its reporting entity in accordance with U.S. generally accepted accounting principles, which provides guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The primary criterion for including a potential component unit within the reporting entity is the governing body's financial accountability. A primary governmental entity is financially accountable if it appoints a voting majority of a component unit's governing body and it is able to impose its will on the component unit, or if there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if a component unit is fiscally dependent on the primary governmental entity regardless of whether the component unit has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

No operations of other entities met the aforementioned oversight criteria for inclusion or exclusion from the accompanying financial statements in accordance with GASB.

B. Proprietary Fund Accounting

The accounting records of the District are organized on the generally accepted basis of accounting for an enterprise fund.

Enterprise Fund – An Enterprise fund is used to account for the District's Water treatment and distribution operations that is financed and operated in a manner similar to a private business enterprise, where the intent of the Board of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied. This is a basis of accounting that conforms to accounting principles generally accepted in the United States of America.

D. Prepaid Expenses

Accounts for prepaid liability insurance, prepaid healthcare insurance and prepaid department of water resources dam fees.

E. Cash Equivalents

For purpose of the statement of cash flows, the District considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes cash with Calaveras County and deposits with the State of California Local Agency Investment Fund (LAIF).

F. Budgetary Reporting

The District prepares an annual operating and capital budget, which is approved and adopted by the Board of Directors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California State law does not require formal adoption of appropriated budgets for enterprise funds.

G. Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements in conformity with U.S. 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.

H. Capital Contributions

Transmission and distribution system assets contributed to the District by installers are capitalized at the installers estimated cost, which approximates fair value at the time of the District's acquisition, and is recorded as capital contributions when received.

Note 1: Summary of Significant Accounting Policies (Continued)

I. Estimated Insurance Liabilities

The District maintains an insurance policy with Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA) that provides limits of liability of for general liability, auto and an additional umbrella policy. The District also maintains workers compensation insurance through ACWA/JPIA, with a pooled self-insurance.

J. Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Net investment in capital assets-This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted-This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position-This component of net position consists of net position that does not meet the definition of “restricted” or “investment in capital assets.”

K. Restricted and Unrestricted Resources:

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

L. Compensated Absences

Compensated absences represent the vested portion of accumulated vacation. In accordance with GASB 16, the liability for accumulated leave includes all salary - related payments that are directly and incrementally connected with leave payments to employees.

M. Property Taxes

The District receives property taxes from Calaveras County, which has been assigned the responsibility for assessment, collections, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on January 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after

Note 1: Summary of Significant Accounting Policies (Continued)

N. Property Taxes (Continued)

December 10 and April 10, respectively, for the secured roll. Based on a policy by the County called the Teeter Plan, 100% of the allocated taxes are transmitted by the County to the District, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31. Property tax revenues are recognized in the fiscal year they are received.

O. Capital Assets

Capital assets, recorded at historical cost or estimated historical cost if actual historical cost is not available. Capital assets include land, buildings, water system, equipment, office furniture and vehicles. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded on the straight-line basis over the useful life of the assets as follows:

Assets	Useful Life
Building and improvements	20-50 years
Equipment and Infrastructure	5-100 years

P. 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) plans (Plans) and additions to/deductions from the Plans' 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.

Note 2: Cash and Investments

Cash and investments are reported on the balance sheet as follows:

Cash and investments	$	4,988,342
Total cash and investments	$	4,988,342

Cash and investments at June 30, 2018, consisted of the following:

Checking	$	110,421
Petty cash		250
Certificates of deposit		1,296,626
Calaveras County treasury		6,512
LAIF		3,574,533
Total cash and investments	$	4,988,342

A. Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the **investment types** that are authorized for the Calaveras Public Utility District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address **interest rate risk, credit risk** and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
U.S. agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Commercial paper	270 days	40%	10%
Negotiable CDs	5 years	30%	None
Repurchase agreements	1 years	None	None
Reverse repurchase agreements	92 days	20%	None
Medium term notes	5 years	30%	None
Mutual/money market funds	5 years *	20%	10%
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	15%
Time deposits	5 Years	None	None
Local Agency Investment Fund (LAIF)	5 years *	None	None

* The five year maximum maturity can be extended by the Board of Directors. Also, the maximum maturity can be extended if the funds are reserved for bond, COP or note payments to coincide with the required repayments.

Note 2: Cash and Investments (Continued)

B. 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 and investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment maturity:

		Remaining Maturity (in Months)	
Investment Type	Totals	12 Months or Less	13-48 Months
State Investment Pool*	$ 3,574,533	$ 3,574,533	$ -
Totals	$ 3,574,533	$ 3,574,533	$ -

*Not subject to categorization

C. Concentrations of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are no investments to one issuer exceeding those limits.

D. 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 deposit or will not be able to recover collateral securities that are in the possession of an outside party. 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 of collateral securities that are in the possession of another 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 or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secured 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 government unit). The fair 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 the District's deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the District's deposit balance was $1,506,210 and the carrying amount was $1,407,047. The difference between the bank balance and the carrying amount was due to normal outstanding checks and deposits in transit. Of the bank balance, $500,000 was covered by the Federal Depository Insurance and the remainder in commercial banks was covered by collateral held in the pledging bank's trust department in the District's name or by the terms. Deposits held in UBS business services accounts above the FDIC insured limits flow into a triple "A" rated money market fund.

Note 2: Cash and Investments (Continued)

E. Investment in State Investment Pool

LAIF is included in the State's Pooled Money Investment Account. The total amount invested by all public agencies in the State's Pooled Money Investment Account approximates $88.94 billion. Of the $88.94 billion managed by the State Treasurer, 100% is invested in non-derivative financial products and 2.67% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute.

Investments are accounted for in accordance with the provisions of GASB Statement No. 31, which requires governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in fair value of investments in the year in which the change occurred. The District reports its investments at fair value based on quoted market information obtained from fiscal agents or other sources if the change is material to the financial statements.

Note 3: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018
Capital assets not being depreciated				
Land	$ 150,436	$ -	$ -	$ 150,436
Construction in progress	12,807	311,024	(7,038)	316,793
Total capital assets, not being depreciated	163,243	311,024	(7,038)	467,229
Capital assets, being depreciated				
Buildings	310,884	10,250		321,134
Dam	100,771			100,771
Pumping plant	1,312,921			1,312,921
Treatment	3,995,505	57,292		4,052,797
Transmission and distribution	7,262,491	526,877		7,789,368
General plant & administration	78,199			78,199
Total capital assets, being depreciated	13,060,771	594,419		13,655,190
Less accumulated depreciation:	(6,242,380)	(262,253)		(6,504,633)
Total capital assets, being depreciated, net	6,818,391	332,166		7,150,557
Total capital assets, net	$ 6,981,634	$ 643,190	$ (7,038)	$ 7,617,786

Note 4: Long-Term Liabilities

Long-term liabilities consisted of the following at June 30, 2018:

	Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018	Due Within One Year
Compensated absences	$ 33,448	$ 33,283	$ (28,728)	$ 38,003	$ 14,364
Net OPEB liability	26,519	593,434		619,953	
Net pension liability	1,011,935	150,381		1,162,316	-
2001 USDA loan	316,000		(316,000)	-	-
Total	$ 1,387,902	$ 777,098	$ (344,728)	$ 1,820,272	$ 14,364

A. **Compensated Absences**

District employees accumulate earned but unused vacation benefits that can be converted to cash at termination or retirement from employment. The amount of the compensated absences at June 30, 2018 was $38,003.

B. **Loans Payable**

a) On August 22, 2001 the District entered into an agreement with the United States Department of Agriculture to finance $392,500 to assist with the construction of the Railroad Flat water plant. The term of the loan was 40 years at an interest rate of 4.5% annually. The District made the normal $7,000 principal payment in August 2017 and prepaid the remainder of the loan in the amount of $309,000 principal plus accrued interest in February 2018.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan

The District's Statement of Net Position for the year ended June 30, 2018 includes, for the second year, a net pension liability. This liability was placed on the books due to a change in accounting standards (GASB Statement No. 68) that went into effect for last fiscal year, but it does not represent a sudden deterioration in the District's actual financial condition. The liability has accumulated over time as the pension benefits were earned by District employees and adjusted for District contributions, actual benefit payments, and updated actuarial assumptions. Most local governments with defined benefit pension plans saw significant accounting adjustments last year as a result of the implementation of this new standard.

The net pension liability represents the District's obligation to fully fund the pensions of its current and prior employees based on the service they provided to the District over a number of prior years. In the past, accounting standards required that no liability be shown for this obligation, even though it did legally exist, as long as the District made its required contributions to the pension plan each year. This resulted in reporting pension expense each year that included both the cost of offering pension benefits to the District's current employees for services they performed that year as well as catch-up contributions related to prior year employee service. The new standard improves the accounting for annual pension expense because the recognition of the net pension liability eliminates the need to include catch-up contributions in current year pension expense. The pension expense recognized by the District each year will now be designed to capture only the cost of providing pension benefits to employees related to their service in the current year, with a few adjustments necessitated by varying investment returns and other

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

conditions because actuarial results cannot predict future events with complete precision. As a result, the District's pension expense recognized under GASB 68 will generally be lower than what has previously been recognized.

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52 - 67
Monthly benefits , as a % of eligible	2.2% to 2.7%	1.0% to 2.0%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	11.05%	6.53%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

Contributions-employer	$	107,494
Contributions-employee (paid by employer)	$	34,933

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate share of Net pension liability	
Miscellanous Plan	$	1,162,316

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.02913%
Proportion - June 30, 2017	0.02949%
Change - Increase (Decrease)	0.00036%

For the year ended June 30, 2018, the District recognized pension expense of $248,052. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	-	$	(21,166)
Changes in assumptions		182,033		
Net difference between projected and actual earnings on pension plan investments		44,567		
Difference between actual and proportionate share of contributions				(62,318)
Change in proportion		42,290		
District contributions subsequent to the measurement date		112,326		
Total	$	381,216	$	(83,484)

$112,326 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:		
2019	$	(49,612)
2020		(99,536)
2021		(62,718)
2022		26,460
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age of service
Investment Rate of Return	7.15%

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. 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, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until we have changed our methodology.

Note 5: Defined Benefit Pension Cost-Sharing Employer Plan (Continued)

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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.

The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	Current Allocation Target	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19%	0.80%	0.0227
Inflation Sensitive	6%	0.60%	0.0139
Private Equity	12%	6.60%	0.0663
Real Estate	11%	2.80%	0.0521
Infrastructure and Forestland	3%	3.90%	0.0536
Liquidity	2%	-0.40%	(0.90)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	$ 1,811,881	$ 1,162,316	$ 624,336

Note 6: Deferred Compensation Plan

Employees of Calaveras Public Utility District may elect to participate in a deferred compensation plan, as defined in the Internal Revenue Code Section 457. The contributions to the plan are voluntary. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employees or beneficiaries) solely the property and rights of the employees and their beneficiaries. No part of the principal or income of the trust shall revert to the employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries. The district selected VALIC and FTJ as the trustees of the plan assets. The employee has the option to select either trustee.

Note 7: Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

On June 1, 2004, the Board of Directors passed a resolution to establish health benefit vesting requirements for future retirees under public employees' medical and hospital care act, whereas an employee who is with Calaveras Public Utility District for 5 years or longer and who has met other vesting requirements as defined by Government Code 20079, shall receive up to a maximum 100% of the health benefit for the employee premium plus 90% of the additional premium required for enrolment of family members in selected plans. The total District expense on the pay as you go basis for postretirement health benefits in the 2016-17 fiscal year was $39,817. As of June 30, 2017, five retired employees were receiving postretirement health benefits.

Plan Description

Calaveras Public Utility's (CPUD) Post-Retirement Healthcare Plan is a single-employer defined benefit healthcare plan administered by CalPERS. CalPERS provides medical insurance benefits only to eligible retirees and their eligible dependents. The District approved post-retirement health insurance benefits for all of its employees based on employees as of June 30, 2004 under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Benefits Provided

The retiree benefits for employees hired prior to June 4, 2004 are entitled to receive the same benefits as active employees noted above if they qualify for CalPERS retirement. Those hired after June 4, 2004 are entitled to receive medical only lifetime benefits with required service of 20 years and the plan paying 50% of premiums after 10 years of service and an additional 5% for each additional year of service with a maximum district contribution of 100%. The minimum age for receiving benefits is 50 and the District cap is the State contributions. The plan also provides coverage for eligible spouses. For employees who are eligible to participate in the plan the District will contribute the health benefit cost for the retiree and eligible spouse up to 100% of the PERS Choice plan. A retiree with less than the required years of service with the District will receive no benefit, unless they have previous employment qualifying them for CalPERS retirement, in which case they are eligible to receive the CalPERS minimum at the time of retirement. The CalPERS minimum is set by law. The retiree is on the same medical plan as the District's active employees, however monthly rates for coverage of covered active and retired employees are computed separately.

Note 7: Other Postemployment Benefits (OPEB) (Continued)

Employees Covered By Benefit Terms

At the OPEB liability measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	5
Active employees	8
Total	13

Contributions

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District chose a 30 year period to amortize the unfunded actuarial liability.

The contribution requirement of plan members is established by the District's Board of Directors. The 2017-18 fiscal year contribution was based on the actuarially determined contribution using entry age actuarial cost with normal costs calculated as a level percentage of payroll, as required by GASB 75. For the fiscal year ending June 30, 2017 valuation, the District contributed $73,661 towards the unfunded actuarial liability (UAL). The District chose the CalPERS CERBT as the trustee for the plan. The District also paid the retiree premiums for fiscal year end June 30, 2018 valuation directly to health insurance providers totaling $39,817. Plan members receiving benefits contributed $0 of the total premiums.

Net OPEB Liability: At June 30, 2018 the District reported a net OPEB liability of $619,953 The net OPEB liability was measured from July 1, 2016 to June 30, 2017 and the total OPEB liability used to calculated the net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017.

Actuarial Assumptions

The net OPEB liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.50%
Healthcare trend rates	5.50%
Salary increase	3.00%
Inflation	3%
Investment Rate of Return	6.50%

Note 7: Other Postemployment Benefits (OPEB) (Continued)

OPEB Assets

The table below reflects the 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. These rates of return are net of administrative expenses.
Discount Rate

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Global equity	57.00%	5.25%
Fixed income	27.00%	0.99%
Treasury securities	5.00%	0.45%
REIT's	8.00%	4.50%
Cash	3.00%	3.90%
Total	100.00%	

(1): The estimated yield of 3.9% for commodities was obtained from various sources, and is an estimatec amount. Using these figures, the weighted-average real rate of return is estimated to be 3.73%. Adding estimated inflation of 2.75%, we obtain 6.48% as an estimate of the expected rate of return, which is the rounded to 6.50%

The OPEB assets are held by CalPERS CERBT, the trustee for the OPEB assets. The OPEB assets are not FDIC insured there is no bank guarantee and the assets may lose value. The investments are in in strategy 1 which is the least conservative of the 3 risk levels offered by the trustee. The investment objective is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed the District’s contributions will continue based upon the current OPEB funding policy. Based on those assumptions, the OPEB plans fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments determine the total OPEB liability.

Note 7: Other Postemployment Benefits (OPEB) (Continued)

Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. fair value of Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2017.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-c)
Balances at 6/30/2017	$ 1,154,554	$ 506,272	$ 648,282
Changes for the year:			
Service cost	64,167		64,167
Interest	73,752		73,752
Difference between			-
expected and actual	-		-
experience	-		-
Contribution-employer		113,478	(113,478)
Net investment income		53,030	(53,030)
Benefit payments	(39,817)	(39,817)	-
Administrative expense		(260)	260
Net changes	98,102	126,431	(28,329)
Balances at 6/30/18	$ 1,252,656	$ 632,703	$ 619,953

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liiability (asset)	$ 774,710	$ 619,953	$ 491,812

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $101,254. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or methods. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

Note 7: Other Postemployment Benefits (OPEB) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions		
Net difference between projected and actual earnings on OPEB plan investments		16,105
District contributions subsequent to measurement date	130,394	
Totals	$ 130,394	$ 16,105

$130,394 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2019	$ (4,026)
2020	(4,026)
2021	(4,026)
2022	(4,027)
2023	-
Thereafter	-
Total	$ (16,105)

Note 8: Restated Beginning Net Position

Beginning net position was decreased $479,145 as a result of implementing the Governmental Accounting Standards Board Statements 74/75 for other than pension benefits (OPEB) plans.

Note 9: Lease Income

The District derives a portion of its revenue from the rental of real property based on a fixed lease amount. All leases of the District are treated as operating leases for accounting purposes. Lease terms are for a period of five years. Tenant shall have the right to extend the leases for five additional five year terms. Because these are cancelable leases we do not present the operating revenue over the term of the lease.

Note 10: Commitments and Contingent Liabilities

In the normal course of business, the District can be a defendant in lawsuits. Defense of lawsuits is typically handled by the District's insurance carrier and losses, if any, are expected to be covered by insurance.

Engineering and Other Significant Commitments

The District has ongoing commitments related to engineering and professional services.

CALAVERAS PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

Actuarial Measurement Date	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Miscellaneous Plans					
6/30/2014	0.02420%	$598,151	$356,336	167.86%	83.03%
6/30/2015	0.02896%	$794,436	$406,081	195.63%	78.27%
6/30/2016	0.02913%	$1,011,935	$486,149	208.15%	76.29%
6/30/2017	0.02949%	$1,162,316	$524,788	221.48%	70.71%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CALAVERAS PUBLIC UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
JUNE 30, 2018

Actuarial Measurement Date	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contribution as a percentage of covered employee payroll
Miscellaneous Plans					
6/30/2014	$42,626	($42,626)	$0	$356,336	11.96%
6/30/2015	$80,005	($80,005)	$0	$406,081	19.70%
6/30/2016	$93,795	($93,795)	$0	$486,149	19.29%
6/30/2017	$107,494	($107,494)	$0	$524,788	20.48%

* The amounts presented for each fiscal year were determined as of the fiscal year-end

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is presented.

CALAVERAS PUBLIC UTILITY DISTRICT

OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018

Total OPEB liability	
Service cost	$ 64,167
Interest	73,752
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(39,817)
Net change in total OPEB liability	98,102
Total OPEB liability-beginning	1,154,554
Total OPEB liability-ending (a)	$ 1,252,656
Plan fiduciary net position	
Contributions-employer	$ 113,478
Net investment income	53,030
Benefit payments from trust	(39,817)
Administrative expenses	(260)
Net change in plan fiduciary net position	126,431
Plan fiduciary net position-beginning	506,272
Plan fiduciary net position-ending (b)	$ 632,703
District's net OPEB liability (a-b)	$ 619,953
Plan fiduciary net position as a percentage of the total OPEB liability	51%
Covered-employee payroll	$ 446,005
District's net OPEB liability as a percentage of covered-employee payroll	139%
Valuation Date	6/30/2017

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

The Notes to RSI are integral to the above schedule.