Nevada Irrigation District

Staff Report

for the Regular Meeting of the Board of Directors August 9, 2017

TO: Board of Directors

FROM: Marvin Davis, MBA, CPA, Finance Manager/Treasurer

DATE: August 3, 2017

SUBJECT: Comprehensive Annual Financial Report - 2016

FINANCE

RECOMMENDATION:

Hear presentation of the District's 2016 audited Comprehensive Annual Financial Report (CAFR) and authorize the Finance Manager to publish and file the report.

BACKGROUND:

The Government Code (GC), Grant Contracts, Debt Continuing Disclosure and Board policy requires audited financial statements of the District. The District contracted with the firm Richardson and Company, LLP in December 2013 for this service. The contract covers a five-year engagement consistent with board policy and industry standards.

Last year's CAFR received the distinguished Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) program and staff feels confident this year's report will meet these standards. To receive this award, a government must publish an easily readable and efficiently organized CAFR that satisfies both Governmental Accounting Standards Board (GASB) 34 and applicable legal requirements.

There are a few significant changes to this year's report.

- Issued Series 2016A Revenue Bonds of $20.2 Million
- GASB 68 (Net Pension Liability) increase of $6.5 Million
- Deferred Outflows & Inflows (Pension) increase of $6.2 Million
- Net Position increase of $12 Million due to capital project spending

The Finance department considers it a privilege to present this CAFR to the board and offer sincere gratitude to all departments and our patient auditors.

BUDGETARY IMPACT: N/A

Attachments:

- Audited Financial Statements for year ending December 31, 2016
- Auditor’s Management Letter dated August 3, 2017
- Auditor’s Required Communication Letter dated August 3, 2017

NEVADA IRRIGATION DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016

Nevada Irrigation District
1036 W. Main Street
Grass Valley, California 95945
(530) 273-6185
www.nidwater.com

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NEVADA IRRIGATION DISTRICT

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016

Prepared by the Finance Department

Marvin V. Davis, MBA, CPA
Finance Manager/Treasurer

Grass Valley, California

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NEVADA IRRIGATION DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2016

Table of Contents

Table of Contents (Continued)

INTRODUCTORY SECTION

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NID

NEVADA IRRIGATION DISTRICT

1036 W. Main Street, Grass Valley, CA 95945-5424
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August 9, 2017

To the Honorable Board of Directors of Nevada Irrigation District:

The Nevada Irrigation District (District) is required by State statute to publish within twelve months, of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to present the initial Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. The information presented in this CAFR provides financial information with all the disclosures necessary to enable the District's customers, investment community, and public to assess the District's financial condition.

This report contains management's representations concerning the finances of the District. Management is responsible for completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets from loss, theft, or misuse while compiling sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the District's comprehensive framework of internal controls provides reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Richardson & Company LLP, a firm of licensed certified public accountants contracts with the District for these services, has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance to parties that the financial statements of the District for the fiscal year ended December 31, 2016, are free from material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended December 31, 2016, are in conformity with GAAP. The independent auditor's report is the first component located in the financial section of this report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter and MD&A complement the readers understanding. The District's MD&A is located immediately following the independent auditor's report.

The CAFR contains an Introductory, Financial, Required Supplementary Information, Supplementary

Information, Statistical and Compliance section. The Introductory section includes this transmittal letter, a list of principal officials and the District's organizational chart. The Financial section includes the Independent Auditor's Report on the District's financial statements; MD&A; December 31, 2016 basic financial statements, including the Balance Sheet, Statement of Revenues and Expenses, Statement of Cash Flows, Statement of Fiduciary Net Position and Notes to the Basic Financial Statements. The Required Supplementary Information contains information on the District's pension and other postemployment benefit plan. Supplementary information consists of a Schedule of Changes in Assets and Liabilities for the Agency Funds and the Capacity Fee Report. The financial statements are prepared in accordance with GAAP. The Statistical section summarizes selected unaudited general financial and operational information of the District.

District Profile

History

On March 15, 1921 local organizers presented petitions carrying 800 signatures of irrigation district supporters to the Nevada County Board of Supervisors. During a public election on August 5, 1921, voters recommended formation of the district by a margin of 536-163. Nevada County Supervisors authorized the new district and 10 days following the election, on August 15, 1921, the District officially formed. The District's first board meeting occurred that day in Grass Valley's Bret Harte Hotel.

At its formation, the District included 202,000 acres in Nevada County. Five years later, in 1926, residents of Placer County chose to join the District adding another 66,500 acres. Today, the District includes more than 287,000 acres. Following its formation, the District achieved rapid progress in laying the groundwork for the new public irrigation system. During the 1920s, many important water rights were obtained, key water rights the district retains to this day. The acquisition of land to store and deliver water was a very important step in the district's development.

The District began to deliver irrigation water to local farms in 1927. At that time, irrigation water costs about 10 cents per day. By the late 1950s and early 1960s it had become apparent that the future would bring more demand for water in the District's service areas. Demand for District water was beginning to transition from canal water to piped and treated drinking water. At the same time, California was embracing development of hydroelectric power to meet the state's growing energy needs.

District leaders once again took their campaign to the electorate and in a 1962 election, 97 percent of District voters supported a $65 million bond issue to construct the Yuba-Bear River Power Project. The major project completed from 1963-66, remains a very important milestone in District history. It brought not only power generation capability, but also new reservoirs and canal systems and, most importantly, created approximately 160,000 of additional water storage for District residents.

No longer would foothill reservoirs run dry in the long hot summers. Today, as the District has grown and matured into a multi-faceted water, power, and recreation agency, the District continues to take great pride in its Gold Rush roots and important place in California water history.

Mission Statement

The District will provide a safe, dependable water supply, strive to be good stewards of the watersheds and conserve the available resources.

Water Operation

From Mountain Division reservoirs, the District water flows through the Bowman-Spaulding Canal via Fuller Lake to PG&E's Lake Spaulding. It is then routed either down the South Yuba Canal to Upper Deer Creek, Scotts Flat and the Nevada City-Grass Valley area, or down the PG&E Drum System along the Bear River where the water is used to generate power for the District and PG&E before supplying District customers in southern Nevada County and Placer County.

The highest elevation on the District's mountain watershed is the peak of 8,373-foot English Mountain, which rises east of Bowman Reservoir. The District's highest reservoir is French Lake at 6,835 feet. The District's lowest elevation water service is located about 100 miles to the southwest, at 150 feet above sea level, south of Lincoln in Placer County.

The District's highest dam is the rock fill-earth core dam at Rollins Reservoir, built in 1965 and standing 242 feet tall. The Jackson Meadows dam (1965) is second highest at 195 feet, Scotts Flat dam (1965) is 175 feet and the Bowman South Arch dam (1925) is 171 feet high. French Dam, constructed in 1858-59, is the District's oldest dam still in use. Other dams that originated in the 1800s include the Bowman Rockfill Dam (1872), and Faucherie, Sawmill and Jackson, all constructed prior to 1880. In the lower division, Van Giesen Dam at Combie Reservoir is the oldest, built in 1928.

With precipitation data that dates to the 1800s, the District is a foremost source for regional weather information. The District has been keeping weather records for Bowman Reservoir (elev. 5,650 ft.) since 1929. The 69.2-inch annual average precipitation at Bowman compares to an annual average of 56 inches at 2,700 feet near Nevada City and 52 inches at 2,400 feet in Grass Valley. Annual precipitation measures for the 12-month period beginning July 1 and ending June 30. The District is a participant in the California Cooperative Snow Survey Project. District snow surveyors conduct snow surveys regularly during the winter and spring months. Data compiled in the snow surveys predicts water availability locally and statewide.

The District collects water on 70,000 acres of high mountain watershed. The District holds valuable water rights to these supplies and does not have to purchase water from other agencies. The water supplied to District customers originates on the upper reaches of the Middle Yuba River, South Yuba River, Bear River, Canyon Creek, Deer Creek and several tributaries. Water from the mountain snowpack flows into seven reservoirs in the District's mountain division and transports into three additional foothill reservoirs and District customers through an extensive water transmission system.

Irrigation Water

The District operates a network of more than 475 miles of canals and pipelines to transport water to its agricultural customer base. These distribution facilities supply irrigation water to more than 5,500 customers who receive water through individual metered service outlets. A large majority of agricultural purchases occur during the summer irrigation season of April 15, through October 14, and provide the supplies to sustain a large variety of agricultural crops including but not limited to irrigated pasture, vineyards, orchards, and family gardens. District water supplies are integral in sustaining a robust multi-million dollar agricultural industry in Nevada, Placer, and Yuba counties. The District's water distribution network is also pivotal in providing the water supply needs for the District's six domestic water treatment plants and the raw water supply to the City of Grass Valley, Nevada City, and a small portion of the City of Lincoln.

Domestic Water

The District operates and maintains six domestic drinking water treatment facilities with a total treatment capacity of 41.4 million gallons a day (MGD). Last year the District produced over 2.7 billion gallons of water to more than 19,400 customers. All water supplied met or exceeded state and federal regulations for potable drinking water. These facilities include the Elizabeth George Water Treatment Plant with a capacity of 18 MGD to provide service the unincorporated areas of Nevada City and Cascade Shores area; the Loma Rica Water Treatment Plant with a capacity of 8.3 MGD to supply the unincorporated areas of Grass Valley and the Alta Sierra area; the North Auburn Water Treatment Plant with a capacity of 6 MGD to serve the North Auburn area; the Lake of the Pines Water Treatment Plant with a capacity of 5 MGD to serve the Lake of the Pines and Dark Horse subdivisions; the Lake Wildwood Water Treatment Plant with a capacity of 4 MGD to serve the Lake Wildwood and Penn Valley subdivisions; and the Smartsville Water Treatment Plant with a capacity of 0.085 MGD to serve the town of Smartsville.

Water Efficiency

The District is committed to conservation and encourages wise use of water. Conservation and water use efficiency is important to preserving our precious water resources. Successful conservation activities have yielded a year over year conservative savings over 20% of 2013 levels. Water fulfills drinking, household, agricultural, safety, property preservation, and environmental purposes.

Master Gardeners and the District cooperate to demonstrate sustainable landscape techniques for the home gardening public. The District and the University of California signed an agreement to establish a demonstration garden in March 1991. The District installed water lines and electricity for irrigation timers. Master Gardeners designed and planted an herb garden, vegetable beds, and fruit trees. Master Gardeners plan, install and maintain the garden.

Hydroelectric Operation

The District is a leader among Northern California water agencies in the production of clean, hydroelectric energy. Revenues from hydroelectricity are very important in the maintenance and operation of the District's extensive water distribution system. The District has seven power plants that generate enough electricity to supply the equivalent of more than 60,000 homes and 1 solar array producing 80 kilowatt hours. The District has a hydroelectric generation capacity of 82.2 megawatts, produces an average 375 million kilowatt hours of energy each year, and sells its electrical output to the Pacific Gas & Electric Co. Power Plants and capacity of megawatts include Chicago Park 39.0, Dutch Flat 24.57, Rollins 12.15, Bowman 3.6, Combie South 1.5, Scotts Flat 0.875 and Combie North 0.5.

The District began producing power in 1966 with the completion of the $65 million Yuba-Bear Power Project. The project included the Chicago Park and Dutch Flat powerhouses. The Rollins powerhouse came onboard in 1980. To make use of existing water releases, small power plants came onboard during the 1980s at Bowman, Scotts Flat and Combie reservoirs. The District's North Auburn 80 kilowatt solar array came online in June 2005 to offset power cost at the North Auburn water treatment plant.

The District is completing requirements for a new Federal license that will govern the Yuba-Bear Project hydroelectric operations for years to come. The District has secured a new power sales agreement that markets the Project's energy production to the Pacific Gas & Electric Company.

Recreation Operation

The District provides outstanding outdoor recreational opportunities at District reservoirs in the foothills and mountains of the Northern Sierra. Popular Sierra foothill recreation activities at both Rollins and Scotts Flat reservoirs include camping, fishing, swimming, sunning, boating, waterskiing, sailing and kayaking. Contracted private operators and District personnel operate campgrounds and beaches. The Board of Directors establishes user fees after approval by the State Departments of Water Resources and Fish & Game.

Scotts Flat is nestled among the tall pines at the 3100-foot elevation nine miles east of Nevada City via Highway 20 and Scotts Flat Road. It offers 169 campsites at two large campgrounds plus a group camp. Across the lake, accessible via Red Dog and Quaker Hill Roads from Nevada City, is the Cascade Shores Day Use Area.

Rollins, located at the 2100-foot elevation off Highway 174 between Grass Valley and Colfax, has four independently operated campgrounds. Long Ravine, Greenhorn, Orchard Springs and Peninsula offer a combined 250 campsites and a complete range of services including stores, restaurants, fuel sales and rentals. For 2016, the District proudly served 196,408 campers and day use visitors among its campgrounds.

The District's mountain campgrounds reside at Faucherie, Bowman and Jackson Meadows reservoirs. Nature, solitude, scenery and good fishing are among the attractions. The mountain campgrounds are normally snowed in during the winter and opened for recreation from Memorial Day through Labor Day. The District operates certain campgrounds located on United States Forest Service under permit.

Summary of District Operations:

- Customers: 27,577 (includes 3 municipal customers: Grass Valley, Nevada City, City of Lincoln)
- Number of Employees: 206
- District Geographical Size: 287,000 acres
- Mountain Watershed: 70,000 acres
- Storage Capacity: 280,380 acre-feet
- Reservoirs: 27
- Water Treatment Plants: 6
- Storage Tanks: 44
- Hydroelectric Plants: 7
- Solar Array: 80 Kilowatt
- Recreation Sites: 12
- Canals: 460 miles
- Pipelines: 300 miles
- 2017 Combined Budget: $77.7 million
    - Water Division: $58 million
    - Hydroelectric Division: $17.4 million
    - Recreation Division: $2.3 million

Accounting System and Budgetary Controls

The District's accounting records use the accrual basis of accounting. Revenue recognition occurs when earned and expenses when incurred.

The District staff works with the Finance Department to develop the annual budget. The process begins in July and managers develop their budget requests needed to fulfill the District's mission, goals and objectives for the next fiscal year. The Finance Department prepares the proposed budget and reviews with the Administrative Practices Committee, making any necessary adjustments arising from that review. Then the Finance Manager/Treasurer provides a copy to the Board of Directors in advance of the meeting and presents the proposed budget to the Board of Directors in October for their review. The Board adopts the budget in public hearing no later than December 31. The document is a management tool for projecting, measuring and controlling, revenues and expenses.

The District accounts for the financial transactions of the three enterprise operations separately.

Factors Affecting Financial Condition

Economic Outlook

The District is located in Northern California and serves parts of Nevada, Placer, and Yuba Counties.

Nevada County

The 2016 estimated population figures, as provided by the California Department of Finance for Nevada County are 98,095. This is a slight increase from 2015 with about 67% or 66,431 of the residents living in the unincorporated areas. The Town of Truckee is the largest of the three cities within the County, with approximately 15,370 residents in 2016. The City of Grass Valley is the second largest city within the boundaries of the County with a population of 12,955. Nevada City serves as the County seat with a population of 3,260.

The County's June 2016 labor force totaled 49,040, which was an increase of 330 from the 2015 figure for the same month. Nevada County's unemployment rate in June 2016 was 4.9% which was a small decrease from June 2015's unemployment rate of 5.3%, California's statewide rate was 5.7% for the same period. The median household income within the County of Nevada is $57,118 (in 2014 dollars as provided by the US Census Bureau). This is slightly lower than the United States median household income of $61,927.

The County, like many other rural counties, is in the economic recovery cycle and seeing strong indicators of improvements. The sales tax revenue to the County increased 14.55% from year to year which is an indication that consumer confidence is rising helping the local economy rebound. Sales tax revenue estimates for next fiscal year is 5.2%.

The real estate market continues to show improvement with anticipated rising home sales and prices. The median residential property price in Western Nevada County increased 3% from $360,000 in September 2015 to $372,000 in September 2016. Although the real estate market in eastern county remains solid with the median sales reported at $480,000, which is a 2% decrease from 2015. New construction permits are increasing, however, construction activity remains below the pre-recession highs.

Placer County

During fiscal year (FY) 15-16, Placer County's positive economic trends continued in real estate, tourism and labor market". The County's unemployment level reached 4.8% as of June 2016. The June 2016 unemployment rate was slightly below the national level of 4.9% and the state level of 5.4%. Property tax, the County's largest discretionary revenue source, continues to increase due to the recovery in property values. The fiscal year 2016 total secured tax roll shows an 8.7% increase in assessed value to $64.31 billion. The County's median home value increased in 2015 to over

$412,000. Average annual wages had a slight increase to $52,152 in 2015 from $49,972 in 2014. Child poverty declined from 12% to 10% in 2015, well below the State's level of 23%. Transient occupancy taxes (TOT) increased over 37% in FY 15-16, driven by the robust tourism industry. According to the most recent Economic and Demographic profile, the County offers 38 lodging facilities with over 50+ rooms.

The economy continues to improve in the wake of the "Great Recession". Property and real property transfer taxes project moderate growth at 4 to 5% annually and sales tax collections around 3% through 2018. Targeted revenue sources in some departments continue to improve, primarily Public Safety and Health and Human Resources. With an uptick in building permit activity, several large residential developments in progress, and recent job growth, the local economy should improve in the near-term and position the County favorably for future growth. In addition, due to the steady hand of the Board of Supervisors and ongoing commitment of departments to deliver high level, cost effective services, the County welcomes local economic growth.

Yuba County

Yuba County's estimated population of 74,577 as of January 1, 2017 represents an increase over 2016 data of 0.3 percent. The largest city within the county, Marysville, is the county seat and one of California's most historic cities. Of Yuba County's population, more than 79 percent reside in the unincorporated areas. The Department of Finance projects Yuba County's population at 83,180 and 102,434 by 2025 and 2060 respectively. This equates to an average growth rate of .7% from 2015 to 2060 or 36%. This anticipated growth requires improving infrastructure elements such as roads, water, wastewater, and levee systems. Special attention to major transportation arteries will be especially critical.

Median household income for 2015 is $46,892 compared to national levels of $53,889. Yuba-Sutter region was at a high of 18.1 percent in 2010 and dropped as low as 8.8 percent in 2000; the current jobless rate is 8.5 percent for March 2017.

Long-term Financial Planning

In order to ensure funds are available to meet both operating and capital needs, the District established a financial planning process with development of a capital improvement program containing planned and contingent projects for a five-year period. The District estimates current and future operating needs in conjunction with a rate consultant to develop a water rate study and long-term financial plan.

Willdan Financial Services prepared a rate study in January 2014 recommending five-year 6% annual rate increases seeking public input and Board adoption. The District followed the Proposition 218 process for implementing these rates. The Board of Directors and staff implemented a variety of financial efficiencies, which resulted in cost-savings that averted the need to evaluate a larger rate increase. The drought significantly reduced water revenues, the major source of funding for water operations, so the District continues to monitor the financial impact on future operations. In accordance with operating and capital spending plans, reserve requirements, and the adopted Fiscal Year 2017 Budget, the Board approved a 6% water rate increase effective January 1, 2017.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Nevada Irrigation District for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the first year the District achieved this prestigious award. In order to be awarded a Certificate of

Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Without the dedicated services of the entire Finance Department and other key Departmental staff, the preparation of this comprehensive annual financial report on a timely basis would be impossible. The continued support of the Board of Directors of the District in the planning and implementation of the financial systems is a critical component of the District's sustainability and resilience.

Sincerely,

Remleh Scherzinger, MBA, PE
General Manager

Marvin V. Davis, MBA, CPA
Finance Manager/Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Nevada Irrigation District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

Nevada Irrigation District
List of Elected and Appointed Officials
December 31, 2016

Board of Directors - Elected Officials

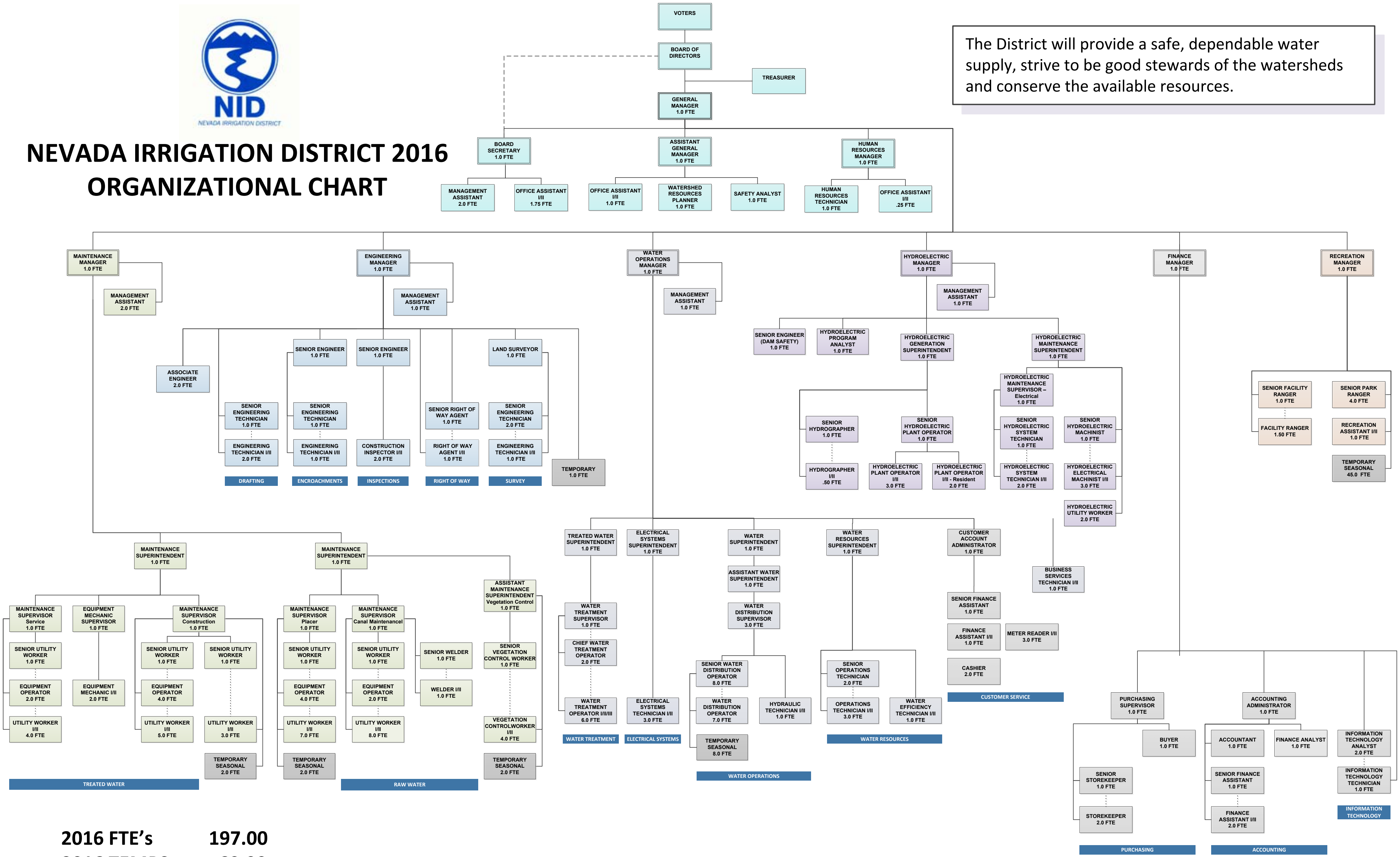
Title	Division	Name	Current Term
Vice-President	I	Nancy Weber	12/2014 - 12/2018
Director	II	John H. Drew	12/2014 - 12/2018
President	III	W. Scott Miller, MD	12/2012 - 12/2016
Director	IV	William Morebeck	05/2015 - 12/2016
Director	V	Nick Wilcox	12/2012 - 12/2016

Staff - Appointed Officials

General Manager	Remleh Scherzinger
Assistant General Manager	Timothy Crough
Finance Manager/Treasurer	Marvin Davis
Engineering Manager	Gary King
Operations Manager	Armon "Chip" Close
Maintenance Manager	Brian Powell
Hydroelectric Manager	Keane Sommers
Recreation Manager	Peggy Davidson

NEVADA IRRIGATION DISTRICT 2016 ORGANIZATIONAL CHART

The District will provide a safe, dependable water supply, strive to be good stewards of the watersheds and conserve the available resources.



2016 FTE's	**197.00**
2016 TEMPS	**60.00**

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FINANCIAL SECTION

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Sacramento, California 95825

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nevada Irrigation District
Grass Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Water, Recreation, Electric Funds and the Agency Funds of the Nevada Irrigation District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 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.

To the Board of Directors
Nevada Irrigation District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and the results of their operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining schedule of changes in assets and liabilities – all agency funds, capacity fee schedule and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedule of changes in assets and liabilities – all agency funds and capacity fee schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control

To the Board of Directors
Nevada Irrigation District

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

August 3, 2017

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Nevada Irrigation District's (the District) financial condition from financial activities of the District for the fiscal year ended December 31, 2016. The analysis serves as an introduction to the District's audited financial statements and compliments the readers understanding of those financial statements and accompanying notes.

The Nevada Irrigation District (District or NID) is an independent California special district formed in 1921 under the State's California Water Code for the purpose of providing a water supply and operating a distribution system for domestic, municipal, industrial and agricultural use. The District is a diversified water agency governed by a five-member Board of Directors elected by District voters. The Board is the District's policy-making body, while the District's General Manager, along with approximately 200 full-time and part-time employees, implement policy. The District also generates renewable hydroelectric energy and provides outdoor recreation. The electric power is produced at various hydroelectric facilities and is sold to Pacific Gas and Electric Utility Company (PG&E) under a Power Purchase Agreement. Unique in many respects, NID collects water from its own high mountain watershed, operates a network of seven water treatment plants, generates renewable hydroelectric energy, maintains 425 miles of canals, 300 miles of pipeline and provides outdoor recreation at the District's reservoirs to customers in Nevada, Placer and Yuba counties.

Today, the District serves approximately 19,000 treated water connections and 6,000 irrigation water customers located within its 287,000 acre boundary. The seven water treatment plants have a peak capacity of 41.8 mgd (million gallons per day). About ninety percent of the District's average 145,000 acre-feet of raw water supplied per year is used for local irrigation. NID also generates electricity from seven power plants, which have a combined generation capacity of 82.3 megawatts. Finally, NID's mountain and foothill reservoirs provide recreational experiences, which are important economic attractions for the local tourism industry.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $397,814,790 *(net position)*. The District has $350,611,745 investment in capital assets $6,338,459 restricted by statute and debt service, and $40,864,586 unrestricted. (see Note 6)

- The District increased its net position in 2016 by $12 million, a 3.1% increase over 2015. The District increased its' net position in 2015 by $13 million. The changes result from an increase in sales (Water, Electric, Recreation) of $3.7 million, an increase in taxes and assessments of $.7 million, an increase in grant revenue of $.5 million, and an increase in operating expenses of $4.5 million. The District's non-operating revenues reflect an unrealized loss of $1.2 million on investments, a function of market volatility, resulting in a negative $.2 million in investment income which is a non-cash adjustment required by GAAP. Actual interest earnings are $1.2 million. In addition, other interest income results from an inter-fund loan between water and electric.

- The District's working capital, current assets of $29,450,195 minus current liabilities of $10,031,376 a positive $19,418,819 reflects an appropriate level of liquidity. This demonstrates a strong financial position, undoubtedly contributing to an excellent bond rating.

- The District experienced an increase in aggregate cash of $25,683,684 primarily due to its' 2016A JPA bond issuance. Investments for these proceeds consist of short and long-term instruments subject to project expenditure schedule. This strategy will benefit the District's future interest earnings.

- The increase in District operating expenses of $4.5 million are primarily driven from increases in administration and general expenses associated with salaries and general inflation of $3.4 million and water treatment of $2.4 million, offset by fewer expenses in transmission and distribution of $1.4 million.

- The District Other Post- Employment Benefits (OPEB) liability was determined in 2015 and sufficient for 2016 and 2017 estimates. The reporting period's Annual Required Contribution (ARC) amounts to $1.7 million. The District contributed $1.5 million toward this liability and considering prior year's asset balance, the District still maintains an asset of $.3 million. The next actuarial report requirement is 2017. (see Note 8)

- During 2016, the Nevada Irrigation District's total liabilities and deferred inflows increased by $27.3 million due to recording of 2016A revenue bonds and higher estimates for pension liability. As these are non-cash transactions, the District's financial strength remains solid allowing it to maintain credit ratings of AA and AA+ from Fitch and Standard & Poor's, respectively.

- As more fully described in Note 11, the District has significant outstanding capital commitments as of December 31, 2016 of $4.9 million.

Overview of the District's Financial Statements

This discussion and analysis serves as an introduction to the Nevada Irrigation District's basic financial statements. The District's basic financial statements report information about the District using accounting methods similar to those used by companies in the private sector. The financial statements provide separate information for the water, electric, and recreation operations. These financial statements include the following:

1) Fund financial statements
2) Notes to the financial statements and
3) Fiduciary financial statements

In addition to the basic financial statements, the report contains required supplementary information as well as a statistical section providing historical trends, demographic and selected operating indicators.

There are several different types of financial statements within the first components identified above:

The **Balance Sheet** discloses the financial position of the District at a specific point in time, December 31, 2016. It reflects the assets of the District, its liabilities, and net position (equity). Assets and liabilities are listed in order of their estimated liquidity. Cash and other unrestricted assets readily convertible to cash are listed first. Capital assets consisting primarily of property, plant and equipment appear at the bottom of the list because of the distinctive nature of those items. The District's fiscal year is the calendar year of January 1st through December 31st.

Capital assets are presented on the balance sheet net of accumulated depreciation. Accumulated depreciation is the estimated reduction of value attributable to the wear and tear of assets caused by usage and the passage of time.

The **Statement of Revenues, Expenses and Changes in Net Position** disclose the results of operations over time, the year ended December 31, 2016. This statement reflects revenues earned (whether collected or not), and expenses incurred (whether paid or not) during the year.

This statement differs significantly from the balance sheet in that it discloses the activities of the District over the course of a year, and reconciles the net income of the District to its beginning and ending net position. The net earnings of the District flows into the net position of the District as reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The **Statement of Cash Flows** combines aspects of both the balance sheet and the income statement detailing the sources of District receipts and uses of District disbursements.

The **Agency Funds Statement** simply reflects additions and deductions in balances, as the District does not maintain a net positon being in a fiduciary capacity.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide a narrative description of certain items contained in the financial statements to enhance the understanding of those items. The notes to the financial statements commence on page 20 and conclude on page 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its pension and other post-employment benefit obligations. Required supplementary information is located on pages 46 to 48 of this report. In addition, the District has elected to present Government Code 66013 Capacity Fee Report on restricted fees as additional information.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $397,814,790 at the close of the most recent fiscal year.

By far the largest portion of the Nevada Irrigation District's net assets (88% percent), consist of its investment in capital assets (e.g., land, buildings, machinery, and equipment). The District's maintains these capital assets to provide excellent services to the citizens of its community and consequently are unable to cover liabilities.

Table 1
Statements of Net Position

	2016	2015	Change
Assets			
Current and other assets	$ 117,945,597	$ 93,510,836	$ 24,434,761
Capital assets (net of accumulated depreciation)	384,429,209	373,366,474	11,062,735
Deferred outflows	10,150,717	6,173,618	3,977,099
Total Assets and Deferred Outflows	$ 512,525,523	$ 473,050,928	$ 39,474,595
Liabilities			
Current Liabilities	$ 10,031,376	$ 6,320,370	$ 3,711,006
Long-Term Liabilities	100,964,881	75,486,431	25,478,450
Deferred inflows	3,714,476	5,548,263	(1,833,787)
Total Liabilities	$ 114,710,733	$ 87,355,064	$ 27,355,669
Net Position			
Investment in capital assets	$ 350,611,745	$ 341,891,892	$ 8,719,853
Restricted by statute	5,715,219	6,190,556	(475,337)
Restricted for debt service	623,240	611,180	12,060
Unrestricted	40,864,586	37,002,236	3,862,350
Net Position	$ 397,814,790	$ 385,695,864	$ 12,118,926

The District's restricted net position of $6,338,459 represents resources that are subject to statutory restrictions and debt service requirements. The remaining balance of its net position, a $40,864,586 serves to meet all short and long-term annual liabilities. Unrestricted liquid cash (short-term cash and cash equivalents) remains at $14.4 million and is sufficient to meet the District's ongoing obligations to citizens and creditors consistent with prudent investment policy. At the end of the current fiscal year, the District was able to report positive balances in its net position. The same situation held true for the prior fiscal year.

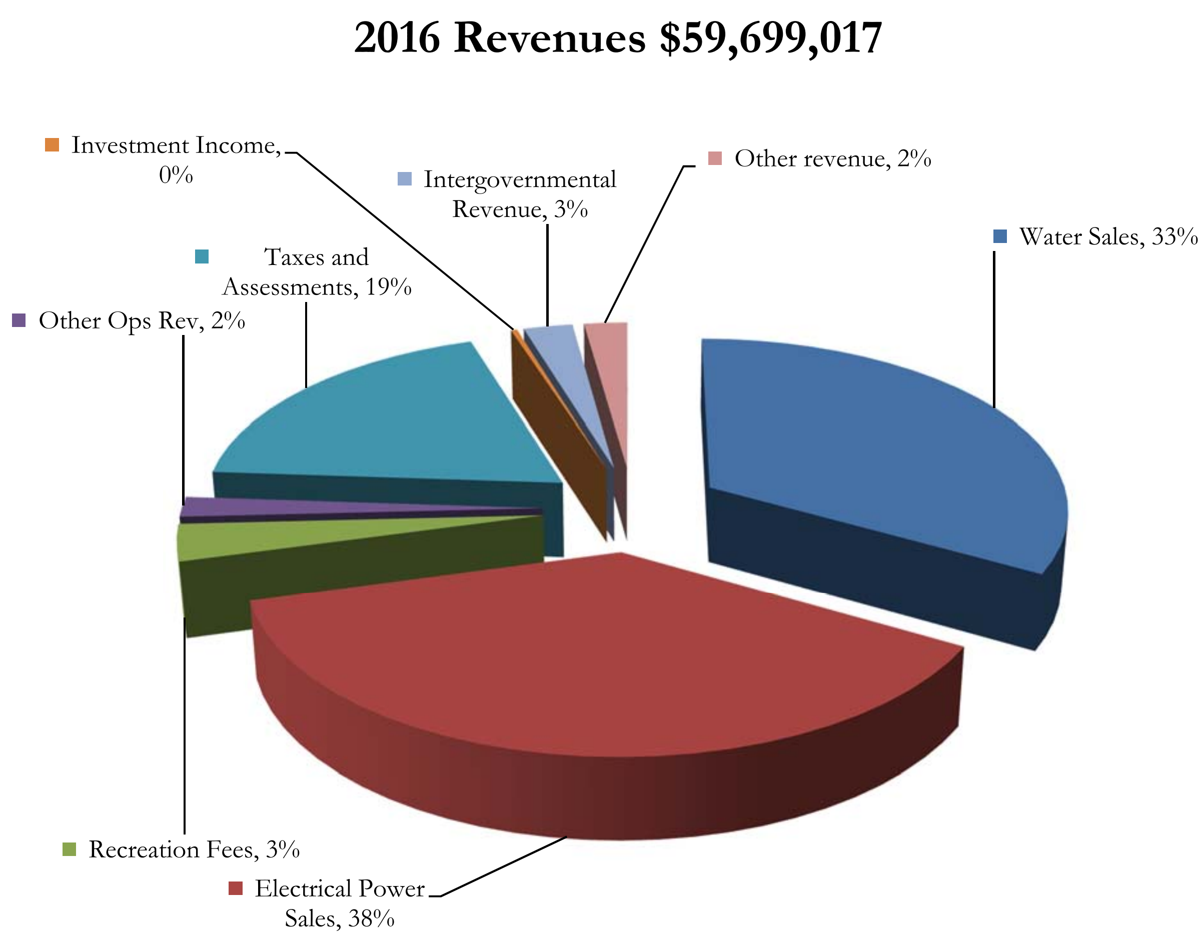
Table 2
Statement of Revenues, Expenses and Changes in Net Position

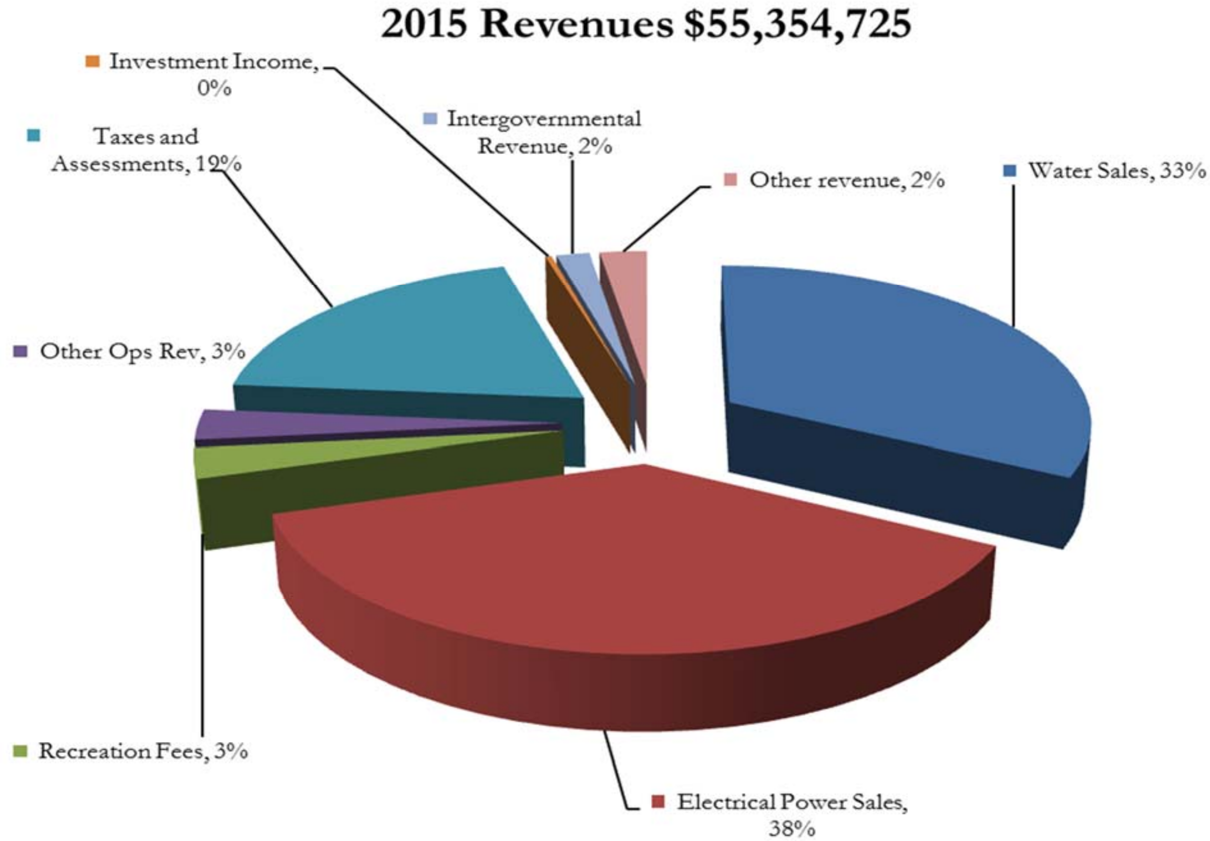
	2016	2015	Change
Operating Revenues			
Water Sales	$ 19,965,010	$ 18,182,972	$ 1,782,038
Electrical Power Sales	22,559,519	20,993,453	1,566,066
Recreation Fees	2,056,885	1,680,426	376,459
Other revenue	1,116,109	1,693,757	(577,648)
Total Operating Revenues	$ 45,697,523	$ 42,550,608	$ 3,146,915
Non-Operating Revenues			
Taxes and Assessments	$ 11,363,997	$ 10,707,911	$ 656,086
Investment Income	(187,349)	(175,501)	(11,848)
Intergovernmental Revenue	1,501,698	937,659	564,039
Gain on asset disposal	17,535	(3,275)	20,810
Other revenue	730,331	165,720	564,611
Total Non-Operating Revenues	$ 13,426,212	$ 11,632,514	$ 1,793,698
Total Revenues	$ 59,123,735	$ 54,183,122	$ 4,940,613
Operating Expenses			
Water	$ 34,148,453	$ 30,997,727	$ 3,150,726
Electric	9,211,690	8,047,991	1,163,699
Recreation	2,164,924	1,931,830	233,094
Total Operating Expenses	$ 45,525,067	$ 40,977,548	$ 4,547,519
Non-Operating Expenses			
Interest Expense	2,055,024	1,265,805	789,219
Other Expense	-	83,234	(83,234)
Total Non-Operating Expenses	$ 2,055,024	$ 1,349,039	$ 705,985
Total Expenses	47,580,091	42,326,587	5,253,504
Income (Loss) Before Capital Contributions	$ 11,543,644	$ 11,856,535	$ (312,891)
Capital Contributions			
Facility Capacity Charges	575,282	414,305	160,977
Other Capital Contributions & Transfers	-	757,298	(757,298)
Total Transfers and Capital Contributions	$ 575,282	$ 1,171,603	$ (596,321)
Change in Net Position	$ 12,118,926	$ 13,028,138	$ (909,212)
Net Position - Beginning of Year	$ 385,695,864	$ 372,667,726	$ 13,028,138
Net Position - End of Year	$ 397,814,790	$ 385,695,864	$ 12,118,926

The District's total net position increased by $12 million in 2016 as compared with $13 for the year ended December 31, 2015. The year over year change in net position reflects a slight decrease of $.9 million. Revenues outpaced the prior period adding $3.1 million more in operating and $1.8 million more in non-operating. After considering transfers and capital contributions, the increases are sufficient to cover expenses thus contributing a positive $12 million to net position. The District saw a relatively modest increase in sales (water, electric, and recreation) of $3.7 million as well as taxes and assessments of $.7 million.

Operating expenses increased in 2016 across all operations due to increased administration and general expenses (salaries, consultants), which contain Hydro and Recreation activities and treatment facilities (Water Operations). The District received $.6 million in capacity fee charges as reflected in the Government Code 66013 report, which is $.2 million more than the prior year. The District has extended financing options for these fees. Other capital contribution fell from the prior year and is an indication of decreased developer donated infrastructure.

The chart displays revenues for 2016 and 2015 as follows:





Capital Assets. The District's investment in capital assets as of December 31, 2016 was \$384,429,209 as compared to \$373,366,474 (net of accumulated depreciation) for 2015. This investment in capital assets includes land, utility plants in service, recreation facilities, machinery and equipment and construction in progress. The net increase in the District's investment in capital assets for 2016 is \$11 million, primarily due to new construction projects.

Major capital asset categories include the following:

Major Capital Improvements

	2016	2015
Nondepreciable capital assets	$ 133,111,311	$ 123,742,103
Depreciable capital assets	406,616,965	400,775,307
Less: Accumulated depreciation	(155,299,067)	(151,150,936)
Net Depreciable Capital Assets	251,317,898	249,624,371
Net Capital Assets	$ 384,429,209	$ 373,366,474

Additional information on the District's capital assets is located under Note 4 to the basic financial statements.

Long-Term Liabilities. At the end of the current fiscal year, the District had certain long- term liabilities outstanding of $95,536,049 comprised of compensated absences, net pension liability, revenue bonds and state loans. The District paid off its 2005 certificates of participation and notes payable in 2015. Recording of the District's $43,525,370 net pension, as compared with prior period amounts of $37,053,826 is an actuarial determined balance and a requirement of GAAP. Actuarial assumptions for net pension liability are driving these significant changes.

Long-Term Liabilities & Total Debt

	2016	2015
Compensated absences	$ 2,966,504	$ 2,774,217
Net pension liability	43,525,370	37,053,826
2016 Revenue Bonds	20,210,000	-
2011 Revenue Bonds	22,115,000	23,255,000
State of California Loans	6,719,175	7,560,214
Total Outstanding	$ 95,536,049	$ 70,643,257

Additional information on the Nevada Irrigation District's long-term liabilities is located in Note 5 of the basic financial statements.

Economic Factors and Next Year's Rates

The District increased its water rates for fiscal year 2016 and 2015 by an average of six percent (6%) for both raw water and treated water customers. This increase, along with usage contributed to revenue increases. The District has an approved five-year rate increase strategy through 2018 and will be required to prepare a new Proposition 218 rate increase notice for any proposed rate increase subsequent to 2018.

The District continues to make an investment in its relicensing efforts with the Federal Energy Regulatory Commission (FERC). These licenses, expired on April 30, 2013, allow the District to operate its Yuba-Bear hydroelectric facilities located primarily on the South Yuba and Bear rivers in Nevada and Placer counties. Currently, the District operates on annual licenses from FERC until issuance of the full license by the Commission. The District has expended approximately $16.4 million through December 31, 2016 in relicensing efforts.

The District's 2017 budget considered the above results. The District adopts its budget in accordance with California Government Codes Section 53900 – 53901, Water Code Division 11 Section 20500 – 29978 and District policy and prudent practice.

Requests for Information

This financial report is designed to provide a general overview of the Nevada Irrigation District's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information, contact the District's Finance Manager at 1036 West Main Street, Grass Valley, California, 95945.

NEVADA IRRIGATION DISTRICT

BALANCE SHEETS

As of December 31, 2016

	Water	Electric	Recreation	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 5,634,402	$ 7,799,996	$ 1,024,050	$ 14,458,448
Accounts receivable, net	2,328,847	2,134,196	10,881	4,473,924
Interest receivable	193,391	151,444	-	344,835
Assessments receivable	6,138,439	-	-	6,138,439
Grants receivable	2,133,420			2,133,420
Other receivables	3,527	-	1,102	4,629
Inventory	1,151,600	-	-	1,151,600
Prepaid expenses and other current assets	528,017	174,514	17,150	719,681
Deposits	25,219	-	-	25,219
Total Current Assets	18,136,862	10,260,150	1,053,183	29,450,195
Noncurrent Assets				
Restricted cash and cash equivalents	815,962	-	-	815,962
Investments	20,185,861	32,526,540	-	52,712,401
Restricted Investments	26,011,789	-		26,011,789
Due from other governments	4,368,799	-	-	4,368,799
Advances to Electric Fund	2,705,092	-	-	2,705,092
Loans receivable	770,655	-	-	770,655
Other postemployment benefit asset	-	1,110,704	-	1,110,704
Total noncurrent assets	54,858,158	33,637,244	-	88,495,402
Capital Assets				
Non-depreciable	57,464,346	47,688,209	27,958,756	133,111,311
Depreciable, net	209,264,324	36,164,504	5,889,070	251,317,898
Total capital assets, net	266,728,670	83,852,713	33,847,826	384,429,209
TOTAL ASSETS	339,723,690	127,750,107	34,901,009	502,374,806
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - pensions	8,073,393	1,493,609	324,783	9,891,785
Deferred amount on refunding	258,932	-	-	258,932
TOTAL DEFERRED OUTFLOWS	8,332,325	1,493,609	324,783	10,150,717
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 348,056,015	$ 129,243,716	$ 35,225,792	$ 512,525,523

(Continued)

NEVADA IRRIGATION DISTRICT

BALANCE SHEETS (Continued)

As of December 31, 2016

	Water	Electric	Recreation	Total
LIABILITIES				
Current Liabilities				
Accounts payable	$ 2,271,345	$ 326,465	$ 34,340	$ 2,632,150
Accrued payroll and benefits payable	784,698	200,751	62,167	1,047,616
Deposits	374,264	-	-	374,264
Retention payable	559,808	38,624	-	598,432
Grants payable	1,002,051	-	-	1,002,051
Unearned revenue	519,600	-	5,724	525,324
Accrued interest payable	631,600	-	-	631,600
Compensated absences, due within one year	866,804	102,834	74,501	1,044,139
Long-term debt, due within one year	2,175,800	-	-	2,175,800
Total current liabilities	9,185,970	668,674	176,732	10,031,376
Noncurrent Liabilities				
Other postemployment benefit liability	752,210	-	24,000	776,210
Compensated absences, due after one year	1,564,740	308,503	49,122	1,922,365
Advances from Water Fund	-	2,705,092	-	2,705,092
Net pension liability	35,524,168	6,572,107	1,429,095	43,525,370
Long-term debt	52,035,844	-	-	52,035,844
Total noncurrent liabilities	89,876,962	9,585,702	1,502,217	100,964,881
TOTAL LIABILITIES	99,062,932	10,254,376	1,678,949	110,996,257
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - pensions	3,031,650	560,866	121,960	3,714,476
TOTAL DEFERRED INFLOWS	3,031,650	560,866	121,960	3,714,476
TOTAL LIABILITIES AND DEFERRED INFLOWS	102,094,582	10,815,242	1,800,909	114,710,733
NET POSITION				
Net investment in capital assets	232,911,206	83,852,713	33,847,826	350,611,745
Restricted for capacity expansion	5,715,219	-	-	5,715,219
Restricted for debt service	623,240	-	-	623,240
Unrestricted	6,711,768	34,575,761	(422,943)	40,864,586
Total Net Position	245,961,433	118,428,474	33,424,883	397,814,790
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 348,056,015	$ 129,243,716	$ 35,225,792	$ 512,525,523

The notes to the basic financial statements are an integral part of this statement.

NEVADA IRRIGATION DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2016

	Water	Electric	Recreation	Total
Operating Revenues				
Water sales	$ 19,965,010			$ 19,965,010
Electric power sales	-	$ 22,559,519		22,559,519
Standby charges	124,533			124,533
Reimbursements	293,928	50,137		344,065
New connections and installations	225,972			225,972
Recreation fees	-		$ 2,056,885	2,056,885
Other revenue	420,573	966		421,539
Total Operating Revenues	21,030,016	22,610,622	2,056,885	45,697,523
Operating Expenses				
Administration and general	10,562,513	7,775,377	1,900,058	20,237,948
Water treatment	7,394,700	-	-	7,394,700
Transmission and distribution	8,152,298	-	-	8,152,298
Pumping	852,879	-	-	852,879
Depreciation and amortization	7,186,063	1,436,313	264,866	8,887,242
Total Operating Expenses	34,148,453	9,211,690	2,164,924	45,525,067
Net Income/(Loss) from Operations	(13,118,437)	13,398,932	(108,039)	172,456
Nonoperating Revenue (Expenses)				
Taxes and assessments	11,363,997			11,363,997
Investment income (loss)	(51,388)	(135,961)		(187,349)
Other interest income	374,996			374,996
Rents and leases	134,796	640	71,487	206,923
Gain on sale/disposition of capital assets	11,033	1,002	5,500	17,535
Intergovernmental revenue	1,501,698	-	-	1,501,698
Interest expense	(1,729,355)	(326,837)	1,168	(2,055,024)
Other non-operating income	148,412	-	-	148,412
Total nonoperating revenue (expenses)	11,754,189	(461,156)	78,155	11,371,188
Net Income Before Capital Contributions	(1,364,248)	12,937,776	(29,884)	11,543,644
Transfers and capital contributions				
Facility capacity charges	575,282	-	-	575,282
Transfers in	23,499	15	541,452	564,966
Transfers out	-	(547,483)	(17,483)	(564,966)
Total capital contributions	598,781	(547,468)	523,969	575,282
Change in Net Position	(765,467)	12,390,308	494,085	12,118,926
Net Position, Beginning of Year	246,726,900	106,038,166	32,930,798	385,695,864
Net Position, End of Year	$ 245,961,433	$ 118,428,474	$ 33,424,883	$ 397,814,790

The notes to the basic financial statements are an integral part of this statement.

NEVADA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2016

	Water	Electric	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 20,621,299	$ 22,255,835	$ 2,054,307	$ 44,931,441
Payments to suppliers	(6,489,309)	(3,737,471)	(965,570)	(11,192,350)
Payments to employees	(19,007,224)	(3,228,299)	(697,563)	(22,933,086)
Rent and lease receipts	134,796	640	71,487	206,923
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(4,740,438)	15,290,705	462,661	11,012,928
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Assessments received	11,070,399			11,070,399
Amounts received/(paid) from other funds	3,044,491	(3,527,008)	482,517	-
Intergovernmental grants received	463,418			463,418
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	14,578,308	(3,527,008)	482,517	11,533,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of long-term debt	24,716,469			24,716,469
Acquisition and construction of capital assets	(17,452,683)	(1,492,460)	(58,097)	(19,003,240)
Interest payments on long-term debt	(1,764,291)	(326,837)	1,168	(2,089,960)
Principal payments on long-term debt	(1,981,039)			(1,981,039)
Facility capacity charges received in cash	575,282			575,282
Reimbursements from improvement districts	840,972			840,972
Proceeds from sale of capital assets	102,668	1,002	5,500	109,170
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	5,037,378	(1,818,295)	(51,429)	3,167,654
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income received	865,295	311,691		1,176,986
Investment purchases	(67,636,132)	(23,062,518)		(90,698,650)
Investment sales/maturities	54,048,170			54,048,170
NET CASH USED BY INVESTING ACTIVITIES	(12,722,667)	(22,750,827)		(35,473,494)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,152,581	(12,805,425)	893,749	(9,759,095)
Cash and cash equivalents at beginning of year	4,297,783	20,605,421	130,301	25,033,505
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,450,364	$ 7,799,996	$ 1,024,050	$ 15,274,410

(Continued)

NEVADA IRRIGATION DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Years Ended December 31, 2016

	Water	Electric	Recreation	Total
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS				
Cash and cash equivalents	$ 5,634,402	$ 7,799,996	$ 1,024,050	$ 14,458,448
Restricted cash and cash equivalents	815,962			815,962
TOTAL CASH AND CASH EQUIVALENTS	$ 6,450,364	$ 7,799,996	$ 1,024,050	$ 15,274,410
RECONCILIATION OF NET (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Net (loss) income from operations	$ (13,118,437)	$ 13,398,932	$ (108,039)	$ 172,456
Adjustments to reconcile net loss from operations to net cash provided (used) by operating activities:				
Depreciation and amortization	7,186,063	1,436,313	264,866	8,887,242
Abandoned projects written off	250,121			250,121
Rent and lease receipts	134,796	640	71,487	206,923
Changes in operating assets and liabilities:				
Accounts receivable, net	(290,506)	(354,787)	(6,638)	(651,931)
Other receivables	(2,237)		(1,102)	(3,339)
Inventory	(106,638)			(106,638)
Prepaid expenses and other current assets	(73,848)	(6,518)	(6,433)	(86,799)
Deposits	(11,510)			(11,510)
Other postemployment benefits asset		74,296		74,296
Loans receivable	(107,476)			(107,476)
Accounts payable	233,321	(45,208)	25,313	213,426
Accrued payroll and benefits payable	336,742	175,460	48,497	560,699
Deposits	49,579			49,579
Grants payable	611,540			611,540
Unearned revenue	3,012		5,162	8,174
Other postemployment benefit liability	106,210		24,000	130,210
Accrued compensated absences	71,445	68,723	52,119	192,287
Net pension liability and related deferred inflows (outflows)	(12,615)	542,854	93,429	623,668
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	$ (4,740,438)	$ 15,290,705	$ 462,661	$ 11,012,928
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Change in fair value of investments	$ (650,131)	$ (557,570)		$ (1,207,701)

The notes to the basic financial statements are an integral part of this statement.

NEVADA IRRIGATION DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2016

	Agency Funds
Assets	
Cash with fiscal agent	$ 821,433
Accrued interest	1,919
Assessments receivable	207,943
Infrastructure donated to District	3,913,583
Total Assets	$ 4,944,878
Liabilities	
Interest payable	$ 9,088
Due to other governments	3,803,398
Due to bondholders	565,400
Agency obligations	566,992
Total liabilities	$ 4,944,878

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada Irrigation District (the District) was incorporated on August 15, 1921. The District is a nonprofit water agency operated by and for the people who own land within its 287,000-acre boundaries. The District, a state agency, is governed by a five-member board of directors elected by District voters. The board is the District's policy-making body and policy is carried out by approximately 178 full- and part-time employees. The District supplies water for domestic, municipal, industrial and agricultural uses, produces electricity and provides public recreation at district reservoirs to customers in Nevada, Placer and Yuba counties. Electric power is produced at various hydroelectric facilities and is sold to Pacific Gas and Electric Utility Company (PG&E) under contract.

A. Basis of Presentation

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District is accounted for as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting.

The accounts of the District are organized and operated as three enterprise funds and three agency funds. The operation of a fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Agency funds are used to account for assets held by the District in a fiduciary capacity for special assessment districts. The financial activities of these funds are excluded from the District-wide financial statements but are presented in separate Fiduciary Fund financial statements.

B. Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The Agency Funds do not involve the results of operations and do not use a measurement basis.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District's policy is to first apply restricted grant

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources to such programs, followed by unrestricted resources if necessary. Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.

Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

C. Measurement Focus

Enterprise funds are accounted for on a flow of economic resources measurement focus, which means that all assets, deferred outflows, liabilities, and deferred inflows associated with the activity are included on the balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

E. Restricted Assets

Certain capital expansion fees as well as certain resources set aside for debt repayment, contract retentions and unspent bond proceeds, are classified as restricted cash and investments because their use is legally restricted. Restricted cash and investments are not available for general operational expenses.

F. Investments

Investments are stated at fair value. Included in investment income (loss) is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments. Measurement of the fair value of investments is based upon quoted market prices.

G. Receivables

Accounts receivable arise from billings to customers for water usage and certain improvements made to customers' property and billings to PG&E for electric power sales. The District determined that as of December 31, 2016, an allowance for doubtful accounts was not needed, as all amounts are considered collectible. The District also has loans receivable related to connection fees that are paid over a period of time.

H. Inventory

Inventories of materials and supplies are stated on an average cost basis. Physical inventories are taken on a cycle basis each month throughout the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Expenses

Prepaid expenses are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

J. Deposits

The District collects money from new *outside district* and *inside district* commercial customers to insure payment of utility bills.

K. Capital Assets

Capital assets are stated at historical cost if purchased or constructed. The District capitalizes all assets with a historical cost of at least $5,000 for machinery and equipment and $100,000 for projects. The cost of additions to utility plant and major replacements of property are capitalized. Capitalized costs include material, direct labor, transportation and such indirect items as engineering, supervision, employee fringe benefits and interest on net borrowed funds related to plant under construction, if material. Contributed property is recorded at estimated fair market value at the date of donation. Repairs, maintenance and minor replacements of capital assets are expensed.

Capital assets are depreciated using the straight line method, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District's water rights and FERC license are intangible assets. The District has assigned the useful lives listed below to capital assets and intangible assets:

Description	Estimated Life
Land	N/A
Intangibles (Rights, Easements, License)	N/A
Buildings and Structures	40 years
Equipment, Tools, Furniture	5 – 7 years
Vehicles	5 years
Infrastructure	50 – 100 years

L. Budgets and Budgetary Accounting

The District adopts an annual budget in December each year. The budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The department heads can provide transfers within their own departmental operations budget. Budget transfers between two departments require the approval of the respective department heads. The General Manager may approve the transfer of appropriations from one department to another. All other transfers must be approved by the Board of Directors. The Board may approve additional appropriations throughout that year as well.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Tax Assessments

Nevada and Placer counties assess, bill, collect and apportion all property taxes for the District and remit "Teeter Plan" collections periodically. Taxes are assessed for each July 1 to June 30 fiscal year, payable in two equal installments due by November 1 and February 1 and become delinquent December 10 and April 10, each year. Taxes collected by the counties prior to January 1 and apportioned during January have been accrued by the District at year-end, as applicable.

N. Bond Discounts, Issuance Costs and Deferred Amounts on Refunding

Bond discounts, premiums, and deferred amounts on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts and premiums. Deferred amounts on refunding are reported as deferred outflows on the balance sheet. Issuance costs are expensed when paid.

O. Compensated Absences

The liability for employee accrued vacation, sick leave and compensatory time off is computed annually at year-end, and the change in the liability is charged to expense in the Water and Electric Utility Funds for that year. Based on the memorandum of understanding, employees earn eight hours of sick leave per month. Upon retirement, voluntary termination, or death, the District pays one-half of the number of days earned. Employees can earn up to 122 sick leave days.

Employees accumulate vacation at varying rates depending on longevity. They are entitled to carry forward a maximum of two years accrued vacation depending on their individual annual accrual rate.

Based on the memorandum of understanding, at the sole discretion of the District, employees may convert annually, overtime hours equivalent to 120 hours of compensatory time off (CTO). CTO accrual balances per employee may not exceed 60 hours.

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 Employee's 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.

Q. Use of Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Reclassifications

Certain amounts have been reclassified for 2016 compared to the presentation in the 2015 financial statements.

S. New Pronouncements

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)", replaces the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective beginning the year ended December 31, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's), which is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The timing and pattern of recognition of the liability and corresponding deferred outflow of resources recorded is defined in this Statement. This Statement is effective for periods beginning the year ended December 31, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying and disclosing fiduciary activities of state and local governments. The focus of the criterial is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements of the government. Four fiduciary funds should be reported under this statement: Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. This Statement is effective for the year ended December 31, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for the year ended December 31, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for the year ended December 31, 2018.

The District will fully analyze the impact of these new Statements prior to the effective dates listed above.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following at December 31, 2016:

Water Fund:	
Cash and cash equivalents	$ 5,634,402
Restricted cash and cash equivalents	815,962
Investments	20,185,861
Restricted investments	26,011,789
	52,648,014
Electric Fund:	
Cash and cash equivalents	7,799,996
Investments	32,526,540
	40,326,536
Recreation Fund:	
Cash and cash equivalents	1,024,050
	1,024,050
Fiduciary Funds:	
Cash and investments	821,433
Total	821,433
Total cash, equivalents and investments	$ 94,820,033

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments were classified under GASB Statement No. 40 as follows at December 31, 2016:

Cash on hand	$ 4,800
Deposits with financial institutions	2,934,057
Total Cash	2,938,857
Investment in Local Agency Investment Fund (LAIF)	10,894,958
Money Market Mutual Funds	2,262,027
Negotiable certificates of deposit	5,492,445
U.S. Agency securities	71,632,108
Collateralized Mortgage Obligations	606,068
International Bank strip	993,570
Total Investments	91,881,176
Total Cash and Investments	$ 94,820,033

Investments Authorized by the California Government Code and the District's Investment Policy: The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of the debt agreement and not the provisions of the California Government Code or the District's Investment Policy.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities	5 years	N/A	None	None
Collateralized Mortgage Obligations	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	15%	15%
Commercial Paper	270 days	A	20%	10%
Negotiable Certificates of Deposit	1 year	A	20%	25%
California Local Agency Investment Fund (LAIF)	N/A	N/A	None	$50,000,000
Municipal Bonds	5 years	A	20%	None
Medium Term Corporate Notes	5 years	A	10%	None
Money Market Mutual Funds	N/A	AAA	20%	None

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements: Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The debt agreements contain certain provisions that address interest risk, credit risk and concentration of credit risk. The permitted investments, maximum percentage of the portfolio and maximum investment in one issuer specified in debt agreements are identical to the table above with the exception of debt agreements not allowing investments in repurchase agreements. In addition, the debt agreements require obligations of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and money market mutual funds to be rated AAA by the applicable national statistical rating agency.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date as of December 31, 2016:

		Remaining Maturity		
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	$ 10,894,958	$ 10,894,958		
Money Market Mutual Funds	2,262,027	2,262,027		
Negotiable certificates of deposit	5,492,445	250,610	500,523	4,741,312
U.S. Agency Securities	71,632,108		$ 1,985,600	$ 69,646,508
Collateralized Mortgage Obligations	606,068		606,068	
International Bank strip	993,570	993,570		
Total	$ 91,881,176	$ 14,401,165	$ 3,092,191	$ 74,387,820

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of December 31, 2016 for each investment type.

		Ratings as of fiscal year-end			
Investment Type	Amount	AAA	AA	A	Not rated
Local Agency Investment Fund	$ 10,894,958				$ 10,894,958
Money Market Mutual Funds	2,262,027	$ 2,262,027			
Negotiable certificates of deposit	5,492,445				5,492,445
U.S. Agency Securities	71,632,108		$ 71,167,823		464,285
Collateralized Mortgage Obligations	606,068		606,068		
International bank strip	993,570	993,570			
Total	$ 91,881,176	$ 3,255,597	$ 71,773,891	$ -	$ 16,851,688

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: The investment policy of the District limited the amount that can be invested in any one issuer to the amount stipulated by the California Government Code. As of December 31, 2016, the District invested in the following investments which each represent more than 5% of its total investment in any one issuer (other than U.S. Treasury obligations, mutual funds and external investment pools):

Issuer	Investment Type	Amount
Federal National Mortgage Association	U.S. Agency Security	$ 27,782,925
Federal Farm Credit Bank	U.S. Agency Security	15,651,755
Federal Home Loan Bank	U.S. Agency Security	13,767,605
Federal Home Loan Mortgage Corporation	U.S. Agency Security	14,429,823

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the 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 public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At December 31, 2016, the carrying amount of the District's deposits in financial institutions was $2,934,057. Of the balance in financial institutions, $604,044 was covered by federal depository insurance and $1,860,760 was collateralized by securities pledged by the financial institution.

As of December 31, 2016, following investment types were held by the same broker-dealer (counterparty) that was used by the District to buy the securities:

Investment Type	Reported Amount
Negotiable certificates of deposit	$ 5,492,445
U.S. Agency Securities	71,632,108
Collateralized Mortgage Obligations	606,068
International bank strip	993,570

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment in LAIF: LAIF is stated at fair value. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The total fair value amount invested by all public agencies in LAIF is $73,794,358,303 and is managed by the State Treasurer. Of that amount, 97.34 percent in invested in non-derivative financial products and 2.66 percent in derivative financial products and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

The fair value of the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 171 days at December 31, 2016.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2016:

		Fair Value Measurements Using		
	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Money Market Mutual Funds	$ 2,262,027		$ 2,262,027	
Negotiable certificates of deposit	5,492,445		5,492,445	
U.S. Agency Securities	71,632,108		71,632,108	
Collateralized Mortgage Obligations	606,068		606,068	
International bank strip	993,570		993,570	
Total Investments by Fair Value Level	80,986,218	$ -	$ 80,986,218	$ -
Investments Measured at Net Asset Value:				
LAIF	10,894,958			
Total	$ 91,881,176			

All securities and certificates of deposits classified in Level 2 are valued using pricing models based in market data, such as matrix or model pricing from outside pricing services. These valuation techniques include matrix pricing, market corroborated pricing, inputs such as yield curves and indices and reference data including market research publications.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

At December 31, 2016 the District had the following amounts due from the Agency Funds, reported in the Water Fund:

Rodeo Flat Improvement District	$ 565,400
Cement Hill Assessment District	3,803,399
	$ 4,368,799

The $565,400 due from the Rodeo Flat Improvement District represents the Rodeo Flat Improvement Bonds for which the District is the bondholder. The $3,803,399 due from the Cement Hill Assessment District represents the Assessment District's share of the State loan used to finance the construction of the Cement Hill pump zone extension. The Assessment District is responsible for approximately half of the repayment of this loan. The full amount of the loan is reflected in the financial statements of the District.

NOTE 4 – CAPITAL ASSETS

A. Capital assets activity

The activity in the capital assets for the year ended December 31, 2016 are summarized below:

	Balance at January 1, 2016	Additions	Deletions	Transfers	Balance at December 31, 2016
Water Fund					
Capital Assets not Being Depreciated:					
Land	$ 18,260,940				$ 18,260,940
Bear River Water Rights	681,644				681,644
Construction in Progress	28,563,235	$ 17,345,704	$ (250,121)	$ (7,137,056)	38,521,762
Total Capital Assets not Being Depreciated	47,505,819	17,345,704	(250,121)	(7,137,056)	57,464,346
Capital Assets Being Depreciated:					
Water Plant in Service	239,222,717	12,218		4,825,860	244,060,795
Electric Plant	222,672				222,672
Structures and Improvements	12,597,213	42,242		96,892	12,736,347
Dams and Reservoirs	36,347,642			812,339	37,159,981
Transportation Equipment	5,058,479	824,449	(1,731,938)	(48,650)	4,102,340
General Equipment	8,787,812	539,430	(2,448,517)	1,401,966	8,280,691
Total Capital Assets Being Depreciated	302,236,535	1,418,339	(4,180,455)	7,088,407	306,562,826
Less Accumulated Depreciation and Amortization for:					
Plant in Service	(86,862,543)	(6,200,398)			(93,062,941)
Tools and Equipment	(4,387,074)	(596,053)	2,375,664		(2,607,463)
Transportation Equipment	(2,979,299)	(389,612)	1,713,156	27,657	(1,628,098)
Total Accumulated Depreciation	(94,228,916)	(7,186,063)	4,088,820	27,657	(97,298,502)
Total Capital Assets Being Depreciated, Net	208,007,619	(5,767,724)	(91,635)	7,116,064	209,264,324
Total Capital Assets, Net - Water Fund	$ 255,513,438	$ 11,577,980	$ (341,756)	$ (20,992)	$ 266,728,670

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance at January 1, 2016	Additions	Deletions	Transfers	Balance at December 31, 2016
Electric Fund					
Capital Assets not Being Depreciated:					
Land	$ 44,813,061				$ 44,813,061
Power Rights	1,568,942				1,568,942
Construction in Progress	1,953,622	$ 1,257,750		$ (1,905,166)	1,306,206
Total Capital Assets not Being Depreciated	48,335,625	1,257,750		(1,905,166)	47,688,209
Capital Assets Being Depreciated:					
Electric Plant in Service	47,921,459			1,746,996	49,668,455
Bowman Power Project	2,887,922				2,887,922
Structures and Improvements	3,612,781				3,612,781
Dams and Reservoirs	27,333,557			158,170	27,491,727
Transportation Equipment	1,024,603	180,740	$ (126,998)	(23,227)	1,055,118
General Equipment	2,253,742	31,103	(197,943)		2,086,902
Total Capital Assets Being Depreciated	85,034,064	211,843	(324,941)	1,881,939	86,802,905
Less Accumulated Depreciation and Amortization for:					
Plant in Service	(48,186,744)	(1,139,298)			(49,326,042)
Tools and Equipment	(816,998)	(200,969)	197,943		(820,024)
Transportation Equipment	(526,054)	(96,046)	126,998	2,767	(492,335)
Total Accumulated Depreciation	(49,529,796)	(1,436,313)	324,941	2,767	(50,638,401)
Total Capital Assets Being Depreciated, Net	35,504,268	(1,224,470)		1,884,706	36,164,504
Total Capital Assets, Net - Electric Fund	$ 83,839,893	$ 33,280	$ -	$ (20,460)	$ 83,852,713

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance at January 1, 2016 (Restated)	Additions	Deletions	Transfers	Balance at December 31, 2016
Recreation Fund					
Capital Assets not Being Depreciated:					
Land	$ 27,900,659				$ 27,900,659
Construction in Progress		$ 58,097			58,097
Total Capital Assets not Being Depreciated	27,900,659	58,097			27,958,756
Capital Assets Being Depreciated:					
General Plant	619,133				619,133
Structures and Improvements	12,372,109				12,372,109
Dams and Reservoirs	112,115				112,115
Transportation Equipment	386,465		$ (325,349)	$ 71,874	132,990
General Equipment	14,887				14,887
Total Capital Assets Being Depreciated	13,504,709		(325,349)	71,874	13,251,234
Less Accumulated Depreciation and Amortization for:					
General Plant	(74,296)	(12,383)			(86,679)
Facilities	(6,958,155)	(238,509)			(7,196,664)
Tools and Equipment	(14,887)				(14,887)
Transportation Equipment	(344,887)	(13,974)	325,349	(30,422)	(63,934)
Total Accumulated Depreciation	(7,392,225)	(264,866)	325,349	(30,422)	(7,362,164)
Total Capital Assets Being Depreciated, Net	6,112,484	(264,866)		41,452	5,889,070
Total Capital Assets, Net - Recreation Fund	$ 34,013,143	$ (206,769)	$ -	$ 41,452	$ 33,847,826

B. *Depreciation Allocation*

Depreciation expense is charged to the water and electric funds based on their usage of related assets. The amounts allocated were as follows:

Water	$ 7,186,063
Electric	1,436,313
Recreation	264,866
Total Depreciation Expense	$ 8,887,242

NOTE 5 – LONG-TERM LIABILITIES

The District's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Due within One Year
2016A Revenue Bonds		$ 20,210,000		$ 20,210,000	$ 550,000
2011A Refunding Revenue Bonds	$ 23,255,000		$ (1,140,000)	22,115,000	1,165,000
State of California loan-Cement Hill	7,560,214		(841,039)	6,719,175	460,800
Total	30,815,214	20,210,000	(1,981,039)	49,044,175	2,175,800
Unamortized premiums	955,290	4,506,469	(294,290)	5,167,469	
Total Debt and Loans	31,770,504	4,506,469	(2,275,329)	54,211,644	2,175,800
Other postemployment benefits	646,000	1,451,000	(1,320,790)	776,210	
Compensated absences	2,774,217	192,287		2,966,504	1,044,139
Net pension liability	37,053,826	6,471,544		43,525,370	
	40,474,043	8,114,831	(1,320,790)	47,268,084	1,044,139
	72,244,546	12,621,300	(3,596,119)	101,479,728	$ 3,219,939
Less: Due Within One Year	(2,463,207)			(3,219,939)	
Total	$ 69,781,339	$ 12,621,300	$ (3,596,119)	$ 98,259,789	

The District's long-term debt consisted of the following at December 31, 2016:

Revenue Bonds In April 2016, the Nevada Irrigation District Joint Powers Authority sold $20,210,000 of Series 2016A Revenue Bonds, with interest rates ranging from 4% to 5%. The proceeds were used to finance the acquisition of the Combine Phase 1 Canal and Bear River Siphon Replacement Project; preliminary engineering and environmental studies related to the Centennial Reservoir, and acquire certain land and interest in land for mitgation of various District projects. Principal payments ranging $550,000 to $2,190,000 are due on March 1 through 2031. Interest payments ranging from $43,800 to $483,800 are due on March 1 and September 1 through March 1, 2031.	$ 20,210,000
Revenue Bonds In December 2011, the Nevada Irrigation District Joint Powers Authority sold $25,970,000 of Series 2011A Revenue Bonds, with interest rates ranging from 2% to 5%. The proceeds were used to advance refund a portion of the 2002 Certificate of Participation, finance a portion of the Lower Cascade Canal/Banner Cascade pipeline project, and pay the costs of the 2011A bond issuance. Principal payments ranging from $790,000 to $1,470,000 are due on March 1 through 2036. Interest payments ranging from $14,438 to $472,109 are due on March 1 and September 1 through March 1, 2036.	22,115,000
State of California Loans In October 2007, the District signed a $9,768,858 agreement with the State of California Department of Public Health to finance construction of the Cement Hill pump zone extension to meet the California safe drinking water standards. Interest is at 2.2836%. Principal payments ranging from $72,320 to $301,324 and interest payments ranging from $826 to $86,323 are due semi-annually on January 1 and July 1 through 2030.	6,719,175
Totals	$ 49,044,175

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Annual debt service requirements are shown below for the above debt issues:

For the Year Ended December 31	2016A Revenue Bonds Principal	2016A Revenue Bonds Interest	2011A Revenue Bonds Principal	2011A Revenue Bonds Interest	State Loans Principal	State Loans Interest
2017	$ 550,000	$ 953,850	$ 1,165,000	$ 909,644	$ 460,800	$ 150,394
2018	575,000	925,725	1,210,000	867,969	470,936	140,243
2019	605,000	896,225	1,265,000	812,144	481,752	129,427
2020	635,000	865,225	1,330,000	747,269	492,817	118,362
2021	670,000	832,600	1,400,000	679,019	504,135	107,045
2022-2026	7,140,000	3,297,250	4,790,000	2,676,868	2,699,759	356,143
2027-2031	10,035,000	1,128,575	4,905,000	1,826,175	1,608,976	60,261
2032-2036			6,050,000	681,828		
Total	$ 20,210,000	$ 8,899,450	$ 22,115,000	$ 9,200,916	$ 6,719,175	$ 1,061,875

Pledged Revenues: The District has pledged future water system revenues, net of specified operating expenses to repay its 2011 and 2016 Revenue Bonds in the original amount of $25,970,000 and $20,210,000. Proceeds of the Bonds were used to refund certain debt issuances as described above and to fund acquisition improvements to the District's water systems. The Bonds are payable solely from water system revenues and special assessments and are payable through 2036. Annual principal and interest payments on the Bonds are expected to require approximately 125% of net revenues. Total principal and interest remaining to be paid on the Bonds was $60,425,366, at December 31, 2016. Cash basis principal and interest paid on the Bonds was $2,439,006, and total water system net revenues calculated in accordance with the covenants was $19,851,974 for the Revenue Bond.

NOTE 6 – NET POSITION

Net Position is the excess of all the District’s assets and deferred outflows over all its liabilities, and deferred inflows. Net Position is divided into three categories as follows:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the District’s capital assets, less the outstanding balance of any debt issued to finance these assets, excluding unspent proceeds.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include facility capacity fees received for use on capital projects, fees charged for the provision of future water resources and debt service reserve funds.

Unrestricted describes the portion of net position which is not restricted as to use.

Designations of unrestricted net position may be imposed by the Board of Directors to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action. They are reported as part of the District’s unrestricted net position.

Although the Water Fund does not have sufficient unrestricted net position to cover all of the designated balances, the Water Fund has sufficient cash balances.

NOTE 6 – NET POSITION (Continued)

The District's unrestricted net position consists of the following at December 31, 2016:

	Water	Electric	Recreation
DESIGNATED:			
Accrued Leave	$ 2,182,317	$ 266,996	$ 71,503
Operating reserve	8,919,569	10,000,000	
Community investment stabilization reserve	1,500,000		
Watershed stewardship reserve	1,995,249		
Capital improvement reserve	2,500,000	17,000,000	500,000
Hydroelectric relicensing		259,962	
TOTAL DESIGNATED	17,097,135	27,526,958	571,503
UNDESIGNATED	(10,385,367)	7,048,803	(994,446)
TOTAL UNRESTRICTED NET POSITION	$ 6,711,768	$ 34,575,761	$ (422,943)

The Board has made designations of net position; however, the unrestricted net position balance is not sufficient to cover the designations in the Water and Recreation Funds. The District has sufficient cash balances for these designations.

NOTE 7 – PENSION PLANS

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a publicly available report that includes a full description of the pension plan 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 five years of service. The death benefit is the Basic Death Benefit. One agent plan is used for all three of the District's rate plans. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 7 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect for the year ended December 31, 2016 is summarized as follows for each rate plan:

Hire date	Miscellaneous Plan (Prior to May 1, 2010)	Miscellaneous Plan (After May 1, Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates:			
January 1 to December 30	8.000%	7.000%	6.750%
Required employer contribution rates:			
January 1 to June 30	27.907%	27.907%	27.907%
July 1 to December 31	29.973%	29.973%	29.973%

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires the 2.0% at 62 benefit to be used by any new participants that were not members of CalPERS on January 1, 2013.

Employees Covered: At the June 30, 2016 (the most recent date available) the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiares currently receiving benefits	210
Inactive employees entitled to but not yet receiving benefits	56
Active employees	189
Total	455

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 7 – PENSION PLANS (Continued)

Net Pension Liability: The District's net pension liability for the Plan is measured as the total pension liability, less the plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability at the June 30, 2016 measurement dates was determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.20% (1)
Investment Rate of Return	7.65% (2)
Mortality - pre-retirement	0.020% to 0.99%

(1) Depending on entry age and service

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation was based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65% in the June 30, 2016 valuation 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 discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65% investment return assumption used at the June 30, 2016 measurement date was corrected to no longer be reduced for administrative expenses.

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.

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.

NOTE 7 – PENSION PLANS (Continued)

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 for the Plan as of the measurement dates of June 30. 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	(0.55)%	(1.05)%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 7 – PENSION PLANS (Continued)

Changes in the Net Pension Liability: The changes in Net Pension Liability for the Plan for the year ended December 31, 2016 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at December 31, 2015	$ 113,700,778	$ 76,646,952	$ 37,053,826
Changes in the year:			
Service cost	1,926,560		1,926,560
Interest on the total pension liability	8,570,812		8,570,812
Differences between actual and expected experience	782,741		782,741
Contribution - employer		3,510,366	(3,510,366)
Contribution - employee		975,138	(975,138)
Net investment income		369,777	(369,777)
Benefit payments, including refunds of employee contributions	(6,820,099)	(6,820,099)	-
Administrative expenses		(46,712)	46,712
Net changes during 2015-16	4,460,014	(2,011,530)	6,471,544
Balance at December 31, 2016	$ 118,160,792	$ 74,635,422	$ 43,525,370

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District for the Plan, calculated using the discount rate for the Plan, as well as what the District's 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:

	Miscellaneous Plan
1% Decrease	6.65%
Net Pension Liability	$ 58,493,151
Current Discount Rate	7.65%
Net Pension Liability	$ 43,525,370
1% Increase	8.65%
Net Pension Liability	$ 31,142,099

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended December 31, 2016, the District recognized pension expense of $4,353,654. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,928,399	
Differences between actual and expected experience	1,185,799	
Changes in assumptions		$ (984,840)
Net differences between projected and actual earnings on plan investments	6,777,587	(2,729,636)
Total	$ 9,891,785	$ (3,714,476)

The $1,928,399 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows as of December 31, 2016:

Year Ended December 31	
2017	$ 527,145
2018	527,145
2019	2,063,285
2020	1,131,335
	$ 4,248,910

Payable to the Pension Plan: At December 31, 2016, the District reported payables of $532,755 for the outstanding amount of required contributions to the Plan.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's other postemployment benefits (OPEB) healthcare plan (the Plan) provides medical benefits to employees that directly retire from the District and their eligible dependents, subject to a monthly limitation pursuant to Government Code Section 22892, as amended by AB 2544. Eligibility rules include retirement from the District at age 50 or later with five years of service. The District's Board of Directors has the authority to establish and amend benefit provisions. The District participates in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administrated by CalPERS, and is managed by an appointed board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Policy: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The benefits are fully funded by the District. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2016, the District contributed approximately $1,504,494 to the Plan, which represents current premiums. Plan members did not make any contributions to the Plan.

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC 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 following table shows the components of the District's annual OPEB cost for 2016, the amount actually contributed to the Plan, and changes in the District's net OPEB asset.

Annual Required Contribution (ARC)	$ 1,690,000
Interest on Net OPEB Obligation	(39,000)
Adjustment to Annual Required Contribution	58,000
Annual OPEB Cost (Expense)	1,709,000
Contributions Made	(1,504,494)
Decrease in OPEB Asset	204,506
Net OPEB (Asset) Liability - Beginning of Year	(539,000)
Net OPEB (Asset) - End of Year	$ (334,494)

This net OPEB (asset) liability is reported by fund as follows:

Water	$ 752,210
Electric	(1,110,704)
Recreation	24,000
Net OPEB (asset)	$ (334,494)

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the three most recent fiscal years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability (Asset)
December 31, 2014	$ 2,232,000	133.20%	$ (702,000)
December 31, 2015	2,271,000	92.82%	(539,000)
December 31, 2016	1,709,000	88.03%	(334,494)

Funded Status and Funding Progress: The funded status of the Plan as of June 30 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	$ 22,093,000
Actuarial Value of Plan Assets	11,384,000
Unfunded Actuarial Accrued Liability (UAAL)	$ 10,709,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	51.53%
Covered Payroll (Active Plan Participants)	$ 11,699,000

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial valuation used the rates of mortality, disability and other withdrawals used by CalPERS in the valuation of the District's pension plan. The actuarial assumptions included a 7.25% investment rate of return, a 3.0% rate of inflation, an 8.0% healthcare premium increase in 2015 trending down to 5.0% in 2021, and a 3.25% increase in payroll. The UAAL is being amortized as a level percent of pay over a closed 18 year period. The remaining amortization period at December 31, 2016 was 11 years.

NOTE 9 - INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District participates in the Special District Risk Management Authority (SDRMA) Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions and public official personal liability insurance coverage.

SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of SDRMA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services.

The District paid no material uninsured losses during the last three fiscal years and had no significant reductions in coverage during the year. Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable.

The District's maximum coverage as of December 31, 2016 consisted of $10 million for general liability, public officials and employees' errors, employment practices liability and auto liability, $500,000 of personal liability coverage for Board members, $1,000,000 for employee dishonesty and for uninsured motorists. In addition, the District has property coverage of $1 billion and boiler and machinery coverage of $100 million. The District also has workers compensation insurance up to the statutory limit and $5 million for employers' liability coverage. Deductibles range from $1,000 to $500,000.

NOTE 10 – INTERFUND TRANSACTIONS

Interfund transactions between funds are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables or payables as appropriate, and are subject to elimination upon consolidation. The District transfers resources among funds in the course of normal operations. Services provided, deemed to be at market or near market rates are accounted for as revenues and expenditures/expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

Advances Between Funds

Interfund advances as of December 31, 2016 were as follows:

	Advances from other funds	Advances to other funds
Water Utility Fund	$ 2,705,092	
Electric Utility Fund		2,705,092
	$ 2,705,092	$ 2,705,092

NOTE 10 – INTERFUND TRANSACTIONS (Continued)

The Water Fund advanced the Electric Fund $15,705,092 between 2006 and 2015 to pay for the FERC Relicensing of the Yuba Bear Hydroelectric Project. As of December 31, 2016, $2,705,092 was outstanding on this advance, including accrued and unpaid interest of $293,752 starting from August 10, 2004. This loan accrues simple interest at the Pooled Money Investment Account average monthly yields. Principal payments of not less than $3,000,000 per year are due annually at December 31, along with the accrued interest on that amount.

Transfers Between Funds

Interfund transfers for operations as of December 31, 2016 were as follows:

	Transfers in	Transfers out
Water Utility Fund	$ 23,499	
Electric Utility Fund	15	$ 547,483
Recreation Fund	541,452	17,483
	$ 564,966	$ 564,966

The transfer from the Electric Utility Fund to the Recreation Fund of $541,452 was for reserves for future capital improvements. The remaining transfers were made to transfer resources to the fund incurring the expense.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

Capital and Other Project Commitments: The District had the following significant capital and other project commitments outstanding as of December 31, 2016:

Centennial Reservoir	$ 1,399,250
Raw Water Intertie with PCWA	972,128
Loma Rica System	570,089
Lodestar/Conestoga Pipe	360,663
Chicago Park PH Switchboard Upgrade	342,220
Greenhorn Sediment Removal	228,118
Shale Ridge Tank 24" Pipeline	202,981
SCADA Upgrade	148,378
Locksley Lane Intertie	138,080
Dutch Flat Afterbay Low Level	131,426
Hemphill Fish Diversion	89,650
Combie Sediment Removal	83,941
Rollins No 2 Powerhouse	71,861
Raw Water Master Plan EIR	62,302
Hydro Gaging Station Design	57,852
Total	$ 4,858,940

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Litigation: The District is a defendant in a number of lawsuits, which have arisen, in the normal course of business including challenges over certain rates and changes. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

During 2016, the District received 99.8% of its total Electric Fund revenue from PG&E for power generated from the District's power plants.

NOTE 12 – AGREEMENT WITH PACIFIC GAS AND ELECTRIC COMPANY

The District has entered into a twenty-year power purchase agreement with PG&E beginning July 1, 2013. The District bills PG&E monthly based on energy generation and PG&E bills the District for any CAISO charges. If the contract is terminated early, a termination payment will be calculated according to the terms of the contract.

NOTE 13 – RELICENSING

The District has been preparing for the relicensing of its Yuba Bear Power Project as required by the Federal Energy Regulatory Commission (FERC). The FERC license on this project expired April 30, 2013. In connection with the relicensing, the District has incurred expenses, entered into service contracts, and established cash reserves to pay for anticipated costs. Costs incurred for the relicensing are being capitalized, and will be amortized over the life of the new license once it has been issued by FERC. Total cost capitalized as of December 31, 2016 amounted to $15,691,011. Until the relicensing process is completed, operations continue under the current FERC license conditions.

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REQUIRED SUPPLEMENTARY INFORMATION

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NEVADA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016
Last 10 Years

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (Unaudited)

	2016	2015	2014
Total Pension Liability			
Service Cost	$ 1,926,560	$ 1,691,635	$ 1,765,326
Interest on Total Pension Liability	8,570,812	8,255,944	7,905,821
Changes in Assumptions		(1,922,782)	
Differences Between Actual and Expected Experience	782,741	1,142,319	
Benefit Payments, Including Refunds of Employee Contributions	(6,820,099)	(6,643,641)	(6,044,270)
Net Change in Total Pension Liability	4,460,014	2,523,475	3,626,877
Total Pension Liability - Beginning	113,700,778	111,177,303	107,550,426
Total Pension Liability - Ending (a)	$ 118,160,792	$ 113,700,778	$ 111,177,303
Plan Fiduciary Net Position			
Contributions - Employer	$ 3,510,366	$ 3,098,851	$ 2,449,665
Contributions - Employee	975,138	921,705	909,560
Net Investment Income	369,777	1,695,016	11,836,566
Benefit Payments	(6,820,099)	(6,643,641)	(6,044,270)
Administrative Expenses	(46,712)	(86,331)	
Net Change in Plan Fiduciary Net Position	(2,011,530)	(1,014,400)	9,151,521
Plan Fiduciary Net Position - Beginning	76,646,952	77,661,352	68,509,831
Plan Fiduciary Net Position - Ending (b)	$ 74,635,422	$ 76,646,952	$ 77,661,352
Net Pension Liability - Ending (a) - (b)	$ 43,525,370	$ 37,053,826	$ 33,515,951
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.16%	67.41%	69.85%
Covered - Employee Payroll	$ 12,230,577	$ 10,522,081	$ 10,387,326
Net Pension Liability as a Percentage of Covered Payroll	355.87%	352.15%	322.66%

Notes to Schedule:
Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after valuation dates. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction form pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

Omitted Years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. No information was available prior to this date. Ten years of information will be presented as it becomes available.

NEVADA IRRIGATION DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016
Last 10 Years

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN (Unaudited)

	December 31, 2016	December 31, 2015	December 31, 2014
Contractually Required Contribution (Actuarially Determined)	$ 3,729,988	$ 3,434,463	$ 2,676,564
Contributions in Relation to the Actuarially Determined Contributions	(3,729,988)	(3,434,463)	(2,676,564)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered - Employee Payroll - District Calendar Year	$ 12,889,477	$ 12,633,291	$ 10,921,603
Contributions as a Percentage of Covered - Employee Payroll	28.94%	27.19%	24.51%
Valuation Date:	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date:	June 30, 2016	June 30, 2015	June 30, 2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percentage of Payroll
Average Remaining Amortization Period	20 Years (2016) 21 Years (2015), 24 Years (2014)
Asset Valuation Method	Market Value (2016) 15-year Smoothed Market (2015 and 2014)
Inflation	2.75%
Salary Increases	3.20% to 12.20% (2016 and 2015), 3.30% to 14.20% (2014) Depending on Entry Age and Service.
Payroll Growth	3.00%
Investment Rate of Return	7.50%, Net of Administrative Expenses, including inflation.
Retirement Age	50 to 67 years. Probabilities of Retirement are Based on the 2010 CalPERS Experience Study for the Period 1997 to 2007.
Mortality	Based on 2010 CalPERS Experience Study for the Period 1997 to 2007.

Omitted Years: GASB Statement No. 68 was implemented during the year ended December 31, 2014. Information was not available prior to 2014. Ten years of information will be presented as it becomes available.

SCHEDULE OF FUNDING PROGRESS OF THE OTHER POSTEMPLOYMENT BENEFITS PLAN (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	$ 5,338,000	$ 22,346,000	$ 17,008,000	23.89%	$ 9,666,000	175.96%
June 30, 2013	7,904,000	23,637,000	15,733,000	33.44%	9,980,000	157.65%
June 30, 2015	11,384,000	22,093,000	10,709,000	51.53%	11,699,000	91.54%

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SUPPLEMENTARY INFORMATION

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NEVADA IRRIGATION DISTRICT

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

For the Year Ended December 31, 2016

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016
Cement Hill				
Assets				
Cash with fiscal agent	$ 791,300		$ (656,164)	$ 135,136
Accrued interest	137	$ 179		316
Assessments receivable	184,815		(1,807)	183,008
Infrastructure donated to District	3,519,707		(34,769)	3,484,938
Total Assets	$ 4,495,959	$ 179	$ (692,740)	3,803,398
Liabilities				
Due to other governments	$ 4,495,959		$ (692,561)	$ 3,803,398
Total liabilities	$ 4,495,959		$ (692,561)	$ 3,803,398
Rodeo Flat				
Assets				
Cash with fiscal agent	$ 146,431		$ (25,805)	$ 120,626
Accrued interest	176	$ 106		282
Assessments receivable	24,888	47		24,935
Infrastructure donated to District	403,328	25,317		428,645
Total Assets	$ 574,823	$ 25,470	$ (25,805)	$ 574,488
Liabilities				
Interest payable	$ 9,423		$ (335)	$ 9,088
Due to bondholders	565,400		-	565,400
Total liabilities	$ 574,823		$ (335)	$ 574,488
Improvement Districts				
Assets				
Cash with fiscal agent	$ 561,240	$ 4,431		$ 565,671
Accrued interest	675	646		1,321
Total Assets	$ 561,915	$ 5,077		$ 566,992
Liabilities				
Agency obligations	$ 561,915		$ 5,077	$ 566,992
Total liabilities	$ 561,915	$ -	5,077	$ 566,992
All Agency Funds				
Assets				
Cash with fiscal agent	$ 1,498,971	$ 4,431	$ (681,969)	$ 821,433
Accrued interest	988	931	-	1,919
Assessments receivable	209,703	47	(1,807)	207,943
Infrastructure donated to District	3,923,035	25,317	(34,769)	3,913,583
Total Assets	$ 5,632,697	$ 30,726	$ (718,545)	$ 4,944,878
Liabilities				
Interest payable	$ 9,423		$ (335)	$ 9,088
Due to other governments	4,495,959		(692,561)	3,803,398
Due to bondholders	565,400		-	565,400
Agency obligations	561,915		5,077	566,992
Total liabilities	$ 5,632,697	$ -	$ (687,819)	$ 4,944,878

Nevada Irrigation District
Table 18: Capacity Fee Report
Government Code Section 66013
Fiscal Year Ended December 31, 2016

Beginning balance				$	6,190,556
Revenues:					
Fees Collected		$	575,282		
Interest Earned			34,347		
	Total		609,629		
Expenses:					
Debt Service		$	218,578		
Lodestar/Conestoga Pipe 1080			866,388		
	Total		1,084,966		
Net Changes for the Year					(475,337)
Ending balance				$	5,715,219

California Government Code (CGC) Section 66013 requires the District to place capital facilities fees received and any interest income earned from the investment of these monies in a separate capital facilities fund. These monies are to be used solely for the purposes for which they were collected and not commingled with other District funds. A capacity charge means a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future.

The Section requires the District to make certain information available to the public within 180 days after the close of each fiscal year. Furthermore, the Section allows the required information to be included in the District's annual financial report. The Capacity Fee Report meets this requirement.

Capacity fees are imposed for initiating water connection service by the District at the request of the customer. No fees are imposed upon real property or upon person as an incident of property ownership, but rather as a condition of service.

The District's Capital Improvement Plan forecast usage of these fees for treated water growth/expansion related projects. No interfund loans are connected to these fees.

Source: Nevada Irrigation District Finance Department

STATISTICAL SECTION

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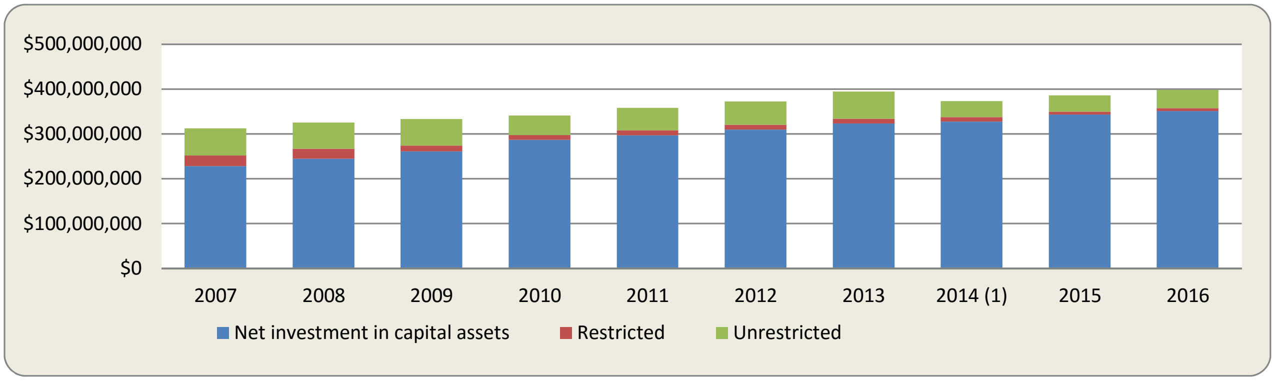
STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the District's overall financial health.

<u>**Content**</u> <u>**Page**</u>

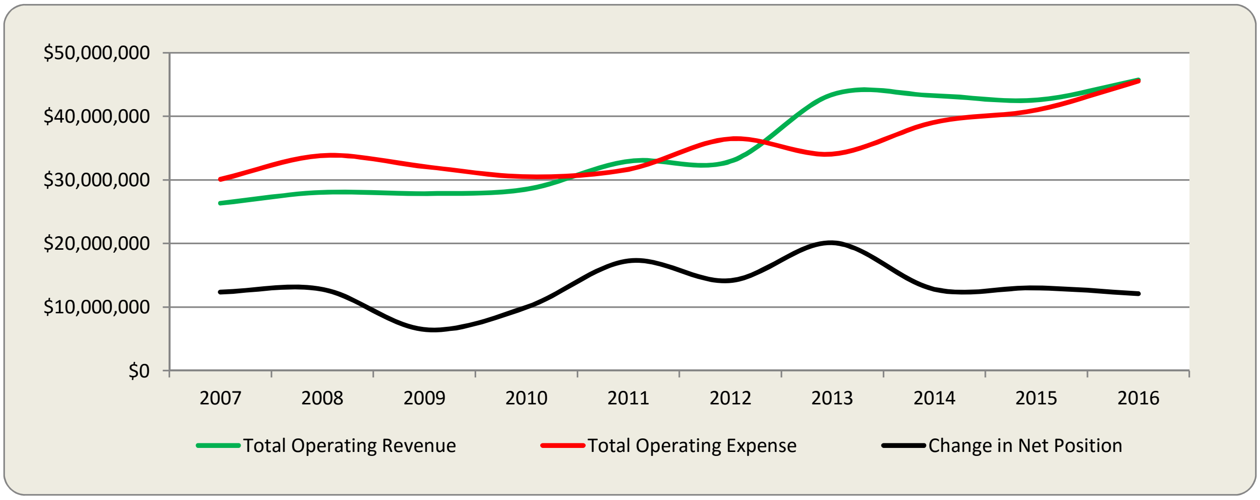
Nevada Irrigation District
Table 1: Net Position by Component
(Accrual Basis of Accounting)



	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014 (1)	2015	2016
Net Position:										
Net investment in capital assets	$228,067,879	$244,566,486	$260,500,460	$286,182,245	$296,671,739	$309,004,602	$322,987,110	$326,939,315	$342,551,262	$350,611,745
Restricted	23,239,235	21,541,519	13,141,413	10,539,569	10,891,261	10,768,846	10,763,551	10,109,236	6,801,736	6,338,459
Unrestricted	60,949,017	58,566,844	58,880,504	43,969,378	50,128,251	52,278,409	60,186,554	35,619,175	36,342,866	40,864,586
Total net position	$312,256,131	$324,674,849	$332,522,377	$340,691,192	$357,691,251	$372,051,857	$393,937,215	$372,667,726	$385,695,864	$397,814,790

(1) Balances shown for 2014 were restated to reflect the implementation of GASB 68. Information needed to restate years prior to 2013 was not readily available.
Source: Nevada Irrigation District Finance Department

Nevada Irrigation District
Table 2: Changes in Net Position
(Accrual Basis of Accounting)



	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues:										
Water sales	$ 14,693,664	$ 16,446,593	$ 16,228,200	$ 16,000,740	$ 16,639,336	$ 17,857,842	$ 19,226,399	$ 18,879,014	$ 18,182,972	$ 19,965,010
Electric power sales	10,011,923	9,950,305	10,020,206	10,711,380	14,345,166	12,798,978	21,560,091	21,547,522	20,938,643	22,559,519
Standby charges	131,771	127,801	125,120	110,312	132,398	123,807	77,343	199,031	127,318	124,533
Reimbursements	18,050	24,297	15,919	104,957	7,862	22,208	55,489	66,945	715,544	344,065
New connections and instl	259,631	134,328	88,447	118,253	215,128	124,916	245,965	172,943	391,315	225,972
Recreation fees	869,482	956,975	970,118	1,093,022	1,150,541	1,471,825	1,773,812	1,814,050	1,680,426	2,056,885
Other revenue	349,075	402,458	393,788	387,196	437,184	514,794	484,391	558,090	514,390	421,539
Total Operating Revenue	26,333,596	28,042,757	27,841,798	28,525,860	32,927,615	32,914,370	43,423,490	43,237,595	42,550,608	45,697,523
Operating Expenses										
Administration and general	13,776,532	15,721,193	14,598,800	13,770,783	12,592,040	16,520,096	11,296,190	15,038,106	16,857,254	20,237,948
Water treatment	3,777,112	3,987,615	3,885,028	3,903,220	3,985,813	3,968,769	4,243,379	5,125,173	5,038,911	7,394,700
Transmission and distr	7,736,692	8,897,553	8,553,808	7,720,425	8,011,035	7,984,101	9,082,023	8,675,374	9,595,141	8,152,298
Pumping	639,489	699,143	668,774	688,388	741,398	736,270	794,287	814,440	705,111	852,879
Depreciation and amort	4,159,627	4,519,100	4,391,641	4,420,861	6,325,122	7,253,596	8,648,909	9,410,296	8,781,131	8,887,242
Total Operating Expense	30,089,452	33,824,604	32,098,051	30,503,677	31,655,408	36,462,832	34,064,788	39,063,389	40,977,548	45,525,067
Nonoperating Rev (Exp)										
Taxes and assessments	10,678,618	11,229,400	10,847,807	10,131,516	9,990,235	10,302,102	9,750,780	10,108,508	10,707,911	11,363,997
Investment income	4,011,993	3,496,895	1,160,520	1,719,826	378,489	486,989	433,678	673,536	652,266	(187,349)
Other Interest Income	-	-	-	-	-	-	-	-	-	374,996
Unrealized gain/(loss)	1,499,429	1,853,898	(792,783)	27,040	524,320	100,082	-	-	(827,767)	-
Rents and leases	192,235	77,208	64,941	71,235	40,090	94,585	84,532	73,534	165,720	206,923
Gain/(loss) on sale assets	(1,089,826)	1,490,765	(125,655)	71,610	(44,458)	(87,326)	1,067	(2,199,003)	(3,275)	17,535
Intergovernmental revenue	94,470	-	-	-	-	-	863,830	412,468	937,659	1,501,698
Interest expense	(1,407,886)	(1,283,074)	(1,157,049)	(821,327)	(207,418)	(1,551,584)	(1,463,127)	(1,320,756)	(1,265,805)	(2,055,024)
Other non-operating expenses	-	-	-	-	-	-	-	-	(83,234)	148,412
Total Nonoperating	13,979,033	16,865,092	9,997,781	11,199,900	10,681,258	9,344,848	9,670,760	7,748,287	10,283,475	11,371,188
Income before contribution	10,223,177	11,083,245	5,741,528	9,222,083	11,953,465	5,796,386	19,029,462	11,922,493	11,856,535	11,543,644
Transfers and contributions										
Capacity charges	729,082	854,984	385,992	298,908	855,473	363,568	714,427	854,499	414,305	575,282
Capital contributions	1,411,296	856,208	366,288	452,684	4,456,123	8,004,707	369,150	18,776	757,298	-
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total Transfers and contri	2,140,378	1,711,192	752,280	751,592	5,311,596	8,368,275	1,083,577	873,275	1,171,603	575,282
Change in Net Position	$ 12,363,555	$ 12,794,437	$ 6,493,808	$ 9,973,675	$ 17,265,061	$ 14,164,661	$ 20,113,039	$ 12,795,768	$ 13,028,138	$ 12,118,926

Source: Nevada Irrigation District Finance Department

Nevada Irrigation District
Table 3: Treated Water Rates and Connection Fees
Effective January 1

	2007	2008[1]	2009	2010	2011	2012	2013	2014	2015	2016
Commodity Rate/HCF:										
Residential										
2 to 58 hcf	$ 1.157	$ 1.08	$ 1.17	$ 1.22	$ 1.36	$ 1.47	$ 1.53	$ 1.62	$ 1.72	$ 1.82
Next 340 hcf	$ 1.290	1.40	1.51	1.57	1.76	1.90	1.98	$ 2.10	$ 2.22	$ 2.36
Over 400 hcf	$ 1.387									
Daily Base Charge (fixed based on meter size):										
5/8"	$ 0.50	$ 0.52	$ 0.54	$ 0.54	$ 0.57	$ 0.58	$ 0.61	$ 0.64	$ 0.69	$ 0.74
3/4"	0.64	0.70	0.75	0.77	0.83	0.88	0.91	0.97	1.04	1.10
1"	0.92	1.05	1.16	1.21	1.36	1.46	1.52	1.61	1.74	1.84
1.5"	1.46	1.79	2.07	2.21	2.64	2.92	3.04	3.22	3.47	3.68
2"	2.20	2.75	3.23	3.48	4.20	4.68	4.87	5.16	5.56	5.89
3"	3.87	4.95	5.90	6.38	7.82	8.77	9.12	9.67	10.42	11.05
4"	5.36	6.86	9.17	10.08	12.80	14.62	15.21	16.12	17.37	18.41
6"	10.47	14.71	18.34	20.16	25.61	29.25	30.42	32.24	34.74	36.83
8"	22.64	28.06	32.74	35.07	42.11	46.79	48.67	51.59	55.59	58.93
Daily Base Charge for Private Fire Lines (fixed based on meter size):										
1"						$ 0.09	$ 0.09	0.09	0.10	0.10
4"	$ 0.42	0.44	$ 0.47	$ 0.48	$ 0.50	$ 0.51	0.52	0.54	0.57	0.58
6"	0.45	0.46	0.50	0.51	0.52	0.54	0.55	0.58	0.60	0.62
8"	0.50	0.52	0.55	0.57	0.58	0.60	0.61	0.64	0.67	0.68
Connection Fees										
5/8"	$ 6,888.04	$ 7,291.37	$ 7,291.37	$ 7,329.47	$ 7,559.00	$ 7,810.00	$ 8,003.00	$ 9,775.00	$ 10,097.00	$ 10,294.00
3/4"	$ 9,732.68	$ 10,313.48	$ 10,313.48	$ 10,363.12	$ 10,688.00	$ 11,044.00	$ 11,317.00	$ 13,859.00	$ 14,317.00	$ 14,598.00
1"	$ 16,936.65	$ 17,696.16	$ 17,969.16	$ 18,045.74	$ 18,613.00	$ 19,233.00	$ 19,711.00	$ 24,212.00	$ 25,014.00	$ 25,506.00
1.5"	$ 37,623.68	$ 39,946.87	$ 39,946.87	$ 40,103.47	$ 41,367.00	$ 42,746.00	$ 43,810.00	$ 53,913.00	$ 55,703.00	$ 56,799.00
2"	$ 66,452.26	$ 70,582.29	$ 70,582.29	$ 70,846.96	$ 73,082.00	$ 75,521.00	$ 77,404.00	$ 95,343.00	$ 98,511.00	$ 100,450.00
Over 2"										

(1) 1st 10 hcf for 2 to 58 hcf, Next 340 hcf Over
Source: Nevada Irrigation District Finance Department

Nevada Irrigation District

Table 4: Hydroelectric Rates, Production, and Sales

Effective January 1

	2013	2014	2015	2016
Rates/(kwh)				
Location: # Power Plants				
Chicago Powerhouse	$ 0.11	$ 0.17	$ 0.14	$ 0.06
Dutch Flat Powerhouse	0.17	0.26	0.25	0.06
Rollins Powerhouse	0.06	0.19	0.18	0.07
Bowman Powerhouse	0.06	0.07	0.06	0.05
Scotts Flat Powerhouse	0.09	0.09	0.09	0.09
Combie South Powerhouse	0.09	0.09	0.09	0.09
Combie North Powerhouse	0.11	0.11	0.10	0.11
Unit Availability				
Location:				
Chicago Powerhouse	99.93%	99.67%	99.79%	99.79%
Dutch Flat Powerhouse	99.99%	99.93%	96.52%	99.55%
Rollins Powerhouse	100.00%	100.00%	99.78%	97.97%
Average	99.97%	99.87%	98.70%	99.10%
Generation/(kwh)				
Location:				
Chicago Powerhouse	107,134,000	59,831,000	69,133,000	161,362,000
Dutch Flat Powerhouse	19,301,000	19,912,000	21,793,000	90,897,000
Rollins Powerhouse	51,213,000	27,008,000	28,588,000	74,461,000
Bowman Powerhouse	6,280,200	5,083,000	3,952,800	14,700,000
Scotts Flat Powerhouse	4,471,000	2,891,000	2,228,000	3,911,000
Combie South Powerhouse	2,317,100	2,158,000	1,652,400	7,927,000
Combie North Powerhouse	1,587,000	1,370,000	1,279,000	1,855,000
Total	192,303,300	118,253,000	128,626,200	355,113,000
Sales				
Location:				
Chicago Powerhouse	$ 11,474,067	$ 10,156,075	$ 9,688,911	$ 9,856,454
Dutch Flat Powerhouse	3,291,586	5,247,154	5,417,285	5,573,524
Rollins Powerhouse	3,227,045	5,149,273	5,100,484	5,159,473
Bowman Powerhouse	372,104	374,415	255,516	722,338
Scotts Flat Powerhouse	399,675	274,400	209,302	357,684
Combie South Powerhouse	215,180	192,624	141,890	694,311
Combie North Powerhouse	172,502	152,041	125,255	195,735
Total	$ 19,152,159	$ 21,545,982	$ 20,938,643	$ 22,559,519

Note: Prior to 2013, NID was only reimbursed cost

Numberical information is only for CAFR statistical purposes and not related to contract agreement.

Source: Nevada Irrigation District Finance and Hydroelectric Department

Generation/(kwh) information updated for years 2013-2015

Nevada Irrigation District
Table 5: Recreation Sales & Facilities
Effective January 1

		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016
Sales																				
Location:																				
Scotts Flat	$	655,836	$	577,359	$	614,946	$	736,374	$	745,751	$	747,115	$	778,515	$	768,982	$	663,142	$	790,761
Long Ravine		-		-		-		-		-		431,962		462,154		491,167		531,932		520,854
Orchard		279,473		272,763		256,244		268,288		282,351		298,869		290,052		344,864		295,275		295,307
Peninsula		-		-		-		-		-		-		194,740		151,235		190,077		219,821
Combie		-		-		-		-		-				-		-		-		116
Jackson Meadows		-		-		-		-		-		-		-		-		-		230,026
Total		935,309		850,122		871,190		1,004,662		1,028,102		1,477,946		1,725,461		1,756,248		1,680,426		2,056,885
# Campsites:																				
Scotts Flat		200		200		200		200		200		200		200		200		200		200
Long Ravine		-		-		-		-		-		101		101		101		101		101
Orchard		91		91		91		91		91		91		91		91		91		91
Peninsula		-		-		-		-		-		-		70		70		70		70
Jackson Meadows		-		-		-		-		-		-		-		-		-		170
Total		291		291		291		291		291		392		462		462		462		632

Note: Rates vary by length of stay, vehicle type & occupants. Revenues consist of reservations, boat launch, store items, and royalties

Source: Nevada Irrigation District Finance and Recreation Department

Jackson Meadows Campground management changed from the Forest Service over to NID in 2016

Nevada Irrigation District

Table 6: Raw Water Rates and Connection Fees

Effective January 1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
0.25 MI	$ 232.26	$ 300.19	$ 316.55	$ 325.18	$ 351.99	$ 371.16	$ 391.38	$439.16	$465.52	$493.44
0.5	309.68	363.09	382.15	392.19	423.00	445.56	467.50	495.55	525.29	556.81
1	412.90	462.48	483.29	494.17	527.76	551.52	573.90	608.34	644.84	683.53
1.5	582.21	595.90	595.90	600.35	628.98	654.14	680.30	721.13	764.39	810.26
2	707.34	723.96	723.96	723.96	727.36	756.44	786.70	833.91	883.94	936.98
2.5	833.53	853.12	853.12	853.13	853.13	858.75	893.10	946.70	1,003.49	1,063.71
3	947.01	969.27	969.27	969.27	969.27	969.27	999.50	1,059.49	1,123.04	1,190.43
3.5	1,048.74	1,073.29	1,073.39	1,073.38	1,073.38	1,073.38	1,105.90	1,172.27	1,242.59	1,317.16
4	1,139.60	1,166.36	1,166.36	1,166.36	1,166.36	1,166.36	1,212.30	1,285.05	1,362.14	1,443.88
4.5	1,220.31	1,249.01	1,249.01	1,249.02	1,249.02	1,267.97	1,318.70	1,397.84	1,481.69	1,570.61
5	1,291.75	1,322.12	1,322.12	1,322.10	1,322.10	1,370.30	1,425.10	1,510.62	1,601.24	1,697.33
6	1,479.48	1,514.23	1,514.23	1,514.22	1,514.22	1,574.88	1,637.90	1,736.19	1,840.34	1,950.78
7	1,655.57	1,694.49	1,694.49	1,694.49	1,711.11	1,779.54	1,850.70	1,961.76	2,079.44	2,204.23
8	1,820.48	1,863.26	1,863.26	1,863.28	1,907.85	1,984.16	2,063.50	2,187.33	2,318.54	2,457.68
9	1,974.60	2,021.00	2,021.00	2,022.30	2,104.62	2,188.71	2,276.30	2,412.90	2,557.64	2,711.13
10	2,118.60	2,168.35	2,168.35	2,190.60	2,301.36	2,393.40	2,489.10	2,638.47	2,796.74	2,964.58
11	2,253.02	2,305.93	2,309.57	2,355.76	2,498.10	2,597.98	2,701.90	2,864.04	3,035.84	3,218.03
12	2,377.92	2,433.80	2,491.47	2,541.24	2,694.87	2,802.60	2,914.70	3,089.61	3,274.94	3,471.48
13	2,494.31	2,706.14	2,706.14	2,743.26	2,891.61	3,007.16	3,127.50	3,315.18	3,514.04	3,724.93
14	2,602.04	2,823.05	2,855.27	2,912.42	3,088.35	3,211.88	3,340.30	3,540.75	3,753.14	3,978.38
15	2,702.10	2,931.47	3,037.17	3,097.95	3,285.12	3,416.40	3,553.10	3,766.32	3,992.24	4,231.83
16	2,793.76	3,077.90	3,219.07	3,283.52	3,481.86	3,621.12	3,765.90	3,991.89	4,231.34	4,485.28
17	2,898.61	3,214.52	3,383.28	3,460.18	3,678.60	3,825.68	3,978.70	4,217.46	4,470.44	4,738.73
18	2,956.32	3,347.37	3,523.11	3,615.66	3,875.37	4,030.20	4,191.50	4,443.03	4,709.54	4,992.18
19	3,027.65	3,476.96	3,659.50	3,755.54	4,053.84	4,234.91	4,404.30	4,668.60	4,948.64	5,245.63
20+ per MI	152.99	3,586.60								
20			3,774.90	3,874.00	4,181.67	4,401.20	4,614.10	4,894.17	5,187.74	5,499.08
Per MI		174.90	181.90	185.54	196.75	204.62	212.80	225.57	239.10	253.45
Fixed Fee		296.80	308.67	314.85	333.86	347.21	361.10	382.77	405.74	430.08
Connection Fees For Irrigation Box										
1/2 - 25MI Box	$ 880.00	$ 880.00	$ 880.00	$ 966.00	$ 992.00	$ 1,022.00	$ 1,042.00	$ 1,089.00	$ 1,119.00	$ 1,139.00
26 - 40 MI Box	1,450.00	1,450.00	1,450.00	1,597.00	1,640.00	1,690.00	1,724.00	1,801.00	1,850.00	1,883.00
Over 40 MI										
Orificied Svc	845.00	845.00	845.00	895.00	919.00	947.00	966.00	1,009.00	1,036.00	1,055.00

Source: Nevada Irrigation District Finance Department

Nevada Irrigation District
Table 7: Water Sales and Production by Type
Last Ten Fiscal Years

Fiscal Year	Treated	Raw	Other	Total Water Sales	Total Treated Water Deliveries (CCF)	Total Raw & Other Deliveries (Acre Feet)
2007	$9,492,508	$3,805,770	$ 1,395,386	$ 14,693,664	4,599,459	125,305
2008	$10,793,847	$4,212,266	$ 1,440,480	$ 16,446,593	4,860,750	141,832
2009	$10,468,503	$4,271,307	$ 1,488,390	$ 16,228,200	4,387,560	135,829
2010	$10,300,311	$4,377,306	$ 1,323,123	$ 16,000,740	3,974,606	135,741
2011	$10,975,709	$4,533,812	$ 1,129,815	$ 16,639,336	3,775,395	132,551
2012	$12,217,782	$4,585,872	$ 1,054,188	$ 17,857,842	4,269,839	123,090
2013	$12,986,505	$4,876,339	$ 1,363,555	$ 19,226,399	4,286,955	112,970
2014	$12,561,235	$5,222,372	$ 1,095,407	$ 18,879,014	3,932,684	117,566
2015	$11,878,330	$5,275,370	$ 1,029,272	$ 18,182,972	3,455,708	118,641
2016	$13,311,605	$5,771,850	$ 881,555	$ 19,965,010	3,157,246	119,385

Sources: *Nevada Irrigation District Finance and Operations Department*

Nevada Irrigation District
Table 8: Ten Largest Water Customers
Current Year and Two Years Ago

Treated Water	Fiscal Year 2016			2015			2013[2]		
Customer[3]	Total Sales	Rank	% of Sales[1]	Total Sales	Rank	% of Sales[1]	Total Sales	Rank	% of Sales
15726-00, 15743-00, 15776-00	$ 72,991	1	0.55%	$ 54,957	3	0.46%	$ 57,904	3	0.45%
19640-00, 35503-00, 32159-00 19748-00, 32855-00, 39710-00 18812-00, 40629-00, 32138-00 32139-00, 19037-00, 21523-00 32940-00, 37390-00, 37470-00 37471-00, 38473-00, 40539-01	68,966	2	0.52%	81,369	1	0.69%	76,300	1	0.59%
32941-00	61,135	3	0.46%	-		0.00%	-		0.00%
31822-00	60,589	4	0.46%	-		0.00%	-		0.00%
18747-00, 22832-00	53,617	5	0.40%	44,125	4	0.37%	56,036	4	0.43%
21675-00	45,760	6	0.34%	32,013	8	0.27%	45,933	8	0.35%
15789-00	45,059	7	0.34%	42,200	5	0.36%	45,533	9	0.35%
17171-00	39,267	8	0.29%	37,396	7	0.31%	54,530	5	0.42%
36408-00	37,117	9	0.28%	30,074	9	0.25%	52,485	6	0.40%
31089-00	34,059	10	0.26%						
20947	-		0.00%	38,379	6	0.32%	61,554	2	0.47%
32940, 32941, 37390, 40629	-		0.00%	61,359	2	0.52%	49,764	7	0.38%
31657	-		0.00%	13,882	10	0.12%	44,399	10	0.34%
Total	$ 518,560		3.9%	$ 435,754		3.7%	$ 544,438		4.2%
Total Treated Water Sales	$13,311,605			$11,878,330			$12,986,505		

Raw Water	2016			2015			2013[2]		
Customer[3]	Total Sales	Rank	% of Sales[1]	Total Sales	Rank	% of Sales[1]	Total Sales	Rank	% of Sales
18813-00, 39423-00	$ 262,655	1	4.98%	$ 240,373	2	4.60%	$ 281,520	2	6.14%
39424-00, 35375-00	207,758	2	3.94%	315,468	1	6.04%	361,390	1	7.88%
37013-00	89,675	3	1.70%	84,598	3	1.62%	71,527	4	1.56%
21778-0	68,221	4	1.29%	58,483	5	1.12%	60,304	6	1.31%
35032-00, 24259-00, 23724-00, 23709-00	54,993	5	1.04%	51,881	6	0.99%	55,053	7	1.20%
17033-00	52,160	6	0.99%	66,546	4	1.27%	67,317	5	1.47%
22598-00, 22673-00	51,550	7	0.98%	48,631	7	0.93%	41,118	8	0.90%
36965-00	43,517	8	0.82%	41,052	8	0.79%	36,537	9	0.80%
22937-00, 41881-00, 34870-00, 36541-00	43,121	9	0.82%	39,185	9	0.75%	34,874	10	0.76%
37208-00	40,824	10	0.77%	-		0.00%	-		0.00%
24794	-		0.00%	-		0.00%	219,209	3	4.78%
23633, 23639	-		0.00%	37,919	10	0.73%	-		0.00%
Total	$ 914,474		17.33%	$ 984,136		18.84%	$ 1,228,849		26.80%
Total Raw Water Sales	$5,275,370			$ 5,222,372			$4,585,872		

Notes:

(1) "% of Sales" is expressed as a percentage of treated and raw water sales.

(2) The District began collecting this data in fiscal year 2013, so information for nine years ago is not available.

(3) Customer numbers are used as clients are sensitive. A customer might have multiple accounts.

Source: Nevada Irrigation District Finance and Operations Department

Nevada Irrigation District
Table 9: Principal Property Taxpayers
Current & Previous Year (2014-2015 first year District began reporting)

		2015-16		2014-15	
Taxpayer	Primary Land Use	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
EREP Auburn Village I LP	Commercial Store	$ 26,287,079	20.11%	$ -	0.00%
RI-Grass Valley LLC	Commercial Store	21,133,134	0.16	20,699,842	0.00
JPS Development LLC	Shopping Center	19,044,372	0.15	15,598,213	0.13
Kanmawr-Nevada City LLC	Office Building	17,947,393	0.14	17,595,830	0.14
Target Corporation	Commercial Store	17,663,480	0.14	17,508,642	0.14
Longs Drug Stores California Inc.	Commercial Store	16,515,885	0.13	16,389,985	0.13
GVSC LLC	Commercial Store	16,075,529	0.12	15,760,634	0.13
Lowes HIW Inc.	Commercial Store	15,000,000	0.11	12,000,000	0.10
VTR Quail Ridge LP	Assisted Living Facility	12,749,749	0.10	12,500,000	0.10
12225 Shale Ridge Road LLC	Assisted Living Facility	12,656,648	0.10	-	0.00
Patricia Irish, Trustee	Industrial	12,641,594	0.10	12,375,631	0.10
HD Development of Maryland Inc.	Commercial Store	11,778,540	0.09	11,841,850	0.10
Andrew L. and Shana A. Laursen, Trustees	Residential	11,735,294	0.09	8,458,230	0.07
Auburn Plaza LLC	Shopping Center	11,459,274	0.09	9,217,950	0.07
Cresleigh Homes Corporation	Residential	10,888,044	0.08	10,381,650	0.08
Safeway Inc.	Commercial Store	10,832,588	0.08	10,505,376	0.09
Raley's	Commercial Store	10,703,821	0.08	-	0.00
3830 Bronx Blvd. Associates LLC	Commercial Store	10,189,751	0.08	9,990,149	0.08
Mahogany Investments LLC	Commercial Store	9,152,334	0.07	8,973,054	0.07
Nine Plus LLC, et. Al.	Industrial	8,954,441	0.07	8,779,036	0.07
FW CA Auburn Village LLC	Commercial Store	-	0.00	19,430,000	0.16
Emerichip Emerald Hills LLC	Assisted Living Facility	-	0.00	8,474,270	0.07
Grass Valley Glade MHP Assoicates LP	Mobile Home Park	-	0.00	8,297,000	0.07
Total		$ 283,408,950	2.17%	$ 254,777,342	2.06%
Total Secured Assessed Valuation:		$13,071,916,606		$12,354,631,861	

Source: California Municipal Statistics, Inc.

Nevada Irrigation District
Table 10: Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Yuba Bear River Development Bonds	State of California DWR Loans	Certificates of Participation			2011 Revenue Bonds	2016 Revenue Bonds	Imp District Bonds	Note Payable	Total Debt	% of Personal Income	Per Capita
			1997	2002	2005							
2007	$ 14,439,000	$ 1,064,975	$ -	$ 11,870,000	$ 8,420,000	$ -	$ -	$ -	$ -	$ 35,793,975	0.17%	$ 159.89
2008	12,235,000	891,417	-	10,985,000	7,580,000	-	-	681,628	-	32,373,045	0.15%	141.21
2009	9,948,000	3,261,085	-	10,070,000	6,715,000	-	-	667,300	-	30,661,385	0.15%	135.75
2010	7,574,000	7,350,200	-	9,135,000	5,820,000	-	-	652,300	-	30,531,500	0.14%	129.62
2011	5,111,000	9,597,879	-	2,045,000	4,900,000	28,088,578	-	636,600	-	50,379,057	0.23%	223.09
2012	2,555,000	9,541,518	-	1,035,000	3,945,000	27,099,745	-	620,100	150,000	44,946,363	0.19%	192.94
2013	-	9,008,290	-	-	2,960,000	26,523,260	-	602,700	100,000	39,194,250	0.16%	163.99
2014	-	8,756,023	-	-	1,935,000	25,386,775	-	584,500	50,000	36,712,298	0.14%	150.54
2015	-	7,560,214	-	-	-	23,225,000	-	565,400	-	31,350,614	0.12%	135.63
2016	-	6,719,175	-	-	-	22,115,000	20,210,000	545,300	-	49,589,475	N/A	N/A

Note: Details regarding the District's debt can be found in the notes to the financial statements.

Source: Nevada Irrigation District Finance Department

Nevada Irrigation District
Table 11: Computation of Direct and Overlapping Bonded Debt
December 31, 2016

2015-16 Assessed Valuation: $13,372,497,657

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 12/31/2016	% Applicable [1]	District's Share of Debt 12/31/2016	
Sierra Joint Community College District School Facilities Improvement District No. 2	$ 30,516,054	85.073%	$ 25,960,923	
Western Placer Unified School District	21,087,138	27.772	5,856,320	
Nevada Joint Union High School District	18,033,701	84.548	15,247,134	
Placer Union High School District	25,430,453	16.465	4,187,124	
Loomis Union School District	3,950,000	0.092	3,634	
Nevada Irrigation District	0	100	0	
City of Lincoln Community Facilities District No. 2003-1	89,825,000	26.712%	23,994,054	
Western Placer Unified School District Community Facilities District No. 1	11,408,840	0.307	35,025	
City of Grass Valley and Lincoln 1915 Act Bonds	31,144,000	26.804-100	9,464,809	
California Statewide Communities Development Authority 1915 Act Bonds	1,756,064	0.072-100	1,142,237	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 85,891,260	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:				
Nevada County Certificates of Participation	$ 2,860,000	54.397%	$ 1,555,754	
Placer County General Fund Obligations	31,495,000	6.681	2,104,181	
Placer County Board of Education Certificates of Participation	1,480,000	6.681	98,879	
Sierra Joint Community College District Certificates of Participation	6,645,000	15.793	1,049,445	
Western Placer Unified School District Certificates of Participation	128,145,000	27.772	35,588,429	
Auburn Union School District Certificates of Participation	39,477,117	39.157	15,458,055	
Other School District General Fund Obligation	6,486,967	Various	769,979	
City of Auburn Pension Obligation Bonds	3,700,000	3.546	131,202	
City of Lincoln General Fund Obligations	17,780,000	23.381	4,157,142	
Placer County Mosquito & Vector Control District Certificates of Participation	3,490,000	6.681	233,167	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 61,146,233	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):				
Placer County Tax Allocation Bonds	$ 20,410,000	9.884%	$ 2,017,324	
City of Grass Valley Tax Allocation Bonds	8,445,000	14.076	1,188,718	
City of Grass Valley Lease Revenue Bonds	745,000	14.076	104,866	
TOTAL OVERLAPPING TAX INCREMENT DEBT			$ 3,310,908	
TOTAL DIRECT DEBT			**$0**	
TOTAL OVERLAPPING DEBT			$ 150,348,401	
COMBINED TOTAL DEBT			$ 150,348,401	(2)

(1) The percentage of overlapping debt applicable to the district is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the district divided by the district's total taxable assessed value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:
Direct Debt……………………………………………………………………………..0.00%
Total Direct and Overlapping Tax and Assessment Debt…………...……………0.64%
Combined Total Debt……………………………….………………………………..1.12%

Ratios to Redevelopment Successor Agency Incremental Valuation ($155,926,727):
Total Overlapping Tax Increment Debt………………………….…………………..2.12%

Source: California Municipal Statistics, Inc.

Nevada Irrigation District
Table 12: Ratio of Annual Debt Service Expenses for All Debt to Total General Expenses
Last Ten Fiscal Years

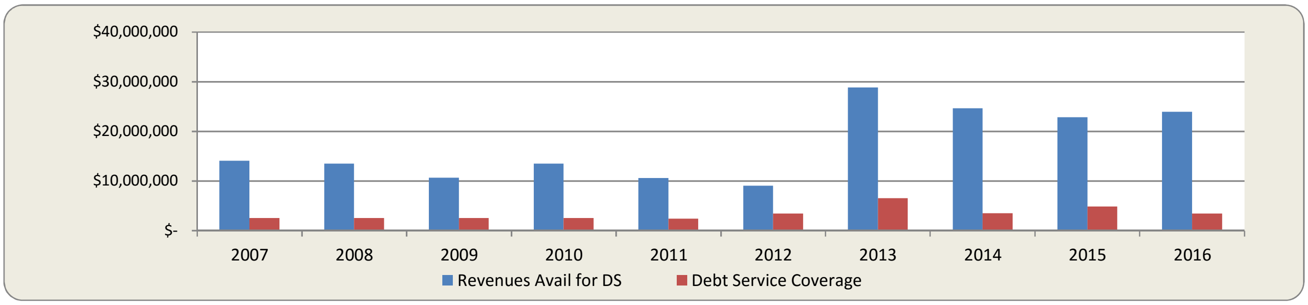
Fiscal Year	Principal	Interest	Total Debt Service	Total Operating Expenses	Ratio of Debt Service to Total Operating Expenses
2007	$3,967,172	$1,407,886	$5,375,058	$30,089,452	17.86%
2008	4,102,558	1,283,074	5,385,632	33,824,604	15.92%
2009	4,367,478	1,157,049	5,524,527	32,098,051	17.21%
2010	4,287,662	821,327	5,108,989	30,503,677	16.75%
2011	10,672,031	207,418	10,879,449	31,655,408	34.37%
2012	5,188,113	1,551,584	6,739,697	36,462,832	18.48%
2013	5,670,628	1,463,127	7,133,755	34,064,788	20.94%
2014	2,400,467	1,320,756	3,721,223	39,063,389	9.53%
2015	4,275,809	1,265,805	5,541,614	40,977,548	13.52%
2016	1,951,039	1,885,641	3,836,680	45,525,067	8.43%

Source: Nevada Irrigation District Finance Department

Nevada Irrigation District

Table 13: Debt Service Coverage

Last Ten Fiscal Years



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Water Operating Revenue										
Water Sales	$ 14,693,664	$ 16,446,593	$ 16,228,200	$ 16,000,740	$ 16,639,336	$ 17,857,842	$ 19,226,401	$ 18,879,014	$ 18,182,972	$ 19,965,010
Other Sales	1,595,366	1,620,529	1,573,267	1,693,613	1,905,990	2,228,497	1,670,952	977,335	3,374,192	3,172,994
Total Operating	$ 16,289,030	$ 18,067,122	$ 17,801,467	$ 17,694,353	$ 18,545,326	$ 20,086,339	$ 20,897,353	$ 19,856,349	$ 21,557,164	$ 23,138,004
Other Revenues[1]										
1% Property Taxes	$ 10,678,618	$ 11,229,400	$ 10,847,807	$ 10,131,516	$ 9,990,235	$ 10,302,102	$ 9,750,780	$ 10,108,508	$ 10,707,911	$ 11,363,997
Interest Earned	3,838,707	3,447,727	1,159,356	1,716,104	573,703	474,070	419,444	633,073	446,313	(50,220)
Grants	94,470	-	-	-	-	-	-	412,468	937,659	1,501,698
Other Revenues	225,138	1,698,723	64,557	74,295	39,706	94,201	84,148	73,439	165,016	206,923
Total Other	$ 14,836,933	$ 16,375,850	$ 12,071,720	$ 11,921,915	$ 10,603,644	$ 10,870,373	$ 10,254,372	$ 11,227,488	$ 12,256,899	$ 13,022,398
Total Water Revenues	$ 31,125,963	$ 34,442,972	$ 29,873,187	$ 29,616,268	$ 29,148,970	$ 30,956,712	$ 31,151,725	$ 31,083,837	$ 33,814,063	$ 36,160,402
Water O & M Costs[2]	$ 18,815,965	$ 22,757,197	$ 21,573,478	$ 19,173,658	$ 20,836,690	$ 23,699,863	$ 18,989,137	$ 22,484,107	$ 25,573,767	$ 26,962,390
Net Water Revenues	$ 12,309,998	$ 11,685,775	$ 8,299,709	$ 10,442,610	$ 8,312,280	$ 7,256,849	$ 12,162,588	$ 8,599,730	$ 8,240,296	$ 9,198,012
Hydro Revenues	$ 1,779,422	$ 1,784,790	$ 2,328,033	$ 3,034,702	$ 2,288,000	$ 1,784,300	$ 21,630,775	$ 21,607,754	$ 21,200,110	$ 22,476,786
Hydro O & M[3]	-	-	-	-	-	-	5,006,891	5,610,905	6,622,660	7,775,377
Net Hydro Revenues	$ 1,779,422	$ 1,784,790	$ 2,328,033	$ 3,034,702	$ 2,288,000	$ 1,784,300	$ 16,623,884	$ 15,996,849	$ 14,577,450	$ 14,701,409
Revenues Avail for DS	$ 14,089,420	$ 13,470,565	$ 10,627,742	$ 13,477,312	$ 10,600,280	$ 9,041,149	$ 28,786,472	$ 24,596,579	$ 22,817,746	$ 23,899,420
Debt Service										
2002 COPs	$ 1,412,950	$ 1,416,400	$ 1,404,375	$ 1,396,975	$ 1,252,763	$ 1,086,750	$ 1,060,875	$ -	$ -	$ -
2005 COPs	1,110,390	1,128,638	1,132,688	1,130,838	1,129,038	1,128,000	1,108,300	1,110,663	1,968,863	-
2011A Revenue Bonds	-	-	-	-		827,977	1,547,269	2,081,219	2,078,218	2,084,219
2016A Revenue Bonds	-	-	-	-	-	-	-	-	-	354,787
Yuba Bear Bonds [4]	-	-	-	-	-	-	2,555,000	-	-	-
CDPH Loan, Other [5]	-	-	-	-		397,276	267,450	305,343	806,035	1,011,179
Total Debt Service	$ 2,523,340	$ 2,545,038	$ 2,537,063	$ 2,527,813	$ 2,381,801	$ 3,440,003	$ 6,538,894	$ 3,497,225	$ 4,853,116	$ 3,450,185
Debt Service Coverage	5.58	5.29	4.19	5.33	4.45	2.63	4.40	7.03	4.70	6.93

Notes

(1) Excludes Contributed Capital, Disposal of caital assets - gain/(loss), Unrealized gain/(loss) on investment, Capacity Fees, Transfer In/(Out), includes Recreation Revenues

(2) Excludes Depreciation and amortization, includes Recreation expenses

(3) Prior to 2013, portions of Hydroelectric O&M was covered by PG&E contract and are difficult to estimate, Yuba Bear Bonds were considered. Hydro's Revenue & O&M taken from Series 2011A Official Statement

(4) The 1963 Yuba Bear Revenue Bonds were no longer outstanding after July 1, 2013.

(5) Reflects portion of CDPH loan paid by Water and Hydroelectric Funds.

Source: Nevada Irrigation District Finance Department

Nevada Irrigation District
Table 14: Labor Force and Employment for Counties Served (Nevada & Placer)
Current Year and Nine Years Ago

	Fiscal Year 2016			Fiscal Year 2007	
	%	No. of Employed		%	No. of Employed
Industry Title			Industry Title		
Educational and Health Services	8%	411,430	Educational and Health Services	6%	274,840
Goods Producing	6%	323,620	Goods Producing	8%	378,480
Government	7%	346,940	Government	7%	330,510
Leisure and Hospitality	7%	346,890	Leisure and Hospitality	6%	305,210
Local Government	6%	316,690	Local Government	6%	301,540
Private Service Providing	5%	268,880	Private Service Providing	5%	254,110
Professional and Business Services	5%	286,310	Professional and Business Services	5%	220,990
Retail Trade	7%	343,810	Retail Trade	7%	342,380
Service Providing	41%	2,161,440	Service Providing	39%	1,856,530
Trade, Transportation and Utilities	9%	457,260	Trade, Transportation and Utilities	9%	446,680
Total, All Industries	100%	5,263,270		100%	4,711,270

Sources: EDD Labor Market Information Top 10

Nevada Irrigation District
Table 15: Demographic and Economic Statistics
Last Ten Fiscal Years

	Population		Total Personal Income		Per Capita Personal		Unemployment	
	Nevada County	**Placer County**	**Nevada County**	**Placer County**	**Nevada County**	**Placer County**	**Nevada County**	**Placer County**
2007	97,794	329,023	$ 4,388,627,000	$ 16,180,330,000	$ 44,876	$ 49,177	4.80%	4.80%
2008	98,200	337,568	$ 4,430,963,000	$ 16,546,226,000	$ 45,122	$ 49,016	6.60%	6.50%
2009	98,591	343,810	$ 4,344,094,000	$ 15,966,092,000	$ 44,062	$ 46,439	10.30%	10.20%
2010	98,777	350,234	$ 4,462,159,000	$ 16,605,248,000	$ 45,174	$ 47,412	11.70%	23.20%
2011	98,779	356,832	$ 4,690,099,000	$ 17,667,895,000	$ 47,481	$ 49,513	11.10%	21.60%
2012	98,288	361,215	$ 4,841,516,000	$ 18,888,019,000	$ 49,258	$ 52,290	9.70%	9.40%
2013	98,142	366,858	$ 4,882,910,000	$ 19,347,776,000	$ 49,754	$ 52,739	8.10%	7.70%
2014	98,763	371,105	$ 5,180,113,000	$ 20,440,132,000	$ 52,450	$ 55,079	6.50%	6.30%
2015	98,877	375,391	$ 5,470,398,000	$ 21,658,527,000	$ 55,325	$ 57,696	5.40%	5.00%
2016	98,828	382,837	Not available	Not available	Not available	Not available	4.70%	4.40%

Sources: *State of California Department of Finance*
State of California Employment Development Department
US Bureau of Economic Analysis
Information updated for all years as per latest information available

Nevada Irrigation District
Table 16: Water System Capital Asset and Operating Indicators
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Facilities:									
# of Treatment Plants	7	7	7	7	7	7	7	7	7
Plant Capacity (MGD)	33.7	33.7	33.7	33.7	41.7	41.7	41.7	41.7	41.7
# of Reservoirs	10	10	10	10	10	10	10	10	10
# of Hydroelectric Power Plants	7	7	7	7	7	7	7	7	7
Canals (miles)	400	400	400	400	400	475	475	475	475
Pipelines (miles)	300	300	300	300	300	400	400	400	400
# of Fire Hydrants (1)									2,449
# of Valves (1)									3,643
# of Pumping Stations (1)									21
Water Supply Available (AF):									
Watershed Runoff	125,975	150,955	198,509	267,369	335,773	223,069	89,763	120,041	77,378
Carryover Storage	149,221	137,824	144,143	202,490	177,077	211,955	147,408	179,724	149,930
PG&E Contract Water	59,361	59,361	59,361	59,361	59,361	59,361	59,361	34,400	25,716
Total Water Supply	334,557	348,140	402,013	529,220	572,211	494,385	296,532	334,165	253,024
Water Supply Delivered: (AF)									
Treated	10,301	10,965	10,105	9,201	8,672	9,908	9,496	8,410	8,521
Raw	125,305	141,832	135,829	135,741	132,551	123,090	112,970	117,566	118,641
Total Water Supply Delivered	135,606	152,797	145,934	144,942	141,223	132,998	122,466	125,976	127,162
Connections:									
Treated Water	18,092	18,170	18,670	18,760	18,735	18,777	18,701	18,991	19,077
Irrigation	5,041	5,060	5,029	5,018	4,927	4,909	4,661	4,913	4,963
Total Connections	23,133	23,230	23,699	23,778	23,662	23,686	23,362	23,904	24,040

Note: (1) Data not available from 2006 through 2014

Source: Nevada Irrigation District Finance and Operations Department

Nevada Irrigation District
Table 17: Full Time Equivalent
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Management										
Administration	4	4	4	4	4	4	4	4	5	5
Central Files	2	2	2	3	2	3	3	3	3	3
Human Resources	3	3	2	2	2	2	2	2	2	2
Safety					1	1	1	1	1	1
Watershed*										1
Engineering	15	13	13	18	19	21	20	20	19	20
Finance										
Accounting	6	5	4	5	6	5	6	6	7	7
Information Tech	4	5	4	4	3	2	2	3	3	3
Purchasing	6	6	6	5	5	4	5	6	5	5
Hydroelectric	20	23	23	24	24	26	25	22	21	23.5
Recreation	0	0	1	2	4	4	5	6	7	8.5
Maintenance										
Operations	46	47	52	54	52	50	52	55	61	62
Shop Operations	2	1	1	2	2	2	2	2	3	3
Water										
Operations/Treatement	32	36	41	40	36	28	31	29	34	45
Cashiering**	2	2	2	2	2	1	1	1	2	2
Customer Serv (Indludes Dispatcher)**	4	5	4	4	5	5	3	5	6	6
Total FTEs	**146**	**152**	**159**	**169**	**167**	**158**	**162**	**165**	**179**	**197**

Sources:
Nevada Irrigation District Finance Department
**Addition of Watershed Department*
***Changes in Management of Customer Service & Cashiering shifted to Water Operations*

COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Nevada Irrigation District
Grass Valley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Water, Recreation and Electric Funds and the Agency Funds of the Nevada Irrigation District (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, as discussed in the accompanying schedule of findings, 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 2014-1 and 2014-5 in the accompanying schedule of findings to be material weaknesses.

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 consider the deficiency described in Finding 2014-7 in the accompany schedule of findings to be a significant deficiency.

To the Board of Directors
Nevada Irrigation District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

August 3, 2017

NEVADA IRRIGATION DISTRICT

SCHEDULE OF FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2016

MATERIAL WEAKNESSES IN INTERNAL CONTROL

No new material weaknesses identified in 2016.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROLS

No new significant deficiencies identified in 2016.

MATERIAL WEAKNESSES IDENTIFIED IN PRIOR YEARS - UNRESOLVED

Finding 2014-1: Year-End Closing Procedures

Condition: This year's audit was delayed because of delays in producing closing entries, schedules, reconciliations, account analyzes, and other financial reports needed by management and the auditors, which resulted in numerous adjustments. The large number of adjustments identified during the audit indicate that the District does not have the internal controls in place to prevent or detect misstatements on a timely basis.

We believe that the year-end closing process could proceed more quickly and smoothly by developing a logical order for closing procedures and assigning responsibility for completing the procedures to specific personnel. The required closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The District needs to ensure that all balance sheet accounts are reviewed and reconciled to supporting schedules and are reviewed and approved prior to the beginning of fieldwork. Auditor inquiry prompted District evaluation of the propriety of recorded balances, which resulted in adjustments as follows:

- Recording of new term payments related to capacity fees including current year activity.
- Record receivable for reimbursable projects billed during the current year.
- Recording of current year other post-employment benefits (OPEB) contributions paid.
- Recording of the current year GASB 68 net pension liability, deferred outflows, inflows and pension expense.
- Proper accrual of all amounts payable by the District at December 31, 2016. Two unrecorded invoices were uncovered during testing that required adjustment.
- Recording of the current year unrealized gain/loss amount.
- Procedure for segregating cash and investment balances for financial statement presentation.
- Procedure for validating expense balances are not duplicated during chart of account change.
- Reconciliation of project level and general ledger detail for all open construction in progress projects and capital asset accounts. Record variances in the general ledger timely including any correction to depreciation expense or accumulated depreciation.
- Segregate interest income from investing activity from interest earned on customer generated or interfund transactions.
- Maintaining documentation supporting all grant revenue, receivables and unearned revenue balances and periodic reconciliations of these accounts, including analysis of unearned exchange revenue received from property owners to determine if these amounts are earned by incurring qualifying expenditures/expenses.
- Procedures for accounting for long-term debt and related accounts need to be refined to include: recording of all debt service payments and amortization of bond premiums and deferred refunding amounts.

- Determination of the current portion of compensated absences and recording these amounts in the respective funds general ledgers.
- Record activity between the Water and Fiduciary Funds.
- Reconciliation of all accounts and loans receivable balances to the subsidiary receivable system or other supporting documentation.
- For net position balances in the financial statements, a process needs to be developed to ensure segregation of net position balances between restricted and unrestricted components for presentation in the financial statements.
- Procedure for segregating restricted and unrestricted cash balances in the general ledger.

Recommendation: We recommend that the District continue to streamline accounting processes to create timely, accurate financial reporting. Monthly procedures should be in place to prepare reconciliations of all balance sheet accounts, and post required journal entries monthly as needed, thereby decreasing the time required to prepare for the start of the audit. The review function should include monitoring compliance with District policy and generally accepted accounting principles. Procedures should be in place to prepare the required reconciliations at year-end and post entries needed to close the books prior to the start of the audit.

Status: While some of the items noted above were corrected as part of the audit, there were still a large number of adjustments made after the start of the audit indicating that the District still needs to improve its procedures over the closing of the books.

District's response: The District is continuing its efforts in implementing the required accounting policies, procedures, process changes and staffing to resolve this finding. Of significance this year was the overhaul and implementation of a streamlined general ledger account structure that created a uniform chart of accounts across all divisions. Completion of this project has enabled the production of timely monthly reports from the general ledger rather than from the Access database that had been used in prior years. Accounting staff has also made several changes in the system cash receipt and billing postings to ensure agreement of the postings to the appropriate general ledger accounts. Accordingly, monthly account analysis, reconciliation, and reviews can occur with improved efficiency.

Finding 2014-5: Recreation Division Cash Handling

Condition: The District operates four campgrounds in the Grass Valley/Colfax area with the majority of activity between Memorial Day and Labor Day. Currently the District employs a bookkeeper who works out of a mobile home on the Scotts Flat campground property. The bookkeeper is responsible for processing, recording and depositing all cash collected at the four campgrounds, which does not provide for an adequate segregation of duties. During our visit to the Scotts Flat campground in 2014, we noted the following weaknesses in internal controls that still warrant consideration:

- Void or over-ring transactions done at the point of sale locations are not approved by a supervisor as they occur.
- Standardized shift paperwork needs to be created to provide the responsible employee an area of the form to record the cash and checks collected, credit card receipt totals and to attach the "Z" tapes from the cash register. This paperwork needs to be signed by the employee who worked the shift, providing evidence that the cash, checks and credit card receipt totals are correct.

These weaknesses described above not only create fraud or misstatement risk for the District but a reputational risk to the District, since District cash receipts are being handled in a fairly remote location by an employee who has little or no supervision.

Recommendation: We recommend that these remaining cash handling issues be resolved to reduce the risk of fraud or error.

Status: The conditions noted above still existed during 2016.

District's response: Staff recognizes the weakness associated with this function. The general ledger as well as bank has proper segregation for all campgrounds. The cash summary prepared by the campground bookkeeper is reviewed by accounting staff and compared to the bank records. Cash deposits for recreation as well as the main office have been contracted through a courier service. Staff is preparing for the implementation of an ERP system that will incorporate POS capabilities with improved reporting and reconciling functions.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL IDENTIFIED IN PRIOR YEARS - UNRESOLVED

Finding 2014-7: Accounts payable trial balance

Condition: The District's accounts payable system apparently cannot generate an open payable trial balance. The District's December 31, 2013 accounts payable balance was the accumulation of the first four check runs processed in January 2014 plus an accrual entry developed in February and March 2014 for any invoices where the service or material was rendered or received in 2013.

Recommendation: We recommend that the District's accounting staff work with the software vendor or their internal IT department to produce this report at least quarterly. In order for the system to produce the proper reports, invoices would need to be entered into the payables system as they are received.

Status: An open accounts payable trial balance report was not produced from the system during 2013 through 2016.

District's response: The District produced an open payables trial balance list identifying specific invoices outstanding at year end. The District changed its' procedure for paying end of year invoices and processing outstanding encumbrances to prevent disbursements in period 13 while allowing appropriate liquidation of encumbrances against internal control budgets. The invoices due against the prior year are given an end of year due date, accumulated and recorded as appropriate payable while disbursed in the current year against cash. All encumbrances are rolled over for liquidation and determined if budget adjustments are necessary.

PRIOR YEAR FINDINGS RESOLVED IN 2016

Finding 2015-1 – Grant Accounting

Condition: Generally accepted accounting principles require that all financial transactions of the District be recorded and reflected in the accounting records. It was noted that the District was only recording grant revenues when a check was received regardless of the period to which the revenue was related and did not record a receivable when qualified grant expenditures were incurred and billable. Amounts owed to pass- through entities were being recorded as grant revenues earned, when these amounts should have been reflected as a payable to the other entities.

Status: The District developed an Excel file in 2016 to account for all grants and ensures all grant billing will be processed through its accounting system in accordance with generally accepted accounting principles. The District developed accounting procedures that require monthly reconciliation of all grant contracts.

Finding 2014-3: Budget to actual comparison reports

Condition: Currently, a budget to actual comparison of operating activity is not generated from the general ledger system. Use of a manually prepared budget to actual report creates an opportunity for errors to be made both intentional and unintentional.

Status: Staff determined that a change in the actual Chart of Account string was necessary to produce the budget to actual comparison report within the accounting system. The report was produced starting in July 2016.

Finding 2014-4: Physical inventory procedures

Condition: Currently the District performs nine cycle counts of inventory items annually. These cycle counts are organized such that all inventory items on hand are counted at least once during the year. However, there is not a year-end physical inventory count. Additionally, the inventory program is a real time system so that prior month balances cannot be reproduced systemically.

Status: Staff developed a physical counting approach in 2016 that counts approximately 90% of the District's inventory value within the fourth quarter on an annual basis.

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MANAGEMENT LETTER

To the Board of Directors and Management
Nevada Irrigation District
Grass Valley, California

In planning and performing our audit of the financial statements of the Nevada Irrigation District (the District) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 3, 2017 contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated August 3, 2017, on the financial statements of the District.

Capitalized Project Costs

We noted the District generated the Construction in Process master list on December 28, 2016. However, additional charges were recorded from December 29 to December 31, 2016 associated with these projects that were incorrectly expensed, resulting in an understatement of capital assets and overstatement of expenses at December 31, 2016. We recommend the District ensure that expenses through December 31 are properly capitalized.

Chart of Accounts Change

In July 2016, the District changed the chart of accounts in the general ledger system to streamline the account structure. This mid-year change in account structure created time consuming challenges in comparing current and prior year general ledger activities during the audit for both District accounting personnel and the auditors. We recommend that should this type of change in chart of accounts be required in the future that the effect on comparability of data be evaluated in advance of the change. This advance planning will allow District staff to compare the final outcome against the anticipated results.

Accounting Procedure Manual and Trained Staff

The District does not currently have detailed written accounting procedures manual that cover various accounting functions. We recommend such procedures be documented that would serve as both a training tool for staff as well as to ensure consistency in accounting when turnover in District personnel is experienced. These documented procedures can be prepared to document unique and complex accounting issues. This documentation should include a description of the general ledger accounts, what they are used for and how transactions are reflected in the accounts to ensure the accrual basis of accounting. The District also needs to ensure that it has sufficient staff that are adequately trained in accrual-basis accounting to ensure timely, efficient, well-documented reporting and accounting.

New Pronouncements

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)", replaces the requirements of GASB Statement No. 45 and requires governments to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust, on the face of the financial statements that was previously just disclosed in the footnotes. Based on the October 2015 actuarial report, the District's liability would increase by approximately $11,000,000 as a result of implementing GASB 75, which will be effective beginning in 2018.

* * * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the examination. This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

August 3, 2017

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REQUIRED COMMUNICATIONS LETTER

To the Board of Directors
Nevada Irrigation District
Grass Valley, California

We have audited the financial statements of the Water, Recreation, Electric Funds and Agency Funds of the Nevada Irrigation District (the District) for the year ended December 31, 2016, and have issued our report thereon dated August 3, 2017. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and *Government Auditing Standards*

As stated in our engagement letter dated January 7, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. The Schedule of Findings included within the audited financial statements discloses a number of material weaknesses and significant deficiencies in internal control.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated January 7, 2016.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Additional required disclosures under GASB 72 were added to Note 2 of the financial statements due to the adoption of this statement.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: depreciable lives and method used to depreciate capital assets, the allowance for doubtful accounts, and the accrual for employee pension and postemployment benefits. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. Management's estimate of the allowance for doubtful accounts is based on historical water revenues, historical loss levels, and an analysis of the collectability of the accounts. The net pension liability was determined through an actuarial valuation performed by CalPERS, which is performed annually. The accrual for postemployment benefits was determined by an actuarial valuation, which is required to be performed every three years.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include, the employee retirement plan footnote (Note 7), and the other post-employment benefits plan footnote (Note 8).

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The material weaknesses in internal control related to year-end closing process encountered in completing our 2013, 2014 and 2015 audits were mostly still present in the 2016 audit, as documented in the Schedule of Prior Year Findings, and the large number of adjustments during the audit process resulted in significant delays and additional time needed to complete the audit. While there was improvement in this year's audit process, there were still many general ledger accounts that had not been reviewed and reconciled properly to underlying supporting documents that were identified during the audit that caused delays in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments included 52 closing entries and audit adjustments needed to correct balances of the accounts and transactions not reconciled or analyzed prior to the start of our audit as listed in the Schedule of Findings and Schedule of Prior Year Findings. This large number of adjustments indicates that the District's reporting processes and closing procedures need to be strengthened to ensure these types of adjustments are identified and recorded prior to the start of the audit so they do not have a significant effect on the District's financial reporting process. A list of these adjustments is attached to this letter.

The attached schedule summarizes uncorrected misstatements in the financial statements. Management has determined that the effects are immaterial, both individually and in the aggregate to the financial statements takes as a whole.

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 3, 2017.

Management Consultations With Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, and the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions – Pension Plan and Schedule of Funding Progress – Post-Employment Health Care Benefits Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the District's supplementary information, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Richardson & Company, LLP

August 3, 2017

NEVADA IRRIGATION DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2016
WATER FUND

	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Net Position	Change in Net Position
Costs incurred from December 29 to 31, 2016 were not capitalized	$ (14,806)		$ (14,806)	$ (14,806)
CalPERS employer contribution for the period December 28 to December 31, 2015 recorded in 2016				(44,660)
Accumulated depreciation is understated due to changes in the estimated useful life of fire hydrants not calculated correctly in 2004	273,000		273,000	(76,000)
Accumulated depreciation is understated due to not adjusting accumulated depreciation for 1999 to 2004 for an asset cost correction discovered in 2004	217,007		217,007	
Recording cash proceeds from the sale of Electric Fund assets in the Water Fund	31,718		31,718	31,718
Accrued interest on interfund loan not recorded				293,472
Net Unadjusted Audit Differences - This Year	521,725	-	521,725	204,530
Financial Statement Caption Totals	$ 348,056,015	$ 99,062,932	$ 245,961,433	$ (765,467)
Net Audit Differences as % of Financial Statement Captions	0.15%	0.00%	0.21%	-26.72%

NEVADA IRRIGATION DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2016
ELECTRIC FUND

	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Net Position	Change in Net Position
Recording cash proceeds from the sale of Electric Fund assets in the Water Fund	$ (31,718)		$ (31,718)	$ (31,718)
Correction of a calculation error in adjusting accumulated depreciation in fixed asset module				26,828
Accrued interest on interfund loan not recorded				293,472
Net Unadjusted Audit Differences - This Year	(31,718)	-	(31,718)	288,582
Financial Statement Caption Totals	$ 127,750,107	$ 10,254,376	$ 118,428,474	$12,390,308
Net Audit Differences as % of Financial Statement Captions	-0.02%	0.00%	-0.03%	2.33%

NEVADA IRRIGATION DISTRICT
SUMMARY OF UNADJUSTED DIFFERENCES
YEAR ENDED DECEMBER 31, 2016
RECREATION FUND

	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
Description (Nature) of Audit Difference	Total Assets	Total Liabilities	Net Position	Change in Net Position
Costs incurred from December 29 to 31, 2016 were not capitalized	$ (10,863)		$ (10,863)	$ (10,863)
Net Unadjusted Audit Differences - This Year	(10,863)	-	(10,863)	(10,863)
Financial Statement Caption Totals	$ 35,225,792	$ 1,800,909	$ 33,424,883	$ 494,085
Net Audit Differences as % of Financial Statement Captions	-0.03%	0.00%	-0.03%	-2.20%