



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2017**

Idyllwild Water District

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**Idyllwild Water District
List of Principal Officers
As of June 30, 2017**

BOARD OF DIRECTORS

<u>Title</u>	<u>Name</u>
President	Charles Schelly
Vice-President	Vic Sirkin
Director	Peter Szabadi
Director	Groffrey Caine
Director	Steve Kunkle

ADMINISTRATION

General Manager	Jack Hoagland
Chief Financial Officer	Hosny Shouman

ORGANIZATION

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide wastewater services within the community.



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Independent Auditor's Report

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San Bernardino, CA 92408
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Board of Directors
Idyllwild Water District
Idyllwild, California

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Gardenya Duran, CPA
Brianna Schultz, CPA
Lisa Dongxue Guo, CPA, MSA

Report on the financial statements

We have audited the accompanying financial statements of the Idyllwild Water District (the District), as of and for the year ended June 30, 2017, 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 from material misstatement.

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

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the changes in financial position 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 and the schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
October 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the Idyllwild Water District's (the District) operational and financial activities for the fiscal year ended June 30, 2017. Readers are encouraged to review this section in conjunction with the accompanying financial statements and notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates under California Irrigation District Law as a utility enterprise. As such, the District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting, similar to methods used by private sector companies. These financial statements are designed to provide readers with a broad overview of the finances and also present changes in cash balances, and information about both short-term and long-term activities of the District. There are three required components to these statements; the Management's Discussion and Analysis (MD&A), the financial statements, and the notes to the financial statements. As an enterprise fund, the District's financial statements include four components:

- 1) **Statement of Net Position** presents information on all of the District's assets and liabilities with the difference between the two reported as net position. The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: net investment in capital assets; restricted; and unrestricted.
- 2) **Statement of Revenues, Expenses and Changes in Net Position** presents information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs, regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the District has recovered its costs through water sales, user fees and other charges.
- 3) **Statement of Cash Flows** provides information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in four categories: operating; noncapital financing; capital and related financing; and investing. This statement differs from the statement of revenues, expenses, and changes in net position in that it accounts only for transactions that result from cash receipts and cash disbursements. As in the past, the statement of cash flows continues to reconcile the reasons why cash from operating activities differ from operating income.
- 4) **Notes to the Basic Financial Statements** provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements. The notes are located immediately following the financial statements.

THE DISTRICT'S OPERATIONS - AN OVERVIEW

The District operates under the authority of Section 30000, Division 12 of the California Water Code and engages in water and wastewater activities, which are classified, as "proprietary". These activities are accounted for much like that of a private business using the full accrual method of accounting for financial transactions. Major activities include production and treatment of groundwater; sale and delivery of water to domestic and commercial accounts; and collection, treatment and disposal of wastewater. The District also owns a small fleet of vehicles and other rolling stock to support the various operating activities for water and wastewater.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales increased for the year by \$19,876 or 1.6% from the prior year's amount and ended the year at \$1,244,743. This is attributed to an increase in sales for commercial accounts and an increase in cubic feet of sales by 264,896 c.f. Total cubic feet sold for the fiscal year was 10,129,022. The District is in No Stage for water conservation. There were no new residential water connections and no new commercial connections.

WASTEWATER SALES:

Wastewater service charges increased by \$12,275 or 2.0% from the prior year and ended the year at \$636,578. The equivalent dwelling units increased by 8.65 E.D.U from the prior year or 1% to end the year at 1,377.01 E.D.U. There were no new residential or commercial connections added during the year.

CAPITAL ASSETS:

During the year, the water fund increased capital assets being depreciated by \$73,110. Overall, capital assets in the water fund increased by a net of \$158,115 due to depreciation expense of \$212,371.

	<u>2016/2017</u> <u>Amount</u>
Capital assets being depreciated, net:	
Beginning Capital Assets Being Depreciated, Net	\$ 8,736,006
Additions:	
Security System	7,033
Office Furniture	13,024
Carport	9,811
Fence	16,256
Backhoe	81,000
16 Ford F350	49,723
17 Ford Dump	83,011
Tyler Software	25,623
Total Additions	<u>285,481</u>
Deletions:	
Office Equipment	(16,068)
Vehicles	<u>(188,066)</u>
Total Deletions	<u>(204,134)</u>
Total capital assets being depreciated, net	<u><u>\$ 8,817,353</u></u>

**Idyllwild Water District
 Management's Discussion and Analysis
 For the year ended June 30, 2017**

CAPITAL ASSETS, Continued:

During the year, the capital assets of the wastewater fund decreased by a net of \$80,118 from the prior year due to depreciation expense \$122,221 and the following:

	<u>2016/2017 Amount</u>
Capital assets being depreciated, net:	
Beginning Capital Assets Being Depreciated, Net	\$ 3,008,939
Additions:	
08 CAT Backhoe	36,460
Security System	<u>5,643</u>
Total Additions	<u>42,103</u>
Deletions:	
Vehicle	<u>(118,418)</u>
Total Deletions	<u>(118,418)</u>
Total capital assets being depreciated - additions, net	<u><u>\$ 2,932,624</u></u>

During the year, the capital assets of the recycled water fund decreased by \$286,706 from the prior year:

	<u>2016/2017 Amount</u>
Construction in progress:	
Beginning construction in progress	<u>\$ 286,706</u>
Deletions:	
Recycled water project	<u>(286,706)</u>
Total additions/transfers	<u>(286,706)</u>
Total construction in progress	<u><u>\$ -</u></u>

INVESTMENT INCOME:

This past year investment income experienced an increase in earned percentages from the prior year. There are conservative investment policy restrictions on types of investments such as treasury bills, certificates of deposits, savings, money market funds, and local agency investment funds (state and local). Total investment income for the water and wastewater funds was a combined \$19,688.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

PROPERTY TAXES:

This past year property tax revenues experienced an increase in revenues from the previous year of \$24,044 or 6.1%. Total property tax revenues for the year ended was \$415,658.

DISTRICT OPERATIONS:

Combined operating expenses, excluding depreciation expense of \$334,592, totaled \$1,691,340 which represents an increase of \$128,230 or an increase of 8.2% from the prior year. Decreases occurred in the following expense categories: water operations.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$212,371 and the wastewater fund's was \$122,221 for a total of \$334,192 an increase of \$96,395 or 26.17% from the prior year. This increase is due to new subsurface sewer lines being placed in service and depreciated.

TOTAL REVENUES:

Combined revenues for the year totaled \$2,445,507 compared to the prior year of \$2,644,879 a decrease of \$199,372 or 7.5%. The decrease is primarily due to grant revenues of over \$300,000 recognized in the prior year. The following table presents a comparison of revenues by category for the two years of 2015/2016 and 2016/2017:

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017**

<i>Revenue category</i>	2015/2016		2016/2017		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water sales	\$ 1,224,876	46.31%	\$ 1,244,743	50.90%	\$ 19,867	1.6%
Wastewater services	624,203	23.60%	636,578	26.03%	12,375	2.0%
Service fees and other	18,108	0.68%	16,603	0.68%	(1,505)	-8.3%
Investment income	12,974	0.49%	19,688	0.81%	6,714	51.7%
Property taxes - 1%	391,614	14.81%	415,658	17.00%	24,044	6.1%
Standby charge	27,725	1.05%	26,902	1.10%	(823)	-3.0%
Capacity fee	12,130	0.46%	-	0.00%	(12,130)	100.0%
Other income	333,249	12.6%	85,335	3.49%	(247,914)	-74.4%
Total revenues	<u>\$ 2,644,879</u>	<u>100%</u>	<u>\$ 2,445,507</u>	<u>100%</u>	<u>\$ (199,372)</u>	<u>-7.5%</u>

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

TOTAL EXPENSES:

Combined expenses for the year totaled \$2,651,600 compared to a prior year of \$1,829,169 an increase of \$812,684 or 44.4%, which includes total operating expenses of \$1,639,871 (excluding other operating, non-operating and interest) compared to the prior year of \$1,566,980. The primary reason for this increase in expenses is due to the pay back of grant funds of \$302,172 and the disposal of the recycled water construction in progress of \$286,706.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017**

<i>Expense category</i>	2015/2016		2016/2017		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water operations	\$ 593,932	32.5%	\$ 545,938	20.6%	\$ (47,994)	-8.1%
Wastewater operations	237,112	13.0%	274,443	10.4%	37,331	15.7%
General and admin	735,936	40.2%	794,483	30.0%	58,547	8.0%
Other operating	261,327	14.3%	411,068	15.5%	149,741	57.3%
Other non-operating	862	0.0%	323,496	12.2%	322,634	37428.5%
Special Item	-	0.0%	302,172	11.4%	302,172	100.0%
Total expenses	<u>\$ 1,829,169</u>	<u>100.0%</u>	<u>\$ 2,651,600</u>	<u>100.0%</u>	<u>\$ 822,431</u>	<u>45.0%</u>

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

STATEMENT OF NET POSITION:

The District's net position decreased by \$206,093 or 2.2%. Net position increased by \$815,710 in the prior year. The District ended the year with \$9,377,775 in total net position. Following is a summary table of balance sheet accounts comparing the changes from fiscal year 2015/2016 and 2016/2017:

STATEMENT OF NET POSITION:

	2015/2016	2016/2017	Change	
			Amount	%
Assets:				
Current	\$ 4,468,671	\$ 4,555,392	\$ 86,721	1.9%
Non-current: capital	6,163,086	5,954,377	(208,709)	-3.4%
Total assets	10,631,757	10,509,769	(121,988)	-1.1%
Liabilities:				
Current	214,185	209,117	(5,068)	-2.4%
Other non-current	833,704	922,877	89,173	10.7%
Total liabilities	1,047,889	1,131,994	84,105	8.0%
Net position:				
Net investment in capital assets	6,163,086	5,954,377	(208,709)	-3.4%
Unrestricted	3,420,782	3,423,398	2,616	0.1%
Total net position	\$ 9,583,868	\$ 9,377,775	\$ (206,093)	-2.2%

CHANGES IN FINANCIAL CONDITION OF THE DISTRICT:

The following provides explanations for some of the changes between fiscal years, as reflected in the above balance sheet data:

CURRENT ASSETS:

Current assets increased by \$86,721 or 1.9% from the prior year. This is due primarily to purchasing capital assets for the District. Inventory increased by \$7,760. Service receivables decreased by \$15,535 or 29.9% and property tax receivable decreased by \$1,145 or 5.1%.

CURRENT LIABILITIES:

Current liabilities decreased by \$5,068 due primarily to an change in accounts payable and compensated absences.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

LONG-TERM DEBT OUTSTANDING:

The District currently has no long term debt outstanding.

NET OPEB OBLIGATION:

The District performed an in-house recalculation of the OPEB obligation for the "Retiree's Health Benefit Plan". A net increase in the OPEB obligation was recorded in the current fiscal year in the amount of \$89,173. See note 10 for more information.

CAPITAL ASSETS:

The District reported capital assets of \$5,954,377, net of accumulated depreciation, at the end of the fiscal year compared to \$6,163,086 in fiscal year 2015/2016, a decrease of \$208,709 or 3.4%. See note 2 for more information. The following is a table comparing the change in capital assets between the two fiscal years:

**CAPITAL ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2017**

	2015/2016	2016/2017	Change	
			Amount	%
Construction in progress	\$ 386,246	\$ 182,195	\$ (204,051)	-52.8%
Land and land improvements	603,751	606,101	2,350	0.4%
Source of supply	1,336,153	1,336,153	-	0.0%
Pumping plant	97,162	97,162	-	0.0%
Treatment plant	683,377	683,377	-	0.0%
Transmission and distribution	5,464,238	5,464,238	-	0.0%
General plant	1,352,182	1,357,214	5,032	0.4%
Subsurface lines	1,389,330	1,389,330	-	0.0%
Wastewater treatment facilities	1,109,175	1,109,175	-	0.0%
Wastewater disposal facilities	313,328	313,328	-	0.0%
Total capital assets	12,734,942	12,538,273	(196,669)	-1.5%
Less accumulated depreciation	(6,571,856)	(6,583,896)	(12,040)	0.2%
Net capital assets, net	\$ 6,163,086	\$ 5,954,377	\$ (208,709)	-3.4%

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

DISTRICT REVENUE AND EXPENSE ACTUAL VS. BUDGET:

The table below compares actual revenues and expenses of the District to budgeted and/or projected amounts used by the District to monitor performance during the fiscal year. The overall change to net position was budgeted, excluding capital purchases, as a negative \$(60,885) compared to actual results of \$815,710, including a positive revenue budget variance of \$606,644 and a positive expense budget variance of \$269,951. The following is a table of total revenues and expenses comparing the actual results with budgeted projections:

**ACTUAL VERSUS BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<i>Revenues</i>	Actual	Budget	Variance
Water base fees and revenue	\$ 1,260,496	\$ 1,224,689	\$ 35,807
Wastewater base fees and revenue	637,428	622,976	14,452
Interest and other revenues	105,023	31,500	73,523
Property taxes - 1% and standby fees	442,560	390,000	52,560
Total revenues	2,445,507	2,269,165	176,342
<i>Expenses</i>	Actual	Budget	Variance
Water operations	\$ 333,567	\$ 1,099,538	\$ 765,971
Wastewater operations	152,222	551,249	399,027
Depreciation	334,592	310,000	(24,592)
General and administrative and other operating expenses	1,205,551	70,000	(1,135,551)
Interest and other expense	323,496	-	(323,496)
Special Item	302,172	-	(302,172)
Total expenses	2,651,600	2,030,787	(620,813)
Change in net position	\$ (206,093)	\$ 238,378	\$ (444,471)

The District's capital budget was \$707,408. The District incurred capital costs of \$327,584 during the year.

UPCOMING EVENTS:

The District is currently working on a Pipeline Replacement Project along portions of Marion View, Bicknell, Reed Lane and Middle Ridge. This project is being partially financed by a Community Development Block Grant in the amount of \$155,000 and the remaining amount of \$488,000 is being financed by the District. The expected completion for this project is October 2017.

The District has updated its Water Service Policies and Procedures and is currently working to update the Wastewater Policies and Procedures.

The District is in No Stage of Water Conservation and has lifted the restrictions on issuing water meters.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2017**

Management believes its adopted *Reserve Fund Policy* is a clear and rationale guide for the accumulation and management of reserve funds. Ultimately, the balances in the reserve funds are based on decisions made by the Board and management and include factors such as local conditions and an analysis of the risks that influence the need for maintaining reserves as a hedge against uncertainty and loss. See Note 5 for additional information.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This management's discussion and analysis section is designed to provide Idyllwild Water District elected officials, our customers, and creditors with a general overview of the District's financial activities for fiscal year 2016/2017 for public monies it receives and expends. If you have any questions regarding this section or require additional financial information, please contact the District, at 25945 CA-243, Idyllwild, California 92549 or online at idyllwildwater.com.

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Assets				
Current assets:				
Cash and investments	\$ 2,649,275	\$ 1,578,334	\$ -	\$ 4,227,609
Certificates of deposit	25,013	156,356	-	181,369
Accounts receivable, net:			-	
Sales and service	24,147	12,216	-	36,363
Taxes and assessments	15,945	5,223	-	21,168
Grants	20,242	-	-	20,242
Accrued interest receivable	3,262	2,572	-	5,834
Inventories	61,879	928	-	62,807
Total current assets	2,799,763	1,755,629	-	4,555,392
Capital assets:				
Land and land improvements	580,135	25,966	-	606,101
Construction in progress	182,195	-	-	182,195
Property, plant and equipment, net	4,276,545	889,536	-	5,166,081
Total capital assets	5,038,875	915,502	-	5,954,377
Total assets	7,838,638	2,671,131	-	10,509,769

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Liabilities				
Current liabilities:				
Accounts payable	\$ 18,079	\$ 24,782	\$ -	\$ 42,861
Unearned revenue	137,122	6,721	-	143,843
Compensated absences payable	15,558	6,855	-	22,413
Total current liabilities	<u>170,759</u>	<u>38,358</u>	<u>-</u>	<u>209,117</u>
Noncurrent liabilities:				
OPEB obligation	<u>692,158</u>	<u>230,719</u>	<u>-</u>	<u>922,877</u>
Total noncurrent liabilities	<u>692,158</u>	<u>230,719</u>	<u>-</u>	<u>922,877</u>
Total liabilities	<u>862,917</u>	<u>269,077</u>	<u>-</u>	<u>1,131,994</u>
Net position				
Net investment in capital assets	5,038,875	915,502	-	5,954,377
Unrestricted	<u>1,936,846</u>	<u>1,486,552</u>	<u>-</u>	<u>3,423,398</u>
Total net position	<u>\$ 6,975,721</u>	<u>\$ 2,402,054</u>	<u>\$ -</u>	<u>\$ 9,377,775</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2017

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Operating revenues				
Water sales:				
Residential	\$ 737,189	\$ -	\$ -	\$ 737,189
Commercial	507,554	-	-	507,554
Wastewater service fees:				
Residential	-	208,314	-	208,314
Commercial	-	428,264	-	428,264
Service fees and other	15,753	850	-	16,603
Total operating revenues	1,260,496	637,428	-	1,897,924
Operating expenses				
Source of supply	191,470	-	-	191,470
Transmission and distribution	113,385	-	-	113,385
Pumping	19,106	-	-	19,106
Water treatment	127,485	-	-	127,485
Customer accounts	94,492	-	-	94,492
Wastewater collection	-	9,625	-	9,625
Wastewater treatment	-	134,430	-	134,430
Wastewater disposal	-	130,388	-	130,388
Other operating	215,748	195,320	-	411,068
General and administrative	594,242	200,241	-	794,483
Total operating expenses	1,355,928	670,004	-	2,025,932
Operating income	(95,432)	(32,576)	-	(128,008)
Nonoperating revenues				
Investment income	11,079	8,609	-	19,688
Property taxes and assessments	303,493	112,165	-	415,658
Other income	85,335	-	-	85,335
Standby fees	21,829	5,073	-	26,902
Total nonoperating revenues	421,736	125,847	-	547,583

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2017

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Nonoperating expenses				
Loss on disposal of capital assets	\$ -	\$ -	\$ 322,876	\$ 322,876
Agency debt and county services	620	-	-	620
Total nonoperating expenses	620	-	322,876	323,496
Special Item				
Repayment of grant funds	-	302,172	-	302,172
Total Special Items	-	302,172	-	302,172
Change in net position	325,684	(208,901)	(322,876)	(206,093)
Net position, beginning of year	6,650,037	2,610,955	322,876	9,583,868
Net position, end of year	<u>\$ 6,975,721</u>	<u>\$ 2,402,054</u>	<u>\$ -</u>	<u>\$ 9,377,775</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows
For the year ended June 30, 2017

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Cash flows from operating activities				
Cash received from customers	\$ 1,282,251	\$ 644,588	\$ -	\$ 1,926,839
Cash payments for services, supplies and employees	(1,089,737)	(490,264)	-	(1,580,001)
Net cash provided by operating activities	192,514	154,324	-	346,838
Cash flows from noncapital financing activities				
Property taxes -1% received	304,139	112,664	-	416,803
Other nonoperating income	86,922	5,073	-	91,995
Other nonoperating expenses	(620)	-	-	(620)
Net cash provided by noncapital financing activities	390,441	117,737	-	508,178
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(370,486)	(42,103)	-	(412,589)
Repayment of capital grant	-	(302,172)	-	(302,172)
Net cash (used for) capital and related financing activities	(370,486)	(344,275)	-	(714,761)
Cash flows from investing activities				
Proceeds from investments	412,851	169,981	-	582,832
Investment income	9,190	7,276	-	16,466
Net cash provided by investing activities	422,041	177,257	-	599,298
Net increase in cash and cash equivalents	634,510	105,043	-	739,553
Cash and cash equivalents, beginning of year	2,014,765	1,473,291	-	3,488,056
Cash and cash equivalents, end of year	<u>\$ 2,649,275</u>	<u>\$ 1,578,334</u>	<u>\$ -</u>	<u>\$ 4,227,609</u>

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Recycled Water	Total
Reconciliation of operating income (loss) to cash provided by operating activities				
Operating income (loss)	\$ (95,432)	\$ (32,576)	\$ -	\$ (128,008)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	212,371	122,221	-	334,592
(Increase) decrease in assets:				
Receivables	8,375	27,868	-	36,243
Inventories	(7,760)	-	-	(7,760)
Prepays	5,218	1,740	-	6,958
Increase (decrease) in liabilities:				
Accounts payable	(713)	9,327	-	8,614
OPEB obligation	66,881	22,292	-	89,173
Unearned revenue	13,380	-	-	13,380
Compensated absences	(9,806)	(3,269)	-	(13,075)
Other liabilities	-	6,721	-	6,721
Net cash provided by operating activities	<u>\$ 192,514</u>	<u>\$ 154,324</u>	<u>\$ -</u>	<u>\$ 346,838</u>
Cash and investments are presented in the statement of net position as follows:				
Cash and investments	\$ 2,649,275	\$ 1,578,334	\$ -	\$ 4,227,609
Certificates of deposit	25,013	156,356	-	181,369
Total	<u>\$ 2,674,288</u>	<u>\$ 1,734,690</u>	<u>\$ -</u>	<u>\$ 4,408,978</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 1: Significant accounting policies

Description of reporting entity

The Idyllwild Water District was formed on March 21, 1955 for the purpose of providing a domestic water supply to the community of Idyllwild, California under Section 30000 of the California Water Code. Improvement District No. 1 was established by Board action on March 10, 1966 to provide wastewater services within the community. The financial statements of the Idyllwild Water District include the financial activities of Improvement District No. 1 as an oversight component of the District. The oversight responsibility of the District arises from the fact that the two operations are related financially and have the same management and governing board.

Measurement focus and basis of accounting

The District utilizes accounting principles appropriate for an enterprise fund to record its activities. Accordingly, revenue and expenses are recognized on an accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods (water) in connection with the principal ongoing operations.

The District recognizes revenue from water sales, wastewater service fees and water availability fees as it is earned. Taxes and assessments are recognized as revenue based upon amounts reported to the District by the County of Riverside, net of an allowance for delinquencies.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Materials inventory

Inventory consists primarily of supplies used in the maintenance of plant and equipment and is valued at weighted average cost using the first in/first out (FIFO) method.

Net position flow assumption

At various times the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Water receivables

No allowance for doubtful accounts is provided because management believes all receivables are collectible.

Deposits and investments

Investments for the District are reported at fair value as applicable.

Interfund transfers

Transfers represent reimbursement amounts between funds.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 1: Significant accounting policies, continued

Capital assets and depreciation

Acquisitions of property, plant and equipment of \$5,000 or more with a useful life of greater than three years are capitalized and depreciated. Contributed assets are recorded at their fair value at the date of contribution. Self-constructed assets are recorded at the amount of direct labor and materials.

Depreciation is provided on the straight-line method over the following estimated useful lives:

<u>Water District</u>	<u>Years</u>
Source of supply	15 -100
Pumping plant	7 - 50
Treatment plant	25 - 40
Transmission and distribution	40 - 60
General plant	3 - 40
<u>Improvement District No.1</u>	<u>Years</u>
Subsurface lines	20 - 40
Wastewater treatment facilities	5 - 40
Wastewater disposal facilities	12 - 100
General plant	4 - 20

Cash and cash equivalents

For purposes of the statement of cash flows, the District considers all investments purchases with a maturity of three months or less to be cash equivalents.

Budgetary accounting

The District prepares and adopts budgets for both the Water and Improvement District, but does not present budgetary information because it is not legally required to adopt and adhere to a budget. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Use of estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the statements. Actual results could differ from those estimates.

Net position is categorized as follows

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 1: Significant accounting policies, continued

The District reports the following enterprise funds:

Water – This fund is used to account for the sale of water to domestic and commercial accounts. It is also used to account for the costs of distributing, new construction and repair and maintenance of various water facilities and other related infrastructure.

Improvement District No. 1 Wastewater – This fund is used to account for the treatment and disposal of wastewater. It is also used to account for the costs of collection, new construction and repair and maintenance of various wastewater facilities and other related infrastructure.

Recycled Water – This fund is used to account for the future use of recycled water within the District. This program was deemed impracticable by the District in the current fiscal year and ceased operations of this fund.

Note 2: Capital assets

The investment in capital assets at June 30, 2017 consists of the following:

<i>Water District</i>	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Construction in progress	\$ 99,540	\$ 82,655	\$ -	\$ 182,195
Land and land improvements	577,785	2,350	-	580,135
Total capital assets not being depreciated	677,325	85,005	-	762,330
Capital assets being depreciated:				
Source of supply	1,336,153	-	-	1,336,153
Pumping plant	97,162	-	-	97,162
Treatment plant	683,377	-	-	683,377
Transmission and distribution	5,464,238	-	-	5,464,238
General plant	1,155,076	285,481	(204,134)	1,236,423
Total capital assets being depreciated	8,736,006	285,481	(204,134)	8,817,353
Less accumulated depreciation	(4,532,571)	(212,371)	204,134	(4,540,808)
Net capital assets being depreciated	4,203,435	73,110	-	4,276,545
Net capital assets	<u>\$4,880,760</u>	<u>\$ 158,115</u>	<u>\$ -</u>	<u>\$ 5,038,875</u>

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 2: Capital assets, continued

The investment in capital assets at June 30, 2017 consists of the following:

<i>Improvement District No. 1</i>	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Land	\$ 25,966	\$ -	\$ -	\$ 25,966
Total capital assets not being depreciated	<u>25,966</u>	<u>-</u>	<u>-</u>	<u>25,966</u>
Capital assets being depreciated:				
Subsurface lines	1,389,330	-	-	1,389,330
Wastewater treatment facilities	1,109,174	-	-	1,109,174
Wastewater disposal facilities	313,328	-	-	313,328
General plant	197,107	42,103	(118,418)	120,792
Total capital assets being depreciated	<u>3,008,939</u>	<u>42,103</u>	<u>(118,418)</u>	<u>2,932,624</u>
Less accumulated depreciation	<u>(2,039,285)</u>	<u>(122,221)</u>	<u>118,418</u>	<u>(2,043,088)</u>
Net capital assets being depreciated	<u>969,654</u>	<u>(80,118)</u>	<u>-</u>	<u>889,536</u>
Net capital assets	<u>\$ 995,620</u>	<u>\$ (80,118)</u>	<u>\$ -</u>	<u>\$ 915,502</u>
<i>Recycled Water</i>	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Construction in progress	\$ 286,706	\$ -	\$ (286,706)	\$ -

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 3: Cash and investments

Cash and investments are displayed on the financial statements at June 30, 2017 as follows:

	<u>Water</u>	<u>Improvement District No. 1</u>
Current assets:		
Cash and cash equivalents	\$ 2,649,275	\$ 1,578,334
Investments	25,013	156,356
	<u>\$ 2,674,288</u>	<u>\$ 1,734,690</u>

Cash and investments as of June 30, 2017 consisted of the following:

Cash consisted of the following at June 30:

Deposits with financial institutions	\$ 496,025	\$ 101,351
Cash on hand	275	-
Investments	<u>2,177,988</u>	<u>1,633,339</u>
	<u>\$ 2,674,288</u>	<u>\$ 1,734,690</u>

The District is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each participant may invest up to \$65,000,000. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Also, LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute. LAIF is not currently rated by any rating agency.

Interest rate risk

The District has adopted an investment policy which limits the weighted average maturity of the District's investments to one year as a means of managing their exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk

During the fiscal year, the District did not hold investments in one issuer that represented 5% or more of the District's total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government as well as mutual funds, external investment pools and other pooled assets are exempt from disclosure.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 3: Cash and investments, continued

Investments authorized by the California Government Code and the Districts' Investment Policy

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

Authorized investment type	Maximum percentage of portfolio	Maximum investment in one issuer
United States treasury obligations US government sponsored enterprise securities	50%	Not applicable
California State warrants or notes	100%	Not applicable
Local Agency Investment Fund	67%	\$65,000,000
Money market mutual funds	25%	25%
Time certificates of deposit	50%	50%
Bankers acceptances	40%	30%
Commercial paper	25%	10%
Corporate medium term notes	30%	30%
Purchase agreements	20%	20%
Collateralized mortgage obligations and asset backed securities	20%	20%

Investments authorized by debt agreements

Investments of debt proceeds held by trustees (fiscal agents) are governed by provisions of the debt agreements, rather than the provisions of the California Government Code or the Districts' investment policies. The District currently does not have any debt or cash held by trustees.

Investment maturities at June 30, 2017 were as follows:

Investment type	Fair value	Remaining maturity	
		12 months or less	13 to 60 months
<i>Water District</i>			
Local Agency Investment Fund	\$ 1,416,328	\$ 1,416,328	\$ -
Certificates of deposit	25,013	25,013	-
Public funds money market	736,647	736,647	-
Total investments - Water District	\$ 2,177,988	\$ 2,177,988	\$ -
<i>Improvement District No. 1</i>			
Local Agency Investment Fund	\$ 1,116,611	\$ 1,116,611	\$ -
Certificates of deposit	156,356	156,356	-
Public funds money market	360,372	360,372	-
Total investments - Improvement District No. 1	\$ 1,633,339	\$ 1,633,339	\$ -

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 3: Cash and investments, continued

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institute secure deposits made by state and local governmental units by pledging securities in an individual collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the pool must equal at least 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure the Districts' deposits by pledging first trust deed mortgage notes, having a value of 150% of the secured public deposits. At June 30, 2017, the District's deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California law.

Fair value measurements

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.

Non-negotiable certificates of deposit and investments in LAIF are not subject to fair value measurements and are measured at net asset value, which approximates fair value.

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. State law limits investments in certain investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy further limits investments in Money Market Mutual Funds to funds that carry the highest rating of at least two of the three largest national rating organizations.

<u>Investment type</u>	<u>Amount</u>	<u>Minimum legal rating</u>	<u>Rating</u>	<u>Not rated</u>
<i>Water District</i>				
Local Agency Investment Fund	\$ 1,416,328	NA	NA	\$ 1,416,328
Certificates of deposit	25,013	None	NA	25,013
Public funds money market	736,647	None	NA	736,647
Total investments - Water District	<u>\$ 2,177,988</u>			<u>\$2,177,988</u>
<i>Improvement District No. 1</i>				
Local Agency Investment Fund	\$ 1,116,611	NA	NA	\$ 1,116,611
Certificates of deposit	156,356	None	NA	156,356
Public funds money market	360,372	None	NA	360,372
Total investments - Improvement District No. 1	<u>\$ 1,633,339</u>			<u>\$1,633,339</u>

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 4: Major Customers

During the year ended June 30, 2017, the District has revenues from an unrelated party which amount to more than 10% of net sales. Net sales and accounts receivable to this customer for the year ended were as follows:

	2017			
	<u>Net Sales</u>		<u>Accounts Receivable</u>	
	<u>Water</u>	<u>Improvement District No. 1 - Wastewater</u>	<u>Water</u>	<u>Improvement District No. 1 - Wastewater</u>
Customer A	<u>\$ 166,320</u>	<u>\$ 94,513</u>	<u>\$ 19,222</u>	<u>\$ 7,876</u>

Note 5: Property tax calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

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

Under California law, property taxes and other charges (such as assessments) are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to agencies based on complex formulas prescribed by state statutes. The County of Riverside bills, collects and remits to the District property taxes and assessments through the County's property tax billing process.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 6: Net position

The District has adopted net position reserve policies which clearly identify reserve categories and purposes while also setting target levels that are consistent with the District's mission, uniqueness and philosophy. The District believes the reserves are prudent fiscal management tools which provide a cornerstone of long-term financial management. The reserve balances are reviewed annually to ensure they meet the needs, current and long-term, of the District. At June 30, 2017, the District had the following reserves in unrestricted net position:

Net position reserves	Water	Improvement District No. 1 - Wastewater
Working capital	\$ 112,500	\$ 37,500
Emergency	150,000	50,000
Capital improvement and replacement	150,000	50,000
Vehicle and equipment replacement	75,000	25,000
Vacation/sick/annual leave liability	16,810	5,603
OPEB	486,880	162,292
	\$ 991,190	\$ 330,395
Total reserves	\$ 991,190	\$ 330,395

Note 7: Compensated absences payable

Vested or accumulated vacation leave is recognized as an expense and liability as the benefits accrue to the employees. Pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*, only the vested portion of sick pay benefits are recognized as a liability.

	Beginning balance	Additions	Deletions	Ending balance
Compensated absences	\$ 35,488	\$ 13,359	\$ (26,434)	\$ 22,413

Note 8: Risk management

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. During the year ended June 30, 2017, the District participated in the Association of California Water Agencies Joint Powers Insurance Authority (JPIA), which was organized for the purpose of providing liability insurance for the member agencies. The JPIA is a risk-pooling self-insurance authority created under the provisions of California Government Code Section 6500. The JPIA is governed by a board consisting of a representative from each member agency. The board controls the operations of the JPIA, including selections of management and approval of operating budgets. The purpose of the JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm.

Note 8: Risk management, continued

The District has deductibles as follows:

Buildings, fixed equipment and personal property:	\$2,500
Mobile equipment:	\$2,500
Licensed vehicles:	\$1,000
Crime	\$1,000
Boiler and machinery	various

The District pays annual premiums for the coverages, which are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and there were no instances in the past three years where a settlement exceeded the District's coverage.

Note 9: Employees' retirement plan – defined contribution

All permanent employees hired on or before December 31, 2013 are covered under the Idyllwild Water District Money Purchase Pension Plan (the Plan) 401(a) administered by the District through ING Pension acting as trustee. The Plan is fully funded by a contribution rate of 21.5% of eligible salaries and wages made entirely by the District. The Board of Directors of the District has the authority, in its sole discretion, to amend, reduce contributions or terminate the plan at any time.

The District adopted a new pension plan 457(b) starting January 1, 2014. For new hires on or after January 1, 2014, the District contributes 10% for each new employee and matching up to 5%, if the employee elects to contribute up to 5%. The 457(b) Plan is administered by the District through ING pension acting as trustee.

The 457(b) Plan is also available to all current employees hired before December 31, 2013 however, the District will not provide matching contributions.

District employees are also covered under Social Security, funded equally by the District and the employee, or as prescribed by applicable laws.

Note 10: Postemployment benefits other than pensions

Plan description

The Idyllwild Water District administers a single-employer benefit healthcare plan (the Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plans, which covers both active and retired District members. Benefit provisions are established and can be amended by the District's Board of Directors. The Plan does not issue a publicly available financial report.

Funding policy

Contribution requirements are set by the District's Board of Directors. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2017, the District contributed \$33,654 to the Plan. The District is funding the Plan on a pay-as-you go basis. During the 2014 fiscal year, the plan was closed to new entrants.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2017

Note 10: Postemployment benefits other than pensions, continued

Annual OPEB cost and net OPEB obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method (AMM) permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to 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 the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 128,987
Interest on net OPEB obligation	33,348
Adjustment to annual required contribution	<u>(39,508)</u>
Annual OPEB cost (expense)	122,827
Contributions made	<u>(33,654)</u>
Increase in net OPEB obligation	89,173
Net OPEB obligation, beginning of year	<u>833,704</u>
Net OPEB obligation, end of year	<u><u>\$ 922,877</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2017, and the two preceding years is as follows:

Fiscal year ended	Annual OPEB cost (expense)	Percentage of OPEB cost contributed	Net OPEB obligation
June 30, 2015	\$ 116,118	27.34%	\$ 747,051
June 30, 2016	117,499	26.25%	833,704
June 30, 2017	122,827	27.40%	922,877

The funded status of the Plan as of June 30, 2017, was as follows (as of the January 1, 2015 actuarial):

Actuarial accrued liability (AAL)	\$ 999,983
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 999,983</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	\$ 560,000
UAAL as a percentage of covered payroll	178.57%

Note 10: Postemployment benefits other than pensions, continued

Funded status and funding progress

As of the January 1, 2015 actuarial report, the actuarial accrued liability for benefits was \$999,983, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$560,000, and the ratio of the underfunded actuarial accrued liability to the covered payroll was 179%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The 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.

The actuarial cost method used was the entry age normal cost method in the January 1, 2015 valuation. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

Changes since the June 2011 AMM valuation include:

- Plan experience relative to prior assumptions. This includes factors such as more or fewer employee terminations or retirements than assumed, as well as premiums and retiree benefit levels higher or lower than assumed;
- Changes in retiree medical benefits for those hired by the District after December 31, 2013;
- Revised assumptions for mortality (including projection of future improvements, resulting in longer life expectancies), termination and retirement;
- Recognition of dental, vision and/or prescription drug coverage in addition to supplemental medical coverage for retirees and/or their spouses covered by Medicare; and
- Differences in the rates in which future premium levels will increase.

The following simplifying assumptions were made:

Retirement age for active employees

Retirement age for active members is assumed to be when a member attains Medicare eligibility age. However, if a member will not qualify for OPEB benefits at the age of Medicare eligibility, the year of retirement is assumed to be the year OPEB benefit qualifications have been met. Under current policy, a member must have been employed by the District for 10 years and have attained the age of 55 to qualify for OPEB benefits.

Marital status

Marital status of members at the calculation date was assumed to continue throughout retirement.

Note 10: Postemployment benefits other than pensions, continued

Mortality

Mortality rates were determined using CalPERS experience study using data from 1997 to 2007. The valuation used the CalPERS Public Agency Miscellaneous tables projected by applying Scale AA on a fully generational basis.

Turnover

Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rates

The expected rate of increase in healthcare insurance premiums were based on projections of the Association of California Water Agencies for medical, dental and vision coverage and projected to increase annually at a rate of 5%.

Health insurance premiums

2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate

The expected long-term inflation assumption of 3% was used.

Payroll growth rate

The expected long-term payroll growth rate used was 3.25%.

Discount rate

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 4% was used since the plan is unfunded.

Note 11: Subsequent event

In July, the District refunded \$123,742 to Idyllwild Arts Foundation for an amount held in deferred revenue for the water fund.

Note 12: Special Item

During the current fiscal year, the District's Board of Directors determined that the Recycled Water Project, initiated several years ago, was no longer feasible. Since a portion of the project was funded with a State Department of Water Resources (SWR) grant and the District received a portion of the grant funds, it was determined the District was required to return the grant funds to the SWR. During the year, the District returned \$332,445 to the SWR and disposed the assets related to the project, resulting in a loss of \$302,172 in the current year.

Idyllwild Water District
 Required Supplementary Information –
 Schedule of Funding Progress for the Retiree Health Plan (OPEB)
 June 30, 2017

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]
06/30/10	\$ -	\$ 765,613	\$ 765,613	0.0%	\$ 526,400	145%
06/30/11	-	2,577,048	2,577,048	0.0%	574,301	449%
01/01/15	-	999,983	999,983	0.0%	560,000	179%