



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

**FOR THE YEAR ENDED
JUNE 30, 2018**

Idyllwild Water District

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**Idyllwild Water District
List of Principal Officers
As of June 30, 2018**

BOARD OF DIRECTORS

<u>Title</u>	<u>Name</u>
President	Charles Schelly
Vice-President	Peter Szabadi
Director	Les Gin
Director	David Hunt
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

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Independent Auditor's Report

Board of Directors
Idyllwild Water District
Idyllwild, California

PARTNERS

Brandi L. Odle, CPA, MST
Terry P. Shea, CPA
Rick A. Franks, CPA
Scott W. Marino, CPA, CGMA
Leona Sheathag, CPA, MST, CGMA
Bradford A. Welebz, CPA, MBA, CGMA
Jay H. Zercher, CPA (Partner-Emeritus)
Phillip H. Waller, CPA (Partner-Emeritus)

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seung Elyea Lee, CPA, MBA
Charles DeSimoni, CPA
Gardenya Loran, CPA
Breanna Schultz, CPA
Lori Longacre Guro, CPA, MSA
Samuel Sogary, CPA
Jing Wu, CPA



MEMBERS

American Institute of
Certified Public Accountants

PCPS, The AICPA Alliance
for CPAs

Governmental Audit
Quality Center

Employee Benefit Plan
Audit Quality Center

California Society of
Certified Public Accountants

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express 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.

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, 2018, 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.

Emphasis of a matter

As discussed in Note 1 of the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

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 OPEB related schedules, 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 November 14, 2018, 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
November 14, 2018

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, 2018. 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, liabilities and deferred inflows/outflows 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, 2018**

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales decreased for the year by \$13,440 or 1.1% from the prior year's amount and ended the year at \$1,231,303. This is attributed to a changing rate for commercial accounts. Total cubic feet sold for the fiscal year was 10,938,190. The District is in No Stage for water conservation. There were 30 new water connections.

WASTEWATER SALES:

Wastewater service charges decreased by \$22,536 or 3.5% from the prior year and ended the year at \$614,042. The equivalent dwelling units is the same as the prior year at 1,377.01 EDU. There were no new residential or commercial connections added during the year.

CAPITAL ASSETS:

During the year, the water fund decreased capital assets being depreciated by \$161,589. Overall, capital assets in the water fund increased by a net of \$598,723 due to depreciation expense of \$224,509, an increase of \$760,312 related to construction in progress and an increase in general plant of \$62,920.

	<u>2017/2018 Amount</u>
Capital assets being depreciated, net:	
Beginning Capital Assets Being Depreciated, Net	\$ 8,817,353
Additions:	
Toyota Tacoma 2017	37,378
Tyler Software	<u>25,542</u>
Total Additions	<u>62,920</u>
Deletions:	
Vehicles	<u>(29,335)</u>
Total Deletions	<u>(29,335)</u>
Total capital assets being depreciated, net	<u><u>\$ 8,850,938</u></u>

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2018**

CAPITAL ASSETS, Continued:

During the year, the capital assets of the wastewater fund decreased by a net of \$90,972 from the prior year due to depreciation expense \$116,303 and the following:

	<u>2017/2018 Amount</u>
Capital assets being depreciated, net:	
Beginning Capital Assets Being Depreciated, Net	\$ 2,932,624
Additions:	
Rockwell-Pumps	<u>25,331</u>
Total Additions	<u>25,331</u>
Total capital assets being depreciated - additions, net	<u><u>\$ 2,957,955</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 \$37,934.

PROPERTY TAXES:

This past year property tax revenues experienced an increase in revenues from the previous year of \$17,448 or 4.2%. Total property tax revenues for the year ended was \$433,106.

DISTRICT OPERATIONS:

Combined operating expenses, excluding depreciation expense of \$340,812 totaled \$2,198,480 which represents an increase of \$507,140 or an increase of 29.98% from the prior year. Increases occurred in the following expense categories: Engineering Services, Wages.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$224,509 and the wastewater fund's was \$116,303 for a total of \$340,812 an increase of \$6,220 or 1.86% from the prior year. This increase is due to typical depreciation expense changes.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2018**

TOTAL REVENUES:

Combined revenues for the year totaled \$2,659,411 compared to the prior year of \$2,445,507, an increase of \$213,904 or 8.7%. The increase is primarily due to a capacity fees for selling meters and service fees for their installation. The following table presents a comparison of revenues by category for the two years of 2016/2017 and 2017/2018:

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2018**

<i>Revenue category</i>	2016/2017		2017/2018		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water sales	\$ 1,244,743	50.90%	\$ 1,231,303	46.30%	\$ (13,440)	-1.1%
Wastewater services	636,578	26.03%	614,042	23.09%	(22,536)	-3.5%
Service fees and other	16,603	0.68%	51,298	1.93%	34,695	209.0%
Investment income	19,688	0.81%	37,934	1.43%	18,246	92.7%
Property taxes - 1%	415,658	17.00%	433,106	16.29%	17,448	4.2%
Standby charge	26,902	1.10%	29,214	1.10%	2,312	8.6%
Capacity fee	-	0.00%	172,593	6.49%	172,593	100.0%
Other income	85,335	3.5%	89,921	3.38%	4,586	5.4%
Total revenues	\$ 2,445,507	100%	\$ 2,659,411	100%	\$ 213,904	8.7%

TOTAL EXPENSES:

Combined expenses for the year totaled \$2,539,952 compared to a prior year of \$2,651,600 a decrease of \$111,648 or 4.2%, which includes total operating expenses of \$2,019,446 (excluding other operating, non-operating and interest) compared to the prior year of \$1,614,864. The primary reason for this increase in operating expenses is due to sewer line cleaning of \$107,040, an increase of \$52,314 in OPEB expense and higher engineering services costs for various studies among other increases in operating costs.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2018**

<i>Expense category</i>	2016/2017		2017/2018		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water operations	\$ 545,938	20.6%	\$ 634,368	25.0%	\$ 88,430	16.2%
Wastewater operations	274,443	10.4%	397,688	15.7%	123,245	44.9%
General and admin	794,483	30.0%	987,390	38.9%	192,907	24.3%
Other operating	411,068	15.5%	519,846	20.5%	108,778	26.5%
Other non-operating	323,496	12.2%	660	0.0%	(322,836)	-99.8%
Special Item	302,172	11.4%	-	0.0%	(302,172)	100.0%
Total expenses	\$ 2,651,600	100.0%	\$ 2,539,952	100.0%	\$ (111,648)	-4.2%

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2018**

STATEMENT OF NET POSITION:

The District's net position decreased by \$264,371 or 2.8%. Of this, \$119,459 was due to current operations and (\$383,830) due to the implementation of a new accounting pronouncement. Net position decreased by \$206,093 in the prior year. The District ended the year with \$9,113,404 in total net position. Following is a summary table of statement of net position comparing the changes from fiscal year 2016/2017 and 2017/2018:

STATEMENT OF NET POSITION:

	2016/2017	2017/2018	Change	
			Amount	%
Assets:				
Current	\$ 4,555,392	\$ 4,134,690	\$ (420,702)	-9.2%
Non-current: capital	5,954,377	6,462,128	507,751	8.5%
Total assets	10,509,769	10,596,818	87,049	0.8%
Deferred outflow of resources				
OPEB related	-	51,445	51,445	0.0%
Liabilities:				
Current	209,117	86,672	(122,445)	-58.6%
Other non-current	922,877	1,370,248	447,371	48.5%
Total liabilities	1,131,994	1,456,920	324,926	28.7%
Deferred inflow of resources				
OPEB related	-	77,939	77,939	0.0%
Net position:				
Net investment in capital assets	5,954,377	6,462,128	507,751	8.5%
Unrestricted	3,423,398	2,651,276	(772,122)	-22.6%
Total net position	\$ 9,377,775	\$ 9,113,404	\$ (264,371)	-2.8%

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 decreased by \$420,702 or 9.2% from the prior year. This is due primarily to spending on the meter pipe line project during the current year. Inventory increased by \$5,462. Service receivables increased by \$2,881 or 7.92% and property tax receivable decreased by \$1,614 or 7.62%.

CURRENT LIABILITIES:

Current liabilities decreased by \$122,445 due primarily to a repayment of a prepaid connection fee to a customer held as unearned revenue in the prior year.

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2018**

LONG-TERM DEBT OUTSTANDING:

The District currently has no long term debt outstanding.

NET OPEB LIABILITY:

The District had an actuarial firm perform calculation of the net OPEB liability for the "Retiree's Health Benefit Plan" in accordance with GASB statement 75. A net increase in the net OPEB liability was recorded in the current fiscal year in the amount of \$447,371 as a result of implementing the new statement. See note 10 for more information.

CAPITAL ASSETS:

The District reported capital assets of \$6,462,128, net of accumulated depreciation, at the end of the fiscal year compared to \$5,954,377 in fiscal year 2016/2017, an increase of \$507,751 or 8.5%. 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, 2017 AND 2018**

	2016/2017	2017/2018	Change	
			Amount	%
Construction in progress	\$ 182,195	\$ 942,507	\$ 760,312	417.3%
Land and land improvements	606,101	606,101	-	0.0%
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	1,357,214	1,416,130	58,916	4.3%
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	12,538,273	13,357,501	819,228	6.5%
Less accumulated depreciation	(6,583,896)	(6,895,373)	(311,477)	4.7%
Net capital assets, net	\$ 5,954,377	\$ 6,462,128	\$ 507,751	8.5%

**Idyllwild Water District
Management's Discussion and Analysis
For the year ended June 30, 2018**

DISTRICT REVENUES AND EXPENSES 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 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, 2018**

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water base fees and revenue	\$ 1,281,801	\$ 1,292,470	\$ (10,669)
Wastewater base fees and revenue	614,842	635,268	(20,426)
Interest and other revenues	308,948	4,500	304,448
Property taxes - 1% and standby fees	462,320	415,000	47,320
Total revenues	2,667,911	2,347,238	320,673
<u>Expenses</u>			
Water operations (including G&A)	\$ 1,538,739	\$ 1,203,061	\$ (335,678)
Wastewater operations (including G&A)	659,741	563,480	(96,261)
Depreciation	340,812	245,000	(95,812)
Other expense	660	-	(660)
Total expenses	2,539,952	2,011,541	(528,411)
Change in net position	\$ 127,959	\$ 335,697	\$ (207,738)

The District's capital budget was \$747,000. The District incurred capital costs of \$848,563 during the year.

UPCOMING EVENTS:

The District is currently working on a Pipeline Replacement Project for North Circle and Village Center Drives, financed by IWD for around \$500,000. The expected completion date is the end of June 2019.

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

The District is in Stage 1 of Water Conservation and has lifted the restrictions on issuing water meters

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 2017/2018 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	Total
Assets			
Current assets:			
Cash and investments	\$ 2,158,054	\$ 1,654,706	\$ 3,812,760
Certificates of deposit	25,025	157,677	182,702
Accounts receivable, net:			
Sales and service	26,900	12,344	39,244
Taxes and assessments	14,259	5,295	19,554
Accrued interest receivable	6,800	5,361	12,161
Inventories	67,341	928	68,269
	<u>2,298,379</u>	<u>1,836,311</u>	<u>4,134,690</u>
Total current assets			
Capital assets:			
Land and land improvements	580,135	25,966	606,101
Construction in progress	942,507	-	942,507
Property, plant and equipment, net	4,114,956	798,564	4,913,520
	<u>5,637,598</u>	<u>824,530</u>	<u>6,462,128</u>
Total capital assets			
	<u>7,935,977</u>	<u>2,660,841</u>	<u>10,596,818</u>
Total assets			
Deferred Outflows of Resources			
OPEB related	38,584	12,861	51,445
	<u>38,584</u>	<u>12,861</u>	<u>51,445</u>
Total deferred outflows of resources			

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 49,304	\$ 5,202	\$ 54,506
Unearned revenue	-	6,721	6,721
Compensated absences payable	17,832	7,613	25,445
Total current liabilities	<u>67,136</u>	<u>19,536</u>	<u>86,672</u>
Noncurrent liabilities:			
Net OPEB liability	<u>1,027,685</u>	<u>342,563</u>	<u>1,370,248</u>
Total noncurrent liabilities	<u>1,027,685</u>	<u>342,563</u>	<u>1,370,248</u>
Total liabilities	<u>1,094,821</u>	<u>362,099</u>	<u>1,456,920</u>
Deferred Inflows of Resources			
OPEB related	<u>58,454</u>	<u>19,485</u>	<u>77,939</u>
Total deferred inflows of resources	<u>58,454</u>	<u>19,485</u>	<u>77,939</u>
Net position			
Net investment in capital assets	5,637,598	824,530	6,462,128
Unrestricted	<u>1,183,688</u>	<u>1,467,588</u>	<u>2,651,276</u>
Total net position	<u>\$ 6,821,286</u>	<u>\$ 2,292,118</u>	<u>\$ 9,113,404</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, 2018

	Water	Improvement District No. 1 - Wastewater	Total
Operating revenues			
Water sales:			
Residential	\$ 819,833	\$ -	\$ 819,833
Commercial	411,470	-	411,470
Wastewater service fees:			
Residential	-	201,845	201,845
Commercial	-	412,197	412,197
Service fees and other	50,498	800	51,298
Total operating revenues	1,281,801	614,842	1,896,643
Operating expenses			
Source of supply	229,899	-	229,899
Transmission and distribution	116,949	-	116,949
Pumping	18,071	-	18,071
Water treatment	171,306	-	171,306
Customer accounts	98,143	-	98,143
Wastewater collection	-	114,581	114,581
Wastewater treatment	-	135,286	135,286
Wastewater disposal	-	147,821	147,821
Other operating	368,792	151,054	519,846
General and administrative	760,088	227,302	987,390
Total operating expenses	1,763,248	776,044	2,539,292
Operating income (loss)	(481,447)	(161,202)	(642,649)
Nonoperating revenues			
Investment income	20,474	17,460	37,934
Property taxes and assessments	314,817	118,289	433,106
Other income	8,236	501	8,737
Grant revenue	72,684	-	72,684
Gain on disposal of capital assets	8,500	-	8,500
Standby fees	23,929	5,285	29,214
Capacity fees	166,896	5,697	172,593
Total nonoperating revenues	615,536	147,232	762,768

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Total
Nonoperating expenses			
Agency debt and county services	\$ 660	\$ -	\$ 660
Total nonoperating expenses	660	-	660
Change in net position	133,429	(13,970)	119,459
Net position, beginning of year, as restated	6,687,857	2,306,088	8,993,945
Net position, end of year	<u>\$ 6,821,286</u>	<u>\$ 2,292,118</u>	<u>\$ 9,113,404</u>

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,141,926	\$ 614,714	\$ 1,756,640
Cash payments for services, supplies and employees	<u>(1,443,169)</u>	<u>(656,061)</u>	<u>(2,099,230)</u>
Net cash (used for) operating activities	<u>(301,243)</u>	<u>(41,347)</u>	<u>(342,590)</u>
Cash flows from noncapital financing activities			
Property taxes -1% received	316,503	118,217	434,720
Other nonoperating income	52,407	5,786	58,193
Other nonoperating expenses	<u>(660)</u>	<u>-</u>	<u>(660)</u>
Net cash provided by noncapital financing activities	<u>368,250</u>	<u>124,003</u>	<u>492,253</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(823,232)	(25,331)	(848,563)
Proceeds from disposal of capital assets	8,500	-	8,500
Capacity fees received	166,896	5,697	172,593
Proceeds from capital grant	<u>72,684</u>	<u>-</u>	<u>72,684</u>
Net cash (used for) capital and related financing activities	<u>(575,152)</u>	<u>(19,634)</u>	<u>(594,786)</u>
Cash flows from investing activities			
Proceeds from investments	(12)	(1,321)	(1,333)
Investment income	<u>16,936</u>	<u>14,671</u>	<u>31,607</u>
Net cash provided by investing activities	<u>16,924</u>	<u>13,350</u>	<u>30,274</u>
Net increase (decrease) in cash and cash equivalents	(491,221)	76,372	(414,849)
Cash and cash equivalents, beginning of year	<u>2,649,275</u>	<u>1,578,334</u>	<u>4,227,609</u>
Cash and cash equivalents, end of year	<u>\$ 2,158,054</u>	<u>\$ 1,654,706</u>	<u>\$ 3,812,760</u>

The notes are an integral part of these financial statements.

	Water	Improvement District No. 1 - Wastewater	Total
Reconciliation of operating income (loss) to cash cash used for operating activities			
Operating income (loss)	\$ (481,447)	\$ (161,202)	\$ (642,649)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	224,509	116,303	340,812
Prior period adjustment - change in accounting principle	(287,864)	(95,966)	(383,830)
(Increase) decrease in assets:			
Receivables	(2,753)	(128)	(2,881)
Inventories	(5,462)	-	(5,462)
Changes in deferred outflows of resources (increase) decrease:			
OPEB related	(38,584)	(12,861)	(51,445)
Increase (decrease) in liabilities:			
Accounts payable	31,225	(19,580)	11,645
Net OPEB liability	335,527	111,844	447,371
Unearned revenue	(137,122)	-	(137,122)
Compensated absences payable	2,274	758	3,032
Changes in deferred inflows of resources increase (decrease) in liabilities:			
OPEB related	58,454	19,485	77,939
Net cash (used for) operating activities	<u>\$ (301,243)</u>	<u>\$ (41,347)</u>	<u>\$ (342,590)</u>
Cash and investments are presented in the statement of net position as follows:			
Cash and investments	\$ 2,158,054	\$ 1,654,706	\$ 3,812,760
Certificates of deposit	25,025	157,677	182,702
Total	<u>\$ 2,183,079</u>	<u>\$ 1,812,383</u>	<u>\$ 3,995,462</u>

The notes are an integral part of these financial statements.

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.

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. Donated capital assets are recorded at their acquisition value at the date of donation. 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.”

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.

Implementation of New Pronouncement

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other postemployment benefits. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. For postemployment benefits other than pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date: June 30, 2017

Measurement Date: June 30, 2017

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

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Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 2: Capital assets

The investment in capital assets at June 30, 2018 consists of the following:

<i>Water District</i>	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Construction in progress	\$ 182,195	\$ 760,312	\$ -	\$ 942,507
Land and land improvements	580,135	-	-	580,135
Total capital assets not being depreciated	762,330	760,312	-	1,522,642
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	1,236,423	62,920	(29,335)	1,270,008
Total capital assets being depreciated	8,817,353	62,920	(29,335)	8,850,938
Less accumulated depreciation	(4,540,808)	(224,509)	29,335	(4,735,982)
Net capital assets being depreciated	4,276,545	(161,589)	-	4,114,956
Net capital assets	<u>\$ 5,038,875</u>	<u>\$ 598,723</u>	<u>\$ -</u>	<u>\$ 5,637,598</u>

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 2: Capital assets, continued

The investment in capital assets at June 30, 2018 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	25,966	-	-	25,966
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	120,792	25,331	-	146,123
Total capital assets being depreciated	2,932,624	25,331	-	2,957,955
Less accumulated depreciation	(2,043,088)	(116,303)	-	(2,159,391)
Net capital assets being depreciated	889,536	(90,972)	-	798,564
Net capital assets	<u>\$ 915,502</u>	<u>\$ (90,972)</u>	<u>\$ -</u>	<u>\$ 824,530</u>

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 3: Cash and investments

Cash and investments are displayed on the financial statements at June 30, 2018 as follows:

	<u>Water</u>	<u>Improvement District No. 1</u>
Current assets:		
Cash and cash equivalents	\$ 2,158,054	\$ 1,654,706
Investments	<u>25,025</u>	<u>157,677</u>
 Total cash and cash equivalents	 <u>\$ 2,183,079</u>	 <u>\$ 1,812,383</u>

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

Cash consisted of the following at June 30:

Deposits with financial institutions	\$ 174,727	\$ 164,372
Cash on hand	275	-
Investments	<u>2,008,077</u>	<u>1,648,011</u>
 Total cash and cash equivalents	 <u>\$ 2,183,079</u>	 <u>\$ 1,812,383</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, 2018

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	100%	Not applicable
US government sponsored enterprise securities	75%	Not applicable
California State warrants/notes/bonds	100%	Not applicable
Local Agency Investment Fund	67%	\$65,000,000
Money market mutual funds	20%	25%
Time certificates of deposit	50%	50%
District bonds	Not applicable	30%

Any other investment authorized by the provisions of CGC 5922 and 53601

* = Surplus funds (monies not expected to be expended for at least six months from the date of investment of such monies).

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, 2018 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	\$ 1,433,066	\$ 1,433,066	\$ -
Certificates of deposit	25,025	25,025	-
Public funds money market	549,986	549,986	-
Total investments - Water District	\$ 2,008,077	\$ 2,008,077	\$ -
<i>Improvement District No. 1</i>			
Local Agency Investment Fund	\$ 1,129,807	\$ 1,129,807	\$ -
Certificates of deposit	157,677	25,848	131,829
Public funds money market	360,527	360,527	-
Total investments - Improvement District No. 1	\$ 1,648,011	\$ 1,516,182	\$ 131,829

**Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018**

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, 2018, 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	\$ 1,433,066	NA	NA	\$ 1,433,066
Certificates of deposit	25,025	None	NA	25,025
Public funds money market	549,986	None	NA	549,986
Total investments - Water District	\$ 2,008,077			\$2,008,077
<i>Improvement District No. 1</i>				
Local Agency Investment Fund	\$ 1,129,807	NA	NA	\$ 1,129,807
Certificates of deposit	157,677	None	NA	157,677
Public funds money market	360,527	None	NA	360,527
Total investments - Improvement District No. 1	\$ 1,648,011			\$1,648,011

**Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018**

Note 4: Major Customers

During the year ended June 30, 2018, 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:

2018				
	Net Sales		Accounts Receivable	
	Water	Improvement District No. 1 - Wastewater	Water	Improvement District No. 1 - Wastewater
Customer A	\$ 166,320	\$ 94,513	\$ 19,222	\$ 7,876

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, 2018

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, 2018, 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
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	\$ 22,413	\$ 39,795	\$ (36,763)	\$ 25,445

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, 2018, 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 administrated 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. In addition, 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 District has established a single-employer Retiree Healthcare Plan (HC Plan). This coverage is available for employees who reach the following: 1) age 55 and ten years of service (before 1/1/2014, closed to new entrants) or 2) age 65 with ten years of service (after 12/31/2013, open to new entrants). The healthcare coverage provided by the District meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. . A separate financial report is not prepared for the HC Plan.

Plan benefits

For the closed plan, the District will pay a varied percentage (50% - 100%) of the retiree and spouses pre-Medicare medical premiums and 100% of the retiree and spouse supplemental Medicare and prescription drug coverage upon reaching Medicare age.

For the open plan, the District will only pay a varied percentage (50% - 100%) of the retiree and spouses Medicare supplement and prescription drug coverage.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 10: Postemployment benefits other than pensions, continued

Employees covered

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	9
Inactive employees or beneficiaries currently receiving benefits	6
Total	<u>15</u>

Contributions

The HC Plan and its contribution requirements are established by the Board of Directors and may be amended by the Board of Directors. For the fiscal year ended June 30, 2018, the District's cash contributions were \$46,790 in payments to for insurance premiums not reimbursed by a trust. Implicit contributions amounted to \$4,655 for total payments of \$51,445.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Actuarial assumptions:

Discount rate	3.13%
Inflation	2.75%
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Investment rate of return	NA
Mortality rate(1)	MacLeod Watts Scale 2017 applied generationally
Pre-retirement turnover(2) healthcare trend rate	5.0% per year

Notes:

(1) The mortality improvement scale was updated from MacLeod Watts Scale 2014 to MacLeod Watts Scale 2017.

(2) Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 5.0% per year

Discount rate

The discount rate used to measure the total OPEB liability was 3.13% percent. The District is currently financing its OPEB liability on a pay-as-you-go basis. The discount rate used in the valuation is based on the S&P Municipal Bond 20 Year High Grade Index.

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 10: Postemployment benefits other than pensions, continued

Changes in the OPEB Liability

The changes in the net OPEB liability for the HC Plan are as follows:

	Plan Fiduciary Net Total OPEB Liability (a)	Position Net Position (B)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 (Measurement Date June 30, 2017)	\$ 1,339,934	\$ -	\$ 1,339,934
Changes recognized for the measurement period:			
Service cost	114,966	-	114,966
Interest	38,546	-	38,546
Changes of assumptions	(89,965)	-	(89,965)
Plan experience differences	-	-	-
Contributions - employer	-	32,233	(32,233)
Net investment income	-	-	-
Benefit payments	(33,233)	(32,233)	(1,000)
Net change	30,314	-	30,314
Balance at June 30, 2018	\$ 1,370,248	\$ -	\$ 1,370,248

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

The following presents the net OPEB liability of the Town if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Discount Rate		
	1% Decrease	Current rate	1% Increase
	2.13%	3.13%	4.13%
Net OPEB Liability	\$ 1,583,432	\$ 1,370,248	\$ 1,199,373

Sensitivity of the Net OPEB Liability to changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Healthcare Cost Trend Rates		
	1% Decrease	Current rate	1% Increase
	6.50%	7.50%	8.50%
Net OPEB Liability	\$ 1,190,211	\$ 1,370,248	\$ 1,596,606

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 10: Postemployment benefits other than pensions, continued

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

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

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

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) 7.48 years at June 2017

OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$141,486. As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 51,445	\$ -
Changes of assumptions	-	77,939
Total	\$ 51,445	\$ 77,939

The \$51,445 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Fiscal year ended June 30:	Deferred outflows/ inflows of resources
2019	\$ (12,027)
2020	(12,027)
2021	(12,027)
2022	(12,027)
2023	(12,027)
Therafter	(17,804)

Idyllwild Water District
Notes to Financial Statements
For the year ended June 30, 2018

Note 11: Prior year restatement

Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statement No. 75 (GASB 75) effective July 1, 2017. GASB 75, among other provisions, amended prior guidance with respect to the reporting of postemployment benefits other than pensions (OPEB). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses. The Agency's net OPEB liability was not previously recorded on the statement of net position. GASB 75 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Restatement of the comparative financial data for the prior period presented is not practical due to the unavailability of actuarial information, therefore the provisions of GASB 75 were not applied to the prior period.

The cumulative effects of applying the provisions of GASB 75 have been reported as a restatement of beginning net position for the year ended June 30, 2018 in accordance with the Statement as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning net position, as previously reported	\$ 6,975,721	\$ 2,402,054	\$ 9,377,775
Restatement due to change in accounting principle	<u>(287,864)</u>	<u>(95,966)</u>	<u>(383,830)</u>
Beginning net position, as restated	<u>\$ 6,687,857</u>	<u>\$ 2,306,088</u>	<u>\$ 8,993,945</u>

Idyllwild Water District
 Required Supplementary Information
 Schedule of Changes in the Net OPEB Liability and Related Ratios
 Last 10 years*

Measurement Period	2017
Total OPEB Liability	
Service Cost	\$ 114,966
Interest on the Total OPEB Liability	38,546
Actual and expected experience difference	-
Changes in assumptions	(89,965)
Changes in benefit terms	-
Benefit payments	(33,233)
Net change in Total OPEB Liability	<u>30,314</u>
Total OPEB Liability - beginning	1,339,934
Total OPEB Liability - ending (a)	<u><u>\$ 1,370,248</u></u>
Plan Fiduciary Net Position	
Contribution - employer	\$ 33,233
Net investment income	-
Benefit payments	(33,233)
Administrative expense	-
Net change in Plan Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	<u><u>\$ -</u></u>
Net OPEB Liability - ending (a) - (b)	\$ 1,370,248
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee payroll	\$ 474,999
Net OPEB liability as a percentage of covered employee payroll	288.47%

Notes to schedule:

Changes Since the Prior Valuation:

Discount rates: Decreased from 4.00% to 3.13%

Demographic assumptions: Rates of assumed mortality and termination were updated from those provided by CalPERS 2010 experience study to the CalPERS 2014 study. Rates of mortality were updated to the rates in the midpoint year of CalPERS 2014 study, then projected on a generational basis by MacLeod Watts Scale 2017.

Age related premiums: Introduced a methodology for developing age-related medical premiums based on recent research and data sponsored by Society of Actuaries.

Excise tax: Reflected the potential impact of excise tax attributable to retirees for high cost healthcare plans for retirees, as provided by the ACA

Employer contribution: Cap amounts for retirees hired before January 1, 2014 increased from \$705 to \$809 for single party coverage and from \$1,390 to \$2,151 for two party coverage.

*Historical information is required only for measurement periods for which GASBS No. 75 is applicable. GASBS No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement period of June 30, 2017.

**Idyllwild Water District
 Required Supplementary Information
 Schedule of Contributions - OPEB
 Last 10 years***

SCHEDULE OF CONTRIBUTIONS

Fiscal year ended June 30	2018
Contractually Required Contributions (CRC)	\$ 51,445
Contributions in relation to the CRC	(51,445)
Contribution deficiency/(excess)	\$ -
Covered employee payroll	\$ 474,999
Contribution as a percentage of covered payroll	10.83%

Notes to schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2017 valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Amortization Period/Method	
Asset Valuation Method	Market value of assets
Inflation	2.75%
Payroll Growth	3.0% per year; used to allocate the cost of benefits between service years if developed on a level percent of pay basis
Investment Rate of Return	3.13%
Healthcare Costs Trend rates	Medical plan premiums are assumed to increase annually by 5%.
Retirement Age	Before 1/1/2014 - 55; after 12/1/2013 - 65
Mortality	MacLeod Watts Scale 2017 applied generationally

*Historical information is required only for measurement periods for which GASBS No. 75 is applicable. GASBS No. 75 was implemented in the fiscal year ended June 30, 2018 with a measurement period of June 30, 2017