



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

**FOR THE YEAR ENDED
JUNE 30, 2020**

Idyllwild Water District

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Idyllwild Water District

List of Principal Officers as of June 30, 2020

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	Leo Havener
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.



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Independent Auditor's Report

Board of Directors
Idyllwild Water District
Idyllwild, California

PARTNERS

Brenda L. Odle, CPA, MST
Tony P. Shea, CPA
Scott W. Marino, CPA, CGMA
Leona Shambhag, CPA, MST, CGMA
Bradford A. Welebitz, CPA, MBA, CGMA
Jonny W. Liu, CPA, MST

MANAGERS / STAFF

Charles De Simone, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jungie Yin, CPA
Evelyn Morenau-Barcena, CPA
Veronica Hernandez, CPA
Tara B. Thorp, CPA, MSA
Erika Arvizu, CPA
Louis Fernandez, CPA
Abigail Hernandez Conde, CPA, MSA
Zoe Xian Zhang, CPA, MSA

MEMBERS

American Institute of
Certified Public Accountants
CPA
The AICPA Alliance
and CPA Firms
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, 2020, 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, 2020, 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 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 reports dated November 6, 2020, 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 6, 2020

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, 2020. 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, 2020**

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales decreased for the year by \$119,472 or 8.0% from the prior year's amount and ended the year at \$1,380,196. This is attributed to a changing rate for commercial accounts. Total cubic feet sold for the fiscal year was 11,765,795. The District is in No Stage for water conservation.

WASTEWATER SALES:

Wastewater service charges decreased by \$31,288 or 4.6% from the prior year and ended the year at \$646,029. 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 increased capital assets being depreciated by \$740,533. Overall, capital assets in the water fund increased by a net of \$134,272 due to depreciation expense of \$249,707, an increase of \$351,479 and decrease of \$708,033 related to construction in progress.

	<u>2019/2020 Amount</u>
Capital assets being depreciated:	
Beginning capital assets being depreciated	\$ 9,898,865
Additions:	
Toyota 4X4	32,500
South Circle Pipeline Project	<u>708,033</u>
Total Additions	<u>740,533</u>
Total capital assets being depreciated	<u>\$ 10,639,398</u>
Construction in progress:	
Beginning construction in progress	\$ 454,620
Additions:	
South Circle Pipeline Project	<u>351,479</u>
Total additions	<u>351,479</u>
South Circle Pipeline Project	<u>(708,033)</u>
Total deletions/transfers	<u>(708,033)</u>
Net change	<u>(356,554)</u>
Total ending construction in progress	<u>\$ 98,066</u>

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

CAPITAL ASSETS, Continued:

During the year, the capital assets of the wastewater fund decreased by a net of \$121,775 from the prior year due to depreciation expense \$121,775. There were no additions or deletions during fiscal year 2019-20.

INVESTMENT INCOME:

This past year investment income experienced a decrease 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 \$60,114.

PROPERTY TAXES:

This past year property tax revenues experienced an increase in revenues from the previous year of \$38,484 or 8.8%. Total property tax revenues for the year ended was \$477,671.

DISTRICT OPERATIONS:

Combined operating expenses, excluding depreciation expense of \$371,482 totaled \$1,986,567 which represents an increase of \$269,789 or an increase of 15.71% from the prior year. Increases occurred in the following expense categories: General Plant Expenses, Wages, and Legal Expense.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$249,707 and the wastewater fund's was \$121,775 for a total of \$371,482 an increase of \$29,987 or 8.78% from the prior year. This increase is due to typical depreciation expense changes.

TOTAL REVENUES:

Combined revenues for the year totaled \$2,605,001 compared to the prior year of \$2,856,893, a decrease of \$251,892 or 8.8%. The decrease is primarily due to decrease in water sales and decrease in wastewater services. The following table presents a comparison of revenues by category for the two years of 2018/2019 and 2019/2020:

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2020**

<i>Revenue category</i>	2018/2019		2019/2020		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water sales	\$ 1,499,668	52.49%	\$ 1,380,196	52.98%	\$ (119,472)	-8.0%
Wastewater services	677,317	23.71%	646,029	24.80%	(31,288)	-4.6%
Service fees and other	30,577	1.07%	11,488	0.44%	(19,089)	-62.4%
Investment income	68,580	2.40%	60,114	2.31%	(8,466)	-12.3%
Property taxes - 1%	439,187	15.37%	477,671	18.34%	38,484	8.8%
Standby charge	43,865	1.54%	22,232	0.85%	(21,633)	-49.3%
Capacity fee	97,290	3.41%	6,950	0.27%	(90,340)	-92.9%
Other income	409	0.01%	321	0.01%	(88)	-21.5%
Total revenues	\$ 2,856,893	100%	\$ 2,605,001	100%	\$ (251,892)	-8.8%

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

TOTAL EXPENSES:

Combined expenses for the year totaled \$2,358,557 compared to a prior year of \$2,062,164 an increase of \$296,393 or 14.4%, which includes total operating expenses of \$2,028,656 (excluding other operating, non-operating and interest) compared to the prior year of \$1,760,491. The primary reason for this increases in the operating and general administration expenses and engineering studies compared with the previous year.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2020**

<i>Expense category</i>	2018/2019		2019/2020		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water operations	\$ 637,453	30.9%	\$ 819,768	34.8%	\$ 182,315	28.6%
Wastewater operations	234,913	11.4%	294,413	12.5%	59,500	25.3%
General and admin	888,125	43.1%	914,475	38.8%	26,350	3.0%
Other operating	297,782	14.4%	329,393	14.0%	31,611	10.6%
Other non-operating	3,891	0.2%	508	0.0%	(3,383)	-86.9%
Total expenses	<u>\$ 2,062,164</u>	<u>100.0%</u>	<u>\$ 2,358,557</u>	<u>100.0%</u>	<u>\$ 296,393</u>	<u>14.4%</u>

STATEMENT OF NET POSITION:

The District's net position increased by \$246,444 or 2.5%, due to current operations. Net position increased by \$794,729 in the prior year. The District ended the year with \$10,154,577 in total net position. Following is a summary table of statement of net position comparing the changes from fiscal year 2018/2019 and 2019/2020:

STATEMENT OF NET POSITION:

	2018/2019	2019/2020	Change	
			Amount	%
Assets:				
Current	\$ 4,725,145	\$ 4,986,337	\$ 261,192	5.5%
Non-current: capital	6,792,868	6,805,365	12,497	0.2%
Total assets	<u>11,518,013</u>	<u>11,791,702</u>	<u>273,689</u>	<u>2.4%</u>
Deferred outflow of resources				
OPEB related	79,845	72,110	(7,735)	-9.7%
Liabilities:				
Current	123,534	78,147	(45,387)	-36.7%
Other non-current	1,500,279	1,380,054	(120,225)	-8.0%
Total liabilities	<u>1,623,813</u>	<u>1,458,201</u>	<u>(165,612)</u>	<u>-10.2%</u>
Deferred inflow of resources				
OPEB related	65,912	251,034	185,122	280.9%
Net position:				
Net investment in capital assets	6,792,868	6,805,365	12,497	0.2%
Unrestricted	3,115,265	3,349,212	233,947	7.5%
Total net position	<u>\$ 9,908,133</u>	<u>\$ 10,154,577</u>	<u>\$ 246,444</u>	<u>2.5%</u>

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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 \$261,192 or 5.5% from the prior year. This is due primarily from the increase in property taxes, reduced operating expenses for waste water and increase in collection of revenue. Inventory decreased by \$14,899. Service receivables decreased by \$98,260 or 56.02% and property tax receivable decreased by \$6,723 or 28.3%.

CURRENT LIABILITIES:

Current liabilities decreased by \$45,387 due primarily to accounts payable, payroll liabilities and compensated absences balances.

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 decrease in the net OPEB liability was recorded in the current fiscal year in the amount of \$120,225. See note 10 for more information.

CAPITAL ASSETS:

The District reported capital assets of \$6,805,365, net of accumulated depreciation, at the end of the fiscal year compared to \$6,792,868 in fiscal year 2018/2019, an increase of \$12,497 or 0.2%. See note 2 for more information. The following is a table comparing the change in capital assets between the two fiscal years:

**CAPITAL ASSETS
AS OF JUNE 30, 2019 AND 2020**

	2018/2019	2019/2020	Change	
			Amount	%
Construction in progress	\$ 454,620	\$ 98,066	\$ (356,554)	-78.4%
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	801,012	801,012	-	0.0%
Transmission and distribution	6,322,956	7,030,989	708,033	11.2%
General plant	1,593,399	1,625,899	32,500	2.0%
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	14,023,236	14,407,215	383,979	2.7%
Less accumulated depreciation	(7,230,368)	(7,601,850)	(371,482)	5.1%
Net capital assets, net	\$ 6,792,868	\$ 6,805,365	\$ 12,497	0.2%

**Idyllwild Water District
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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.

**ACTUAL VERSUS BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Revenues</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water base fees and revenue	\$ 1,391,659	\$ 1,408,600	\$ (16,941)
Wastewater base fees and revenue	646,054	678,000	(31,946)
Interest and other revenues	67,385	38,700	28,685
Property taxes - 1% and standby fees	499,903	442,089	57,814
Total revenues	2,605,001	2,567,389	37,612
<u>Expenses</u>			
Water operations (including G&A)	1,540,963	1,710,000	169,037
Wastewater operations (including G&A)	445,604	617,000	171,396
Depreciation	371,482	-	(371,482)
Other expense	508	(27,000)	(27,508)
Total expenses	2,358,557	2,300,000	(58,557)
Change in net position	\$ 246,444	\$ 267,389	\$ (20,945)

The District's capital budget was \$1,008,000. The District incurred capital costs of \$383,979 during the year.

UPCOMING EVENTS:

The District is currently working on a Pipeline Replacement Project for the diversion and Tanks Safety.

The District is working on updating its Water Service Policies and Procedures and other Policies and Procedures.

The District is working on updating its employee's manual with the latest updated laws and procedures.

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 2019/2020 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.

Idyllwild Water District
Statement of Net Position
June 30, 2020

	Water	Improvement District No. 1 - Wastewater	Total
Assets			
Current assets:			
Cash and investments	\$ 2,224,123	\$ 2,404,754	\$ 4,628,877
Certificates of deposit	25,870	159,975	185,845
Accounts receivable, net:			
Sales and service	46,469	30,661	77,130
Taxes and assessments	11,202	5,830	17,032
Accrued interest receivable	5,473	4,315	9,788
Inventories	67,665	-	67,665
Total current assets	2,380,802	2,605,535	4,986,337
Capital assets:			
Land and land improvements	580,135	25,966	606,101
Construction in progress	98,066	-	98,066
Property, plant and equipment, net	5,436,089	665,109	6,101,198
Total capital assets	6,114,290	691,075	6,805,365
Total assets	8,495,092	3,296,610	11,791,702
Deferred Outflows of Resources			
OPEB related	54,083	18,027	72,110
Total deferred outflows of resources	54,083	18,027	72,110
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	44,734	8,575	53,309
Compensated absences payable	18,628	6,210	24,838
Total current liabilities	63,362	14,785	78,147
Noncurrent liabilities:			
Net OPEB liability	1,035,040	345,014	1,380,054
Total noncurrent liabilities	1,035,040	345,014	1,380,054
Total liabilities	1,098,402	359,799	1,458,201
Deferred Inflows of Resources			
OPEB related	188,275	62,759	251,034
Total deferred inflows of resources	188,275	62,759	251,034
Net Position			
Net investment in capital assets	6,114,290	691,075	6,805,365
Unrestricted	1,148,208	2,201,004	3,349,212
Total net position	\$ 7,262,498	\$ 2,892,079	\$ 10,154,577

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, 2020

	Water	Improvement District No. 1 - Wastewater	Total
Operating Revenues			
Sales and charges for services:			
Residential	\$ 961,952	\$ 221,135	\$ 1,183,087
Commercial	418,244	424,894	843,138
Other fees and charges	11,463	25	11,488
Total operating revenues	1,391,659	646,054	2,037,713
Operating Expenses			
Source of supply	296,101	-	296,101
Transmission and distribution	133,264	-	133,264
Pumping	46,866	-	46,866
Water treatment	247,485	-	247,485
Customer accounts	96,052	-	96,052
Wastewater collection	-	42,939	42,939
Wastewater treatment	-	127,120	127,120
Wastewater disposal	-	124,354	124,354
Other operating	258,304	71,089	329,393
General and administrative	712,598	201,877	914,475
Total operating expenses	1,790,670	567,379	2,358,049
Operating income (loss)	(399,011)	78,675	(320,336)
Nonoperating Revenues			
Investment income	33,637	26,477	60,114
Property taxes and assessments	349,217	128,454	477,671
Standby fees	17,285	4,947	22,232
Capacity fees	6,950	-	6,950
Other income	321	-	321
Total nonoperating revenues	407,410	159,878	567,288
Nonoperating Expenses			
Tax collection fees	508	-	508
Total nonoperating expenses	508	-	508
Change in net position	7,891	238,553	246,444
Net position, beginning of year	7,254,607	2,653,526	9,908,133
Net position, end of year	<u>\$ 7,262,498</u>	<u>\$ 2,892,079</u>	<u>\$ 10,154,577</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows
For the Year Ended June 30, 2020

	Water	Improvement District No. 1 - Wastewater	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 1,472,698	\$ 663,276	\$ 2,135,974
Cash payments for services, supplies and employees	(1,511,189)	(426,143)	(1,937,332)
Net cash (used for) provided by operating activities	(38,491)	237,133	198,642
Cash Flows from Noncapital Financing Activities			
Property taxes -1% received	354,191	130,205	484,396
Other nonoperating income	17,606	4,947	22,553
Other nonoperating expenses	(508)	-	(508)
Net cash provided by noncapital financing activities	371,289	135,152	506,441
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(383,979)	-	(383,979)
Capacity fees received	6,950	-	6,950
Net cash used for capital and related financing activities	(377,029)	-	(377,029)
Cash Flows from Investing Activities			
Investment income	37,529	29,545	67,074
Net cash provided by investing activities	37,529	29,545	67,074
Net (decrease) increase in cash and cash equivalents	(6,702)	401,830	395,128
Cash and cash equivalents, beginning of year	2,256,695	2,162,899	4,419,594
Cash and cash equivalents, end of year	<u>\$ 2,249,993</u>	<u>\$ 2,564,729</u>	<u>\$ 4,814,722</u>

Cash and Investments are presented in the Statement of Net Position as follows:

Cash and investments	\$ 2,224,123	\$ 2,404,754	\$ 4,628,877
Certificates of deposit	25,870	159,975	185,845
Total	<u>\$ 2,249,993</u>	<u>\$ 2,564,729</u>	<u>\$ 4,814,722</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Statement of Cash Flows (continued)
For the Year Ended June 30, 2020

	Water	Improvement District No. 1 - Wastewater	Total
Reconciliation of Operating Income (loss) to Net Cash (used for) Provided by Operating Activities			
Operating income (loss)	\$ (399,011)	\$ 78,675	\$ (320,336)
Adjustments to reconcile operating income (loss) to net cash (used for) provided by operating activities:			
Depreciation	249,707	121,775	371,482
(Increase) decrease in assets and deferred outflows of resources:			
Receivables	81,039	17,222	98,261
Inventories	13,971	928	14,899
Prepays	5,318	1,773	7,091
OPEB related deferred outflows of resources	5,801	1,934	7,735
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	(49,996)	3,320	(46,676)
Deferred revenue	-	(6,721)	(6,721)
Net OPEB liability	(90,168)	(30,057)	(120,225)
Compensated absences payable	6,007	2,003	8,010
OPEB related deferred inflows of resources	138,841	46,281	185,122
Net cash (used for) provided by operating activities	<u>\$ (38,491)</u>	<u>\$ 237,133</u>	<u>\$ 198,642</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.

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.

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.

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.

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.

Deposits and investments

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

Water receivables

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

Note 1: Significant accounting policies, continued

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.

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

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, 2020

Note 1: Significant accounting policies, continued

Other Post-Employment 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 District'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, 2019
 Measurement Date: June 30, 2019
 Measurement Period: July 1, 2018 to June 30, 2019

Note 2: Capital assets

The investment in capital assets at June 30, 2020 consists of the following:

<u><i>Water District</i></u>	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated:				
Construction in progress	\$ 454,620	\$ 351,479	\$ (708,033)	\$ 98,066
Land and land improvements	580,135	-	-	580,135
Total capital assets not being depreciated	<u>1,034,755</u>	<u>351,479</u>	<u>(708,033)</u>	<u>678,201</u>
Capital assets being depreciated:				
Source of supply	1,336,153	-	-	1,336,153
Pumping plant	97,162	-	-	97,162
Treatment plant	801,012	-	-	801,012
Transmission and distribution	6,322,956	708,033	-	7,030,989
General plant	1,341,582	32,500	-	1,374,082
Total capital assets being depreciated	<u>9,898,865</u>	<u>740,533</u>	<u>-</u>	<u>10,639,398</u>
Less accumulated depreciation	<u>(4,953,602)</u>	<u>(249,707)</u>	<u>-</u>	<u>(5,203,309)</u>
Net capital assets being depreciated	<u>4,945,263</u>	<u>490,826</u>	<u>-</u>	<u>5,436,089</u>
Net capital assets	<u>\$ 5,980,018</u>	<u>\$ 842,305</u>	<u>\$ (708,033)</u>	<u>\$ 6,114,290</u>

Idyllwild Water District
Notes to Financial Statements
For the Year Ended June 30, 2020

Note 2: Capital assets, continued

The investment in capital assets at June 30, 2020 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	251,818	-	-	251,818
Total capital assets being depreciated	3,063,650	-	-	3,063,650
Less accumulated depreciation	(2,276,766)	(121,775)	-	(2,398,541)
Net capital assets being depreciated	786,884	(121,775)	-	665,109
Net capital assets	<u>\$ 812,850</u>	<u>\$ (121,775)</u>	<u>\$ -</u>	<u>\$ 691,075</u>

Note 3: Cash and investments

Cash and cash equivalents are displayed on the financial statements at June 30, 2020 as follows:

	Water	Improvement District No. 1
Current assets:		
Cash and cash equivalents	\$ 2,224,123	\$ 2,404,754
Certificates of deposit	25,870	159,975
Total cash and cash equivalents	<u>\$ 2,249,993</u>	<u>\$ 2,564,729</u>

Cash and cash equivalents as of June 30, 2020 consisted of the following:

Cash consisted of the following at June 30:

Deposits with financial institutions	\$ 723,787	\$ 1,222,129
Cash on hand	275	-
LAIF	1,500,061	1,182,625
Certificates of deposit	25,870	159,975
Total cash and cash equivalents	<u>\$ 2,249,993</u>	<u>\$ 2,564,729</u>

Note 3: Cash and investments, continued

The District is a voluntary 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 \$75,000,000. 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. LAIF allows a maximum of 15 transactions per month, with a minimum of \$5,000 per transaction. Any withdrawal of over \$10,000,000 requires a 24 hour notice.

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.

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%	\$75,000,000
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.

Note 3: Cash and investments, continued

Investment maturities at June 30, 2020 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	\$ 1,500,061	\$ 1,500,061	\$ -
Certificates of deposit	25,870	25,870	-
Public funds money market	672,213	672,213	-
Total investments - Water District	\$ 2,198,144	\$ 2,198,144	\$ -
<i>Improvement District No. 1</i>			
Local Agency Investment Fund	\$ 1,182,625	\$ 1,182,625	\$ -
Certificates of deposit	159,975	159,975	-
Public funds money market	361,413	361,413	-
Total investments - Improvement District No. 1	\$ 1,704,013	\$ 1,704,013	\$ -

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, 2020, 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 and amortized cost, respectively, 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.

Idyllwild Water District
Notes to Financial Statements
For the Year Ended June 30, 2020

Note 3: Cash and investments, continued

<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	\$ 1,500,061	NA	NA	\$ 1,500,061
Certificates of deposit	25,870	None	NA	25,870
Public funds money market	672,213	None	NA	672,213
	<u> </u>			<u> </u>
Total investments - Water District	<u>\$ 2,198,144</u>			<u>\$2,198,144</u>
<i>Improvement District No. 1</i>				
Local Agency Investment Fund	\$ 1,182,625	NA	NA	\$ 1,182,625
Certificates of deposit	159,975	None	NA	159,975
Public funds money market	361,413	None	NA	361,413
	<u> </u>			<u> </u>
Total investments - Improvement District No. 1	<u>\$ 1,704,013</u>			<u>\$1,704,013</u>

Note 4: Concentrations

During the year ended June 30, 2020, 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:

	<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>\$ 103,976</u>	<u>\$ 103,975</u>	<u>\$ 7,428</u>	<u>\$ 8,442</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, 2020

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, 2020, 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		

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	\$ 16,828	\$ 53,961	\$ (45,951)	\$ 24,838

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, 2020, 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. In addition, District employees are also covered under Social Security, funded equally by the District and the employee, or as prescribed by applicable laws.

The District's contributions to the employees' retirement plans for the year ended June 30, 2020 were \$55,260.

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.

Note 10: Postemployment benefits other than pensions, continued

Employees covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	7
Inactive employees or beneficiaries currently receiving benefits	5
Total	<u>12</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, 2020, the District's cash contributions were \$43,051 in payments to for insurance premiums not reimbursed by a trust. Implicit contributions amounted to \$5,175 for total payments of \$48,226.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial assumptions:

Discount rate	2.79%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocate the cost of benefits between service years
Investment rate of return	NA
Mortality rate(1)	MacLeod Watts Scale 2020 applied generationally
Pre-retirement turnover healthcare trend rate (2)	5.40% in 2021, fluctuating down to 4% by 2076

Notes:

(1) The mortality improvement scale was updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020.

(2) Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 5.4% per year

Discount rate

The discount rate used to measure the total OPEB liability was 2.79% 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.

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:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 1,500,279	\$ -	\$ 1,500,279
Changes during the period:			
Service cost	111,867	-	111,867
Interest	47,273	-	47,273
Changes of assumptions	(16,483)	-	(16,483)
Plan experience differences	(211,280)	-	(211,280)
Contributions - employer		51,602	(51,602)
Net investment income	-	-	-
Benefit payments	(51,602)	(51,602)	-
Net changes in fiscal year 2019-2020	(120,225)	-	(120,225)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	<u>\$ 1,380,054</u>	<u>\$ -</u>	<u>\$ 1,380,054</u>

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

The following presents the net OPEB liability of the District 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, 2019:

	Discount Rate		
	1% Decrease	Current rate	1% Increase
Net OPEB Liability	<u>\$ 1,624,764</u>	<u>\$ 1,380,054</u>	<u>\$ 1,188,293</u>

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

The following presents the net OPEB liability of the District 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, 2019:

	Healthcare Cost Trend Rates		
	1% Decrease	Current rate	1% Increase
Net OPEB Liability	<u>\$ 1,176,019</u>	<u>\$ 1,380,054</u>	<u>\$ 1,647,381</u>

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) 7.44 years at June 2019

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$120,858. The following is a breakdown of items impacting OPEB expense:

Service cost	\$ 111,866
Interest cost	47,273
Recognized deferred resources items	
Assumption changes	(9,883)
Plan experience	<u>(28,398)</u>
Total OPEB expense	<u>\$ 120,858</u>

As of fiscal year ended June 30, 2020, 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	\$ 48,226	\$ -
Differences between expected and actual experience	-	182,882
Changes of assumptions	<u>23,884</u>	<u>68,152</u>
Total	<u>\$ 72,110</u>	<u>\$ 251,034</u>

Note 10: Postemployment benefits other than pensions, continued

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

The \$48,226 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the upcoming fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2021	\$ (38,281)
2022	(38,281)
2023	(38,281)
2024	(38,281)
2025	(32,030)
Thereafter	(41,996)

Note 11: Contingencies

COVID-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. The District is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the District, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

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

Measurement Period	2019	2018	2017
Total OPEB Liability			
Service Cost	\$ 111,867	\$ 103,549	\$ 114,966
Interest on the Total OPEB Liability	47,273	45,325	38,546
Actual and expected experience difference	(211,280)	-	-
Changes in assumptions	(16,483)	32,602	(89,965)
Changes in benefit terms	-	-	-
Benefit payments	(51,602)	(51,445)	(33,233)
Net change in Total OPEB Liability	(120,225)	130,031	30,314
Total OPEB Liability - beginning	1,500,279	1,370,248	1,339,934
Total OPEB Liability - ending (a)	1,380,054	1,500,279	1,370,248
Plan Fiduciary Net Position			
Contribution - employer	51,602	51,445	33,233
Net investment income	-	-	-
Benefit payments	(51,602)	(51,445)	(33,233)
Administrative expense	-	-	-
Net change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - beginning	-	-	-
Plan Fiduciary Net Position - ending (b)	-	-	-
Net OPEB Liability - ending (a) - (b)	\$ 1,380,054	\$ 1,500,279	\$ 1,370,248
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 642,100	\$ 564,056	\$ 474,999
Net OPEB liability as a percentage of covered-employee payroll	214.93%	265.98%	288.47%

Notes to Schedule:

Changes Since the Prior Valuation:

Discount rate: Decreased from 2.98% to 2.79%

Demographic assumptions: Assumed mortality, termination, and service retirement rates were updated from those provided in the 2014 experience study report to those provided in the 2017 experience study report of CalPERS. The District's plan population is not likely to produce credible rates based only solely on its experience. Actuary believes rates from the CalPERS experience study provide a reasonable estimate on the District's future demographic experience.

Mortality improvement: Scale was updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2020.

Salary scale: Decreased from 3.25% per year to 3.0% per year.

General inflation rate: Decreased from 2.75% to 2.5% per year.

Medical trend: Updated to use the Getzen healthcare trend model sponsored by the Society of Actuaries.

Excise tax repeal: Actuary excluded the excise tax from the valuation results due to the December 2019 repeal.

The District does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

** Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

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

Fiscal year	Actuarially Determined Contributions (ADC)	Contributions in relation to the ADC	Contribution deficiency/ (excess)	Covered- employee payroll	Contribution as a percentage of covered- employee payroll
6/30/2018	\$ 51,445	\$ (51,445)	\$ -	\$ 474,999	10.83%
6/30/2019	51,602	(51,602)	-	564,056	9.15%
6/30/2020	48,226	(48,226)	-	642,100	7.51%

Notes to Schedule:

Actuarial methods and assumptions used to set actuarially determined contributions for fiscal year 2020 were from the June 30, 2019 actuarial valuation.

The District does not have assets accumulated in a trust that meets the criteria of GASB 75 to pay related benefits.

Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry age normal cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0; plan is not yet funded)
Discount Rate	2.79%
Investment Rate of Return	2.79% as of June 30, 2019
Inflation	2.50%
Payroll Growth	3.00% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	5.40% in 2021, fluctuating down to 4% by 2076
Retirement Age	Before 1/1/2014 - 55; after 12/1/2013 - 65
Mortality	MacLeod Watts Scale 2020 applied generationally from 2015.

* = Fiscal year 2017-18 was the first year of implementation. Additional years to be presented as information becomes available.