



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

**FOR THE YEAR ENDED
JUNE 30, 2014**



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

Idyllwild Water District

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Officers	i
Independent Auditor's Report	1
Management Discussion and Analysis	3
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	16
Notes to Financial Statements	18
Required Supplementary Information – Schedule of Funding Progress for the Retiree Health Plan (OPEB)	31

**Idyllwild Water District
List of Principal Officers**

BOARD OF DIRECTORS

<u>Title</u>	<u>Name</u>
President	Jim Billman
Vice-President	John Cook
Director	Dean Lattin
Director	Warren Monroe
Director	Mike Freitas

ADMINISTRATION

General Manager	Tom Lynch
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

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

Board of Directors
Idyllwild Water District
Idyllwild, California

Independent Auditor's Report

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, 2014, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Kirk A. Franks, CPA
Matthew B. Wilson, CPA, MSA, CGMA
Scott W. Manno, CPA, CGMA
Leena Sharbhag, CPA, MST, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

MANAGERS / STAFF

Bradford A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Papa Matar Thaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Yiann Fang, CPA
Daniel T. Turner, CPA, MSA
David D. Henwood, CPA
Nathan Statham, CPA, MBA
Brigitta Bartha, CPA
Gardenya Duran, CPA
Juan Romero, CPA
Ivan Gonzales, CPA, MSA
Brianna Pascoe, CPA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

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

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2014, 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 Maloney & Scott, LLP

San Bernardino, CA
October 12, 2014

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

MANAGEMENT DISCUSSION AND ANALYSIS

The intent of the management 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, 2014. Readers are encouraged to review this section in conjunction with the accompanying financial statements and notes from the independent auditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates under California Irrigation District Law as an 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 MD&A, the financial statements, and the notes to the financial statements. As an enterprise fund, the district's financial statements include four components:

- 1) **Statement of Net Position** presents information on all of the District's assets and liabilities with the difference between the two reported as net position. The statement of net position provides the basis for evaluating the capital structure of the district and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is displayed in three categories: net investment in capital assets; restricted; and unrestricted.
- 2) **Statement of Revenues, Expenses and Changes in Net Position** presents information which show how the District's net position changed during the year. All of the current year's revenues and expenses are recorded on an accrual basis, meaning when the underlying transaction occurs, regardless of the timing of the related cash flows. These statements measure the success of the District's operations over the past year and determine whether the district has recovered its costs through water sales, user fees and other charges.
- 3) **Statement of Cash Flows** provides information regarding the District's cash receipts and cash disbursements during the year. These statements report cash activity in four categories: operating; noncapital financing; capital and related financing; and investing. This statement differs from the statement of revenues, expenses, and changes in net position in that it accounts only for transactions that result from cash receipts and cash disbursements. As in the past, the statements of cash flows continue 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 Discussion and Analysis
For the year ended June 30, 2014**

FINANCIAL HIGHLIGHTS

WATER SALES:

Water sales increased for the year by \$126,586 or 14.1% from the prior year's amount and ended the year at \$1,022,549. This is attributed to an increase in water rates of 6% at the beginning of the fiscal year and an increase in cubic feet of sales by 311,896 c.f. Total cubic feet sold for the fiscal year was 10,9332,621. The District is in a stage 2 water shortage emergency (voluntary water conservation) and will continue until we have sufficient water inventory. There were no new residential water connections and no commercial connections.

WASTEWATER SALES:

Wastewater service charges increased by \$14,622 or 4.0% from the prior year and ended the year at \$382,189. The equivalent dwelling units increased by 28.42 E.D.U from the prior year or 0.18% to end the year at 15,987.54 E.D.U. There were no new residential or commercial connections added during the year.

CAPITAL ASSETS:

During the year, the water fund increased capital assets being depreciated by \$298,392 and increased construction in progress by \$337,533 resulting in an ending balance of \$528,239 as follows:

	2013/2014 Amount
Capital assets being depreciated - additions, net:	
Golden Rod Tank 200,000 GLS (Completed)	\$ 251,871
Other miscellaneous assets	46,521
Total capital assets being depreciated - additions, net	\$ 298,392
Construction in progress	
Beginning construction in progress	\$ 190,706
Additions	
Tollgate Tank 300,000 GLS	436,767
Golden Rod Tank 200,000 GLS (Completed)	127,245
Foster Lake Horizontal Well	25,500
Total additions	589,512
Deletions/transfers	
Golden Rod Tank 200,000 GLS (Completed)	(251,871)
Miscellaneous transfer	(108)
Total deletions/transfers	(251,979)
Net change	337,533
Total ending construction in progress	\$ 528,239

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

During the year, the capital assets of the wastewater fund decreased a net \$(38,839) from the prior year due to depreciation expense and increased construction in progress by \$15,344 as follows:

	2013/2014 Amount
Construction in progress	
Recycle water project	\$ 15,344

INVESTMENT INCOME:

This past year investment income experienced another reduction 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 \$15,772.

PROPERTY TAXES:

This past year property tax revenues experienced a decrease in revenues from the previous year of \$(4,628) or -1.3%, resulting in lower property tax receivables. Total property tax revenues received for the year ended was \$349,901.

DISTRICT OPERATIONS:

Combined operating expenses, excluding depreciation expense of \$237,673, totaled \$1,678,039 which represents an increase of \$116,066 or 7.3% from the prior year. Increases occurred in the following expense categories; wages and fringe benefits, legal fees, and net OPEB obligation costs.

DEPRECIATION EXPENSE:

The water fund's depreciation expense was \$197,992 and the wastewater fund's was \$39,681 for a total of \$237,673, an increase of \$10,011 or 4.3% from the prior year.

INTEREST EXPENSE:

The District made all debt service payments for certificates of participation for both principal and interest in a timely manner. The wastewater fund is debt free and the water fund has paid it's final principal payment remaining in its debt service schedule. Interest expense was \$3,125.

TOTAL REVENUES:

Combined revenues for the year totaled \$1,926,069 compared to the prior year of \$1,796,979 an increase of \$129,090 or 7.2%. The following table presents a comparison of revenues by category for the two years of 2012/2013 and 2013/2014:

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

**COMBINED REVENUES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2014**

<i>Revenue category</i>	2012/2013		2013/2014		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water sales	\$ 895,963	49.9%	\$ 1,022,549	53.09%	\$ 126,586	14.1%
Wastewater services	367,567	20.5%	382,189	19.84%	14,622	4.0%
Service fees and other	45,497	2.5%	33,155	1.72%	(12,342)	-27.1%
Investment income	23,635	1.3%	15,772	0.82%	(7,863)	-33.3%
Property taxes - 1%	354,529	19.7%	349,901	18.17%	(4,628)	-1.3%
Standby charge	28,262	1.6%	25,000	1.30%	(3,262)	-11.5%
Capacity fee	5,729	0.3%	31,963	1.66%	26,234	457.9%
Other income	75,797	4.2%	65,540	3.40%	(10,257)	-13.53%
Total revenues	\$ 1,796,979	100.0%	\$ 1,926,069	100%	\$ 129,090	7.2%

TOTAL EXPENSES:

Combined expenses for the year totaled \$1,944,909 compared to a prior year of \$1,820,969 an increase of \$123,940 or 6.8%, which includes total operating expenses of \$1,759,301 (excluding other operating) compared to the prior year of \$1,596,461.

**COMBINED EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2014**

<i>Expense category</i>	2012/2013		2013/2014		Change	
	Amount	% of total	Amount	% of total	Amount	%
Water operations	\$ 568,513	31.2%	\$ 679,016	34.91%	\$ 110,503	19.4%
Wastewater operations	272,953	15.0%	298,074	15.33%	25,121	9.2%
General and admin	754,995	41.5%	782,211	40.22%	27,216	3.6%
Interest exp - COP	10,939	0.6%	3,125	0.16%	(7,814)	-71.4%
Other operating	202,174	11.1%	165,411	8.50%	(36,763)	-18.2%
Other non-operating	11,395	0.6%	17,072	0.88%	5,677	49.8%
Total expenses	\$ 1,820,969	100.0%	\$ 1,944,909	100.00%	\$ 123,940	6.8%
Change in net position	(23,990)		(18,840)		\$ 5,150	21.5%
Net position, beginning	8,192,611		8,168,621			
Net position, ending	\$ 8,168,621		\$ 8,149,781			

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

STATEMENT OF NET POSITION:

The District's net position decreased by \$(18,840), an increase of \$5,150, or 21% from the prior year decrease of \$(23,990). The District ended the year with \$8,149,781 in total net position. Following is a summary table of balance sheet accounts comparing the changes from fiscal year 2012/2013 and 2013/2014:

STATEMENT OF NET POSITION:

	2012/2013	2013/2014	Change	
			Amount	%
Assets:				
Current	\$ 1,978,735	\$ 1,739,779	\$ (238,956)	-12.1%
Restricted	1,485,851	1,260,620	(225,231)	-15.2%
Non-current: capital	5,616,210	6,023,271	407,061	7.2%
Total assets	9,080,796	9,023,670	(57,126)	-0.6%
Liabilities:				
Current	209,784	160,718	(49,066)	-23.4%
Other current	45,936	50,488	4,552	9.9%
Long-term debt outstanding	125,625	-	(125,625)	-100.0%
Other non-current	530,830	662,683	131,853	24.8%
Total liabilities	912,175	873,889	(38,286)	-4.2%
Net position:				
Investment in capital assets, net	5,491,210	6,023,271	532,061	9.7%
Restricted:				
Debt service/covenants	353,981	128,750	(225,231)	-63.6%
Deferred maintenance and other	1,131,870	1,131,870	-	0.0%
Unrestricted	1,191,560	865,890	(325,670)	-27.3%
Total net position	\$ 8,168,621	\$ 8,149,781	\$ (18,840)	-0.2%

CHANGES IN FINANCIAL CONDITION OF THE DISTRICT

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

CURRENT ASSETS:

Current assets decreased by \$(238,956) or -12.1% from the prior year. The certificate of deposit increased from the prior year by \$25,978. Accrued interest receivable decreased by \$(748). Inventory increased by \$11,543. Service receivables increased by \$3,568 or 14.4% and property tax receivable decreased by \$(6,345). Total unrestricted cash and investments decreased by \$(272,952) from the prior year and ended with a balance of \$1,386,478, which excludes certificates of deposits.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

RESTRICTED ASSETS:

Restricted assets decreased by \$(225,231) or -15.1% from the prior year with cash with fiscal agents decreasing by \$(224,823) and other cash and investment funds showing no change from the prior year.

CAPITAL ASSETS:

Total net capital assets increased by \$407,061 due to a net increase in construction in progress of \$352,877 and a net increase in miscellaneous capital assets of \$283,890. In addition, accumulated depreciation increased by \$(229,706).

CURRENT LIABILITIES:

Current liabilities decreased by \$(44,514) due primarily to a decrease in accounts payable of \$(63,039), a decrease accrued costs and payroll taxes payable of \$(6,032), and an increase in unavailable revenue of \$20,005 and an increase in compensated absences of \$4,552.

OTHER LIABILITIES:

Other liabilities decreased by \$(125,625) due to the 97EE certificate of participation principal being paid off in December 2013 and decrease of accrued interest payable of \$(625) which was related to the certificate of participation.

LONG-TERM DEBT OUTSTANDING:

Long-term debt decreased by \$125,625 due to the payment of 97EE certificate of participation principal.

NET OPEB OBLIGATION:

The District performed an in-house recalculation of the OPEB obligation for the "Retiree's Health Benefit Plan". A net increase in the OPEB obligation was recorded in the current fiscal year in the amount of \$131,853. For the upcoming fiscal year of 2014/2015, the District will be reviewing and revising the "Retiree's Health Benefit Plan" in relation to the costs projections as of June 30, 2014. It is assumed that the OPEB liability obligation from these changes will be greatly decreased for the District and will require a re-calculation of the GASB statement 45 requirements.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

CAPITAL ASSETS:

Net of accumulated depreciation, the District reported capital assets of \$6,023,271 at the end of the fiscal year compared to \$5,616,210 in fiscal year 2012/2013, an increase of \$407,061 or 7.2%. The following is a table comparing the two fiscal years change in capital assets:

**CAPITAL ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2014**

	2012/2013	2013/2014	Change	
			Amount	%
Construction in progress	\$ 400,990	\$ 753,867	\$ 352,877	88.0%
Land and land improvements	603,751	603,751	-	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	4,746,073	5,013,826	267,753	5.6%
General plant	1,226,405	1,242,542	16,137	1.3%
Subsurface lines	926,136	926,136	-	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	11,442,550	12,079,317	636,767	5.6%
Less accumulated depreciation	(5,826,340)	(6,056,046)	(229,706)	3.9%
Net capital assets, net	\$ 5,616,210	\$ 6,023,271	\$ 407,061	7.2%

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

DISTRICT ACTUAL VS. BUDGET:

The table below compares actual revenues and expenses of the District to budgeted and/or projected amounts used by the District to monitor performance during the fiscal year. The overall change to net position was budgeted, excluding capital purchases, as a negative \$(47,546) compared to actual results of \$(18,840), a positive budget variance of \$28,706. 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, 2014**

<i>Revenues</i>	Actual	Budget	Variance	
			Amount	% of budget
Water base fees and revenue	\$ 1,155,384	\$ 1,088,296	\$ 67,088	6.2%
Wastewater base fees and revenue	405,012	367,399	37,613	10.2%
Interest and other revenues	15,772	2,597	13,175	507.3%
Property taxes - 1%	349,901	344,599	5,302	1.5%
Total revenues	1,926,069	1,802,891	123,178	6.8%
<i>Expenses</i>	Actual	Budget	Variance	
			Amount	%
Water operations	\$ 493,174	\$ 623,523	\$ 130,349	20.9%
Wastewater operations	266,579	245,540	(21,039)	-8.6%
Depreciation	237,673	294,070	56,397	19.2%
Gen and admin and other operating expenses	927,286	670,604	(256,682)	-38.3%
Interest and other expense	20,197	16,700	(3,497)	-20.9%
Total expenses	1,944,909	1,850,437	(94,472)	-5.1%
Change in net assets	\$ (18,840)	\$ (47,546)	\$ 28,706	

The District's capital budget was \$889,500. The District incurred capital costs of \$661,325 during the year.

UPCOMING EVENTS:

Employee Benefits – Staff and Board of Directors will be reviewing all existing staff benefits provided currently by the District.

The District will be aggressively pursuing state and federal grants to address complex capital improvement programs in 2014 and 2015.

Completion of Water & Wastewater Rules & Regulations – Staff and Board Committee will review and revise existing water and wastewater rules and regulations with completion of the final version in fiscal year 2014/2015.

**Idyllwild Water District
Management Discussion and Analysis
For the year ended June 30, 2014**

Finalize Recycled Water Project Viability – Staff and Board Committee will continue to research viability of a recycled water tertiary treatment facility and distribution system. The District, located in a "disadvantaged community" (DAC), is applying for State grants and loans for reimbursement of costs related to planning, design and construction of this planned recycled project.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT:

This management 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 2013/2014 for public monies it receives and expends. If you have any questions regarding this section or require additional financial information, please contact the District.

**Idyllwild Water District
Statement of Net Position
June 30, 2014**

	<u>Water</u>	<u>Improvement District No. 1 - Wastewater</u>	<u>Total memorandum only</u>
Assets			
Current assets:			
Cash and investments	\$ 451,325	\$ 935,153	\$ 1,386,478
Certificates of deposit	50,674	176,016	226,690
Accounts receivable, net:			
Sales and service	20,617	7,791	28,408
Taxes and assessments	8,324	7,610	15,934
Inventories	<u>81,341</u>	<u>928</u>	<u>82,269</u>
Total current assets	<u>612,281</u>	<u>1,127,498</u>	<u>1,739,779</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments	<u>847,300</u>	<u>413,320</u>	<u>1,260,620</u>
Total restricted assets	<u>847,300</u>	<u>413,320</u>	<u>1,260,620</u>
Capital assets:			
Land and land improvements	577,785	25,966	603,751
Property, plant and equipment, net	4,075,120	590,533	4,665,653
Construction in progress	<u>528,239</u>	<u>225,628</u>	<u>753,867</u>
Total capital assets	<u>5,181,144</u>	<u>842,127</u>	<u>6,023,271</u>
Total assets	<u>\$ 6,640,725</u>	<u>\$ 2,382,945</u>	<u>\$ 9,023,670</u>

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Net Position
June 30, 2014**

	Water	Improvement District No. 1 - Wastewater	Total memorandum only
Liabilities			
Current liabilities:			
Accounts payable	\$ 8,092	\$ -	\$ 8,092
Payroll taxes payable	1,650	546	2,196
Unavailable revenue	150,430	-	150,430
Compensated absences payable	36,614	13,874	50,488
Total current liabilities	196,786	14,420	211,206
Noncurrent liabilities:			
OPEB obligation	497,011	165,672	662,683
Total noncurrent liabilities	497,011	165,672	662,683
Total liabilities	693,797	180,092	873,889
Net position			
Net investment in capital assets	5,181,144	842,127	6,023,271
Restricted for:			
Deferred maintenance and other	847,300	413,320	1,260,620
Unrestricted (deficit)	(81,516)	947,406	865,890
Total net position	\$ 5,946,928	\$ 2,202,853	\$ 8,149,781

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, 2014

	Water	Improvement District No. 1 - Wastewater	Total memorandum only
Operating revenues			
Water sales - residential	\$ 665,537	\$ -	\$ 665,537
Water sales - commercial	357,012	-	357,012
Wastewater service fees - residential	-	127,870	127,870
Wastewater service fees - commercial	-	254,319	254,319
Service fees and other	32,317	838	33,155
	<u>1,054,866</u>	<u>383,027</u>	<u>1,437,893</u>
Operating expenses			
Source of supply	233,755	-	233,755
Transmission and distribution	120,398	-	120,398
Pumping	5,161	-	5,161
Water treatment	120,156	-	120,156
Customer accounts	65,845	-	65,845
Wastewater collection	-	20,243	20,243
Wastewater treatment	-	179,269	179,269
Wastewater disposal	-	66,852	66,852
Other operating	133,701	31,710	165,411
General and administrative	731,527	216,095	947,622
	<u>1,410,543</u>	<u>514,169</u>	<u>1,924,712</u>
Total operating expenses	<u>1,410,543</u>	<u>514,169</u>	<u>1,924,712</u>
Operating (loss)	<u>(355,677)</u>	<u>(131,142)</u>	<u>(486,819)</u>
Nonoperating revenues			
Investment income	13,173	2,599	15,772
Property taxes -1%	245,137	104,764	349,901
Other income	64,828	-	64,828
Gain on disposal of capital assets	712	-	712
Standby fees	20,000	5,000	25,000
Capacity fees	9,140	22,823	31,963
	<u>352,990</u>	<u>135,186</u>	<u>488,176</u>
Total nonoperating revenues	<u>352,990</u>	<u>135,186</u>	<u>488,176</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, 2014

	<u>Water</u>	<u>Improvement District No. 1 - Wastewater</u>	<u>Total memorandum only</u>
Nonoperating expenses			
Interest	3,125	-	3,125
Loss on disposal of capital assets	-	14,502	14,502
Agency debt and county services	2,570	-	2,570
Total nonoperating expenses	<u>5,695</u>	<u>14,502</u>	<u>20,197</u>
Change in net position	(8,382)	(10,458)	(18,840)
Net position, beginning of year	<u>5,955,310</u>	<u>2,213,311</u>	<u>8,168,621</u>
Net position, end of year	<u>\$ 5,946,928</u>	<u>\$ 2,202,853</u>	<u>\$ 8,149,781</u>

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Cash Flows
For the year ended June 30, 2014**

	Water	Improvement District No. 1 - Wastewater	Total memorandum only
Cash flows from operating activities			
Cash received from customers	\$ 1,068,763	\$ 385,567	\$ 1,454,330
Cash payments for services, supplies and employees	<u>(1,172,185)</u>	<u>(459,067)</u>	<u>(1,631,252)</u>
Net cash (used for) operating activities	<u>(103,422)</u>	<u>(73,500)</u>	<u>(176,922)</u>
Cash flows from noncapital financing activities			
Property taxes -1% received	253,626	102,620	356,246
Other nonoperating income	24,948	5,000	29,948
Other nonoperating expenses	<u>(2,570)</u>	<u>-</u>	<u>(2,570)</u>
Net cash provided by noncapital financing activities	<u>276,004</u>	<u>107,620</u>	<u>383,624</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(586,100)	(15,345)	(601,445)
Principal payments - certificates of participation	(125,000)	-	(125,000)
Interest and fiscal charges paid	(3,750)	-	(3,750)
Proceeds from disposal of capital assets	2,800	-	2,800
Capacity fees received	9,140	22,823	31,963
Net cash (used for) provided by capital and related financing activities	<u>(702,910)</u>	<u>7,478</u>	<u>(695,432)</u>
Cash flows from investing activities			
Proceeds from (purchases of) investments	210,141	(153,011)	57,130
Purchase of investments	-	25,080	25,080
Interest income	<u>13,781</u>	<u>3,147</u>	<u>16,928</u>
Net cash (used for) provided by investing activities	<u>223,922</u>	<u>(124,784)</u>	<u>99,138</u>
Net decrease in cash and cash equivalents	(306,406)	(83,186)	(389,592)
Cash and cash equivalents, beginning of year	<u>757,731</u>	<u>526,551</u>	<u>1,284,282</u>
Cash and cash equivalents, end of year	<u>\$ 451,325</u>	<u>\$ 443,365</u>	<u>\$ 894,690</u>

The notes are an integral part of these financial statements.

**Idyllwild Water District
Statement of Cash Flows
For the year ended June 30, 2014**

	Water	Improvement District No. 1 - Wastewater	Total memorandum only
Reconciliation of operating loss to net cash used for operating activities			
Operating loss	\$ (355,677)	\$ (131,142)	\$ (486,819)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	197,992	39,681	237,673
(Increase) decrease in assets:			
Receivables	(6,108)	2,540	(3,568)
Inventories	(11,543)	-	(11,543)
Increase (decrease) in liabilities:			
Accounts payable	(45,757)	(17,287)	(63,044)
OPEB obligation	98,889	32,964	131,853
Deferred revenue	20,005	-	20,005
Other liabilities	(1,223)	(256)	(1,479)
	<u>\$ (103,422)</u>	<u>\$ (73,500)</u>	<u>\$ (176,922)</u>
Net cash (used for) operating activities			
	<u>\$ (103,422)</u>	<u>\$ (73,500)</u>	<u>\$ (176,922)</u>
Noncash, investing, capital and financing activities			
None			
Cash and investments are presented in the financial statements as presented below:			
Cash and investments	\$ 451,325	\$ 935,153	\$ 1,386,478
Certificates of deposit	50,674	176,016	226,690
	<u>\$ 501,999</u>	<u>\$ 1,111,169</u>	<u>\$ 1,613,168</u>
Total statement of net position			
	<u>\$ 501,999</u>	<u>\$ 1,111,169</u>	<u>\$ 1,613,168</u>
Cash and cash equivalents	\$ 451,325	\$ 443,365	\$ 894,690
Investments	50,674	667,804	718,478
	<u>\$ 501,999</u>	<u>\$ 1,111,169</u>	<u>\$ 1,613,168</u>
Total cash and investments			
	<u>\$ 501,999</u>	<u>\$ 1,111,169</u>	<u>\$ 1,613,168</u>

The notes are an integral part of these financial statements.

Idyllwild Water District
Notes to Financial Statements
June 30, 2014

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.

Classification of liabilities

Certain liabilities which are currently payable have been classified as noncurrent because they will be funded from restricted assets.

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.

Implementation of new pronouncements

Beginning with the current fiscal year, the District implemented GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This statement is designed to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 1: Significant accounting policies, (continued)

Capital assets and depreciation

Acquisitions of property, plant and equipment of \$300 or more with a useful life of greater than two years are recorded at cost. Contributed assets are recorded at their fair value at the date of contribution. Self-constructed assets are recorded at the amount of direct labor and materials.

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

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

Cash and cash equivalents

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

Budgetary accounting

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

Use of estimates

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

Water receivables

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

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 2: Capital assets

The investment in capital assets at June 30, 2014 consists of the following:

	Beginning balance*	Additions	Deletions	Ending balance
Water District				
Capital assets not being depreciated:				
Construction in progress	\$ 190,706	\$ 589,511	\$ (251,978)	\$ 528,239
Land and land improvements	577,785	-	-	577,785
Total capital assets not being depreciated	768,491	589,511	(251,978)	1,106,024
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	4,746,073	267,753	-	5,013,826
General plant	1,026,958	40,694	(10,055)	1,057,597
Total capital assets being depreciated	7,889,723	308,447	(10,055)	8,188,115
Less accumulated depreciation	(3,922,970)	(197,992)	7,967	(4,112,995)
Net capital assets being depreciated	3,966,753	110,455	(2,088)	4,075,120
Net capital assets	\$ 4,735,244	\$ 699,966	\$ (254,066)	\$ 5,181,144
Improvement District No. 1				
Capital assets not being depreciated:				
Construction in progress	\$ 210,284	\$ 15,344	\$ -	\$ 225,628
Land	25,966	-	-	25,966
Total capital assets not being depreciated	236,250	15,344	-	251,594
Capital assets being depreciated:				
Subsurface lines	926,136	-	-	926,136
Wastewater treatment facilities	1,109,174	-	-	1,109,174
Wastewater disposal facilities	313,328	-	-	313,328
General plant	199,448	-	(14,502) **	184,946
Total capital assets being depreciated	2,548,086	-	(14,502)	2,533,584
Less accumulated depreciation	(1,903,370)	(39,681)	-	(1,943,051)
Net capital assets being depreciated	644,716	(39,681)	(14,502)	590,533
Net capital assets	\$ 880,966	\$ (24,337)	\$ (14,502)	\$ 842,127

*During fiscal year 2014, certain assets were reclassified.

**Expensed prior to being depreciated.

Idyllwild Water District
Notes to Financial Statements
June 30, 2014

Note 3: Cash and investments

Cash and investments are displayed on the financial statements at June 30, 2014 as follows:

	Water	Improvement District No. 1
Current assets:		
Cash and investments	\$ 451,325	\$ 935,153
Certificate of deposit	50,674	176,016
Restricted:		
Cash and investments	847,300	413,320
Total cash and cash equivalents	\$ 1,349,299	\$ 1,524,489

Cash and investments as of June 30, 2014 consisted of the following:

Deposits with financial institutions	\$ 60,106	\$ 6,939
Cash on hand	275	-
Investments	1,288,918	1,517,550
Total cash and cash equivalents	\$ 1,349,299	\$ 1,524,489

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 \$50,000,000. 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 Districts' 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 held investments in one issuer that represented 5% or more of the District's total investment portfolio. Investments issued or explicitly guaranteed by the US government as well as mutual funds, external investment pools and other pooled assets are exempt from disclosure.

Idyllwild Water District
Notes to Financial Statements
June 30, 2014

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 Districts' investment policies, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Districts' 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	50%	Not applicable
US government sponsored enterprise securities	50%	Not applicable
California State warrants or notes	100%	Not applicable
Local Agency Investment Fund	67%	\$50,000,000
Money market mutual funds	25%	25%
Time certificates of deposit	50%	50%
Bankers acceptances	40%	30%
Commercial paper	25%	10%
Corporate medium term notes	30%	30%
Purchase agreements	20%	20%
Collateralized mortgage obligations and asset backed securities	20%	20%

Investments authorized by debt agreements

Investments of debt proceeds held by trustees (fiscal agents) are governed by provisions of the debt agreements, rather than the provisions of the California Government Code or the Districts' investment policies. The table below identifies the investment types that are authorized for investments held by trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
United States treasury obligations	No limit	No limit	No limit
US government sponsored securities	No limit	No limit	No limit
Federal Housing Administration debt	No limit	No limit	No limit
Local Agency Investment Fund	No limit	No limit	\$ 50,000,000
Money market mutual funds	No limit	No limit	No limit
Bank time deposits and savings	No limit	No limit	No limit
State obligations	No limit	No limit	No limit
Investment agreements	No limit	No limit	No limit
Purchase agreements	No limit	No limit	No limit

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 3: Cash and investments, (continued)

Investment maturities at June 30, 2014 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	\$ 1,003,486	\$ 1,003,486	\$ -
Certificates of deposit	50,674	50,674	-
Public funds money market	234,758	234,758	-
Total investments - Water District	\$ 1,288,918	\$ 1,288,918	\$ -
<i>Improvement District No. 1</i>			
Local Agency Investment Fund	\$ 905,107	\$ 905,107	\$ -
Certificates of deposit	176,016	25,312	150,704
Public funds money market	436,427	436,427	-
Total investments - Improvement District No. 1	\$ 1,517,550	\$ 1,366,846	\$ 150,704

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, 2014, the Districts' deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California law.

GASB statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments; at June 30, 2014 \$-0- of the Districts' combined deposits with financial institutions were in excess of Federal depository insurance limits.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 3: Cash and investments, (continued)

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 Districts' investment policies further limit 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	\$ 1,003,486	NA	NA	\$ 1,003,486
Certificates of deposit	50,674	None	NA	50,674
Public funds money market	234,758	None	NA	234,758
	<u>1,288,918</u>			<u>1,288,918</u>
Total investments - Water District	<u>\$ 1,288,918</u>			<u>\$ 1,288,918</u>
<i>Improvement District No. 1</i>				
Local Agency Investment Fund	\$ 905,107	NA	NA	\$ 905,107
Certificates of deposit	176,016	None	NA	176,016
Public funds money market	436,427	None	NA	436,427
	<u>1,517,550</u>			<u>1,517,550</u>
Total investments - Improvement District No. 1	<u>\$ 1,517,550</u>			<u>\$ 1,517,550</u>

Note 4: 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
June 30, 2014**

Note 5: *Restricted assets*

Restricted assets were provided by and are to be used for the following:

<u>Funding source</u>	<u>Use</u>	<u>Water</u>	<u>Improvement District No. 1</u>
Certificate of participation proceeds and interest earned	Reserves and debt service	\$ 125,000	\$ -
Excess of revenues over expenses	Debt service	3,750	-
	Restricted for debt service/covenants	<u>128,750</u>	<u>-</u>
Excess of revenues over expenses	Deferred maintenance	\$ 436,300	\$ 326,070
Excess of revenues over expenses	Retiree's health benefits	174,750	58,250
Excess of revenues over expenses	Compensated absences liability	107,500	29,000
	Restricted for deferred maintenance and other	<u>718,550</u>	<u>413,320</u>
Total restricted assets		<u>\$ 847,300</u>	<u>\$ 413,320</u>

Note 6: *Long-term debt*

Certificate of participation

On March 20, 1997 the California Special Districts Association Finance Corporation (CSDAFC) issued a certificate of participation, the proceeds of which have been used to refund previously outstanding certificates (1989 Series C and 1991 Series I) which were used for the construction and acquisition of District facilities and equipment which is leased to the District by CSDAFC. The refunded certificates are collateralized by the facilities and equipment leases with the related assets becoming the property of the District upon termination of the leases and retirement of the certificates.

The lease payments approximated the debt service requirements of the refunded certificates. Due to the nature of the leases and related certificates and pursuant to Government Accounting Statement 1, these transactions were accounted for as though the District financed the construction and acquisition of such assets directly.

The proceeds of the 1997 Series EE have been deposited into an irrevocable escrow account created for the benefit of the owners of the refunded certificates. The monies deposited into the escrow account are invested by the escrow agent in federal securities in an amount sufficient, together with investment earnings thereon, to pay all principal, interest and prepayment premium if any, with respect to the District's refunded certificates upon prepayment or maturity thereof.

The final payment of \$125,000 was made during the current fiscal year.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

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	\$ 45,936	\$ 4,552	\$ -	\$ 50,488

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, 2014, 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. The District has deductibles as follows:

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

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.

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

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 activities related to the Plan, presented at market value, are as follows:

Balance, July 1, 2013	\$ 1,264,324
District contributions	115,057
Employee contributions	60,472
Withdrawals	(230,000)
Forfeitures	-
Earnings, net of fees	<u>53,340</u>
Balance, June 30, 2014	<u>\$ 1,263,193</u>

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%. Also 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 match contributions they will be employee only contributions.

The activities related to the Plan 457(b), presented at market value are as follows:

Balance, July 1, 2013	\$ -
District contributions	2,500
Employee contributions	2,041
Withdrawals	-
Forfeitures	-
Earnings, net of fees	<u>87</u>
Balance, June 30, 2014	<u>\$ 4,628</u>

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

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 10: Postemployment benefits other than pensions

Plan description

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

Funding policy

Contribution requirements are set by the Districts' Board of Directors. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2014, the District contributed \$16,580 to the plan. The District is funding the Plan on a pay-as-you go basis.

Annual OPEB cost and net OPEB obligation

The Districts' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Districts' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' net OPEB obligation to the Plan:

Annual required contribution	\$	151,920
Interest on net OPEB obligation		21,163
Adjustment to annual required contribution		(24,650)
Annual OPEB cost (expense)		148,433
Contributions made		(16,580)
Increase in net OPEB obligation		131,853
Net OPEB obligation, beginning of year		530,830
Net OPEB obligation, end of year	\$	662,683

The Districts' annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014:

Fiscal year ended	Annual OPEB cost (expense)	Percentage of OPEB cost contributed	Net OPEB obligation
June 30, 2012	\$ 146,241	17.11%	\$ 404,983
June 30, 2013	143,319	12.19%	530,830
June 30, 2014	148,433	11.17%	662,683

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 10: Postemployment benefits other than pensions, (continued)

Funded status and funding progress

The funded status of the Plan as of June 30, 2014, was as follows (as of the June 30, 2011 actuarial):

Actuarial accrued liability (AAL)	\$ 2,577,048
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,577,048</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	\$ 574,301
UAAL as a percentage of covered payroll	448.73%

Funded status and funding progress

As of the June 30, 2011 actuarial report, the actuarial accrued liability for benefits was \$2,577,048, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$574,301, and the ratio of the underfunded actuarial accrued liability to the covered payroll was 449%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions

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

The actuarial cost method used was the entry age method in the June 30, 2011 valuation. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

The plan currently has fewer than 100 participants and thus meets the requirements of the alternative measurement method. The District has elected to use this method of valuation. The source or basis of all significant assumptions or methods are discussed in the following section of this note.

The following simplifying assumptions were made:

**Idyllwild Water District
Notes to Financial Statements
June 30, 2014**

Note 10: Postemployment benefits other than pensions, (continued)

Retirement age for active employees

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

Marital status

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

Mortality

Life expectancies were based on the "Life Expectancy Table" from the National Vital Statistics Reports Volume 58, Number 21, dated June 28, 2010. The 2006 United States Life Tables for Males and Females were used.

Turnover

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

Healthcare cost trend rates

The expected rate of increase in healthcare insurance premiums were based on projections of the Association of California Water Agencies for medical, dental and vision coverage and projected to increase annually at a rate of 7% to 8%.

Health insurance premiums

2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate

The expected long-term inflation assumption of 4% was used.

Payroll growth rate

The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Districts' short-term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used.

Idyllwild Water District
Required Supplementary Information – Schedule of Funding Progress
for the Retiree Health Plan (OPEB)
June 30, 2014

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
06/30/09	\$ -	\$ 743,356	\$ 743,356	0.0%	\$ 491,363	151%
06/30/10	-	765,613	765,613	0.0%	526,400	145%
06/30/11	-	2,577,048	2,577,048	0.0%	574,301	449%