

Yuima Municipal Water District

Pauma Valley, California



Comprehensive Annual Financial Report

for the fiscal year ending June 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



Prepared By: Yuima Municipal Water District's Finance Department
Amy Reeh, Finance & Administrative Services Manager
Abigail Champaco, Accountant
Pauma Valley, California

OUR MISSION AND VISION



W.D. "Bill"
Knutson
President



Ron W.
Watkins
Vice-President



Don Broomell
Director



Roland
Simpson
Director



Lynne "Laney"
Villalobos
Director

Yuima Municipal Water District is committed to providing a diversified, sustainable water supply for water service to our Pauma Valley customers; exceeding all standards of quality and reliability at fair, reasonable and equitable rates.

We hope to be known and respected in our community as being good stewards of the public resources, and responsibilities entrusted to us.



From left to right: Jolyn Duff, Mitch Davis, Amy Reeh, Mark Quinn, Abigail Champaco, Allen Simon, Matt Munaco, Noel Ruiz, Lynette Brewer, Carmen Rodriguez, Rich Williamson and Vivian Alvarez

**Yuima Municipal Water District
Comprehensive Annual Financial Report
Year Ended June 30, 2018**

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Introductory Section



Comprehensive Annual Financial Report



Board of Directors
W.D. "Bill" Knutson - President
Ron W. Watkins - Vice President
Don Broomell - Secretary/Treasurer
Roland Simpson - Director
Laney Villalobos - Director

General Manager
Richard S. Williamson, P.E.

General Counsel
Allison E. Burns

December 21, 2018

W.D. Knutson, President
Members of the Board of Directors
Yuima Municipal Water District
34928 Valley Center Road
Pauma Valley, CA 92061-0177

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Yuima Municipal Water District (hereinafter referred to as "the District") for the fiscal year ended June 30, 2018. The purpose of the report is to provide the Board of Directors, our customers, creditors, investors, and other interested parties with transparent financial information about the District.

The CAFR was prepared by the District's Finance Department following the guidelines set forth by the Government Accounting Standards Board (GASB) and in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner that provides a fair representation of the financial position and results of operation of the District and includes all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity.

The District's policy requires that an independent certified public accounting firm, selected by the Board, audit the basic financial statements on an annual basis. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2018, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statements presentation. The independent auditor, Teaman, Ramirez and Smith Inc. have issued an unmodified ("clean") opinion on the District's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report in the Financial Section and provides an overview, summary, and analysis of the basic financial statements.

P.O. Box 177 • 34928 Valley Center Road • Pauma Valley, CA 92061-0177
Tel:(760) 742-3704 • Fax: (760) 742-2069 • Website: www.yuimamwd.com

DISTRICT FORMATION, ORGANIZATION AND HISTORY

The District was incorporated on January 19, 1963 as a California special district by the State Legislature, with an entitlement to import water under the provisions of the *California Municipal Water District Act of 1911, section 71000 et.seq.* of the *California Water Code* as amended. The District was formed to import Colorado River water to augment local water supplies.



The District is governed by a five-member Board of Directors (the “Board”), elected by geographical location. Prior to the District’s formation, the sole source of water was local ground water on the alluvial fan and the San Luis Rey River basin. Following a period of drought extending back to 1949, coupled with increased agricultural water demands, the water table fell drastically, and overdrafts of the underlying water basin lowered the basin's level as much as 85 feet, forcing the abandonment of some wells and giving rise to increased pumping costs. This condition also prompted the filing of the *Strub vs. Palomar Mutual Water Company* suit to which the District is successor in interest and which limits the withdrawal of water for use within the boundaries of Improvement District "A" (IDA) from the San Luis Rey River upstream of Cole Grade Road to no more than 1,350-acre feet annually. Yuima, as successor in interest to Palomar Mutual continues to operate the former Palomar Mutual system and properties (now known as Improvement District A) as an independent water system. Yuima is responsible for administering IDA's compliance with *Strub et al.*

The District’s ordinances, policies, taxes, and rates for service are set by the five-member Board of Directors, who are elected by voters in their respective geographic divisions, to serve staggered four-year terms on its Governing Board. The Board of Directors (Board) governs the District. The Board manages the District through an appointed General Manager. The District's management team also includes the Finance & Administrative Services Manager. There are currently 11 full-time and 1 part-time employees working for the District.

The financial data presented herein includes information for activities and entities that are significantly controlled by the District and for which the Board is primarily financially accountable.

THE REPORTING ENTITY AND ITS SERVICES

The District is a “revenue neutral” public agency, meaning that rates are set based on projections so that each end-user pays his or her fair share of the District’s costs of water acquisition, operation and maintenance, betterment, renewal and replacement of the public water facilities. The district is an “Enterprise” district, in that operations are financed and operated in a manner similar to private business enterprises – where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be

financed or recovered primarily through user charges; or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Since the District is in the business of selling water and rendering services to an end user, it is required by the State of California to follow the enterprise type of fund accounting. All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current, non-current or restricted) associated with the activity are included in the balance sheet.

The District provides water and fire protection services. The District has established and maintains various self-balancing groups of accounts to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are funds and sub-funds of the reporting entity, are identified in the District’s books and records as:

- ✓ General Fund
- ✓ Improvement District A Fund
- ✓ Fire Fund

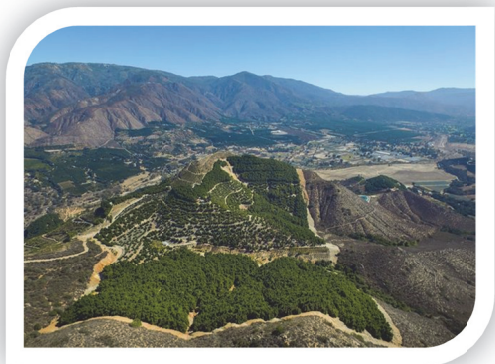
The General Fund accounts for all activity related to water operations as well as the general operations of the District’s water operations. Improvement District A Fund accounts for water operations, capital assets, and construction-in-progress transactions related exclusively to that geographically defined area. The Fire Fund acts as a pass-through mechanism for revenues collected on behalf of the California Department of Forestry and Fire Protection (CalFire), to fund the fire protection operations.

CURRENT ECONOMIC CONDITIONS AND OUTLOOK

The current economy for FY 17/18 is fundamentally quite strong. There has been a much lower unemployment rate, and higher numbers of job openings. Home values increased by 8.0% for 2017-18 with a projected increase of 4.2% for the upcoming year. The median home price in

California is \$579,750 up from \$525,000 from the prior year. Consumer confidence has hit an 18 year high for the fiscal year and all economic indicators suggest that the economy is not far from the all-time high of 144.7 that was reached in 2000. As the labor market and stocks improve, it seems that consumers are more optimistic and upbeat about the economy. The San Diego County labor market continues to improve and is at a 4.1% unemployment rate while California is at 4.7% and the total U.S. unemployment rate is 4.1%. San Diego County jobs have also increased by 16,100

jobs over the year for nonfarm employment with an increase of 200 jobs in Agricultural employment. For fiscal year 2017/18, San Diego County only received 3.44” inches of rain. This is the second-driest in San Diego’s recorded history that dates back to 1850. The outlook for the 2018-19 year is also predicted to be below normal although an El Nino weather pattern is expected. It is also expected that by the year 2025, the demand for water will increase by 46% as the population continues to increase significantly.



Over the last 55 years, the District has grown to be a strong agricultural community. Today the District serves a population of 1,824 through 338 service connections provided within approximately 21 square miles of northern San Diego County. The District operates 44.1 miles of water main, 24 productive wells, 10 potable water tanks, and 2 Ag only reservoirs. It appears unlikely that population growth will be a significant factor within the next five years. No major housing developments are planned, and even if a project were initiated today, it would take at least five years to obtain the appropriate zoning changes and complete construction. Currently, there are three active annexation projects in progress at the District, with one annexation expected to be completed by the end of the 2018-19 Fiscal Year. These annexations are

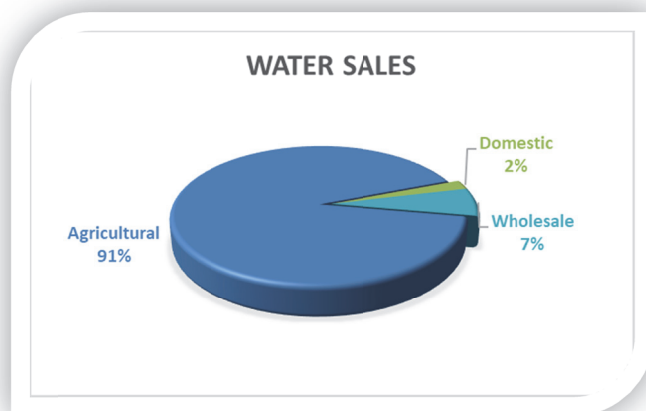


comprised of both new population and existing population needing a more dependable source of water. It is estimated that these projects will bring an addition 212 domestic meters. However, because these are domestic meters the District estimates only a 40- acre foot per year increase in water sales. It is estimated that population growth will not exceed 0.5% per year over the next five years. Considering that only about 2% of total District demand is residential, the increase in population growth is expected to be negligible with respect to overall water demand during the next few years.

In fiscal year 2017-18 the District purchased approximately 70% of its water from the San Diego County Water Authority (SDCWA or the “Authority”) and 1.3% of its water from local water agreements, at a cost of \$11.6 million, or 70.3% of the District’s operating expenses. The Authority imports most of its water from the Metropolitan Water District of Southern California (MET). For the fiscal year ended June 30, 2018, the District billed 338 customers for 8,819-acre feet of water, representing an increase in sales of from the prior fiscal year and the largest volume of water sold over the last ten years.

Water sales for the past ten years have ranged from 4,959 to 8,819-acre feet. Because a large portion of our sales are due to agriculture, sales are greatly affected by weather conditions, making sales projections difficult. Because the Pauma Valley area received only 7.0 inches of rainfall in fiscal year 2017-18, Yuima saw a 38.2% increase in water sales for that same time period.

As the chart to the right depicts, our agricultural customers purchased 91% of the District's total water sales in fiscal year 2017-18 while Wholesale and Domestic sales make up the remaining 8%. As water is one of the largest production costs for farmers in San Diego County, rapidly increasing wholesale water rates have the potential to severely affect the profitability of agriculture. The impact of these increases on the District’s customers has been mitigated to a significant



extent by the District's aggressive efforts to develop new sources of lower cost local groundwater. The significant price increases for imported water along with fluctuating water sales have made it difficult to project long-term sales demand forecasts.

LONG-TERM FINANCIAL PLANNING

The past several years has been focused on rebuilding our reserves after the implementation of GASB 68. Continued cost saving measures as well as increased sales help the District to successfully increase our reserves again this year. While the District remains diligent in rebuilding these reserves it can now turn its focus to replacing aging infrastructure and increasing our supplies; both locally and imported.

Dependence on imported water supplies have increased due to increased demands that cannot be met by our local supply. Water sales for Fiscal Year 2017-2018 saw a significant increase of 38.2%. This increase is a result of below average rainfall, and increased demand. Although the District's local production increased by 26.4%, demand was such that the District also realized an increase of 35.4% in imported water sales as well. The District still strives to find ways to increase their local supply but must remain cognizant of weather conditions (reduce rainfall) and the future implications of the Sustainable Ground Water Management Act. While any restrictions imposed from this act are in the distant future, the District must begin addressing the reduction of local supply when planning facility improvement now. Currently the District is in the design stages of a total rehabilitation its Forebay facility, our sole source for imported water, that will bring an additional 10 cubic feet per second flow to the district. The District is seeking grants to cover the portion of the project that will not be funded by Capital Project reserves. Additionally, The San Diego County Water Authority has agreed to fund construction of a flow control facility to provide an alternative source of water for both Yuima and the Valley Center Municipal Water District for use during a North County emergency storage event.

ACCOMPLISHMENTS IN FISCAL YEAR 2017-2018

The 2017-2018 focused mainly on the conversion and implementation of a new financial software. The District's twenty-eight year old financial software program, while tailored specifically to our needs, was antiquated and with technical support from the software company since the closing of Datastream in December of 2017. The conversion is scheduled to be completed by December 2018. This fiscal year the District also completed the Rincon Ranch Road project and the replacement of several well pumps & motors.



FINANCIAL INFORMATION AND INTERNAL CONTROLS

INTERNAL CONTROLS

District management is responsible for establishing and maintaining a system of internal controls designed to ensure that the District's assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of its Financial Statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that these objectives are met as effectively as possible. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Management believes that activities presented within this report comply with financial, legal, and contractual obligations, as prudent fiduciary responsibility requires. In addition, we believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. During the year, additional internal control improvements to the accounting software have been made, and we continue to identify ways in which we can strengthen our procedures.

ACCOUNTING SYSTEM

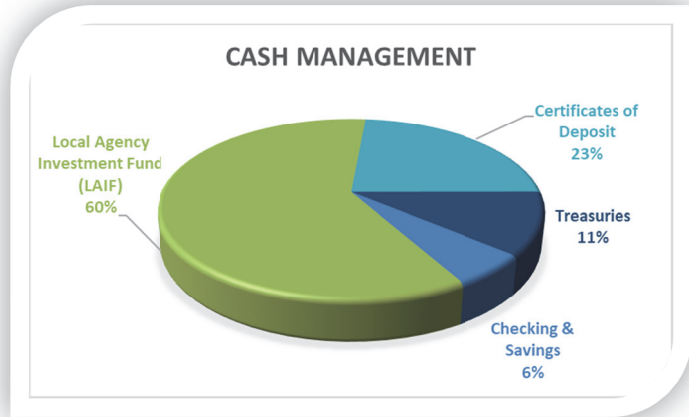
The Finance department is responsible for providing financial and administrative services for the District, including financial accounting and reporting, payroll and accounts payable disbursement functions, cash, investments and debt management, budgeting, grant administration, purchasing, data processing, customer billing, processing of customer payment, customer service, internal auditing, administrative services, human resources, and special financial analyses. The District reports its activities as an enterprise fund, which is used to account for operations like business enterprises, where the provision of services is financed or recovered primarily through user charges.

BUDGETING CONTROLS

The District views the budget as an essential tool for proper financial management. The District adopts a budget annually to outline major elements of the forthcoming year's operating and capital plans and to allocate funding required for those purposes. It is designed and presented for the general needs of the District, its staff, and its customers. It is a comprehensive and, for the most part, a balanced financial plan that features District services, resources and their allocation, financial policies, and other useful information to allow users to gain a general understanding of the District's financial status and future. The District's operating and capital budgets are approved by the Board of Directors. Board approval is required for any increase in appropriations. Actual expenditures are then compared to these appropriations each month and are distributed to all department heads monthly and to the Board quarterly. Annual operating water user rates and charges are derived from the annual operating budget and are based on historical seasonal demand, and other internal and external factors impacting the budget. The District maintains two sets of user rates and charges to account for the differing entitlement of the respective geographic areas to local water. One set is for the General District and the other for Improvement District A. Higher pumping charges apply in higher elevations throughout the District.

CASH MANAGEMENT

The District is regulated by State law (primarily California Government Code Section 53600 et seq.) as to the types of securities in which it can invest its cash assets. In addition, the Board of Directors annually adopts an investment policy that is generally more restrictive than the State codes. The District's investment policy governs the cash management and investment of all District funds. The standard practice of the District is to maintain an appropriate balance between safety, liquidity, and yield of its investments while meeting required expenditures, and conforming to all applicable State laws, the District's investment policy, and prudent cash management principles.



For the fiscal year 2017-18, the District's fixed income investment portfolio consisted primarily of short-term securities with an average maturity of 365 days or 12 months. These securities included the State-managed Local Agency Investment Fund (LAIF) and various Certificates of Deposit (CD's).

At June 30, 2018, the District's cash assets totaled \$4.4 million dollars. The diversification of the portfolio is shown in the chart to the above. These cash balances are allocated to various restricted funds.

RISK MANAGEMENT

In 1996, the District became a member of the Joint Powers Insurance Authority (JPIA), a pooled insurance program developed by the Association of California Water Agencies that provides the District's coverage for general liability insurance, property insurance, employee bonds, and other blanket coverage. In 2003 the District added the worker's compensation coverage under JPIA. During fiscal year 2017-18, the District continued its proactive liability risk management role through careful monitoring of losses and designing and implementing programs to minimize risks. In addition, management analyzes workers' compensation issues by monitoring work conditions, and organizing and implementing safety training programs to reduce employee exposure to hazards. The District proudly maintains an excellent low loss history in all JPIA programs.

PENSION AND DEFERRED COMPENSATION PLANS

The District provides two complementary retirement plan programs for employees. The first is a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS). Upon retirement, District employees are entitled to a specified retirement benefit. The plan is more fully described in Note 6 to the Financial Statements.

In addition, the District has adopted a Deferred Compensation Plan in accordance with Section 457(b) of the Internal Revenue Code. All contributions to the Deferred Compensation Plan are employee contributions. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. The deferred compensation plan was amended May 26, 2009, in accordance with recent changes in the Internal Revenue code. In accordance with these and previous Internal Revenue code revisions, all assets in the Plans are held in trust for the exclusive benefit of the participants and their beneficiaries and therefore are not recognized in the accompanying financial statements. As of June 30, 2018, 4 current employees were participating in the 457(b) plan with accumulated assets from past and current employees totaling \$595,977.18.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Yuima Municipal Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This is the tenth year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a District must publish an easy to read and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are respectfully submitting it to the GFOA to determine its eligibility for another certificate.

CONTACTING THE DISTRICT'S FINANCE DEPARTMENT

This financial report is designed to provide the Board, customers, creditors, and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Amy Reeh, Yuima Municipal Water District's Finance & Administrative Services Manager, at (760) 742-3704 or amy@yuimamwd.com.

ACKNOWLEDGMENTS

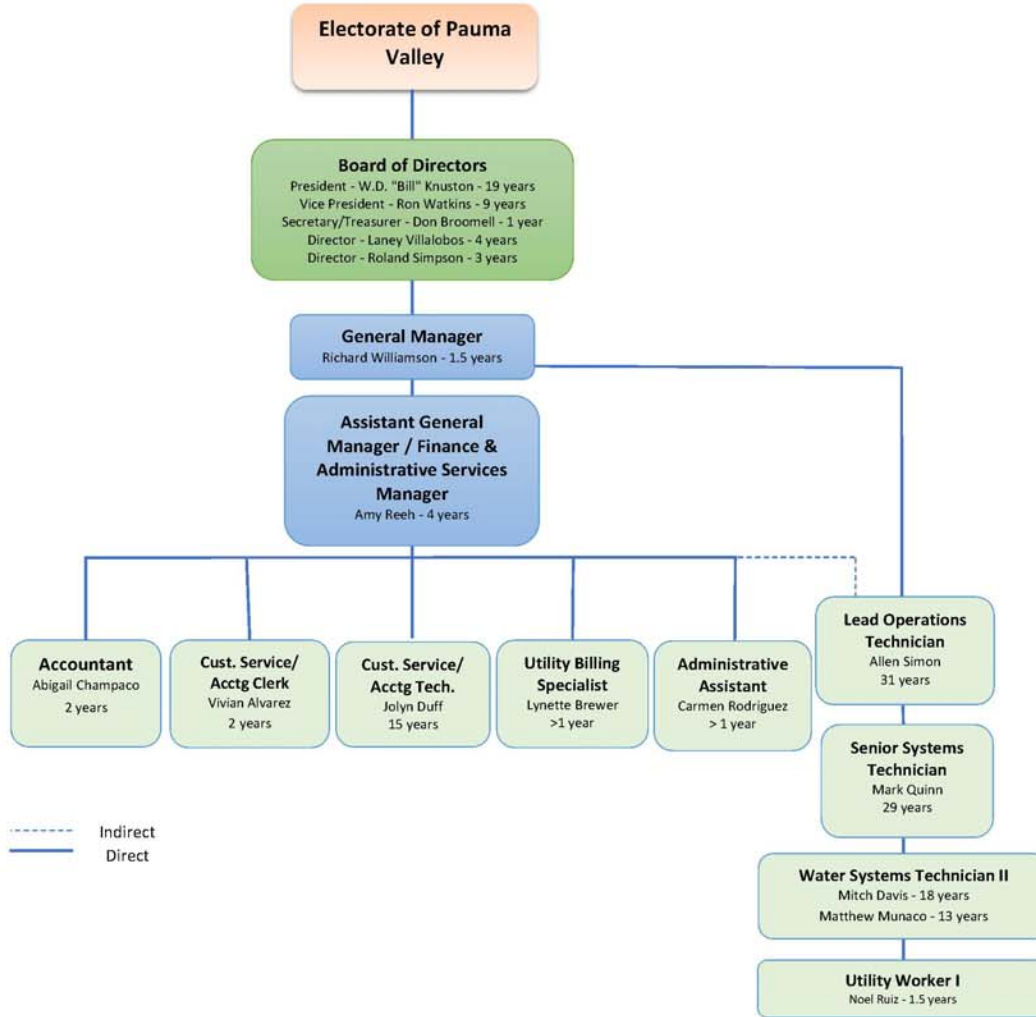
The preparation of this report could not have been accomplished without the contribution of the Finance Department and our independent auditor, Teaman, Ramirez and Smith, Inc. We would also like to particularly thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:



Amy Reeh
Finance & Administrative Services Manager

**Yuima Municipal Water District
Organizational Chart**



PRINCIPAL OFFICIALS

Fiscal Year Ended June 30, 2018

BOARD OF DIRECTORS

W.D. "Bill" Knutson, President
Ron W. Watkins, Vice President
Don Broomell, Director
Roland Simpson, Director
Lynn "Laney" Villalobos, Director

GENERAL MANAGER

Richard Williamson

**ASSISTANT GENERAL MANAGER / FINANCE &
ADMINISTRATIVE SERVICES MANAGER**

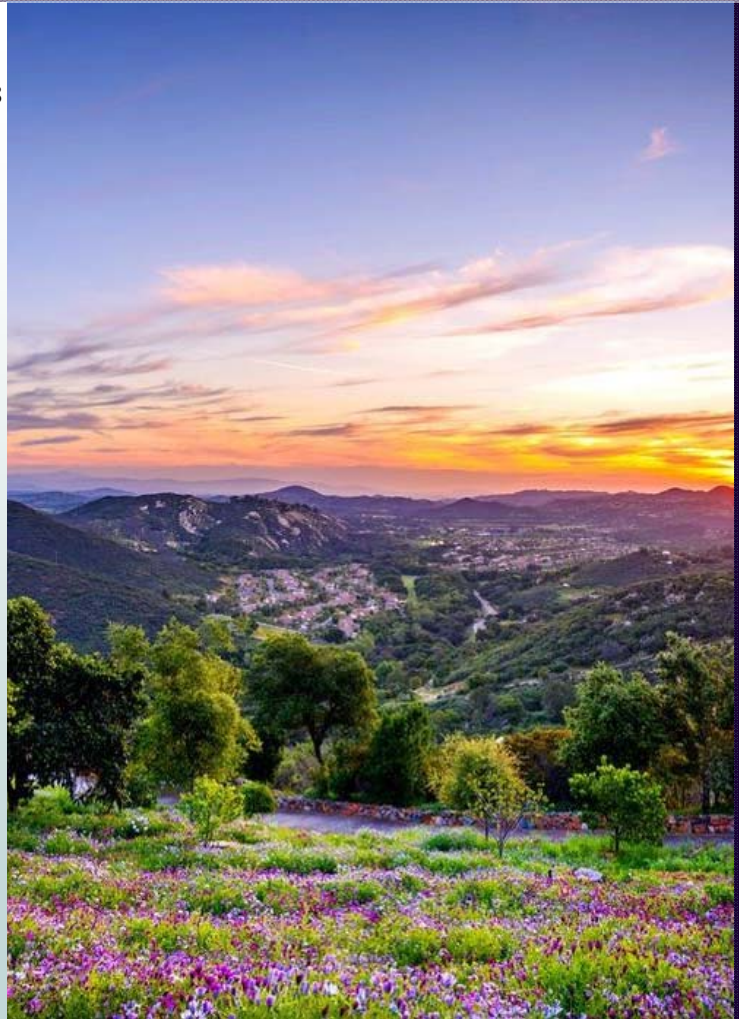
Amy Reeh

GENERAL COUNSEL

Stradling, Yocca, Carlson and Rauth

INDEPENDENT AUDITOR

TEAMAN, RAMIREZ & SMITH, INC.



Yuima Municipal Water District

34928 Valley Center Road,
Pauma Valley, CA 92061

760.742.3704 ph
760.742.2069 fax

www.Yuimamwd.com





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Yuima Municipal Water District
California**

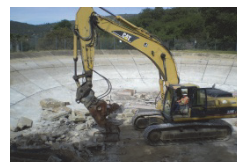
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

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Financial Section



Comprehensive Annual Financial Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Yuima Municipal Water District
Yuima, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Yuima Municipal Water District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1B to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3-11 and 52-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Teaman Ramirez & Smith, Inc.

Riverside, California
December 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

This section of the Yuima Municipal Water District's Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis of the District's financial performance for fiscal year ended June 30, 2018, and includes the Governmental Accounting Standard Board's (GASB) enhanced financial reporting requirements. We offer readers of the Yuima Municipal Water District's financial statements this narrative overview and analysis of the financial position and results of operations for the fiscal year ended June 30, 2018.

Included in this section are:

- Financial Statement Overview;
- Analysis of Financial Position and Results of Operations;
- Overview of the Accompanying Basic Financial Statements;

The Letter of Transmittal can be found on pages i-vi and should be read in conjunction with the audited financial statements. The audited financial statements are located in the section following the MD&A. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL STATEMENTS OVERVIEW - FISCAL YEAR ENDED JUNE 30, 2018

Statement of Net Position - The Statement of Net Position presents the District's financial position relating to assets, liabilities, and deferred outflows/inflows of resources. Assets and deferred outflows in excess of liabilities and deferred inflows (Net Position) for fiscal year 2017-18 increased \$1,826,754 over fiscal year 2016-17, from \$14,266,264 to \$16,093,018, which correlates to the increase as presented on the Statements of Revenues, Expenses, and Changes in Net Position. Of this amount, \$3,716,041 may be used to meet the District's ongoing obligation to citizens and creditors.

Yuima Municipal Water District Net Position						
	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 227,290	\$ 177,620	\$ 6,290,072	\$ 4,347,434	\$ 6,517,362	\$ 4,525,054
Capital assets	-	-	13,756,777	13,740,516	13,756,777	13,740,516
Total Assets	\$ 227,290	\$ 177,620	\$ 20,046,849	\$ 18,087,950	\$ 20,274,139	\$ 18,265,570
Deferred Outflows of Resources	\$ -	\$ -	\$ 1,394,126	\$ 1,479,211	\$ 1,394,126	\$ 1,479,211
Long-term liabilities outstanding	\$ -	\$ -	\$ 4,053,719	\$ 4,025,069	\$ 4,053,719	\$ 4,025,069
Other liabilities	-	-	1,350,989	1,160,443	1,350,989	1,160,443
Total liabilities	\$ -	\$ -	\$ 5,404,708	\$ 5,185,512	\$ 5,404,708	\$ 5,185,512
Deferred Inflows of Resources	\$ -	\$ -	\$ 170,539	\$ 293,005	\$ 170,539	\$ 293,005
Net Position:						
Net Investment in Capital Assets	\$ -	\$ -	\$ 12,376,977	\$ 12,192,571	\$ 12,376,977	\$ 12,192,571
Restricted	227,290	177,620	-	-	227,290	177,620
Unrestricted	-	-	3,488,751	1,896,073	3,488,751	1,896,073
Total net position	\$ 227,290	\$ 177,620	\$ 15,865,728	\$ 14,088,644	\$ 16,093,018	\$ 14,266,264

Statement of Activities and Changes in Net Position - The Statement of Activities and Changes in Net Position accounts for all activities during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave). This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's solvency and ability to meet its financial commitments.

ANALYSIS OF FINANCIAL POSITION AND RESULT OF OPERATIONS

The District's overall financial position continues to be affected by the implementation of the GASB 68 requirement to begin recording the Unfunded Accrued Liability of the District's pension plan. However, increased water sales and continued implementation of several cost saving measures resulted in the ability to increase our reserve balance in the 2017-18 fiscal year.

Analysis of Net Position – Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase, or construction by the District, are recorded at historical cost. Capital assets contributed by developers are recorded at developers' construction cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investment in capital assets since formation. Net Position helps answer the following question: "Is the District, as a whole, better or worse off as a result of this year's activities?" As reported in the Statements of Net Position, the net position increased between fiscal years ending 2017 and 2018 from \$14,266,264 to \$16,093,018. Net investment in capital assets increased \$184,406, and unrestricted net position increased \$1,592,678.

Yuima Municipal Water District Change in Net Position						
	Governmental Activities (Fire Protection)		Business-type Activities (Water Operations)		Total	
	2018	2017	2018	2017	2018	2017
	Revenues:					
Program Revenues:						
Charges for Services	\$ 64,260	\$ 52,512	\$ 17,520,725	\$ 12,408,319	\$ 17,584,985	\$ 12,460,831
Operating Grants and Contributions	6,421	5,316	177,837	-	184,258	5,316
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	-	-	429,867	416,525	429,867	416,525
Investment Earnings	46	30	51,431	29,495	51,477	29,525
Other	-	-	124,642	10,939	124,642	10,939
Total Revenues	70,727	57,858	18,304,502	12,865,278	18,375,229	12,923,136
Expenses:						
Fire Protection	21,057	288	-	-	21,057	288
Water Enterprise	-	-	16,643,497	11,559,426	16,643,497	11,559,426
Total Expenses	21,057	288	16,643,497	11,559,426	16,664,554	11,559,714
Increase (Decrease) in Net Position	49,670	57,570	1,661,005	1,305,852	1,710,675	1,363,422
Net Position - Beginning	177,620	120,050	14,088,644	12,782,792	14,266,264	12,902,842
Prior Period Adjustment			116,079		116,079	
Net Position - Ending	\$ 227,290	\$ 177,620	\$ 15,865,728	\$ 14,088,644	\$ 16,093,018	\$ 14,266,264

ANALYSIS OF GOVERNMENTAL FUND AND GOVERNMENTAL ACTIVITIES – FIRE FUND

The District's fire protection fund to the government-wide financial statements has no reconciling items from the modified accrual to a full accrual basis. The information below provides an analysis of the increases or decreases in the activities for the governmental fund and governmental activities since the information on both the government-wide and fund statements reflect the same reported figures.

The key factors in the increase of the Fire Protection Activities net position and fund balance is as follows:

- The Fire Protection revenues totaling \$70,727 were sufficient to cover the expenditures of \$21,057 resulting in an increase in net position totaling \$49,670 for the fiscal year. This large increase is due to the State of California covering the costs to keep our local Cal Fire Station open during the non-fire season.

ANALYSIS OF PROPRIETARY FUND AND BUSINESS-TYPE ACTIVITIES – WATER OPERATIONS

The District’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Below is an analysis of the increases or decreases in the activities for the proprietary fund and business-type activities.

Statement of Revenues, Expenses, and Changes in Net Position - The Statement of Revenues, Expenses, and Changes in Net Position summarizes the District’s operations during the year. In accordance with Generally Accepted Accounting Principals (GAAP), revenues are recognized (recorded) when services are provided, and expenses are recognized when incurred. Operating revenues and expenses are related to the District’s core activities. Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, property taxes, and interest expenses). The operating margin for the year ended June 30, 2018 of \$197,189 is combined with total non-operating revenues of \$1,355,409, non-operating expenses of \$69,430 and capital contributions of \$177,837 to arrive at the increase in net position of \$1,661,005. The increase in net position is added to the adjusted beginning net position of \$14,204,723 to arrive at the ending net position total of \$15,865,728 as of June 30, 2018.

Change in Net Position & Analysis of Statement of Revenues, Expenses, and Changes in Net Position

The District’s total revenues of \$18,126,665 for the 2017-18 fiscal year is comprised of \$16,771,256 for Operating and \$1,355,409 for Non-Operating Revenues. The annual revenue increased \$5,261,390 or 40.8% from the prior fiscal year due to multiple factors. The largest increase was within the Operating Revenues category and is directly associated with increased water sales.

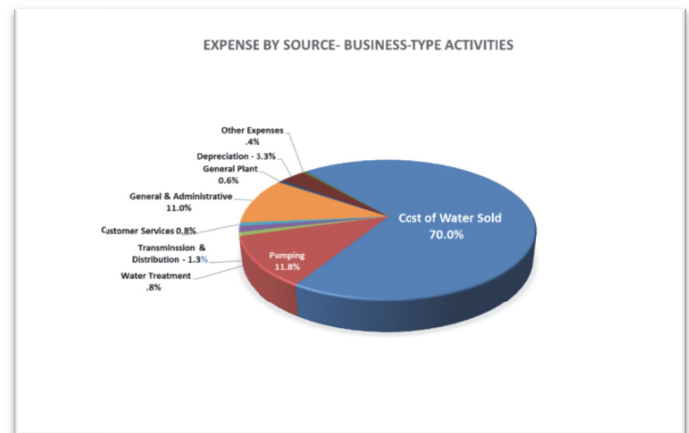
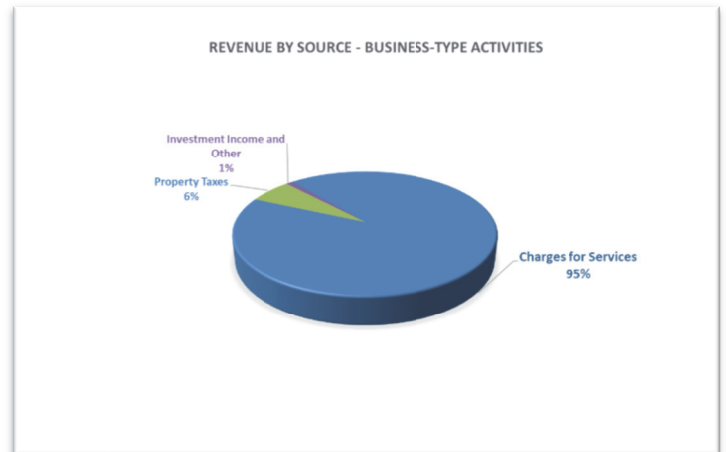
Details of the total increase in revenues are as follows:

- Water Sales including associated customer fees and charges increased by \$5,025,990, or 42.8% for the fiscal year ended June 30, 2018.
- Other Non-Operating Revenues increased by \$235,400, or 21.0%, from 2016-17 to 2017-18.

The District’s total expenses increased by \$5,084,074, or 43.9% in 2017-18, from \$11,559,423 to \$16,643,497. The largest increase occurred within the Operating Expenses; specifically, the categories of Cost of Water Sold and General and Administrative. The Cost of Water Sold increased by \$4,075,944 or 53.8%. This increase was specifically due to the increased purchases of imported water to meet increased demands in sales.

Details of the total increase in expenses are as follows:

- Cost of water sold including pumping, water treatment, transmission, customer service and general plant and depreciation costs increased by \$4,075,944 or 53.8%, due to increased water sales.
- General and Administrative costs realized an increase of \$785,068, or 75.4%, with the largest amount occurring within the Benefits category. This is due to the increase in the District’s Unfunded PERS Liability adjustments resulting from the reduction of the discount rate.



Schedule of Revenues, Expenses and Change in Net Position

Yuima General District and IDA - Combined

	Proprietary Fund		Increase/	Percent
	2018	2017	(Decrease)	Change
Operating revenues:				
Water sales & Pumping charges	\$15,918,051	\$11,025,249	\$4,892,802	44.4%
Other customer fees and charges	853,205	720,017	133,188	18.5%
Total operating revenues	<u>16,771,256</u>	<u>11,745,266</u>	<u>5,025,990</u>	<u>42.8%</u>
Operating expenses:				
Cost of water sold	11,651,917	7,575,973	4,075,944	53.8%
Pumping and energy costs	1,961,876	1,715,823	246,053	14.3%
Water Treatment	132,331	113,108	19,223	17.0%
Transmission and distribution	219,407	306,131	(86,724)	-28.3%
Customer services	131,919	111,908	20,011	17.9%
General Plant	101,014	78,270	22,744	29.1%
General and administrative	1,826,413	1,041,345	785,068	75.4%
Depreciation	549,190	546,462	2,728	0.5%
Total operating expenses	<u>16,574,067</u>	<u>11,489,021</u>	<u>5,085,046</u>	<u>44.3%</u>
Operating income (loss)	<u>197,189</u>	<u>256,245</u>	<u>(59,056)</u>	<u>-23.0%</u>
Non-operating revenues:				
Investment earnings	51,431	29,490	21,941	74.4%
Property taxes, assmts, conn fees & leases	1,179,336	1,079,580	99,756	9.2%
Other non-operating revenues	124,642	10,939	113,703	1039.4%
Total non-operating revenues	<u>1,355,409</u>	<u>1,120,009</u>	<u>235,400</u>	<u>21.0%</u>
Non-operating expenses:				
Other non-operating expenses	27,166	23,851	3,315	13.9%
Interest on long term debt	42,263	46,551	(4,288)	-9.2%
Total non-operating expenses	<u>69,429</u>	<u>70,402</u>	<u>(973)</u>	<u>-1.4%</u>
Revenues over/(under) Expenditures	1,483,169	1,305,852	177,317	13.6%
Capital Contributions	<u>177,837</u>	<u>-</u>	<u>177,837</u>	<u>100.0%</u>
Change in net position	<u>1,661,006</u>	<u>1,305,852</u>	<u>355,154</u>	<u>27.2%</u>
Net position, Beginning	14,088,644	12,782,792	1,305,852	10.2%
Prior Period Adjustment	<u>116,079</u>	<u>-</u>	<u>116,079</u>	<u>100.0%</u>
Net Position, Beginning - As Restated	<u>14,204,723</u>	<u>12,782,792</u>	<u>1,421,931</u>	<u>11.1%</u>
Total Net Position, End of year	<u>\$15,865,729</u>	<u>\$14,088,644</u>	<u>\$1,777,085</u>	<u>12.6%</u>

Schedule of Revenues, Expenses and Change in Position

Yuima - General District

	Proprietary Fund		Increase/ (Decrease)	Percent Change
	2018	2017		
Operating revenues:				
Water sales & Pumping charges	\$9,222,548	\$5,970,459	\$3,252,089	54.5%
Other customer fees and charges	393,265	313,538	79,727	25.4%
Total operating revenues	9,615,813	6,283,997	3,331,816	53.0%
Operating expenses:				
Cost of water sold	7,430,243	5,099,402	2,330,841	45.7%
Pumping and energy costs	539,710	441,425	98,285	22.3%
Water Treatment	36,130	24,328	11,802	48.5%
Transmission and distribution	94,469	163,912	(69,443)	-42.4%
Customer services	51,488	43,898	7,590	17.3%
General Plant	47,877	40,013	7,864	19.7%
General and administrative	899,663	506,700	392,963	77.6%
Depreciation	183,902	187,212	(3,310)	-1.8%
Total operating expenses	9,283,482	6,506,890	2,776,592	42.7%
Operating income (loss)	332,331	(222,893)	555,224	-249.1%
Non-operating revenues:				
Investment earnings	13,274	4,268	9,006	211.0%
Property taxes, assmts, conn fees & leases	982,303	887,699	94,604	10.7%
Other non-operating revenues	75,270	10,939	64,331	588.1%
Total non-operating revenues	1,070,847	902,906	167,941	18.6%
Non-operating expenses:				
Other non-operating expenses	12,593	(15,652)	28,245	180.5%
Interest on long term debt	-	74	(74)	-100.0%
Total non-operating expenses	12,593	(15,578)	28,171	-180.8%
Revenues over/(under) Expenditures	1,390,585	695,591	694,994	99.9%
Capital Contributions	177,837	-	177,837	100.0%
Change in net position	1,568,422	695,591	872,831	125.5%
Net position, Beginning of year	3,255,884	2,560,293	695,591	27.2%
Prior Period Adjustment	58,488	-	58,488	100.0%
Total Net Position, End of year	\$4,882,794	\$3,255,884	\$1,626,910	50.0%

**Schedule of Revenues, Expenses and Change in Net Position
Improvement District A**

	Proprietary Fund		Increase/ (Decrease)	Percent Change
	2018	2017		
Operating revenues:				
Water sales & Pumping charges	\$6,695,503	\$5,054,790	\$1,640,713	32.5%
Other customer fees and charges	459,940	406,479	53,461	13.2%
Total operating revenues	<u>7,155,443</u>	<u>5,461,269</u>	<u>1,694,174</u>	<u>31.0%</u>
Operating expenses:				
Cost of water sold	4,221,674	2,476,571	1,745,103	70.5%
Pumping and energy costs	1,422,165	1,274,398	147,767	11.6%
Water Treatment	96,202	88,780	7,422	8.4%
Transmission and distribution	125,554	142,219	(16,665)	-11.7%
Customer services	80,431	68,010	12,421	18.3%
General Plant	52,521	38,257	14,264	37.3%
General and administrative	926,750	534,645	392,105	73.3%
Depreciation	365,288	359,250	6,038	1.7%
Total operating expenses	<u>7,290,585</u>	<u>4,982,131</u>	<u>2,308,454</u>	<u>46.3%</u>
Operating income (loss)	<u>(135,142)</u>	<u>479,138</u>	<u>(614,280)</u>	<u>-128.2%</u>
Non-operating revenues:				
Investment earnings	38,157	25,222	12,935	51.3%
Property taxes, assmts, conn fees & leases	197,033	191,881	5,152	2.7%
Other non-operating revenues	49,372	-	49,372	100.0%
Total non-operating revenues	<u>284,562</u>	<u>217,103</u>	<u>67,459</u>	<u>31.1%</u>
Non-operating expenses:				
Other non-operating expenses	14,574	39,503	(24,929)	-63.1%
Interest on long term debt	42,263	46,477	(4,214)	-9.1%
Total non-operating expenses	<u>56,837</u>	<u>85,980</u>	<u>(29,143)</u>	<u>-33.9%</u>
Revenues over/(under) Expenditures	<u>92,583</u>	<u>610,261</u>	<u>(517,678)</u>	<u>-84.8%</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>92,583</u>	<u>610,261</u>	<u>(517,678)</u>	<u>-84.8%</u>
Net position, Beginning of year	10,832,760	10,222,499	610,261	6.0%
Prior Period Adjustment	<u>57,591</u>	<u>-</u>	<u>57,591</u>	<u>100.0%</u>
Total Net Position, End of year	<u>\$10,982,934</u>	<u>\$10,832,760</u>	<u>\$150,174</u>	<u>1.4%</u>

Statement of Cash Flows - The Statements of Cash Flows present the amounts of cash provided or used by the District's operating, financing, and investment activities during the reporting period. Every cash flow has been categorized as one of the following activities: operating, noncapital financing, capital and related financing, or investing. The primary purpose of this report is to provide information to the general readers about cash inflows and outflows which occurred during the reporting fiscal year. The Cash Flow statement helps the readers to answer the following questions: "Where did cash come from; what was cash used for and what was the change in cash during the fiscal year?" The total of these categories for the year ended June 30, 2018, represents an increase in cash and cash equivalents of \$589,095 which is combined with beginning cash and cash equivalents of \$2,291,526 to arrive at ending cash and cash equivalents of \$2,880,621.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 51 of this report. The government-wide financial statements can be found on pages 12 - 14 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Yuima Municipal Water District's progress in funding its obligation to provide pension and OPEB benefits to its employees. Also included is the required budget to actual schedule of the fire protection fund. Required supplementary information can be found on pages 52 - 57 of this report.

CAPITAL ASSETS AND CAPITAL PROJECTS

The District's Capital Assets in service at June 30, 2018 totaled \$24,741,040 less \$10,984,263 of accumulated depreciation, for a net book value of \$13,756,777. Additional information on capital assets can be found in Note 4 to the financial statements. Capital Asset additions being depreciated totaled \$383,863 and included the following:

Capital Asset Additions			
	Yuima	IDA	Total
Annexation Fees	\$ -	\$ -	\$ -
Source of Supply	-	17,348	17,348
General Plant Additions	34,509	-	34,509
Pumping Plant	5,317	66,991	72,308
Water Treatment	-	-	-
Pipelines (Transmission & Distribution)	13,430	246,268	259,698
Total	\$ 53,256	\$ 330,607	\$ 383,863

Deletions of Capital Assets being depreciated totaled \$30,009 for retirement of equipment replacements. Also included in the total reported on the Statement of Net Position is \$466,672 in construction-in-progress, which reflects capital projects in various stages of completion. As of June 30, 2018, the following capital projects were in progress.

Construction in Progress	
<u>Yuima</u>	
GIS Mapping Project	\$ 3,849
SCADA Upgrade Project - CIP	26,874
Forebay Rehab Project	9,964
Financial Software Conversion	98,083
Total	<u>\$ 138,770</u>
<u>IDA</u>	
GIS Mapping Project	\$ 7,364
Zone 4 Tank Storm Repair	39,081
New IDA Well #51	281,457
Total	<u>\$ 327,902</u>
Total	<u><u>\$ 466,672</u></u>

The District's capital assets were financed through a combination of current revenues, available reserves from the capital fund and capacity (connection fee) fund, and debt issuances. The District collects capacity fees from new development. These fees are restricted and used exclusively to provide capacity to service new development and fund future construction of facilities identified in the District's Master Plan. As of June 30, 2018 all capacity fees collected in prior years have been used for this purpose. Growth in the area is slow to none. The District does not expect any change in growth in the area for the next few years. The District's CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages.

LONG-TERM DEBT

At the end of the current fiscal year, the Yuima Municipal Water District had total debt outstanding of \$4,053,719 including \$207,970 which is the portion that is due within one year. Also included in the total amount is \$142,183 of Compensated Absences. The debt associated with Capital Projects was incurred to finance the replacement of several tanks which includes Reservoir 8 with a capacity of 1.7 million gallons and pump station as well as the Zone 4 Tank with a capacity of 1.2 million gallons. The remaining debt was incurred as a result of the required implementation of GASB 68. Additional information on long-term debt can be found in Notes 1 & 5 to the financial statements.

The District's outstanding bond indebtedness as of June 30, 2018 is as follows:

Fiscal Year Ended June 30, 2018								
Long-term Debt								
Description	District	Year Issued	Total Debt	Final Maturity Date	Fixed Interest Rate	Debt Outstanding (Audited)		
						As of June 30, 2018		Total
						Current	Long Term	
Compensated Absences	Yuima/IDA					\$ 35,546	\$ 106,637	\$ 142,183
Net Pension Liability	Yuima/IDA					\$ -	\$ 2,531,736	\$ 2,531,736
Tank 8 and Pump Station	IDA	2007	\$ 1,500,000	2022	2.65%	\$ 115,536	\$ 429,193	\$ 544,729
Zone 4 Tank	IDA	2013	\$ 900,000	2033	3.55%	\$ 36,974	\$ 711,839	\$ 748,813
Station 1 SDG&E On-Bill	IDA	2013	\$ 111,364	2022	0.00%	\$ 12,039	\$ 38,124	\$ 50,163
Station 4 SDG&E On-Bill	IDA	2013	\$ 75,125	2023	0.00%	\$ 7,875	\$ 28,220	\$ 36,095
Total			<u>\$ 2,586,489</u>			<u>\$ 207,970</u>	<u>\$ 3,845,749</u>	<u>\$ 4,053,719</u>

FUTURE INFRASTRUCTURE PLANNING

The future water supply of the District is primarily secured through the importation of water purchased from the San Diego County Water Authority (“SDCWA”). Approximately seventy percent (70%) of the District’s water supply was provided through the intertie with the SDCWA for imported water. Groundwater production will continue to be a challenge for the District, and most water agencies in the State that have access to groundwater, as the recently enacted Sustainable Groundwater Management Act (“SGMA”) is being implemented and will require water agencies in basins which are not in balance to reduce their pumping in conformance with the SGMA objective of realizing sustainable groundwater basins; the primary effect being the reduction in the utilization of groundwater wells to achieve and maintain the balance between groundwater recharge and withdraws. The District is working with the SDCWA and the Valley Center Municipal Water District to provide for the six to eight (6-8) cubic feet per second of additional supply to the YMWD service area for use as needed to supplement current supplies through the present intertie to the SDCWA. The additional imported water supply will be available for the summer, 2020.

In the meantime, the District continues to focus on development of local supplies to supplement the imported water resource, and to utilize the typically lower cost of local supplies to meld with the cost of imported supplies to keep water rates as low as possible. This is a continuing challenge given the low amounts of rainfall in recent years. The District is committed to providing safe, reliable, sustainable supplies of water for the District and adjoining areas as it is the opinion of management that the most economic and realistic ability to develop local supplies is to do so in partnership with the Indian Reservations that adjoin the District, providing for reliable supplies for the Indian Bands while optimizing the utilization of local water resources for the benefit of all water users and ratepayers in the basin.

ECONOMIC FACTORS

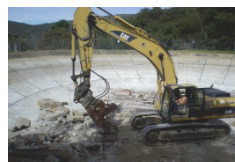
The District derives funding for operations from customer rates, fees, and charges. To the extent required, the District has the ability to generate additional funding resources through rate adjustments to cover the costs for providing water services. The District sets its rates annually based upon anticipated consumption. A significant reduction in consumption could have an adverse effect on the District’s financial position. Listed below are a few highlights of the economic factors that impact our District.

- The District sold 26.0% of total water delivered during the fiscal year 2017/18 to one customer. This same customer has been one of the top ten water consumers in the District for the last 20 years.
- The District realized a \$1,661,005 operating gain during fiscal year 2017-18 as compared to a \$1,305,852 operating gain during fiscal year 2016-17.
- In fiscal year 2017-18, the District purchased 70% of its water sold from the San Diego County Water Authority, this is the same percentage as in fiscal year 2016-17.
- The District has invested significantly in diversifying its water supply by increasing its local supply through additional wells and local well agreements to reduce its reliance on the high cost imported water supply from the San Diego County Water Authority. Keeping the District’s financial position strong will be critical in the future as increased capital spending will be required.
- The District has implemented several cost containment strategies to mitigate pension burdens on the District. Yuima MWD employees are now paying 100% of the employee’s portion (8%) of the District’s pension costs. Additionally, through attrition, and job description redevelopment the district has been able to eliminate or replace higher paying positions to realize costs savings.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s rate payers, bond investors and other interested parties with a general overview of the District’s finances, and to demonstrate the District’s accountability for the money it received and the stewardship of the facilities it maintains. If you have any questions about this report or need additional financial information, contact the Yuima Municipal Water District’s Finance Department, Amy Reeh, Finance & Administrative Services Manager, 34928 Valley Center Road, Pauma Valley, Ca. 92061, or call (760) 742-3704, or send inquiries to our website at www.yuimamwd.com.

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Yuima Municipal Water District
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 13,179	\$ 4,416,589	\$ 4,429,768
Accounts Receivable	6,938	1,449,460	1,456,398
Taxes Receivable	547	5,291	5,838
Interest Receivable		20,981	20,981
Internal Balances	206,626	(206,626)	0
Inventories		455,430	455,430
Prepays		33,832	33,832
Net OPEB Asset		115,115	115,115
Capital Assets, Not Being Depreciated:			
Land and Improvements		1,301,457	1,301,457
Construction in Progress		466,672	466,672
Capital Assets, Net of Depreciation:			
General Plant		337,819	337,819
Source of Supply		6,719,986	6,719,986
Pumping Plant		1,873,160	1,873,160
Water Treatment Plant		120,599	120,599
Transmission and Distribution Plant		2,937,084	2,937,084
Total Assets	227,290	20,046,849	20,274,139
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items		1,247,943	1,247,943
OPEB Related Items		146,183	146,183
Total Deferred Outflows of Resources	0	1,394,126	1,394,126
LIABILITIES			
Accounts Payable		1,251,612	1,251,612
Deposits and Other Accrued Liabilities		80,554	80,554
Interest Payable		18,823	18,823
Long-term Liabilities:			
Due Within One Year		207,970	207,970
Due in More Than One Year		3,845,749	3,845,749
Total Liabilities	0	5,404,708	5,404,708
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items		169,062	169,062
OPEB Related Items		1,477	1,477
Total Deferred Inflows of Resources	0	170,539	170,539
NET POSITION			
Net Investment in Capital Assets		12,376,977	12,376,977
Restricted for Fire Protection	227,290		227,290
Unrestricted		3,488,751	3,488,751
Total Net Position	\$ 227,290	\$ 15,865,728	\$ 16,093,018

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Activities
Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Fire Protection	\$ 21,057	\$ 64,260	\$ 6,421	\$
Business-type Activities:				
Water Enterprise	<u>16,643,497</u>	<u>17,520,725</u>	<u></u>	<u>177,837</u>
Total Primary Government	<u>\$ 16,664,554</u>	<u>\$ 17,584,985</u>	<u>\$ 6,421</u>	<u>\$ 177,837</u>

General Revenues:
Unrestricted Intergovernmental
Investment Earnings
Other

Total General Revenues

Change in Net Position

Total Net Position - Beginning, As Previously Reported

Prior Period Adjustment

Total Net Position - Beginning, As Restated

Total Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 49,624	\$	\$ 49,624
	1,055,065	1,055,065
49,624	1,055,065	1,104,689
	429,867	429,867
46	51,431	51,477
	124,642	124,642
46	605,940	605,986
49,670	1,661,005	1,710,675
177,620	14,088,644	14,266,264
	116,079	116,079
177,620	14,204,723	14,382,343
\$ 227,290	\$ 15,865,728	\$ 16,093,018

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Balance Sheet
Governmental Fund
June 30, 2018

	Fire Protection
ASSETS	
Cash and Investments	\$ 13,179
Accounts Receivable	6,938
Taxes Receivable	547
Due from Other Funds	206,626
Total Assets	\$ 227,290
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 0
Total Liabilities	0
Fund Balance:	
Restricted for Fire Protection	227,290
Total Fund Balance	227,290
Total Liabilities and Fund Balance	\$ 227,290
Fund Balance of Governmental Fund	\$ 227,290
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Reconciling items to the Statement of Net Position	0
Net Position of Governmental Activities	\$ 227,290

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2018

	Fire Protection
REVENUES	
Fire Protection Special Tax	\$ 52,663
Mitigation Fees	11,597
Investment Earnings	46
Miscellaneous Revenues	6,421
Total Revenues	70,727
EXPENDITURES	
General and Administrative	250
Fire Protection	20,807
Total Expenditures	21,057
Excess (Deficiency) of Revenues Over Expenditures	49,670
Fund Balance, Beginning	177,620
Fund Balance, Ending	\$ 227,290
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,670
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Reconciling items to the Statement of Activities	0
Changes in Net Position of Governmental Activities	\$ 49,670

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Net Position
Proprietary Fund
June 30, 2018

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	2,880,621
Investments		1,535,968
Accounts Receivable		1,449,460
Taxes Receivable		5,291
Interest Receivable		20,981
Inventories		455,430
Prepays		33,832

Total Current Assets		6,381,583
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Noncurrent Assets:

Net OPEB Asset		115,115
Capital Assets, Not Being Depreciated		1,768,129
Capital Assets, Net of Depreciation		11,988,648

Total Noncurrent Assets		13,871,892
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Total Assets		20,253,475
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DEFERRED OUTFLOWS OF RESOURCES

Pension Related Items		1,247,943
OPEB Related Items		146,183

Total Deferred Outflows of Resources		1,394,126
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LIABILITIES

Current Liabilities:

Accounts Payable		1,251,612
Deposits and Other Accrued Liabilities		80,554
Interest Payable		18,823
Due to Other Funds		206,626
Compensated Absences - Current Portion		35,546
Notes Payable - Current Portion		172,424

Total Current Liabilities		1,765,585
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Noncurrent Liabilities:

Compensated Absences		106,637
Net Pension Liability		2,531,736
Notes Payable		1,207,376

Total Noncurrent Liabilities		3,845,749
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Total Liabilities		5,611,334
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DEFERRED INFLOWS OF RESOURCES

Pension Related Items		169,062
OPEB Related Items		1,477

Total Deferred Inflows of Resources		170,539
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NET POSITION

Net Investment in Capital Assets		12,376,977
Unrestricted		3,488,751

Total Net Position		\$ 15,865,728
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The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

OPERATING REVENUES	
Water Sales and Pumping Charges	\$ 15,918,051
Other Services	853,205
	16,771,256
Total Operating Revenues	16,771,256
OPERATING EXPENSES	
Purchased Water	11,651,917
Pumping	1,961,875
Water Treatment	132,332
Transmission and Distribution	219,407
Customer Accounts	131,919
General Plant	101,014
General and Administrative	1,826,413
Depreciation	549,190
	16,574,067
Total Operating Expenses	16,574,067
Operating Income (Loss)	197,189
NON-OPERATING REVENUES (EXPENSES)	
Property Taxes and Assessments	434,955
Availability Charges	663,772
Lease Income	80,609
Investment Earnings	51,431
Other Non-operating Revenues	124,642
Interest Expense	(42,263)
Net Gain (Loss) on Sale of Capital Assets	(17,251)
Other Non-operating Expenses	(9,916)
	1,285,979
Total Non-Operating Revenues (Expenses)	1,285,979
Income (Loss) before Capital Contributions	1,483,168
CAPITAL CONTRIBUTIONS	
	177,837
Change in Net Position	1,661,005
Net Position - Beginning, As Previously Reported	14,088,644
Prior Period Adjustment	116,079
	14,204,723
Net Position - Beginning, As Restated	14,204,723
Net Position - Ending	\$ 15,865,728

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 16,333,473
Cash from Other Operating Activities	124,642
Cash Payments to Employees	(1,355,298)
Cash Payments to Suppliers	(14,315,543)
	<u>787,274</u>
Net Cash Provided by (Used for) Operating Activities	<u>787,274</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Property Taxes and Assessments	434,705
Availability Charges	663,772
Lease Income	80,609
Advances to Other Funds	39,893
	<u>1,218,979</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,218,979</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Capacity Fees	177,837
Acquisition of Capital Assets	(582,702)
Principal Payments on Capital Debt	(168,145)
Interest Payments on Capital Debt	(44,213)
	<u>(617,223)</u>
Net Cash Provided by (Used for) Capital and Related Financing	<u>(617,223)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(1,248,217)
Proceeds from the Sale of Investments	399,409
Investment Earnings	48,873
	<u>(799,935)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(799,935)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	589,095
Cash and Cash Equivalents - Beginning of Year	<u>2,291,526</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,880,621</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:

Net Operating Income (Loss)	\$ 197,189
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	549,190
Miscellaneous Revenues	124,642
Miscellaneous Expenses	(9,916)
(Increase) Decrease in Accounts Receivable	(428,867)
(Increase) Decrease in Inventories and Prepaids	2,162
(Increase) Decrease in Net OPEB Asset (Liability)	(71,693)
(Increase) Decrease in Pension Related Deferred Outflows of Resources	231,268
(Increase) Decrease in OPEB Related Deferred Outflows of Resources	(78,799)
Increase (Decrease) in Accounts Payable	143,689
Increase (Decrease) in Compensated Absences	27,283
Increase (Decrease) in Deposits and Other Accrued Liabilities	48,807
Increase (Decrease) in Net Pension Liability	174,785
Increase (Decrease) in Pension Related Deferred Inflows of Resources	(123,943)
Increase (Decrease) in OPEB Related Deferred Inflows of Resources	1,477
	<u>787,274</u>
Total Cash Provided by (Used for) Operating Activities	<u>\$ 787,274</u>

The accompanying notes are an integral part of this statement.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The Yuima Municipal Water District (the "District") was formed in January 1963 pursuant to Section 8 of the California Municipal Water District Act of 1911 to improve the delivery of agricultural and domestic water services, and to facilitate the acquisition of a supplemental water supply from the Metropolitan Water District of California within its boundaries. The District is governed by an elected, five-member Board of Directors (the "Board"). The 1963 General Obligation Bonds financed the construction of the necessary pipelines, pumping and storage facilities to bring Colorado River water from the aqueducts owned by the Metropolitan Water District and the San Diego County Water Authority to serve the properties within its boundaries, which cover about 13,460 acres in northeastern San Diego County, California; the District maintains, develops and manages such water distribution system. The District offices are located in Pauma Valley, California.

The area now known as "Improvement District A" (IDA) was originally known as Rossmoyne Villages ("Rossmoyne"). The Palomar Mutual Water Company ("Palomar Mutual") became Rossmoyne's successor in interest through an agreement dated February 11, 1948. In turn, Palomar Mutual transferred all of its water rights, lands and water system, together with its functions and obligations, to the District in April, 1968.

Among the transferred obligations was a stipulated judgment (*Strub et al. v Palomar* or "*Strub et al.*"), filed November 10, 1953 and later modified, that provides for the net delivery to IDA of no more than 1,350 acre-feet of water per calendar year from the San Luis Rey River upstream of Cole Grade Road.

The District, as successor in interest to Palomar Mutual, continues to operate IDA as an independent water system (California State System No. 3700938). While the District is responsible for administering IDA's compliance with *Strub et al.*, that stipulated judgment does not affect or bind the 70% of the District which is outside of IDA and which operates under a separate system permit (California State System No. 3701408).

The District added another 351 acres, Annexation #1, in November 1967, and another 63 acres, Annexation #2, in November 1969, by revising its boundaries pursuant to the Reorganization Act of 1965 as amended by LAFCO. The District added another six acres, Fitzsimmons Annexation, on March 26, 1991, and de-annexed 27 acres, Adams De-annexation, on March 29, 1991. Hence the District boundaries total 13,460 acres.

The Board of Directors and officers of the District at June 30, 2018 are as follows:

Name	Title	Term Expiration
W.D. "Bill" Knutson	President	December 2018
Ron W. Watkins	Vice President	December 2020
Terry Yasutake	Secretary/Treasurer	December 2020
Roland Simpson	Director	December 2020
Lynne Villalobos	Director	December 2018

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standard Board Statement No. 75

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement was issued to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The District has implemented GASB No. 75 and is reflected on the District's financial statements.

Governmental Accounting Standard Board Statement No. 81

In March of 2016, GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*. This statement was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 82

In March of 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement was issued to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 82 - Continued

pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement also clarifies the term deviation used in Actuarial Standards of Practice and payments made by the employer to satisfy contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District has implemented GASB No. 82 and is reflected on the District's financial statements.

Governmental Accounting Standard Board Statement No. 83

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement was issued to address the criteria for the recognition and measurement of the liability and corresponding deferred outflows of resources associated with certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 is effective for reporting periods beginning after June 15, 2018. The District has elected not to early implement GASB No. 83 and has not determined its effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 84

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This Statement establishes the criteria for identifying fiduciary activities which should be reported in a fiduciary fund in the basic financial statements. The fiduciary funds that should be reported, if applicable: a) pensions trust funds, b) investment trust funds, c) private purpose trust funds, d) custodial funds. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. The District has elected not to early implement GASB No. 84 and has not determined its effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 85

In March of 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have risen from the implementation of certain GASB Statements; primarily pension and OPEB related measurement, recognition, timing, and reporting issues. Other issues include blending of component units for governments whose primary activity is business-type, goodwill reporting, classifying real estate held by insurance entities and measuring particular investments at amortized cost. This Statement is effective for reporting periods beginning after June 15, 2017. The District has implemented GASB No. 85 and is reflected on the District's financial statements.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 86

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement expands upon GASB No. 7 *Advance Refundings Resulting in Defeasance of Debt* which defines debt defeased in substance and the criteria for the trusts used to extinguish debt. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. This Statement is effective for reporting periods beginning after June 15, 2017. Currently, this statement has no effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 87

In June of 2017, GASB issued Statement No. 87, *Leases*. The intent of this Statement is to improve accounting and financial reporting for government leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for reporting periods beginning after December 15, 2019. The District has elected not to early implement GASB No. 87 and has not determined its effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 88

In March of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement was issued to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Statement No. 88 is effective for fiscal years beginning after June 15, 2018. The District has elected not to early implement GASB No. 88 and has not determined its effect on the District's financial statements.

Governmental Accounting Standard Board Statement No. 89

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement was issued to (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Statement No. 89 is effective for fiscal years beginning after December 15, 2019. The District has elected not to early implement GASB No. 89 and has not determined its effect on the District's financial statements.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standard Board Statement No. 90

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Statement No. 90 is effective for fiscal years beginning after December 15, 2018. The District has elected not to early implement GASB No. 90 and has not determined its effect on the District's financial statements.

C) Basis of Presentation

The basic financial statements of the Yuima Municipal Water District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting and financial reporting purposes.

These statements require that the financial statements described below be presented:

Government-wide Statements: The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the District include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for the governmental fund and proprietary fund.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

Proprietary Funds are accounted for on the flow of *economic resources measurement focus* and use the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District has one type of Proprietary Fund, which is an Enterprise Fund.

Enterprise Funds are used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District maintains one Enterprise Fund, the Water Department, to account for the operations of the District's utility services.

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 in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds are used to account for the District's Fire activities. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The District has one Special Revenue Governmental Fund, which is the Fire Protection Fund. The Fire Protection Fund is used to account for all financial resources and expenditures used to provide fire protection services within the boundaries of the District.

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

E) Reconciliation Between the Governmental Fund Financial Statements and Government-wide Statements

The District has one governmental fund that provides fire protection services through the California Department of Forestry. These services are paid for through special assessments. The District currently has no capital assets, long-term debt or other reconciling items necessary to reconcile between the Governmental fund financial statements and the Government-wide statements.

F) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of short-term highly liquid investments with maturities of 90 days or less.

G) Investments

As a governmental entity other than an external investment pool in accordance with GASB 31, the District's investments are stated at fair value.

In applying GASB 31, the District utilized the following methods and assumptions:

- 1) Fair value is based on quoted market prices as of the valuation date;
- 2) The portfolio did not hold investments in any of the following:
 - a) Items required to be reported at amortized cost,
 - b) Items in external pools that are not SEC-registered (excluding government sponsored pools),
 - c) Items subject to involuntary participation in an external pool,
 - d) Items associated with a fund other than the fund to which the income is assigned;
- 3) Any unrealized gain/loss resulting from the valuation will be recognized within the related fund to the extent its cash and investments' balance exceeds the cumulative value of those investments subject to GASB 31;
- 4) The gain/loss resulting from valuation will be reported within the revenue account "investment earnings" on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance for Governmental Funds. For Proprietary Fund Types the gain/loss from valuation will be reported within the "investment earnings" account on the Statement of Activities and the Statement of Revenues, Expenses and Changes in Net Position for Proprietary Funds.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

H) Water Sales and Accounts Receivable

Water sales revenue is recorded and billed monthly when the service is rendered. During the year ended June 30, 2018, the District reported water sales to one customer which totaled approximately 26.03% as a percentage of consumption. Management has not incurred any additional expense to serve this customer, and the District has more than one source of supply to meet its needs.

I) Allowance for Uncollectible Accounts

The District does not provide an allowance for uncollectible accounts. Based upon prior experience and management's assessment of the collectibility of existing specific accounts all past due accounts have been paid. When accounts become past due, they are transferred to the tax roll and eventually collected.

J) Inventories and Prepaids

Inventory consists of parts, materials and supplies needed to keep the plant and equipment owned by the District in efficient operating condition to supply water to their customers without interruption of such service. It is valued at cost, and when it is used, it is charged out on the first in, first out basis. Water inventory is stated at its purchase cost using first in, first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

K) Capital Assets

Capital assets of the District are recorded at cost, or if donated, valued at their estimated acquisition value rather than fair market value on the date contributed. Contributed assets are recorded at the developer's cost or at the value determined by the developer at the date of contribution. The District does not capitalize interest costs incurred on the construction of capital assets. Capital assets purchased in excess of \$2,000 are capitalized if they have an expected useful life greater than one year.

Assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
General Plant	5-30
Source of Supply	10-50
Pumping Plant	25
Water Treatment Plant	33 ^{1/3}
Transmission and Distribution	33 ^{1/3}

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

L) Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation, sick, comp and other leave benefits. Sick leave, upon termination, separation or retirement will be paid out at a rate of 50% of the accumulated balance. All other leave balances are paid 100% upon termination, separation or retirement. The accrued liabilities for compensated absences are reflected in the government-wide and proprietary fund financial statements. Currently, there are no compensated absences associated with the governmental activities.

M) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows related to pensions and other postemployment benefits. This includes pension contributions subsequent to the measurement date of the net pension liability, other postemployment benefits contributions subsequent to the measurement date of the net OPEB liability (asset), and other amounts (see Notes 6 and 7), which are amortized by an actuarial determined period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows related to pensions and other postemployment benefits. These amounts (see Notes 6 and 7) are amortized by an actuarial determined period.

N) Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additional to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), 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 recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

O) Other Postemployment Benefits (OPEB) - Continued

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

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

P) Net Position

GASB No. 63 requires that the difference between assets, liabilities and deferred outflows/inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position classified as net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding principal of related debt. Restricted net position is the net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Q) Fund Equity

Fund balance in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then use unrestricted resources as they are needed. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (ordinance) by the government's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

1) REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Q) Fund Equity - Continued

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body, or by an official to whom the authority has been given. The Board of Directors has by resolution the authority to assign fund balance. However, unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned Fund Balance - These are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other categories, or negative balances in all other funds.

R) Property Tax

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

Lien Date	January	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd 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 entities based on complex formulas prescribed by state statutes.

S) Capitalized Expenses

Certain administrative and general expenses, relating to assets under construction, are charged to construction in progress until the assets are ready for their intended use. Upon completion of major utility plant additions the capitalized cost is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset.

T) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by Management. Actual results could differ from those estimates.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

2) CASH AND INVESTMENTS

Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	<u>\$ 4,429,768</u>

Cash and investments consist of the following:

Cash on Hand	\$ 500
Deposits with Financial Institutions	1,295,539
Investments	<u>3,133,729</u>
Total Cash and Investments	<u>\$ 4,429,768</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized by the District's investment policy. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio ⁽¹⁾	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Negotiable Certificates of Deposit	1 year	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (Other Investment Pools)	N/A	None	None

⁽¹⁾ Excluding amounts held by bond trustee that are not subject to California Government Code Restrictions.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk - Continued

As of June 30, 2018, the District had the following investments:

		Maturity Date	Weighted Average Maturity (Years)
State Investment Pool (LAIF)	\$ 2,639,669	N/A	0.67
U.S. Treasury Notes	494,060	Various	3.01
Total	\$ 3,133,729		

* The District has various non-negotiable Certificates of Deposit with various maturity dates, however, these amounts are considered to be deposits with institutions rather than investments.

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

Investment Type		Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End		
				AAA	Aa	Not Rated
State Investment Pool (LAIF)	\$ 2,639,669	N/A	\$	\$	\$	\$ 2,639,669
U.S. Treasury Notes	494,060	N/A	\$	494,060	\$	\$
Total	\$ 3,133,729		\$ 0	\$ 494,060	\$ 0	\$ 2,639,669

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of year end, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits and investments: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

2) CASH AND INVESTMENTS - Continued

Custodial Credit Risk - Continued

in an undivided 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 collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Negotiable certificates of deposits must be fully insured and have a rating of satisfactory or better.

As of June 30, 2018, none of the District's deposits with financial institutions that were in excess of federal depository insurance limits were held in uncollateralized accounts.

Local Agency Investment Fund (LAIF)

The yield of LAIF for the quarter ended June 30, 2018 was 1.90%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2018 was \$88,964,875,827 and \$88,798,232,977, respectively. The District's share of the Pool at June 30, 2018 was approximately 0.002973 percent.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. It is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each district may invest up to \$65,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. The fair value of the District's investment in this Pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes totaling \$825,000,000 and asset-backed securities totaling \$1,549,080,000. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

3) FAIR VALUE MEASUREMENTS

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurements and Application, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

3) FAIR VALUE MEASUREMENTS - Continued

- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Uncategorized</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments:			
State Investment Pool (LAIF)	\$ 2,639,669	\$ 2,639,669	\$
U.S. Treasury Notes	<u>494,060</u>	<u></u>	<u>494,060</u>
Total Investments	<u>\$ 3,133,729</u>	<u>\$ 2,639,669</u>	<u>\$ 494,060</u>

The State Investment Pool (LAIF) is exempt under GASB No. 72 fair value measurements. The District uses the market approach for Level 2 investments by using information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities. Less actively traded securities use valuation models, such as a matrix pricing technique, by comparing the securities' relationship to other benchmark quoted securities or the most recent price obtained from the market.

4) CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Depreciated:				
Land and Improvements	\$ 1,301,457	\$	\$	\$ 1,301,457
Construction in Progress	<u>267,833</u>	<u>374,315</u>	<u>175,476</u>	<u>466,672</u>
Total Capital Assets Not Depreciated	<u>1,569,290</u>	<u>374,315</u>	<u>175,476</u>	<u>1,768,129</u>
Capital Assets, Being Depreciated:				
General Plant	1,837,999	34,509		1,872,508
Source of Supply	9,025,684	17,348	10,494	9,032,538
Pumping Plant	3,535,095	72,308	19,515	3,587,888
Water Treatment Plant	199,226			199,226
Transmission and Distribution Plant	<u>8,021,053</u>	<u>259,698</u>	<u></u>	<u>8,280,751</u>
Total Capital Assets, Being Depreciated	<u>22,619,057</u>	<u>383,863</u>	<u>30,009</u>	<u>22,972,911</u>

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

4) CAPITAL ASSETS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities - Continued				
Less Accumulated Depreciation:				
General Plant	\$ (1,461,002)	\$ (73,687)	\$	\$ (1,534,689)
Source of Supply	(2,147,509)	(175,537)	(10,494)	(2,312,552)
Pumping Plant	(1,596,419)	(120,573)	(2,264)	(1,714,728)
Water Treatment Plant	(73,804)	(4,823)		(78,627)
Transmission and Distribution Plant	(5,169,097)	(174,570)		(5,343,667)
Total Accumulated Depreciation	(10,447,831)	(549,190)	(12,758)	(10,984,263)
Total Capital Assets, Being Depreciated, Net	12,171,226	(165,327)	17,251	11,988,648
Business-type Activities Capital Assets, Net of Depreciation	\$ 13,740,516	\$ 208,988	\$ 192,727	\$ 13,756,777

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type Activities:	
Water Enterprise	\$ 549,190

5) LONG-TERM LIABILITIES

The following is a summary of changes in Business-type Activities Long-term liabilities for the year:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences (Note 1)	\$ 114,900	\$ 56,008	\$ 28,725	\$ 142,183	\$ 35,546
Net OPEB Liability (Note 7)	5,273		5,273	0	
Net Pension Liability (Note 6)	2,356,951	560,945	386,160	2,531,736	
Note Payable:					
2013 Station 1 Note	62,203		12,040	50,163	12,039
2013 Station 4 Note	43,970		7,875	36,095	7,875
2013 Installment Note	1,441,772		148,230	1,293,542	152,510
Total	\$ 4,025,069	\$ 616,953	\$ 588,303	\$ 4,053,719	\$ 207,970

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

5) LONG-TERM LIABILITIES - Continued

Notes Payable - 2013 Station 1 Note - In August 2012, the District entered into an On-Bill Financing agreement with San Diego Gas & Electric Company for \$120,393 with no interest. The imputed interest on the loan was not significant to the note payable. The agreement is to provide financing for Station 1 IDA improvements that will provide energy efficiency savings.

The payments are due in monthly installments on the District's utility bills from San Diego Gas & Electric Company of \$1,003, commencing September 4, 2012 through September 4, 2022.

<u>For the Year</u> <u>Ended June 30,</u>	<u>Payment</u>
2019	\$ 12,039
2020	12,039
2021	12,039
2022	12,039
2023	<u>2,007</u>
Total	<u>\$ 50,163</u>

Notes Payable - 2013 Station 4 Note - In January 2013, the District entered into an On-Bill Financing agreement with San Diego Gas & Electric Company for \$78,753 with no interest. The imputed interest on the loan was not significant to the note payable. The agreement is to provide financing for Station 4 IDA improvements that will provide energy efficiency savings. The payments are due in monthly installments on the District's utility bills from San Diego Gas & Electric Company of \$656, commencing February 1, 2013 through February 1, 2023.

<u>For the Year</u> <u>Ended June 30,</u>	<u>Payment</u>
2019	\$ 7,875
2020	7,875
2021	7,875
2022	7,875
2023	<u>4,595</u>
Total	<u>\$ 36,095</u>

Notes Payable - 2013 Installment Note - In July 2013, the District entered into a Loan and Installment Sale agreement with City National Bank for \$2,420,000 with interest rate of 2.35% - 3.55%. The agreement is to provide financing for the refinancing of two installment sale agreements and for the acquisition and construction of a 1.2 million gallon water storage tank and pump station. The payments are due in semiannual installments commencing July 15, 2014 through July 15, 2033. The District only borrowed \$2,372,463 of the \$2,420,000 Installment Note since it made an additional debt service payment on the 2007 Installment Note before it was refinanced.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

5) LONG-TERM LIABILITIES - Continued

For the Year Ended June 30,	2007 Refunding Installment Agreement			Construction		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 115,536	\$ 13,675	\$ 129,211	\$ 36,974	\$ 26,257	\$ 63,231
2020	118,618	10,593	129,211	38,298	24,933	63,231
2021	121,783	7,429	129,212	39,670	23,562	63,232
2022	125,031	4,180	129,211	41,091	22,141	63,232
2023	63,761	845	64,606	42,562	20,669	63,231
2024-2028				236,800	79,359	316,159
2029-2033				282,353	33,806	316,159
2034				<u>31,065</u>	<u>551</u>	<u>31,616</u>
Total	<u>\$ 544,729</u>	<u>\$ 36,722</u>	<u>\$ 581,451</u>	<u>\$ 748,813</u>	<u>\$ 231,278</u>	<u>\$ 980,091</u>

For the Year Ended June 30,	Total		
	Principal	Interest	Total
2019	\$ 152,510	\$ 39,932	\$ 192,442
2020	156,916	35,526	192,442
2021	161,453	30,991	192,444
2022	166,122	26,321	192,443
2023	106,323	21,514	127,837
2024-2028	236,800	79,359	316,159
2029-2033	282,353	33,806	316,159
2034	<u>31,065</u>	<u>551</u>	<u>31,616</u>
Total	<u>\$ 1,293,542</u>	<u>\$ 268,000</u>	<u>\$ 1,561,542</u>

Pledged Revenues

The District has pledged a portion of future water activities revenues to repay its 2013 Installment Note payable to City National Bank under the agreement with Municipal Finance Corporation. The note payable is secured solely by operating revenues from the proprietary fund. Total principal and interest remaining on the note payable is \$1,561,542 payable through fiscal year 2034. For the current year, principal and interest paid by the operating revenues were \$148,230 and \$44,213, respectively.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS

A) General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. Currently, the District only sponsors rate plans in the miscellaneous risk pools. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of fulltime employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formulas	2% at 55 3% at 60	2% at 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 60+	50 - 67+
Monthly Benefits, as a % of Eligible Compensation	2% - 3%	2.3%
Required Employee Contribution Rates	8%	6.25% - 8%
Required Employer Contribution Rates	12.698%	6.25%

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS - Continued

A) General Information about the Pension Plans - Continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions to the Plan for the year ended June 30, 2018 were \$386,811.

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The District reported net pension liability for its proportionate shares of the net pension liability of the Plan of \$2,531,736.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

	<u>CalPERS Pension Plan</u>
Proportion - June 30, 2016	0.06785%
Proportion - June 30, 2017	0.06422%
Change - Increase (Decrease)	(0.00363%)

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2018, the District recognized pension expense of \$4,697. At June 30, 2018, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 386,811	\$
Differences between actual and expected experience	3,004	(28,422)
Changes in assumptions	372,731	(43,038)
Change in employer's proportion and differences between the employer's contributions and the employer's Proportionate share of contributions	401,101	(97,602)
Net differences between projected and actual earnings on plan investments	84,296	
Total	\$ 1,247,943	\$ (169,062)

The \$386,811 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/Inflows of Resources
2018	\$ 273,262
2019	279,730
2020	189,123
2021	(50,045)

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuation were determined using the following actuarial assumptions:

	CalPERS Pension Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

⁽¹⁾The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions

In the 2017 measurement period, the discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Discount Rate - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above the rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was approved by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

6) PENSION PLANS - Continued

B) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		CalPERS Pension Plan
1% Decrease		6.15%
Net Pension Liability	\$	3,760,364
Current Discount Rate		7.15%
Net Pension Liability	\$	2,531,736
1% Increase		8.15%
Net Pension Liability	\$	1,514,165

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net positions is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2018, the District reported payable of \$6,614, which is included in other accrued liabilities, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018**

7) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

In May 2000, the District’s Board of Directors approved and adopted a postemployment healthcare plan ("the Retiree Health Benefit Plan" or “RHB Plan”) for the benefit of its management employees to be effective July 1, 2000. The plan is permitted under Government Code Section 53200 et. Seq. The Board of Directors establishes and has the authority to amend the plan provisions. The Board of Directors amended the plan on April 25, 2011 to a defined contribution plan effective July 1, 2011 for new management employees. Participants in the plan as of June 30, 2011 will continue to receive benefits under the defined benefit plan’s provisions prior to this amendment. A separate financial report is not prepared for the Retiree Health Benefit Plan.

In September 2010, the District established an irrevocable trust fund through the California Public Employees’ Retiree Benefits Trust (CERBT), an agent multiple-employer postemployment healthcare trust administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Under the defined contribution plan, contributions to the plan are made solely by the District which are established and may be amended by the Board of Directors. The District contributes 100% of the health insurance premiums for an eligible retirement management employee and spouse, not to exceed:

- \$320 per month for retiree and spouse coverage;
- \$200 per month for retiree only coverage; and
- \$160 per month for retiree's spouse only coverage.

The District's contribution toward the health insurance premiums will cease when the retired management employee and spouse reach age 65.

Employees Covered

As of June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the RHB Plan:

Active employees	4
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to, but not yet receiving benefits	2
Total	6

Contributions

The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District’s cash contributions were \$141,837 in payments to the trust and the estimated implied subsidy was \$4,346 resulting in total payments of \$146,183.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

7) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Net OPEB Liability (Asset)

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

Actuarial Assumptions

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level Percent of Pay
Amortization Period	20-Year Fixed Period for 2017/18
Asset Valuation Method	Market Value of Assets
Discount Rate	5.50%
Investment Rate of Return	5.50%
General Inflation	2.75%
Salary Increases	Aggregate - 3%
	Merit - CalPERS 1997-2015 Experience Study ⁽¹⁾
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Mortality, Retirement, Disability Termination	CalPERS 1997-2015 Experience Study ⁽¹⁾
Mortality Improvement	Mortality projected fully generational with Scale MP-2017
Participation at Retirement	100% of future eligible retirees will elect coverage.
Surviving Spouse Participation	100% of spouses will continue coverage upon the death of the retiree.

⁽¹⁾ The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset are summarized in the following table:

Asset Class	Target Allocation CERBT-Strategy 3 ⁽¹⁾	Long-term Expected Real Rate of Return
Global Equity	24%	4.82%
Fixed Income	39%	1.47%
TIPS	26%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	<u>100%</u>	

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

7) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Discount Rate

The discount rate used to measure the total OPEB liability (asset) was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

Changes in the OPEB Liability (Asset)

The changes in the net OPEB liability (asset) for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017 <i>(Measurement Date June 30, 2016)</i>	\$ 1,191,152	\$ 1,234,574	\$ (43,422) ⁽¹⁾
Changes Recognized for the Measurement Period:			
Service Cost	1,049		1,049
Interest	64,078		64,078
Actual vs. Expected Experience			0
Changes of Assumptions			0
Contributions - Employer		67,384	(67,384)
Net Investment Income		70,090	(70,090)
Benefit Payments	(54,290)	(54,290)	0
Administrative Expense		(654)	654
Net Changes	10,837	82,530	(71,693)
Balance at June 30, 2018 <i>(Measurement Date June 30, 2017)</i>	\$ 1,201,989	\$ 1,317,104	\$ (115,115)

⁽¹⁾The beginning balance of the net OPEB liability was adjusted due to the implementation of GASB 75. See Note 14.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) 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, 2017:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability (Asset)	\$ 36,931	\$ (115,115)	\$ (241,252)

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

7) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability (asset) 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, 2017:

	<u>1% Decrease⁽¹⁾</u>	<u>Current Healthcare Cost Trend Rates⁽²⁾</u>	<u>1% Increase⁽³⁾</u>
Net OPEB Liability (Asset)	\$ (237,802)	\$ (115,115)	\$ 29,837

⁽¹⁾ Non-Medicare - 6.5% decreasing to an ultimate rate of 3.0% in 2076 and later years. Medicare - 5.5% decreasing to an ultimate rate of 3.0% in 2076 and later years.

⁽²⁾ Non-Medicare - 7.5% decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare - 6.5% decreasing to an ultimate rate of 4.0% in 2076 and later years.

⁽³⁾ Non-Medicare - 8.5% decreasing to an ultimate rate of 5.0% in 2076 and later years. Medicare - 7.5% decreasing to an ultimate rate of 5.0% in 2076 and later years.

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employees Retirement System Executive Office, 400 P Street, Sacramento, California 95814.

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)

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

7) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - Continued

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense (credit) of \$(2,382). As of fiscal year ended June 30, 2018, the District reported deferred outflows/inflows of resources related to OPEB from the following services:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 146,183	\$
Changes in assumptions		
Differences between expected and actual experience		
Net differences between projected and actual earnings on OPEB plan investments		(1,477)
Total	\$ 146,183	\$ (1,477)

The \$146,183 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2019	\$ (369)
2020	(369)
2021	(369)
2022	(370)

8) DEFERRED COMPENSATION PLAN

The District offers their employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan is under two investment group contracts, Valic and CalPERS, which offer a variety of variable rates. The plan permits employees to defer a portion of their salary until future retirement years. Eligibility to participate is after six months of service. The plan requires a minimum of \$25 per month to be allocated for each option preference. The maximum amount that may be deferred under this plan for the calendar year 2018 was \$18,500 per participant and is \$18,000 for the calendar year 2017; or up to 25% of gross compensation.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

9) FIRE MITIGATION FEE PROGRAM

On March 20, 1987 the Board of Directors of the District passed Resolution Number 404-87 effective July 1, 1987 establishing a Fire Mitigation Fee Program. Since that time, the District has annually re-established participation in the program. The Board resolved to participate in the San Diego County’s Fire Mitigation Fee Program whereby the District requests the County of San Diego to collect 100% of the ceiling amount of the fire mitigation fee on the District’s behalf from applicants for building permits or other permits for development. This percent of ceiling fee is equal to or less than capital facility expansion needs caused by new development. Mitigation fees paid under this program will be used to expand the availability of capital facilities and equipment to serve new development. A separate budget accounting category has been set up on the books of the District to be known as the San Diego County Fire Mitigation Fee Fund.

10) NET POSITION - DESIGNATED

In addition to the regulatory restrictions imposed by state law, the Board of Directors by resolution allocated and designated unrestricted net position balances for business-type activities for the following purposes:

	Beginning of Year	Additions Transfers In	Dispositions Transfers Out	End of Year
Customer Rate Stabilization	\$ 309,730	\$ 746,148	\$	\$ 1,055,878
Minimum Operating Reserve	1,110,540	383,176		1,493,716
Continuing Capital Projects	475,803	463,353		939,156
Total	\$ 1,896,073	\$ 1,592,677	\$ 0	\$ 3,488,750

11) JOINT VENTURE

On June 18, 1976, the District entered into a joint powers agreement for fire protection services with Pauma Municipal Water District and Mootamai Municipal Water District. The fire protection services are provided by the California Department of Forestry and Fire Protection (CALFIRE). The District under the agreement is responsible for administrating these services and determining each district’s proportionate share. This activity is reflected in the financial statements in the fire protection governmental fund.

12) 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.

The District is a member of Association of California Water Agencies Joint Powers Insurance Authority (JPIA). The JPIA is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage from commercial insurance carriers to reduce its exposure to large losses.

Yuima Municipal Water District
Notes to Financial Statements
Year Ended June 30, 2018

12) RISK MANAGEMENT - Continued

The District pays annual premiums for its liability (auto, general, and public officials), property loss, workers' compensation, and fidelity bond coverage. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged or credited to expense as invoiced. The District's insurance expense for year ended June 30, 2018 was \$31,992. There were no instances in the past three years where a settlement exceeded the District's coverage.

13) COMMITMENTS AND CONTINGENCIES

Legal

The District is involved with various potential litigation matters. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial condition of the District.

Economic Dependency

For fiscal year ended June 30, 2018, 68.9% of water sold by the District is purchased from the San Diego Water Authority and 31.1% is produced or purchased from local groundwater sources. All electricity used by the District for pumping and operations is purchased from San Diego Gas and Electric.

14) PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$116,079 relates to the implementation of GASB Statement 75 for postemployment benefits other than pensions. The beginning net OPEB liability of \$5,273 was adjusted by \$48,695 to restate the amount as a net OPEB asset. For deferred outflows of resources, OPEB related items, there was an adjustment of \$67,384 to record the beginning balance of OPEB contributions made subsequent to the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

Yuima Municipal Water District
Schedule of the District's Proportionate Share of the Net Pension Liability
CalPERS Pension Plan
Last Ten Years⁽¹⁾
As of June 30, 2018

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.03407%	\$ 2,120,073	\$ 1,093,443	193.89%	70.93%
2016	0.07695%	\$ 2,111,093	\$ 1,101,073	191.73%	72.19%
2017	0.06785%	\$ 2,356,951	\$ 937,320	251.46%	70.38%
2018	0.06422%	\$ 2,531,736	\$ 889,697	284.56%	71.66%

Notes to Schedule:

Benefit Changes. In 2018, there was no benefit terms modified.

Changes in Assumptions. In 2018, the discount rate reduced from 7.65% to 7.15%.

⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Yuima Municipal Water District
Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios
For the Measurement Periods Ended June 30
As of June 30, 2018

	Measurement Period	2017
Total OPEB Liability		
Service Cost		\$ 1,049
Interest on the Total OPEB Liability		64,078
Actual and Expected Experience Difference		0
Changes in Assumptions		0
Changes in Benefit Terms		0
Benefit Payments		(54,290)
		(54,290)
	Net Change in Total OPEB Liability	10,837
	Total OPEB Liability - Beginning	1,191,152
		\$ 1,201,989
		\$ 1,201,989
Plan Fiduciary Net Position		
Contribution - Employer		\$ 67,384
Net Investment Income		70,090
Benefit Payments		(54,290)
Administrative Expense		(654)
		(654)
	Net Change in Plan Fiduciary Net Position	82,530
	Plan Fiduciary Net Position - Beginning	1,234,574
		\$ 1,317,104
		\$ 1,317,104
	Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (115,115)
		\$ (115,115)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		109.6%
Covered-employee Payroll		137,234
Net OPEB Liability as a Percentage of Covered-employee Payroll		(83.9)%

Notes to Schedule:

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.

**Yuima Municipal Water District
Schedule of Contributions
CalPERS Pension Plan
Last Ten Years⁽¹⁾
As of June 30, 2018**

Fiscal Year	Contractually Required Contribution (Actuarially Determined)	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 378,037	\$ (378,037)	\$ 0	\$ 1,101,073	34.33%
2016	\$ 362,982	\$ (362,982)	\$ 0	\$ 937,320	38.73%
2017	\$ 386,160	\$ (386,160)	\$ 0	\$ 889,697	43.40%
2018	\$ 386,811	\$ (386,811)	\$ 0	\$ 1,010,367	38.28%

⁽¹⁾ Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**Yuima Municipal Water District
Schedule of Contributions
Retiree Health Benefit Plan
Last Ten Fiscal Years⁽¹⁾
As of June 30, 2018**

Fiscal Year Ended June 30,	2018
Actuarially Determined Contribution (ADC)	\$ 0
Contributions in Relation to the ADC	(146,183)
Contribution Deficiency (Excess)	\$ (146,183)
Covered-Employee Payroll	334,712
Contributions as a percentage of covered-employee payroll	43.7%

Notes to Schedule:

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

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method/Period	Level Percent of Pay over a 20 Year Fixed Period
Asset Valuation Method	Market Value of Assets
Discount Rate	5.50%
Investment Rate of Return	5.50%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years. Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years.
Mortality	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2017

⁽¹⁾ 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 become available.

Yuima Municipal Water District
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Governmental Fund Type - Fire Protection
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Fire Protection Special Tax	\$ 51,225	\$ 51,225	\$ 52,663	\$ 1,438
Mitigation Fees			11,597	11,597
Contributions	252,353	252,353		(252,353)
Investment Earnings			46	46
Miscellaneous Revenues	225	225	6,421	6,196
Total Revenues	<u>303,803</u>	<u>303,803</u>	<u>70,727</u>	<u>(233,076)</u>
EXPENDITURES				
General and Administrative	1,000	1,000	250	750
Fire Protection	<u>309,278</u>	<u>309,278</u>	<u>20,807</u>	<u>288,471</u>
Total Expenditures	<u>310,278</u>	<u>310,278</u>	<u>21,057</u>	<u>289,221</u>
Excess of Revenues Over Expenditures	<u>\$ (6,475)</u>	<u>\$ (6,475)</u>	49,670	<u>\$ 56,145</u>
Fund Balance, Beginning			<u>177,620</u>	
Fund Balance, End			<u>\$ 227,290</u>	

Yuima Municipal Water District
Notes to Required Supplementary Information
Year Ended June 30, 2018

1. BUDGETARY DATA

The budget process begins in March with input from staff with a series of goals and objectives in mind. The General Manager and Department Heads discuss the budget process and departments submit budget requests. Budget requests are refined by the Department Heads and approved by the General Manager. Following a series of Finance Committee meetings with the Board of Directors a program is presented that is fiscally sound, prudent, and necessary for the continued efficient operation of the District during the coming year. The proposed budget is then presented to the Board of Directors for review and ultimate approval in June.

The appropriated budget is prepared by fund and object which is reflected in the budget to actual schedule on page 56. The General Manager may make transfers of appropriations within the fund up to \$15,000. Any other changes, requires the approval of the Board of Directors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level.