Rincon del Diablo Municipal Water District

Annual Financial Report

For the Fiscal Year Ended
June 30, 2019 and 2018

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WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rincon del Diablo Municipal Water District
Escondido, 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 Rincon del Diablo Municipal Water District as of and for the years ended June 30, 2019 and 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 auditors consider 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.

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Offices located in Orange and San Diego Counties

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 Rincon del Diablo Municipal Water District as of June 30, 2019 and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Governmental Fund, Schedule of Contributions - Defined Benefit Pension Plans, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions-OPEB, and Schedule of Changes in the Net OPEB Liability and Related Ratios 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 Management's Discussion and Analysis, Governmental Fund, Schedule of Contributions - Defined Benefit Pension Plans, Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions-OPEB, and Schedule of Changes in the Net OPEB Liability and Related Ratios 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.

The Budgetary Comparison Schedule, Governmental Fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, Governmental Fund is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White Nelson Diehl Evans LLP

Carlsbad, California
January 20, 2020

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rincon del Diablo Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section. Topics covered in this section include:

- Financial Statements Overview
- Financial Highlights
- Financial Analysis
- Capital Asset Administration
- Debt Administration
- Economic Factors / Future Outlook
- Contacting the District's Financial Management

Financial Statements Overview

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Change in Net Position, and Statements of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Financial Statements include the following:

- The Statements of Net Position include all of the District's investments in resources (assets) and the obligations to creditors (liabilities). They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

- The Statements of Revenues, Expenses and Change in Net Position accounts for all of the current year's revenue and expenses. The statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. The statements can also be used to evaluate credit worthiness and positive fiscal operations.

- The Statements of Cash Flows provides information about the District's cash receipts and cash payments during the reporting period. The statements report cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities; and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

- The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by Generally Accepted Accounting Principles (GAAP) that are not otherwise visible in the financial statements. The notes immediately follow the statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 25 through 57.

Financial Highlights

Condensed highlights for Fiscal Year 2019, which consolidate both Governmental (Fire) and Business (Water) activities, are as follows:

- The District's net position for the current fiscal year totaled $65,513,807, an increase of $6,041,703 or 10%, compared to the Fiscal Year 2018 net position.
- All revenues for the year totaled $23,357,360 a decrease of $392,750 or 2% over prior year revenues.
- Revenues from charges for services during the year totaled $17,380,128, a decrease of $410,535 or 2% over prior year revenues.
- All expenses for the year totaled $17,315,657 a decrease of $799,411 or 4% over prior year expenses.
- Total assets at year-end were $83,648,125, an increase of $4,214,972 or 5% over prior year assets.
- Total liabilities at year end were $18,865,125, a decrease of $1,966,095 or 9% over prior year liabilities.
- Business (Water) Only: Operating revenues covered operating expenses, resulting in business-related operating income of $2,490,682 after depreciation.

Financial Analysis

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, external factors, such as changes in economic conditions, growth, environmental factors, and legislative mandates should also be considered as part of this assessment.

Financial Analysis (Continued)

Net Position

Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with 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.

Condensed Statements of Net Position

	2019	2018 (as restated)	2017	Change ($) 2019 / 2018	Change (%) 2019 / 2018
ASSETS:					
Current assets	$ 42,166,357	$ 40,957,108	$ 37,782,532	$ 1,209,249	3%
Noncurrent assets	41,481,768	38,476,045	36,800,246	3,005,723	8%
Total assets	83,648,125	79,433,153	74,582,778	4,214,972	5%
DEFERRED OUTFLOWS OF RESOURCES:	1,271,873	1,445,065	883,874	(173,192)	-12%
LIABILITIES:					
Current liabilities	4,823,133	6,076,708	3,928,991	(1,253,575)	-21%
Noncurrent liabilities	14,041,992	14,754,512	12,955,735	(712,520)	-5%
Total liabilities	18,865,125	20,831,220	16,884,726	(1,966,095)	-9%
DEFERRED INFLOWS OF RESOURCES:	541,066	574,894	640,495	(33,828)	-6%
NET POSITION:					
Net investment in capital assets	34,128,413	35,539,689	36,074,771	(1,411,276)	-4%
Restricted for capital projects	1,735,044	990,730	725,475	744,314	75%
Unrestricted	29,650,350	22,941,685	21,141,185	6,708,665	29%
Total Net Position	$ 65,513,807	$ 59,472,104	$ 57,941,431	$ 6,041,703	10%

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by $65,513,807 and $59,472,104 as of June 30, 2019 and 2018, respectively.

Total assets increased by 5% in 2019. Current assets increased due to growth in cash and investments and from investment income related to the marking up of investments to market value. Noncurrent assets grew due to an increase in capital assets from pipeline and metering projects.

Total liabilities decreased by 9% in 2019. Current liabilities decreased due to a reduction in customer and developer deposits on file. Noncurrent liabilities decreased as a result of a reduction in the District's Installment Purchase Contract amount.

The adjustment of deferred outflows and inflows is related to GASB related calculations for pension and OPEB.

The District's net investment in capital assets (net of outstanding debt) comprises 52% of total net position. The District uses capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending. At the end of fiscal years 2019 and 2018, the District showed a positive balance in its unrestricted net position of $29,650,350 and $22,941,685

Financial Analysis (Continued)

respectively, which may be utilized in future years. Overall, Total Net Position increased by 10%, with this increase primarily being due to increases in the value of investments, decreases in deposit liabilities, growth in capital assets, and an increase in current year income.

Changes in Net Position

While the Statements of Net Position focuses on the District's financial position at June 30 of each year, the Statements of Revenues, Expenses, and Changes in Net Position summarizes the District's operations during the year. Revenues are recorded when water or services are provided, and expenses are recorded when incurred.

Condensed Statements of Activities

	2019	2018 (as restated)	2017	Change ($) 2019 / 2018	Change (%) 2019 / 2018
REVENUE:					
Charges for services	$ 17,380,128	$ 17,790,663	$ 14,936,819	$ (410,535)	-2%
Capital grants and contributions	1,557,329	2,964,398	3,314,726	(1,407,069)	-47%
General revenues	4,419,903	2,995,049	3,101,008	1,424,854	48%
Total Revenue	23,357,360	23,750,110	21,352,553	(392,750)	-2%
EXPENSE:					
Public Safety - fire services	2,291,946	2,219,414	2,097,780	72,532	3%
Potable water service	14,547,794	15,398,567	14,569,398	(850,773)	-6%
Recycled water service	475,917	497,087	308,095	(21,170)	-4%
Total Expense	17,315,657	18,115,068	16,975,273	(799,411)	-4%
Change in Net Position	6,041,703	5,635,042	4,377,280	406,661	7%
Net position at beginning of year, as previously stated	59,472,104	57,941,431	53,564,151	1,530,673	3%
Prior Period Adjustment	-	(4,104,369)	-	4,104,369	-100%
Net position at beginning of year, as restated	59,472,104	53,837,062	53,564,151	5,635,042	10%
Net position at end of year	$ 65,513,807	$ 59,472,104	$ 57,941,431	$ 6,041,703	10%

The statements of activities show how the District's net position changed during the fiscal years. The District's net position increased by $6,041,703 for the fiscal year ended June 30, 2019, compared to numbers as of June 30, 2018.

Revenues

In 2019, the District's charges for services decreased by $410,535 or 2%, primarily due to a decrease in water sales. Revenue from capital grants and contributions decreased by $1,407,069 or 47% primarily due to year-to-year fluctuations in meter installations and capital contributions from new development in the District. General revenues increased by $1,424,854 or 48%, primarily due to gains in investment earnings compared to prior year.

Financial Analysis (Continued)

Expenses

In 2019, the District's expenses decreased by $799,411 or 4%, primarily as a result of decreased potable water purchases due to lower customer demand during the year.

Current Year Net

In 2019, revenues exceeded expenses by $6,041,703. This positive result in current year net is primarily the result of strong investment earnings, income from capital contributions, and an operating rate and fee structure which sufficiently covers all expenses.

Investments

Balances in restricted and non-restricted cash and investment accounts at year end were $39,424,823, an increase of $1,356,626 or 3.6% from the prior year primarily due to an increase in earnings from more favorable rates on funds deposited and invested. The District's portfolio consists primarily of certificates of deposit and securities with maturities spread over five years, helping to mitigate the effect of a decline in value or market risk. The District also invests with three pooled funds, the California Local Agency Investment Fund (LAIF), the California Asset Management Program (CAMP), and the San Diego County Treasurer's Investment Fund. The pools provide a flexible, liquid source of funds for the District's operating and capital expenses, and over the past several years have yielded interest earning comparable to that of the certificates of deposit and securities. Average yield on the portfolio as of June 30, 2019 was 2.74%, compared to 2.13% as of June 30, 2018.

Capital Asset Administration

The District's capital assets were financed through a combination of current revenues, available reserves from the capital funds, capacity and connection charges, and debt. Historically, the Capital Improvement Program (CIP) has been funded mainly using the pay-as-you-go method from cash collected from unrestricted funds such as service revenues, reserves, and restricted funds such as grants and developers' fees. Recently, certain CIP projects have been funded through the proceeds of debt issued in November 2016. Future CIP projects may be funded through a combination of pay-as-you-go and debt. 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. The District's Water Master Plan Update was last updated in June 2014. The master plan is updated every five years and combines all facilities planning efforts within the District's enterprise areas of potable and recycled water. The District plans to update its master plan in Fiscal Year 2019-20.

Changes in capital asset amounts for 2019 were as follows:

	Balance 06/30/2018	Additions	Transfers/ Deletions	Balance 06/30/2019
Capital assets:				
Non-depreciable assets	$ 6,059,647	$ 4,307,076	$ (5,034,094)	$ 5,332,629
Depreciable assets	65,781,973	5,022,312	-	70,804,285
Accumulated depreciation	(33,365,575)	(1,289,571)	-	(34,655,146)
Total capital assets, net	$ 38,476,045	$ 8,039,817	$ (5,034,094)	$ 41,481,768

Capital Asset Administration (Continued)

At the end of fiscal years 2019 and 2018, the District's investment in capital assets amounted to $41,481,768 and $38,476,045 (net of accumulated depreciation), respectively. This 7.8% net increase in assets for 2019 is due to a high level of capital project activity during the year. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process, etc. Additional information on the District's capital assets can be found in notes 1 and 3 of the notes to the financial statements.

Debt Administration

Based on recommendations from the 2015 Comprehensive Cost of Service and Rate Study to help finance capital improvements while avoiding large variations in water rates, the District obtained $10,068,250 in debt on November 16, 2016. The debt service payment is based upon a 15-year loan with an interest rate of 2.28%. The debt also requires a minimum "debt coverage" ration of 1.20, which the District has consistently achieved. Additional information on the District's long-term debt can be fond in note for of the notes to the financial statements.

Economic Factors / Future Outlook

Water purchases and sales comprise a large portion of the District's expenses and revenues, respectively. As such, trends and changes in costs and volumes associated with purchases and sales can greatly affect the District's financial situation on an annual basis. The District purchases most of its treated potable water from the San Diego County Water Authority (SDCWA) who adjusts their wholesale commodity rates and fixed charges each January. Wholesale water purchase costs are the largest category of District expenses and typically increase annually. Customer demand and water-use restrictions also affect water sales. In recent years, due to State water-use restrictions, improved water conservations practices by customers and other factors, water sales have decreased, resulting in reduced or stagnating potable water sales revenues.

The District performs water rate and cost of service studies on a regular basis, with the intention of ensuring its revenues are sufficient to meet the operating and capital needs of the District, ensure its reserves are sufficiently funded, and maintain appropriate cash flow. The District last performed a water rate and cost of service study in 2015, which included planned increases in water rates through Fiscal Year 2019-20. The 2015 study also included a pass-through of wholesale water costs, which have historically increased over time. The Board's support for raising revenues by adopting a pass-through ordinance, along with its revenue and debt management policy, contribute to the District's financial stability especially in mitigating revenue and expense volatility in current economic and water supply conditions. The District plans to perform an update to its water rate and cost of service study in 2020.

The District expects to complete the process to become a wastewater agency in FY 2019-20, so it can treat wastewater and produce recycled water in a portion of its southwest service area. The District began the process of exercising its latent powers to become a wastewater agency through LAFCO in 2015 and completed the LAFCO approval process in 2019. The District Board adopted an ordinance to establish itself as a wastewater agency in 2019 and anticipates accepting the wastewater treatment plant in 2020. Once accepted, the District will take over operation of the treatment plant and begin treating wastewater for approximately 800 parcels in a portion of its service area.

In FY 2019-20, the District placed a sewer service charge on the tax roll for these parcels as a means to collect revenue for the services provided. The charges are based upon a cost of service study performed by the County of San Diego in 2015 and approved through the Prop 218 process. The District estimates

Economic Factors / Future Outlook (Continued)

receiving $650,000 in annual revenue from sewer service charges. Annual expenses to operate the wastewater treatment plan are estimated to be $550,000. The District anticipates operating the treatment and collections systems for several years to fully establish a baseline for its operating expenses and revenue and will conduct an update to the cost of service study at that time to further refine its service charges. The District's wastewater activities will be reflected on the financial statements for the year ending on June 30, 2020.

The District continues to seek ways to improve business processes and employee productivity through investment in technology to achieve the lowest cost of service possible.

Contacting the District's Financial Management

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's Director of Administration and Finance at 1920 N. Iris Lane, Escondido, California, 92026, call (760) 745-5522, or send inquiries to our website at www.rinconwater.org.

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Basic Financial Statements

RINCON DEL DIABLO MUNICIPAL WATER DISTRICT

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,403,474	$ 14,555,776	$ 15,959,250
Investments	-	20,474,916	20,474,916
Accrued interest receivable	-	180,095	180,095
Accounts receivable-water sales and services	-	2,331,027	2,331,027
Property taxes receivable	54,975	24,219	79,194
Accounts receivable-other	30,723	56,475	87,198
Prepaid expenses and other assets	441	63,579	64,020
Restricted cash and cash equivalents	-	2,990,657	2,990,657
Total Current Assets	1,489,613	40,676,744	42,166,357
Noncurrent Assets:			
Capital Assets:			
Not being depreciated	-	5,332,629	5,332,629
Capital assets, net of depreciation	-	36,149,139	36,149,139
Total Capital Assets	-	41,481,768	41,481,768
Total Noncurrent Assets	-	41,481,768	41,481,768
TOTAL ASSETS	1,489,613	82,158,512	83,648,125
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount from OPEB	-	178,946	178,946
Deferred amount from pension	65,034	1,027,893	1,092,927
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,034	1,206,839	1,271,873
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	14,853	2,163,081	2,177,934
Accrued interest payable	-	32,714	32,714
Installment purchase contract, current portion	-	602,692	602,692
Compensated absences, current portion	-	174,683	174,683
Customer and developer deposits	-	1,835,110	1,835,110
Total Current Liabilities	14,853	4,808,280	4,823,133
Noncurrent Liabilities:			
Compensated absences, net of current portion	-	58,228	58,228
Installment purchase contract, net of current portion	-	8,006,276	8,006,276
Net OPEB Liability	-	1,863,227	1,863,227
Net pension liability	85,264	4,028,997	4,114,261
Total Noncurrent Liabilities	85,264	13,956,728	14,041,992
TOTAL LIABILITIES	100,117	18,765,008	18,865,125
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount from OPEB	-	68,692	68,692
Deferred amount from pension	77,307	395,067	472,374
TOTAL DEFERRED INFLOWS OF RESOURCES	77,307	463,759	541,066
NET POSITION:			
Net investment in capital assets	-	34,128,413	34,128,413
Restricted for capital projects	-	1,735,044	1,735,044
Unrestricted	1,377,223	28,273,127	29,650,350
TOTAL NET POSITION	$ 1,377,223	$ 64,136,584	$ 65,513,807

STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 1,338,781	$ 10,379,933	$ 11,718,714
Investments	-	19,096,960	19,096,960
Accrued interest receivable	-	123,946	123,946
Accounts receivable-water sales and services	-	2,573,153	2,573,153
Property taxes receivable	22,051	8,656	30,707
Accounts receivable-other	16,141	79,048	95,189
Prepaid expenses and other assets	429	65,487	65,916
Restricted cash and cash equivalents	-	7,252,523	7,252,523
Total Current Assets	1,377,402	39,579,706	40,957,108
Noncurrent Assets:			
Capital Assets:			
Not being depreciated	-	6,059,647	6,059,647
Capital assets, net of depreciation	-	32,416,398	32,416,398
Total Capital Assets	-	38,476,045	38,476,045
Total Noncurrent Assets	-	38,476,045	38,476,045
TOTAL ASSETS	1,377,402	78,055,751	79,433,153
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount from OPEB	-	191,027	191,027
Deferred amount from pension	75,926	1,178,112	1,254,038
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,926	1,369,139	1,445,065
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	159	2,207,276	2,207,435
Accrued interest payable	-	34,953	34,953
Installment purchase contract, current portion	-	589,182	589,182
Compensated absences, current portion	-	169,459	169,459
Customer and developer deposits	-	3,075,679	3,075,679
Total Current Liabilities	159	6,076,549	6,076,708
Noncurrent Liabilities:			
Compensated absences, net of current portion	-	55,275	55,275
Installment purchase contract, net of current portion	-	8,608,967	8,608,967
Net OPEB liability	-	1,930,469	1,930,469
Net pension liability	85,135	4,074,666	4,159,801
Total Noncurrent Liabilities	85,135	14,669,377	14,754,512
TOTAL LIABILITIES	85,294	20,745,926	20,831,220
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount from pension	103,932	470,962	574,894
TOTAL DEFERRED INFLOWS OF RESOURCES	103,932	470,962	574,894
NET POSITION:			
Net investment in capital assets	-	35,539,689	35,539,689
Restricted for capital projects	-	990,730	990,730
Unrestricted	1,264,102	21,677,583	22,941,685
TOTAL NET POSITION	$ 1,264,102	$ 58,208,002	$ 59,472,104

STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Public safety- fire services	$ 2,291,946	$ 69,894	$ -	$ -
Total governmental activities	2,291,946	69,894	-	-
Business-Type Activities:				
Recycled water service	475,917	729,599	-	167,887
Potable water service	14,547,794	16,580,635	-	1,389,442
Total business-type activities	15,023,711	17,310,234	-	1,557,329
Total primary government	$ 17,315,657	$ 17,380,128	$ -	$ 1,557,329

GENERAL REVENUES:
Property taxes-ad valorem
Redevelopment agency- property tax increment
Voter-approved tax
Rental income and annexation fees
Investment earnings

Total General Revenues

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

(Continued)

The accompanying notes are an integral part of the financial statements.

Net (Expense)/Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (2,222,052)	$ -	$ (2,222,052)
(2,222,052)	-	(2,222,052)
-	421,569	421,569
-	3,422,283	3,422,283
-	3,843,852	3,843,852
(2,222,052)	3,843,852	1,621,800
2,026,246	799,641	2,825,887
-	36,212	36,212
306,386	-	306,386
-	156,103	156,103
2,541	1,092,774	1,095,315
2,335,173	2,084,730	4,419,903
113,121	5,928,582	6,041,703
1,264,102	58,208,002	59,472,104
$ 1,377,223	$ 64,136,584	$ 65,513,807

STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Public safety- fire services	$ 2,219,414	$ 46,891	$ -	$ -
Total governmental activities	2,219,414	46,891	-	-
Business-Type Activities:				
Recycled water service	497,087	744,515	-	739,349
Potable water service	15,398,567	16,999,257	-	2,225,049
Total business-type activities	15,895,654	17,743,772	-	2,964,398
Total primary government	$ 18,115,068	$ 17,790,663	$ -	$ 2,964,398

GENERAL REVENUES:
Property taxes-ad valorem
Redevelopment agency- property tax increment
Voter-approved tax
Rental income and annexation fees
Investment earnings

Total General Revenues

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, AS ORIGINALLY STATED

PRIOR PERIOD ADJUSTMENT

NET POSITION AT BEGINNING OF YEAR, AS RESTATED

NET POSITION AT END OF YEAR

(Continued)

(Continued)

Net (Expense)/Revenue and Changes in Net Position — Primary Government Governmental Activities	Business-Type Activities	Total
$ (2,172,523)	$ -	$ (2,172,523)
(2,172,523)	-	(2,172,523)
-	986,777	986,777
-	3,825,739	3,825,739
-	4,812,516	4,812,516
(2,172,523)	4,812,516	2,639,993
1,881,251	720,672	2,601,923
-	54,773	54,773
306,244	-	306,244
-	161,306	161,306
1,341	(130,538)	(129,197)
2,188,836	806,213	2,995,049
16,313	5,618,729	5,635,042
1,247,789	56,693,642	57,941,431
-	(4,104,369)	(4,104,369)
1,247,789	52,589,273	53,837,062
$ 1,264,102	$ 58,208,002	$ 59,472,104

BALANCE SHEETS AND RECONCILIATION OF
THE BALANCE SHEETS TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND

June 30, 2019 and 2018

	2019	2018
ASSETS:		
Cash and investments	$ 1,403,474	$ 1,338,781
Property taxes receivable	54,975	22,051
Prepaid items	441	429
Accounts receivable-other	30,723	16,141
Total Assets	$ 1,489,613	$ 1,377,402
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 14,853	$ 159
Total Liabilities	14,853	159
FUND BALANCE:		
Assigned for public safety	1,474,760	1,377,243
Total Fund Balance	1,474,760	1,377,243
TOTAL LIABILITIES AND FUND BALANCE	$ 1,489,613	$ 1,377,402

Amounts reported for governmental activities in the statement of net position are different because:

	2019	2018
Fund balance of governmental fund	$ 1,474,760	$ 1,377,243
The net pension liability is not payable in the current period, and therefore, is not reported on the governmental fund balance sheet	(85,264)	(85,135)
Deferred Outflows and Inflows of Resources present sources and uses of funds that are not available in the current period and therefore are not reported on the governmental fund balance sheet.		
Deferred Outflows of Resources	65,034	75,926
Deferred Inflows of Resources	(77,307)	(103,932)
Net position of governmental activities	$ 1,377,223	$ 1,264,102

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE AND THE RECONCILIATION OF
THE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
For the years ended June 30, 2019 and 2018

	2019	2018
REVENUES:		
Property taxes-ad valorem	$ 2,026,246	$ 1,881,251
Voter-approved tax	306,386	306,244
Charges for services	69,894	46,891
Investment earnings	2,541	1,341
Total Revenues	2,405,067	2,235,727
EXPENDITURES:		
Fire services operating services contract	2,223,951	2,160,277
General and administrative	83,599	76,747
Total Expenditures	2,307,550	2,237,024
NET CHANGE IN FUND BALANCE	97,517	(1,297)
FUND BALANCE, July 1,	1,377,243	1,378,540
FUND BALANCE, June 30,	$ 1,474,760	$ 1,377,243

Amounts reported for governmental activities in the statement of activities are different because:

	2019	2018
Net change in fund balance of governmental fund	$ 97,517	$ (1,297)
There is no pension expense in the governmental funds since there are no annual required contributions for the current fiscal year. The statement of activities reflects a pension expense which includes the change in the net pension liability and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.	15,604	17,610
Change in net position of governmental activities	$ 113,121	$ 16,313

STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Unrestricted assets		
Cash and cash equivalents	$ 14,555,776	$ 10,379,933
Investments	20,474,916	19,096,960
Accrued interest receivable	180,095	123,946
Accounts receivable-water sales and services	2,331,027	2,573,153
Property taxes receivable	24,219	8,656
Accounts receivable-other	56,475	79,048
Prepaid expenses and other assets	63,579	65,487
Total unrestricted assets	37,686,087	32,327,183
Restricted assets		
Restricted cash and cash equivalents	2,990,657	7,252,523
Total restricted assets	2,990,657	7,252,523
Total Current Assets	40,676,744	39,579,706
Noncurrent Assets:		
Capital assets,not being depreciated	5,332,629	6,059,647
Capital assets,net of depreciation	36,149,139	32,416,398
Total Noncurrent Assets	41,481,768	38,476,045
TOTAL ASSETS	82,158,512	78,055,751
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount from OPEB	178,946	191,027
Deferred amount from pension	1,027,893	1,178,112
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,206,839	1,369,139

(continued)

STATEMENTS OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2019 and 2018

	2019	2018
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 2,103,476	$ 2,204,480
Accrued salaries and related payables	59,605	2,796
Accrued interest payable	32,714	34,953
Customer and developer deposits	1,835,110	3,075,679
Compensated absences, current portion	174,683	169,459
Installment purchase contract, current portion	602,692	589,182
Total Current Liabilities	4,808,280	6,076,549
Noncurrent Liabilities:		
Compensated absences, net of current portion	58,228	55,275
Installment purchase contract, net of current portion	8,006,276	8,608,967
Net OPEB liability	1,863,227	1,930,469
Net pension liability	4,028,997	4,074,666
Total Noncurrent Liabilities	13,956,728	14,669,377
TOTAL LIABILITIES	18,765,008	20,745,926
DEFERRED INFLOWS OF RESOURCES:		
Deferred amount from OPEB	68,692	-
Deferred amount from pension	395,067	470,962
TOTAL DEFERRED INFLOWS OF RESOURCES	463,759	470,962
NET POSITION		
Net investment in capital assets	34,128,413	35,539,689
Restricted for capital projects	1,735,044	990,730
Unrestricted	28,273,127	21,677,583
TOTAL NET POSITION	$ 64,136,584	$ 58,208,002

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
For the years ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Water consumption sales	$ 12,195,070	$ 12,996,004
Water service charges	4,501,027	4,213,630
Other charges and services	614,137	534,138
Total operating revenues	17,310,234	17,743,772
OPERATING EXPENSES		
Source of supply	8,525,467	9,352,434
Pumping and water treatment	112,512	142,267
Transmission and distribution	1,579,648	1,603,586
Customer service	341,617	335,578
General and administrative	2,970,737	2,830,290
Total operating expenses before depreciation	13,529,981	14,264,155
Operating income (loss) before depreciation	3,780,253	3,479,617
Depreciation	(1,289,571)	(1,414,048)
Operating income	2,490,682	2,065,569
NONOPERATING REVENUES (EXPENSES):		
Property taxes-ad valorem	799,641	720,672
Redevelopment agency-property tax increment	36,212	54,773
Rental income and annexation fees	156,103	146,306
Investment earnings	1,092,774	(130,538)
Other nonoperating revenue	-	15,000
Interest expense	(204,159)	(217,451)
Total nonoperating revenues (expenses)	1,880,571	588,762
Income before capital contributions	4,371,253	2,654,331
Connection fees	1,336,254	1,061,746
Capacity charges	129,307	129,307
Capital contributions	91,768	1,773,345
Total capital contributions	1,557,329	2,964,398
Change In Net Position	5,928,582	5,618,729
Net position at beginning of year, as previously stated	58,208,002	56,693,642
Prior Period Adjustment	-	(4,104,369)
Net position at beginning of year, as restated	58,208,002	52,589,273
Net position at end of year	$ 64,136,584	$ 58,208,002

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	$ 17,552,360	$ 17,526,455
Cash payments for source of supply	(8,637,817)	(9,537,256)
Cash payments for services and supplies	(1,240,624)	(853,745)
Cash payments for wages, benefits and related costs	(3,662,095)	(3,815,108)
Net Cash Provided (Used) by Operating Activities	4,011,824	3,320,346
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Other non-operating revenue	-	15,000
Property taxes-ad valorem received	784,078	725,806
Redevelopment agency-property tax increment received	36,212	54,773
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	820,290	795,579
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(4,236,305)	(2,451,944)
Proceeds from capital contributions	298,973	2,071,588
Principal payments on long-term debt	(589,181)	(580,675)
Interest paid	(206,399)	(219,659)
Rental income received	156,103	146,306
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,576,809)	(1,034,384)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	17,273,699	12,316,234
Purchases of investments	(18,385,487)	(15,960,360)
Investment income received	770,460	477,598
Net Cash Provided (Used) by Investing Activities	(341,328)	(3,166,528)
Net Increase (Decrease) in Cash and Cash Equivalents	(86,023)	(84,987)
Cash and Cash Equivalents, Beginning of Year	17,632,456	17,717,443
Cash and Cash Equivalents, End of Year	$ 17,546,433	$ 17,632,456

(continued)

STATEMENTS OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
For the years ended June 30, 2019 and 2018

	2019	2018
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:		
Operating income (loss)	$ 2,490,682	$ 2,065,569
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,289,571	1,414,048
GASB 68 and 75 Adjustments to Pension and OPEB Expenses	42,186	154,547
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable-water sales and services	242,126	(217,317)
(Increase) decrease in accounts receivable-other	22,573	(78,258)
(Increase) decrease in prepaid expenses and other assets	1,908	33,102
Increase (decrease) in accounts payable and accrued liabilities	(159,993)	78,785
Increase (decrease) in accrued salaries and related payables	56,809	(163,967)
Increase (decrease) in customer and developer deposits	17,785	7,662
Increase (decrease) in compensated absences	8,177	26,175
Total Adjustments	1,521,142	1,254,777
Net Cash Provided (Used) by Operating Activities	$ 4,011,824	$ 3,320,346
NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain (loss) on investments	$ 266,168	$ (628,293)
Recognition of previously received developer deposits	$ 1,258,354	$ 892,808

June 30, 2019 and 2018

1. Summary of Significant Accounting Policies

a. Organization and Operations of the Reporting Entity

The Rincon del Diablo Municipal Water District (District) was organized in 1954, under provisions of the State of California Municipal Water District Act of 1911. The purpose of the District is to finance, construct, operate and maintain a water system to serve properties within the District's boundaries. The District services approximately 42 square miles located in northern San Diego County. The District is governed by a Board of Directors made up of five members elected by the voters within the District.

In 1976, the Rincon del Diablo Fire Protection District (Fire District) was formed under the powers granted by the State of California Municipal Water District Act of 1911 and the State of California Fire Protection District Law of 1961. The Fire District, identified as Improvement District “E”, was formed to provide a source of local fire protection for residents living outside the city limits of the City of Escondido (City). Concurrently, the City operated and maintained a fire department that provided fire protection, paramedic and rescue services within the City’s boundaries. In an effort to eliminate duplication of services, and for the mutual benefit of both the City and the District, the City and the District entered into a Permanent Services Agreement (Agreement) on August 18, 1989, which provided for one fire department to be operated and managed by the City. Per the Agreement, possession, management, operation and control of all vehicles, machinery, tools, supplies, equipment and the fire station were transferred to the City in 1989, and actual ownership was transferred on July 1, 1999.

The Agreement further stipulated that the District would continue to collect revenues relating to the Fire District from various sources including, property taxes, charges for services and a $72 voter-approved tax on each land parcel within Improvement District “E”. Currently, these funds are assigned to the City (less applicable administrative costs) to cover the operational expenses of providing fire and rescue services. The Fire District is accounted for as a Governmental Activity Fund in the Government-wide financial statement presentation.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization’s governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Rincon Public Facilities Corporation (Corporation), an entity legally separate from the District, is governed by substantially all the board members of the District. The Corporation is inactive at this time.

1. Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-Wide Financial Statements
These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recorded when the liability is incurred. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function.

The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as nonoperating revenues. Contributed capital and capital grants are included as capital contributions.

Fund Financial Statements
These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

1. Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as nonoperating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

i. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and

ii. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

iii. The entity has determined that a fund is important to the financial statement user.

The funds of the financial reporting entity are described below:

Governmental Funds
Public Safety – This fund is used to account for all public safety (fire protection) provisions within the District's service area and to account for the Agreement with the City of Escondido for fire services.

Proprietary Funds
Water Service – This fund is used to account for potable and recycled water service operations of the District, including transmission, storage, and distribution.

1. Summary of Significant Accounting Policies (Continued)

c. New Accounting Pronouncements

Current Year Standards

- GASB Statement No. 83 - *"Certain Asset Retirement Obligations,"* effective for periods beginning after June 15, 2018 and did not impact the District.
- GASB Statement No. 88 - *"Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,"* effective for reporting periods beginning after June 15, 2018 and did not impact the District.

Pending Accounting Standards

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB Statement No. 84 – "*Fiduciary Activities*," effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 – "*Leases*," effective for periods beginning after December 15, 2019.
- GASB Statement No. 89 – "*Accounting for Interest Cost Incurred before the End of a Construction Period*," effective for periods beginning after December 15, 2019.
- GASB Statement No. 90 – "*Majority Equity Interests- an Amendment of GASB Statements No. 14 and No. 61*," effective for periods beginning after December 15, 2018.
- GASB Statement No. 91– "*Conduit Debt Obligations*," effective for periods beginning after December 15, 2020.

1. Summary of Significant Accounting Policies (Continued)

d. 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 future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions for employer contributions made after the measurement date of the net pension liability.

- Deferred outflows related to other post-employment benefits for employer contributions made after the measurement date of the net other post-employment benefit liability.

- Deferred outflows from pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.

- Deferred outflows related to pensions for changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.

- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on plan investments of the pension plan fiduciary net position. This amount is amortized over five years.

- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.

- Deferred outflows related to pensions for the differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.

1. Summary of Significant Accounting Policies (Continued)

d. Deferred Outflows/Inflows of Resources (Continued)

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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows from pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.
- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.
- Deferred inflows related to pensions for the differences between employer contributions and proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.
- Deferred inflows related to pensions for changes in proportion. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2018.
- Deferred inflows related to other post-employment benefits for differences between expected and actual experiences. This amount is amortized over 6.6 years.
- Deferred inflows related to other post-employment benefits resulting from the difference in projected and actual earnings on plan investments of the plan's fiduciary net position. This amount is amortized over five years.

1. Summary of Significant Accounting Policies (Continued)

e. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental and proprietary funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in certain governmental and business-type activities; accordingly, activities are reported in the District's governmental and proprietary funds.

f. Assets, Liabilities and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

Prepaid Expenses and Other Assets

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated capital assets, donated works of art and similar assets, and capital assets received in a service concession arrangement are reported at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution system	30 to 75 years
Recycled water system	30 to 75 years
Structures and improvements	10 to 30 years
Vehicles and equipment	5 to 10 years
Machinery and equipment	5 to 10 years
Intangible assets	2 to 5 years

1. Summary of Significant Accounting Policies (Continued)

f. Assets, Liabilities and Net Position (Continued)

Compensated Absences
Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes to compensated absences for 2019 were as follows:

Balance 2018	Earned	Taken	Balance 2019	Due Within One Year
$ 224,734	$ 188,976	$ (180,799)	$ 232,911	$ 174,683

Net Position
The financial statements utilize a net position presentation. Net position is categorized as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

- Restricted Net Position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

1. Summary of Significant Accounting Policies (Continued)

g. Property Taxes and Assessments

Property taxes in California are levied in accordance with Article XIIIA of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the San Diego County Tax Collector's Offices. The San Diego County Tax Collector's Offices acts as a collection agent for the property taxes which are normally collected twice a year.

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1
	Second Installment - February 1
Delinquent Dates:	First Installment - December 10
	Second Installment - April 10

h. Water Sales and Services

Water sales and services are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

i. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

j. Pensions

For purposes of measuring the net pension liability and 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) plans (Plans) and additions 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.

k. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the District's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

1. Summary of Significant Accounting Policies (Continued)

l. Budgetary Policies

The District Board adopts a two-year budget for planning, control, and evaluation purposes. If necessary, revisions may be made to the second year of the two-year budget by separate Board action. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

m. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments at June 30, 2019 and 2018 are classified in the accompanying financial statements as follows:

	2019	2018
Statement of Net Position:		
Current Assets:		
Cash and cash equivalents	$ 15,959,250	$ 11,718,714
Investments	20,474,916	19,096,960
Restricted cash and cash equivalents	2,990,657	7,252,523
Total cash and investments	$ 39,424,823	$ 38,068,197
Cash and investments consist of the following:		
Deposits with financial institutions	$ 8,208,119	$ 6,092,320
Investments	31,216,704	31,975,877
Total cash and investments	$ 39,424,823	$ 38,068,197

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

The District is legally empowered by statute and resolution to invest in United States government sponsored entities, the California State Investment Pool – Local Agency Investment Fund (LAIF), the County of San Diego Investment Pool, The California Asset Management Program (CAMP), money market mutual funds and time certificates-of-deposit issued by those financial institutions which are approved as depositories by the District's Board of Directors.

2. Cash, Cash Equivalents and Investments (Continued)

Investments Authorized by Debt Agreements
Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Investment in State Investment Pool
The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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 California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities 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. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. As of June 30, 2019 and 2018, $7,963,456 and $5,844,562, respectively, of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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 Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

2. Cash, Cash Equivalents and Investments (Continued)

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 matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date at June 30, 2019:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	$ 5,067,973	$ 5,067,973	$ -	$ -	$ -
California Asset Management Program	1,027,634	1,027,634			
San Diego County Pooled Investment Fund	4,646,178	4,646,178	-	-	-
Government sponsored agency securities	12,740,858	228,215	5,259,500	7,253,143	-
Negotiable certificates of deposit	7,734,061	247,114	-	7,486,947	-
Total	$ 31,216,704	$ 11,217,114	$ 5,259,500	$ 14,740,090	$ -

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date at June 30, 2018:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	$ 8,301,333	$ 8,301,333	$ -	$ -	$ -
California Asset Management Program	1,003,238	1,003,238			
San Diego County Pooled Investment Fund	3,574,346	3,574,346	-	-	-
Government sponsored agency securities	13,238,212	-	499,190	12,739,022	-
Negotiable certificates of deposit	5,858,748	-	737,329	5,121,419	-
Total	$ 31,975,877	$ 12,878,917	$ 1,236,519	$ 17,860,441	$ -

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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, the District's investment policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2019.

				Rating as of Year End			
Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	$ 5,067,973	N/A	$ -	$ -	$ -	$ -	$ 5,067,973
California Asset Management Program	1,027,634	AAA	-	1,027,634	-	-	-
San Diego County Pooled Investment Fund	4,646,178	N/A	-	4,646,178	-	-	-
Government sponsored agency securities	12,740,858	AA+	-	12,740,858	-	-	-
Negotiable certificates of deposit	7,734,061	N/A	-	-	-	-	7,734,061
Total	$ 31,216,704		$ -	$ 18,414,670	$ -	$ -	$ 12,802,034

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2018.

				Rating as of Year End			
Investment Type	Total	Minimum Legal Rating	Exempt From	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	$ 8,301,333	N/A	$ -	$ -	$ -	$ -	$ 8,301,333
California Asset Management Program	1,003,238	AAA	-	1,003,238	-	-	-
San Diego County Pooled Investment Fund	3,574,346	N/A	-	3,574,346	-	-	-
Government sponsored agency securities	13,238,212	AA+	-	11,278,633	-	-	1,959,579
Negotiable certificates of deposit	5,858,748	N/A	-	-	-	-	5,858,748
Total	$ 31,975,877		$ -	$ 15,856,217	$ -	$ -	$ 16,119,660

2. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments at June 30, 2019 and 2018 are as follows:

		Reported Amount			
Issuer	Investment Type		2019		2018
Federal Home Loan Banks	U.S. Gov't Sponsored Entities	$	4,271,489	$	5,240,154
Federal Farm Credit Bank	U.S. Gov't Sponsored Entities	$	3,146,887	$	2,469,550
Federal National Mortgage Association	U.S. Gov't Sponsored Entities	$	-	$	4,555,648
Federal Home Loan Mortgage Corp	U.S. Gov't Sponsored Entities	$	3,905,452	$	-

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Measurements (Continued)

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the District's management. District management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to District management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the District to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by District management.

The District has no investments categorized in Level 3 at June 30, 2019 and 2018. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Measurements (Continued)

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2019
Investments by Fair Value Level				
U.S. Government Sponsored				
Entity Securities:				
FHLB	$ -	$ 4,271,489	$ -	$ 4,271,489
FNMA	-	503,940	-	503,940
FFCB	-	3,146,887	-	3,146,887
FHLMC	-	3,905,452	-	3,905,452
TVAPB	-	913,090	-	913,090
Total Investments by Fair Value Level	$ -	$ 12,740,858	$ -	12,740,858
Investments measured at Cost or Net Asset Value				
Local Agency Investment Fund				5,067,973
California Asset Management Program (CAMP)				1,027,634
San Diego County Pooled Investment Fund				4,646,178
Negotiable Certificates of Deposit				7,734,061
Total Investments at Cost or Net Asset Value				18,475,846
Total Investments				$ 31,216,704

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2018
Investments by Fair Value Level				
U.S. Government Sponsored				
Entity Securities:				
FHLB	$ -	$ 5,240,154	$ -	$ 5,240,154
FNMA	-	4,555,648	-	4,555,648
FFCB	-	2,469,550	-	2,469,550
FHLMC	-	972,860	-	972,860
Total Investments by Fair Value Level	$ -	$ 13,238,212	$ -	$ 13,238,212
Investments measured at Cost or Net Asset Value				
Local Agency Investment Fund				8,301,333
California Asset Management Program (CAMP)				1,003,238
San Diego County Pooled Investment Fund				3,574,346
Negotiable Certificates of Deposit				5,858,748
Total Investments at Cost or Net Asset Value				18,737,665
Total Investments				$ 31,975,877

3. Capital Assets

Major capital asset additions for the year ended June 30, 2019 include upgrades and extensions to the District's water transmission and distribution systems in the following schedule:

	Balance June 30, 2018	Additions	Disposals/ Transfers	Balance June 30, 2019
Capital assets, nondepreciable				
Land	$ 656,151	$ -	$ -	$ 656,151
Construction in progress	5,403,496	4,307,076	(5,034,094)	4,676,478
Total capital assets, nondepreciable	6,059,647	4,307,076	(5,034,094)	5,332,629
Capital assets, depreciable				
Transmission and distribution system	57,428,779	4,884,842	-	62,313,621
Recycled water system	5,995,104	113,512	-	6,108,616
Structures and improvements	1,352,387	-	-	1,352,387
Vehicles and equipment	777,086	23,958	-	801,044
Machinery and equipment	228,617	-	-	228,617
Total capital assets, depreciable	65,781,973	5,022,312	-	70,804,285
Accumulated Depreciation				
Tansmission and distribution system	(29,823,012)	(1,087,149)	-	(30,910,161)
Recycled water system	(1,271,987)	(104,953)	-	(1,376,940)
Structures and improvements	(1,349,518)	(59,849)	-	(1,409,367)
Vehicles and equipment	(702,401)	(34,672)	-	(737,073)
Machinery and equipment	(218,657)	(2,948)	-	(221,605)
Total accumulated depreciation	(33,365,575)	(1,289,571)	-	(34,655,146)
Total depreciable assets, net	32,416,398	3,732,741	-	36,149,139
Total capital assets	$ 38,476,045	$ 8,039,817	$ (5,034,094)	$ 41,481,768

3. Capital Assets (Continued)

Major capital asset additions for the year ended June 30, 2018 include upgrades and extensions to the District's water transmission and distribution systems in the following schedule:

	Balance June 30, 2017	Additions	Disposals/ Transfers	Balance June 30, 2018
Capital assets, nondepreciable				
Land	$ 656,151	$ -	$ -	$ 656,151
Construction in progress	3,187,431	3,089,847	(873,782)	5,403,496
Total capital assets, nondepreciable	3,843,582	3,089,847	(873,782)	6,059,647
Capital assets, depreciable				
Transmission and distribution system	56,554,997	873,782	-	57,428,779
Recycled water system	5,995,104	-	-	5,995,104
Structures and improvements	1,352,387	-	-	1,352,387
Vehicles and equipment	777,086	-	-	777,086
Machinery and equipment	228,617	-	-	228,617
Total capital assets, depreciable	64,908,191	873,782	-	65,781,973
Accumulated Depreciation				
Tansmission and distribution system	(28,734,457)	(1,088,555)	-	(29,823,012)
Recycled water system	(1,169,430)	(102,557)	-	(1,271,987)
Structures and improvements	(1,180,853)	(168,665)	-	(1,349,518)
Vehicles and equipment	(652,712)	(49,689)	-	(702,401)
Machinery and equipment	(214,075)	(4,582)	-	(218,657)
Total accumulated depreciation	(31,951,527)	(1,414,048)	-	(33,365,575)
Total depreciable assets, net	32,956,664	(540,266)	-	32,416,398
Total capital assets	$ 36,800,246	$ 2,549,581	$ (873,782)	$ 38,476,045

3. Capital Assets (Continued)

Construction-In-Progress

The District is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

Project Description	2019	2018
Administration facility refurbishment	$ 305,505	$ 305,505
Waterline projects	2,884,582	3,637,582
Automated meter intelligence system	843,013	824,626
Groundwater exploration	273,977	273,977
Reservoir projects	369,401	361,806
Total Construction in progress	$ 4,676,478	$ 5,403,496

4. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
2016 Installment Purchase Contract	$ 9,198,149	$ -	$ (589,181)	$ 8,608,968	$ 602,692
Total	$ 9,198,149	$ -	$ (589,181)	$ 8,608,968	$ 602,692

2016 Installment Purchase Contract

On November 1, 2016, the District entered into an Installment Purchase Contract with Pinnacle Public Finance, Inc.in the amount of $10,068,250 to finance the acquisition, construction and improvement of certain property for its water system. The rate of interest to be paid on the principal amount of the loan shall be 2.28% annually, with payments due semi-annually on May 1st and November 1st through November 1, 2031.

The District has pledged all of the Net System Revenues for the debt service payment of the Contract. The total principal and interest remaining to be paid on the contracts at June 30, 2019 is $9,942,566. For the current year, principal and interest paid on the Contract was $795,580. The Contract contains various covenants and restrictions, principally that the District fix, prescribe, and collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year, net revenues equal to one hundred and twenty percent (120%) of the debt service on all obligations for such fiscal year. The District was in compliance with this requirement at June 30, 2019.

4. Long-Term Debt (Continued)

2016 Installment Purchase Contract (Continued)

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 602,692	$ 192,888	$ 795,580
2021	616,512	179,069	795,581
2022	630,649	164,933	795,582
2023	645,110	150,472	795,582
2024	659,903	135,680	795,583
2025-2029	3,533,557	444,377	3,977,934
2030-2033	1,920,545	66,179	1,986,724
Total	$ 8,608,968	$ 1,333,598	$ 9,942,566

5. Other Post-Employment Benefits

Plan Description

The District offers post-employment medical and dental coverage benefits to retired employees who satisfy the eligibility rules. Employees hired prior to July 11, 2017 require 5 years of service and need to be 50 years of age to be eligible. Employees hired after July 11, 2017, require 5 years of service with the District, and become 50% vested after 10 years of service, and fully vested after 20 years of service. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical program and ACWA dental coverage program. The contribution requirements of Plan members and the District are established.

Employees Covered

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

	Number of Participants
Inactive employees currently receiving benefits	18
Participating Active Employees	18
Total	36

Contributions

The District's plan and its contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the valuation period ended June 30, 2019, the District's cash contributions were $13,792 in payments to the trust and $165,154 in payments were made outside of the trust, resulting in payments of $178,946.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

5. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75 %
Projected Salary Increase	2.75% per year
Expected long term investment rate of return	7.00%
Healthcare Cost Trend Rates	4% per year
Pre-retirement Turnover	Derived from 2009 CalPERS Turnover for Miscellaneous Employees
Mortality	Derived from 2014 CalPERS Active Mortality for Miscellaneous Employees

The actuarial assumptions used in the June 30, 2018 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

The long-term expected rate of return 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 weighing 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 allocation as of June 30, 2018 are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
CERBT		
US Large Cap	43.00%	7.80%
US Small Cap	23.00%	7.80%
Long-Term Corporate Bonds	12.00%	5.30%
Long-Term Government Bonds	6.00%	4.50%
Treasury Inflation Protected Securities	5.00%	7.80%
US Real Estate	8.00%	7.80%
All Commodities	3.00%	7.80%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the District'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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

5. Other Post-Employment Benefits (Continued)

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017	$ 2,860,763	$ 930,294	$ 1,930,469
Changes in the Year:			
Service cost	60,403	-	60,403
Interest on the total OPEB liability	196,587	-	196,587
Differences between actual and expected experience	(72,952)	-	(72,952)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	178,972	(178,972)
Net investment income	-	74,035	(74,035)
Administrative expenses	-	(1,727)	1,727
Benefit payments	(165,154)	(165,154)	-
Net Changes	18,884	86,126	(67,242)
Balance at June 30, 2018	$ 2,879,647	$ 1,016,420	$ 1,863,227

Change of Assumptions
There were no changes of assumptions.

Change of Benefit Terms
There were no changes of benefit terms.

Subsequent Events
There were no subsequent events that would materially affect the results presented in this disclosure.

5. Other Post-Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB Liability (Asset)	$ 2,222,356	$ 1,863,227	$ 1,567,712

Sensitivity of the Total OPEB Liability to Changes in Health-Care Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.00% decreasing to 3.00%) or 1 percentage point higher (4.00% increasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rates (4.0%)	1% Increase (5.0%)
Net OPEB Liability	$ 1,559,543	$ 1,863,227	$ 2,225,295

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

For the year ended June 30, 2019 and 2018, the District recognized OPEB expense of $180,420 and $162,959, respectively.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 178,946	$ -
Differences between actual and expected experience	-	61,899
Differences between projected and actual earnings	-	6,793
Total	$ 178,946	$ 68,692

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 191,027	$ -
Total	$ 191,027	$ -

5. Other Post-Employment Benefits (Continued)

The net difference between projected and actual earnings on plan investments is amortized over a five year period. The difference between actual and expected experience and change in assumptions are amortized over the expected remaining service life. The expected average remaining service life for the 2017-18 measurement period is 6.6 years.

$178,946 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

Payable to the OPEB Plan
At June 30, 2019, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

6. Defined Benefit Pension Plans

a. General Information about the Pension Plans

Plan Descriptions
All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Miscellaneous Plan), and 2.0% at 62 (PEPRA Miscellaneous Plan) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The District has an inactive Safety Employees Plan with CalPERS due to the transfer of the District's fire operations to the City of Escondido on July 1, 1999.

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 full time employment. Classic 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.

6. Defined Benefit Pension Plans (Continued)

a. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at the measurement date June 30, 2018, are summarized as follows:

	Classic Miscellaneous Plan	PEPRA Miscelaneous Plan	Safety Plan
Hire date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013
Benefit formula	2.0% at 55	2.0% at 62	2.0% at 55
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67	50 - 55
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%	2.0% to 2.7%
Required employee contribution rates	7%	6.75%	7%
Required employer contribution rates	10.501%	7.363%	0%

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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, and 2018, the District reported net pension (Asset)/liabilities for its proportionate shares of the net pension (Asset)/liabilities as follows:

	2019	2018
Governmental Activies		
Safety Plan	$ 85,264	$ 85,135
Business-Type Activities		
Classic & PEPRA Miscellaneous Plan	4,028,997	4,074,666
Total Net Pension Liability	$ 4,114,261	$ 4,159,801

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 for each Plan as of June 30, 2017 and 2018 was as follows:

	Class & PEPRA Miscellaneous Plan	Safety Plan
Proportion - June 30, 2017	0.10336%	0.00142%
Proportion - June 30, 2018	0.10691%	0.00145%
Change - increase (decrease)	0.00355%	0.00003%

For the years ended June 30, 2019 and 2018, the District recognized pension income of $15,604 and $17,610, respectively, related to its Governmental Activities and pension expense of $381,292 and $481,647 related to its business-type activities.

At June 30, 2019, the District 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
Governmental Activities		
Pension contributions subsequent to measurement date	$ 9,825	$ -
Differences between actual and expected experience	1,832	(7)
Change in assumptions	8,366	(1,129)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	54,258	(76,171)
Net differences between projected and actual earnings on plan investments	577	-
Total	$ 74,858	$ (77,307)

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Pension contributions subsequent to measurement date	$ 352,639	$ -
Differences between actual and expected experience	154,585	(52,605)
Change in assumptions	459,318	(112,570)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	41,432	(229,892)
Net differences between projected and actual earnings on plan investments	19,919	-
Total	$ 1,027,893	$ (395,067)

At June 30, 2018, the District 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
Governmental Activities		
Pension contributions subsequent to measurement date	$ -	$ -
Differences between actual and expected experience	3,920	(1,024)
Change in assumptions	56,867	(4,363)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,740	(98,545)
Net differences between projected and actual earnings on plan investments	12,399	-
Total	$ 75,926	$ (103,932)

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Pension contributions subsequent to measurement date	$ 299,027	$ -
Differences between actual and expected experience	5,217	(74,732)
Change in assumptions	647,216	(49,351)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	80,278	(346,879)
Net differences between projected and actual earnings on plan investments	146,374	-
Total	$ 1,178,112	$ (470,962)

The $352,639 reported as 2019 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Governmental Activities Amount	Business-Type Activities Amount
2020	$ (11,330)	$ 313,931
2021	(3,883)	153,220
2022	3,527	(150,722)
2023	(589)	(36,242)
2024	-	-
Thereafter	-	-

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement period was determined as of June 30, 2017, with update procedures to roll forward the total pension liability to June 30, 2018. The total pension liability was based on the following:

	Classic & PEPRA Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	(1)	(1)
Mortality	(2)	(2)
Post Retirement Benefit Increase	(3)	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return

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 funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFr, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.00% used for this period

(c) An expected inflation of 2.92% used for this period

6. Defined Benefit Pension Plans (Continued)

b. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 %. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 each 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:

	Classic & PEPRA Miscellaneous Plan	Safety Plan
1% Decrease	6.15%	6.15%
Net Pension (Asset)/ Liability	$ 6,191,641	$ 245,182
Current Discount Rate	7.15%	7.15%
Net Pension (Asset)/ Liability	$ 4,028,997	$ 85,264
1% Increase	8.15%	8.15%
Net Pension (Asset)/ Liability	$ 2,243,769	$ (45,758)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

c. Payable to the Pension Plan

At June 30, 2019 and 2018, The District had no outstanding amount of contributions to the pension plan required for the years ended June 30, 2019 and 2018.

7. Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statements of net position.

8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2019, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $5,000,000. The JPIA purchases additional excess coverage layers: $60,000,000 per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $100,000 per occurrence includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $500,000 per occurrence, subject to a $5,000 deductible per occurrence.

- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to $2,000,000 million and excess insurance coverage has been purchased.

- Cyber liability coverage which includes cyber security and risks related to electronic data with coverage limits up to $3,000,000 per occurrence and $5,000,000 aggregate.

8. Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2019. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019.

9. Commitments and Contingencies

Economic Dependency
The District purchases virtually all of its water (source of supply) from the San Diego County Water Authority.

Construction Contracts
The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions. Unfulfilled commitments under open contracts was $677,576 as of June 30, 2019.

Litigation
In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

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Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE, GOVERNMENTAL FUND
For the year ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 1,377,243	$ 1,377,243	$ 1,377,243	$ -
RESOURCES (INFLOWS):				
Property taxes-ad valorem	1,805,000	1,805,000	2,026,246	221,246
Voter-approved tax	308,000	308,000	306,386	(1,614)
Charges for services	30,500	30,500	69,894	39,394
Investment earnings	200	200	2,541	2,341
Amount Available For Appropriations	2,143,700	2,143,700	2,405,067	261,367
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Fire services operating services contract	2,068,647	2,068,647	2,223,951	(155,304)
General and administrative	75,053	75,053	83,599	(8,546)
Total Charges to Appropriations	2,143,700	2,143,700	2,307,550	(163,850)
NET CHANGE IN FUND BALANCE	-	-	97,517	97,517
FUND BALANCE, JUNE 30	$ 1,377,243	$ 1,377,243	$ 1,474,760	$ 97,517

BUDGETARY COMPARISON SCHEDULE, GOVERNMENTAL FUND
For the year ended June 30, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 1,378,540	$ 1,378,540	$ 1,378,540	$ -
RESOURCES (INFLOWS):				
Property taxes-ad valorem	1,769,500	1,769,500	1,881,251	111,751
Voter-approved tax	308,000	308,000	306,244	(1,756)
Charges for services	30,500	30,500	46,891	16,391
Investment earnings	200	200	1,341	1,141
Amount Available For Appropriations	2,108,200	2,108,200	2,235,727	127,527
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Fire services operating services contract	2,033,620	2,033,620	2,160,277	(126,657)
General and administrative	74,580	74,580	76,747	(2,167)
Total Charges to Appropriations	2,108,200	2,108,200	2,237,024	(128,824)
NET CHANGE IN FUND BALANCE	-	-	(1,297)	(1,297)
FUND BALANCE, JUNE 30	$ 1,378,540	$ 1,378,540	$ 1,377,243	$ (1,297)

Schedule of Contributions - Defined Benefit Pension Plans
For the Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 362,464	$ 299,541	$ 278,061	$ 246,264	$ 164,323
Contributions in relation to the actuarially determined contributions	362,464	299,541	278,061	246,264	164,323
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,603,225	$ 1,584,350	$ 1,698,321	$ 1,484,877	$ 1,327,622
Contributions as a percentage of covered payroll	22.61%	18.91%	16.37%	16.58%	12.38%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.375%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2% at 55), 52 years (2% at 62), 50 years (2% at 50)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

** - The valuation for June 30, 2012 through 2016 (applicable to fiscal years ended June 30, 2015 through June 30, 2019) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 through June 30, 216 valuations (applicable to fiscal years ended June 30, 2016 through June 30, 2019).

Schedule of the Proportionate Share of the Net Pension Liability
For the Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
Classic & PEPRA Miscellaneous Plan					
Plan's Proportion of the Net Pension Liability	0.04270%	0.04109%	0.04048%	0.03836%	0.00393%
Plan's Proportionate Share of the Net Pension Liability	$ 4,028,997	$ 4,074,666	$ 3,502,487	$ 2,633,232	$ 2,444,645
Plan's Covered Payroll	$ 1,584,350	$ 1,698,321	$ 1,484,877	$ 1,327,622	$ 1,171,322
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	254.30%	239.92%	235.88%	198.34%	208.71%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77.69%	75.39%	75.87%	80.89%	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 455,511	$ 432,688	$ 402,714	$ 385,481	$ 323,287
Safety Plan					
Plan's Proportion of the Net Pension Liability/(Asset)	0.00088%	0.00086%	0.00065%	(0.0004)%	(0.00107)%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 85,264	$ 85,135	$ 56,540	$ (24,044)	$ (66,430)
Plan's Covered Payroll	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.40%	71.74%	72.69%	101.92%	105.27%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 45,340	$ 43,398	$ 41,287	$ 43,345	$ 37,567

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019

There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

Schedule of Contributions-OPEB

Last Ten Fiscal Years*

	6/30/2019	6/30/2018
Actuarially determined contribution	$ 178,946	$ 190,483
Contributions in relation to the actuarially determined contributions	(178,946)	(190,483)
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 1,603,225	$ 1,584,350
Contributions as a percentage of covered payroll	11.16%	12.02%

Notes to Schedule:

Valuation Date	6/30/2018	6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age actuarial cost method **
Amortization period	Not to exceed 30 years
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	7.00%
Mortality	2014 CalPERS Active Mortality for Miscellaeous Employees ***

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

** Entry age is based on the age at hire for eligible employees. The attribution period is determined as the To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

*** The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

Fiscal year end	6/30/2019	6/30/2018
Measurement date	6/30/2018	6/30/2017
Total OPEB Liability:		
Service cost	$ 60,403	$ 57,213
Interest on total OPEB liability	196,587	193,030
Difference between expected and actual experience	(72,952)	-
Benefit payments	(165,154)	(238,454)
Net Change in Total OPEB Liability	18,884	11,789
Total OPEB Liability - Beginning of Year	2,860,763	2,848,974
Total OPEB Liability - End of Year (a)	2,879,647	2,860,763
Plan Fiduciary Net Position:		
Contributions - employer	178,972	294,400
Net investment income	74,035	87,734
Administrative expenses	(1,727)	(450)
Benefit payments	(165,154)	(238,454)
Net Change in Plan Fiduciary Net Position	86,126	143,230
Plan Fiduciary Net Position - Beginning of Year	930,294	787,064
Plan Fiduciary Net Position - End of Year (b)	1,016,420	930,294
Net OPEB Liability - Ending (a)-(b)	$ 1,863,227	$ 1,930,469
Plan fiduciary net position as a percentage of the total OPEB liability	35.30%	32.52%
Covered payroll	$ 1,584,350	$ 1,698,321
Net OPEB liability as percentage of covered - employee payroll	117.60%	113.67%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions.

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.