PINE COVE WATER DISTRICT

ANNUAL AUDIT REPORT

Year ended June 30, 2014

Pine Cove Water District
Annual Audit Report
Year ended June 30, 2014

TABLE OF CONTENTS

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Board of Directors
Pine Cove Water District
Idyllwild, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Pine Cove Water District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Cove Water District as of June 30, 2014, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Other Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 25, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering the District's internal control over financial reporting and compliance.

Rogers Anderson Malody & Scott, LLP

San Bernardino, CA
September 25, 2014

Pine Cove Water District
Statement of Net Position
June 30, 2014

ASSETS		
Current Assets:		
Cash	$	45,541
Imprest cash		300
Temporary investments		156,631
Accounts receivable - water sales		13,898
Unbilled revenue		4,970
Due from other governmental agencies		10,734
Inventories of materials and supplies		186,903
Total Current Assets		418,977
Noncurrent Assets:		
Restricted assets		135
Capital assets not being depreciated:		
Land		357,178
Other physical property		271,312
Construction in progress		30,849
Capital assets, net of accumulated depreciation		2,417,365
Total Noncurrent Assets		3,076,839
Total Assets		3,495,816
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses		16,128
Unearned revenue		69,890
Note payable - current		8,027
Loan payable - current		4,342
Other liability - current		12,156
Total Current Liabilities		110,543
Noncurrent Liabilities:		
Note payable		88,114
Loan payable		284,829
Other liability		1,139
Compensated absences payable		26,499
Total Noncurrent Liabilities		400,581
Total Liabilities		511,124
NET POSITION		
Net investment in capital assets		2,691,392
Unrestricted		293,300
Total Net Position	$	2,984,692

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

Pine Cove Water District
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2014

OPERATING REVENUES		
Water sales:		
Residential	$	405,787
Business		20,002
Water services:		
Other		37,756
Total Operating Revenues		463,545
OPERATING EXPENSES		
Source of supply:		
Supervision, labor and expenses		24,062
Pumping:		
Supervision, labor and expenses		21,436
Power purchased for pumping		29,504
Water treatment:		
Supervision, labor and expenses		4,201
Transmission and distribution:		
Supervision, labor and expenses		88,423
Administrative and general:		
Salaries		62,442
Office supplies and other expenses		34,069
Office utilities		7,322
Property insurance, injuries, and damages		28,263
Employees' retirement and benefits		193,634
Maintenance, general plant - auto		9,074
Maintenance, general plant - other		41,735
Professional services		38,182
Other operating:		
Depreciation		136,472
Total Operating Expenses		718,819
Operating Loss		(255,274)
NON-OPERATING REVENUES (EXPENSES)		
Interest income		295
Taxes and assessments		150,282
Franchise and lease payments		172,924
Interest on long term debt		(13,036)
Miscellaneous expense		(1,083)
Total Non-Operating Revenues (Expenses)		309,382
CHANGE IN NET POSITION		54,108
TOTAL NET POSITION, BEGINNING		2,930,584
TOTAL NET POSITION, ENDING	$	2,984,692

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

Pine Cove Water District
Statement of Cash Flows
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	434,010
Cash payments to suppliers for goods/services		(126,104)
Cash payments to employees for services		(389,216)
Other operating revenues		37,756
Net Cash Used for Operating Activities		(43,554)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes and assessments		147,234
Franchise and lease payments		174,268
Non-operating expenses		(1,083)
Net Cash Provided by Noncapital Financing Activities		320,419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(416,708)
Proceeds from capital debt		100,000
Principal payments on debt		(18,844)
Interest paid		(13,036)
Net Cash Used for Capital and Related Financing Activities		(348,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		429
Net Decrease in Cash and Cash Equivalents		(71,294)
Cash and Cash Equivalents - Beginning of Year		273,766
Cash and Cash Equivalents - End of Year	$	202,472
Cash and Cash Equivalents - End of Year Includes:		
Current Assets:		
Cash	$	45,541
Imprest cash		300
Temporary investments		156,631
Totals	$	202,472

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

Pine Cove Water District
Statement of Cash Flows - Continued
For the year ended June 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating Loss	$	(255,274)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		136,472
Change in assets and liabilities:		
Decrease in accounts receivable, water sales		508
Decrease in unbilled revenue		2,591
Decrease in restricted assets		5,122
Decrease in inventories of materials and supplies		60,076
Increase in accounts payable and accrued expenses		1,969
Increase in compensated absences payable		4,982
Net Cash Used for Operating Activities	$	(43,554)

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

Note 1: Summary of Significant Accounting Policies

Description of the Reporting Entity

The Pine Cove Water District was formed on July 30, 1956 for the purpose of providing a domestic water supply under Section 30000 et. seq., of the Water Code. The District office and records are located at 24917 Marion Ridge, Idyllwild, California. Telephone number (951) 659-2675.

District officers are as follows:

Name	Title	Term Expires
Michael Esnard	President	December 2015
Lou Padula	Vice President	December 2017
Robert Hewitt	Secretary/Treasurer	December 2017
Joel Palmer	Director	December 2017
Diana Eskew	Director	December 2015

The Board of Directors meets the second Wednesday of each month.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

The District is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The District utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated by water sales and services while operating expenses pertain directly to the furnishing of those services. Non-operating revenues and expenses are generated by the District but are not directly associated with the normal business of supplying water and services.

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

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* established accounting and financial reporting standards for the financial statements of state and local governments.

Note 1: Summary of Significant Accounting Policies (continued)

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than $2,000, and an estimated useful life of more than one year. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	12 – 50 years
Equipment	5 – 20 years

Other physical property is stated at cost and fair market value for portions contributed at the date of gift.

Budgetary Accounting

The District's budgetary procedures are as follows:

Prior to the beginning of each fiscal year, the District adopts and files an itemized statement of estimated operating expenses, reserve requirements and anticipated revenues with the County Auditor-Controller. The sources of financing for these operating costs and reserve requirements are (1) available net assets carried forward from the preceding year, (2) revenue other than property taxes, and (3) property taxes.

Deposits and Investments

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Investments are reported in the accompanying Statement of Net Position at fair value. Changes in fair value that occur during the 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.

Inventory

Inventories are priced using the first-in/first-out method and are valued at cost. Inventories consist of expendable supplies held for consumption and future additions to capital assets. The cost is recorded as an expense at the time individual inventory items are used.

Uncollectible Accounts

Uncollectible accounts are determined by the allowance method based upon prior experience and management's assessment of the collectability of existing specific accounts.

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through September 25, 2014, the date which the financial statements were available to be issued.

Note 2: Property Tax Calendar

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

Lien Date	January 1	
Levy Date	July 1	
Due Date	November 1	– 1st installment
	February 1	– 2nd installment
Delinquent Date	December 10	– 1st installment
	April 10	– 2nd installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities and districts based on complex formulas prescribed by the state statutes.

Note 3: Cash and Investments

Cash and Investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	$ 45,541
Imprest cash	300
Temporary investments	156,631
Total Cash and Investments	$ 202,472

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

Cash on hand	$ 45,841
Temporary investments	156,631
Total Cash and Investments	$ 202,472

Note 3: Cash and Investments (continued)

Investments Authorized by the District's Investment Policy

The District's investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF) and accounts insured by the Federal Deposit Insurance Corporation (FDIC). The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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 maturity date of each investment:

		Maturity Date
LAIF Investment Pool	$156,631	12 months or less

Disclosures Relating to 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

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

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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government 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. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 3: Cash and Investments (continued)

The collateral for certificates of deposit is generally held in safekeeping by the Federal Home Loan Bank in San Francisco as the third-party trustee. The securities are physically held in an undivided pool for all California public agency depositors. The State Public Administrative Office for public agencies and the Federal Home Loan Bank maintain detailed records of the security pool which are coordinated and updated weekly.

The Treasurer, at his or her discretion, may waive the 110% collateral requirement for deposits which are insured up to $250,000 by the FDIC. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for 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).

As of June 30, 2014, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

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.

All temporary investments are with the Local Agency Investment Fund (LAIF) administered by the State Treasurer's Office. The yield of LAIF for the quarter ended June 30, 2014 was 0.23%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2014 was $64,850,840,279 and $64,870,214,443, respectively. The District's share of the Pool at June 30, 2014 was approximately 0.0002415 percent.

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each district may invest up to $50,000,000 in the Fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. Investments in LAIF are secured by the full faith and credit of the State of California. Included in LAIF’s investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $1,205,901,000. LAIF’s (and the District's) exposure to risk (credit, market or legal) is not currently available.

Pine Cove Water District
Notes to Financial Statements
Year ended June 30, 2014

Note 4: Capital Assets

Activities relating to Capital Assets are presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 238,639	$ 118,539	$ -	$ 357,178
Other physical property	271,312	-	-	271,312
Construction in progress	21,599	263,659	(254,409)	30,849
Total capital assets, not being depreciated	531,550	382,198	(254,409)	659,339
Capital assets, being depreciated:				
Source of supply plant wells	568,518	-	-	568,518
Pumping plant	254,214	-	-	254,214
Water treatment plant	341,418	-	-	341,418
Transmission and distribution plant	2,272,863	-	-	2,272,863
General plant	583,484	288,919	-	872,403
Total capital assets, being depreciated	4,020,497	288,919	-	4,309,416
Less accumulated depreciation for:				
Source of supply plant wells	267,448	18,203	-	285,651
Pumping plant	144,068	10,696	-	154,764
Water treatment plant	55,717	13,628	-	69,345
Transmission and distribution plant	987,583	48,980	-	1,036,563
General plant	300,763	44,965	-	345,728
Total accumulated depreciation	1,755,579	136,472	-	1,892,051
Total capital assets, being depreciated, net	2,264,918	152,447	-	2,417,365
Capital assets, net of depreciation	$ 2,796,468	$ 534,645	$ (254,409)	$ 3,076,704

Note 5: Compensated Absences Payable

Pursuant to the Governmental Accounting Standards Board Statement 16, the accompanying financial statements present accrued vacation benefits due to employees at June 30, 2014. See Long-Term Obligations Note 6 for current year activity.

Note 6: Long-Term Obligations

Activities relating to Long-Term Obligations are presented as follows:

Description	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year	Due Within One Year
Loan Payable - USDA Loan	$ 292,000	$ -	$ 2,829	$ 289,171	$ 4,342
Note Payable - Citizens Business Bank	-	100,000	3,859	96,141	8,027
Other Liability - So Cal Edison	25,451	-	12,156	13,295	12,156
Compensated Absences Payable	21,517	21,835	16,853	26,499	-
Total	$ 338,968	$ 121,835	$ 35,697	$ 425,106	$ 24,525

United States Department of Agriculture (USDA) Loan Agreement

On October 5, 2012, the district entered into a loan agreement with the United States Department of Agriculture in the amount of $292,000 with a fixed interest rate of 2.75%, monthly payments of principal and interest of $1,020 beginning November 19, 2013. The purpose of this loan was to provide for the purchase of vehicle and pipeline materials.

Future payment requirements are as follows:

Loan Payable - USDA Loan

June 30,	Principal	Interest	Total
2015	$ 4,342	$ 7,898	$ 12,240
2016	4,463	7,777	12,240
2017	4,587	7,653	12,240
2018	4,715	7,525	12,240
2019	4,847	7,393	12,240
2020-2024	26,334	34,866	61,200
2025-2029	30,211	30,989	61,200
2030-2034	34,659	26,541	61,200
2035-2039	39,761	21,439	61,200
2040-2044	45,615	15,585	61,200
2045-2049	52,331	8,869	61,200
2050-2053	37,306	1,701	39,007
Total	$ 289,171	$ 178,236	$ 467,407

Note 6: Long-Term Obligations (continued)

Note Payable – Citizens Business Bank

On December 1, 2013, the district entered into an installment agreement with the Municipal Finance Corporation in the amount of $100,000 with a fixed interest rate of 5.25%, with quarterly payments of principal and interest of $3,229 beginning at the closing date. The note was assigned to Citizens Business Bank effective December 18, 2013. The purpose of this installment agreement was to finance the acquisition of land currently being used by the District to provide water services to its customers.

Future payment requirements are as follows:

Note Payable - Citizens Business Bank			
June 30,	Principal	Interest	Total
2015	$ 8,027	$ 4,891	$ 12,918
2016	8,456	4,462	12,918
2017	8,909	4,009	12,918
2018	9,386	3,532	12,918
2019	9,889	3,029	12,918
2020-2024	51,474	6,655	58,129
Total	$ 96,141	$ 26,578	$ 122,719

Note 7: Operating Leases

The District is the lessor of real property under operating leases expiring in various years. The cost and carrying amount of the land being leased has not been segregated from the other land the District holds.

Note 8: District Employees' Retirement Plan (Defined Benefit Pension Plan)

Plan Description: Pine Cove Water District contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Participants are required to contribute 8% of their annual covered salary. The District currently contributes 4 ½% of the 8% required contribution on covered payroll on behalf of their employees and the employees pay 3 ½%. Beginning in fiscal year 2007-08 the employees began contributing ½ of 1% of the 8% required employee's contribution. Each subsequent year, the employees will pick up an additional ½ % a year until fiscal year 2014-15, at which time the District and the Employee's will each be paying half of the employee's contribution (4% each of covered payroll). The District is required to contribute at an actuarially determined rate; the current rate for the period ended June 30, 2014, is 21.761% of annual covered payroll. The contribution requirements of plan members are established by State statute and the employer contribution rate is established by and may be amended by CalPERS.

Note 8: District Employees' Retirement Plan (Defined Benefit Pension Plan) (continued)

The following represents the required contributions for the past three fiscal years:

Fiscal Year	Required Contributions		Percent Contributed
6/30/12	$	48,400	100%
6/30/13	$	49,727	100%
6/30/14	$	53,740	100%

Note 9: Postemployment Benefits Other Than Pensions

Plan description: The District administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses. The Agency pays minimum/maximum of the medical insurance costs for eligible retirees.

Agency's funding policy: The District's contribution requirements to cover the costs of its post employment benefits plan are established and may be amended by the District's Governing Board. The District voluntarily prefunds its annual contribution requirement (i.e. to set aside funds in advance of when medical premiums become due). Amounts that are prefunded are deposited into a prefunding account with CalPERS' California Employer's Retiree Benefit Trust Program ("CERBT"), the prefunding plan under Government Code Section 22940 for prefunding health care coverage for annuitants). CERBT is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans with pooled administrative and investment functions. Assets held in this trust are considered to be assets held in a fiduciary capacity on behalf of District employees and these assets accordingly have been excluded from the Agency's reported assets. The CalPERS CERBT publishes GASB 43 compliant Financial Statements, Notes, and Required Supplementary Information which may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB cost and net OPEB obligation (asset): The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (asset) for these benefits:

Year End	Annual OPEB Cost		Actual Contribution		Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)	
June 30, 2013	$	32,958	$	33,221	101%	$	(5,257)
June 30, 2014	$	38,343	$	33,221	87%	$	(135)

Note 9: Postemployment Benefits Other Than Pensions (continued)

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2014 is as follows:

	June 30, 2014
Annual required contribution	$ 33,221
Interest on net OPEB obligation	(400)
Adjustment to annual required contribution	5,522
Annual OPEB cost	38,343
Contributions made	(33,221)
Increase (decrease) in net OPEB obligation	5,122
Net OPEB obligation (asset) - beginning of year	(5,257)
Net OPEB obligation (asset) - end of year	$ (135)

Funded Status: The funded status of the plan as of July 1, 2013, the date of the most recent actuarial valuation, was as follows:

Actuarial Accrued Liability (AAL)	$ 58,643
Value of trust assets at June 30, 2014	33,873
Unfunded Actuarial Accrued Liability (UAAL)	$ 24,770
Funded ratio (value of trust assets / AAL)	57.8%
Covered payroll (active plan members)	$ 221,923
UAAL as a percentage of covered payroll	11.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Valuation date	July 1, 2013
Actuarial cost method	Entry Age Cost, Level Percent Pay
Asset valuation method	Market Value of assets
Discount Rate	Pre-funded rate: 6.25%
Salary Increase	3.25% per year
Rate of return on investments	7.61% per annum

Note 9: Postemployment Benefits Other Than Pensions (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$ -	$ 54,995	$ 54,995	0.0%	$ 210,862	26.1%
7/1/2013	$ 33,873	$ 58,643	$ 24,770	57.8%	$ 221,923	11.2%

Note 10: District 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; and natural disasters for which the District carries commercial insurance. Premiums are paid annually by the District. For the fiscal year ended June 30, 2014, the District paid $17,854 in premiums.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2014, there were no such liabilities to be reported.