PINE COVE WATER DISTRICT

ANNUAL AUDIT REPORT

Year ended June 30, 2015

Pine Cove Water District
Annual Audit Report
Year ended June 30, 2015

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

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

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, 2015, 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, 2015, 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.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 2*7 and GASB Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 19, 2015 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
October 19, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the Pine Cove Water District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information contained within this overview and analysis in conjunction with the financial statements and the related notes.

The Water District

Pine Cove Water District (PCWD) was incorporated on August 2, 1956, and established under Division 12 of the Water Code of the State of California. PCWD has been engaged in financing, constructing, operating, maintaining and furnishing retail water service to its customers since inception. PCWD currently serves the Pine Cove area and has 1,098 connections. PCWD is governed by a five member Board of Directors that is elected at large, from the registered voters, living within the District's boundaries. The Board meets at 10:00 am on the 2nd Wednesday of each month at the District office's Board Room.

Water Supply

Pine Cove Water District has 18 deep vertical wells located throughout our service area. We produce anywhere from 32 to 43 million gallons annually. We have no connection to State or imported water, and no surface water rights. All ground water is treated through one of our two treatment facilities. The District is known for having great tasting and excellent quality of water, with plenty for our customers.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2015 by $2,607,461 (*net position).* It is important to note that this amount represents assets less liabilities. Accordingly, some assets are not available to meet the near-term financial requirements of the District; $2,808,921 represents the net investment in capital assets. Due to the GASB 68 implementation and addition of the net pension liability to the Statement of Net Position, the remainder of the net position balance was a negative unrestricted amount of ($201,460).

- Total revenues of the District decreased only $118.

- Total expenses of the District decreased $3,043.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Pine Cove water District's basic financial statements. The District's basic financial statements are comprised of three components.

The Statement of Net Position presents all information on the District's assets and deferred outflows of resources, and, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or assessments and earned but unused vacation leave).

The Statement of Cash Flow presents the actual cash inflows and outflows during the most recent fiscal year. It also details how the District obtains cash through financing and investing activities and how cash is spent for those purposes.

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the District's financial statements. The notes can be found in this report as listed in the table of contents.

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the District's proportionate share of the CalPERS plan net pension liability. Also included within the Required Supplementary Information is a schedule of CalPERS pension plan contributions. Required Supplementary Information can be found in this report as listed in the table of contents.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Pine Cove Water District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,607,461 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, $2,808,921, reflects its investment in capital assets (e.g., land, buildings, vehicles, wells, reservoirs, transmission mains, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	2015	2014
Assets:		
Current and other assets	$ 352,564	$ 419,112
Capital assets	3,236,939	3,076,704
Total Assets	3,589,503	3,495,816
Deferred Outflows of Resources	74,490	-
Liabilities:		
Current Liabilities	121,243	110,543
Non-Current Liabilities	830,657	400,581
Total Liabilities	951,900	511,124
Deferred Inflows of Resources	104,632	-
Net Position		
Net investment in capital assets	2,808,921	2,691,392
Unrestricted	(201,460)	293,300
Total Net Position	$ 2,607,461	$ 2,984,692

At the end of the current fiscal year, the District reported negative unrestricted net position, as noted above, due to the new reporting of the net pension liability, thus increasing non-current liabilities and reducing the unrestricted net position available.

Condensed Statement of Revenues, Expenses and Changes in Net Position

Total Net Position	$ 2,607,461	$ 2,984,692

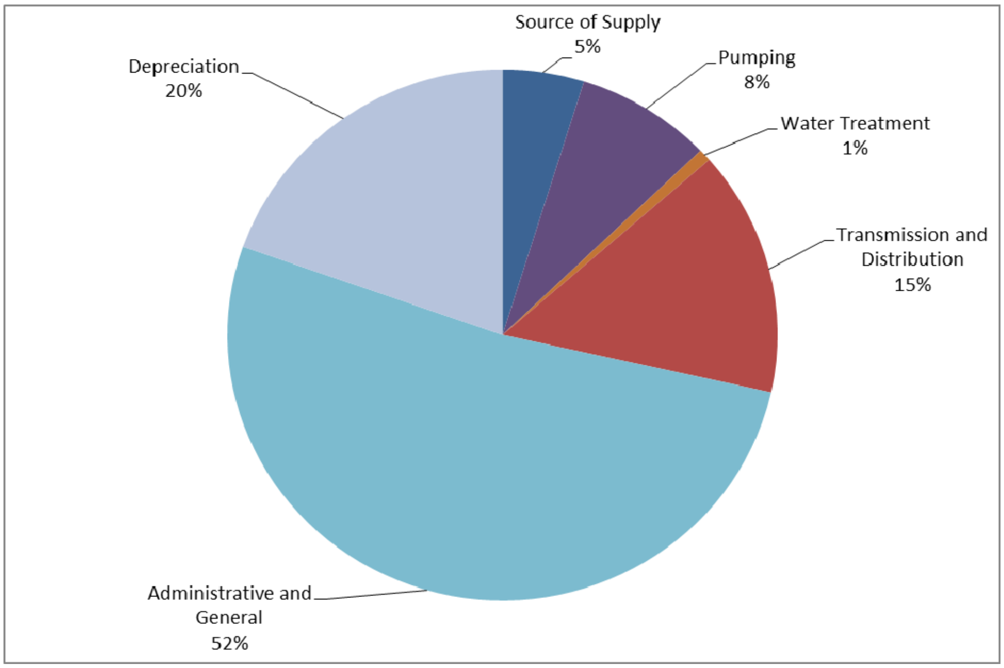
	2015	2014
Operating Revenues	$ 463,427	$ 463,545
Operating Expenses	715,776	718,819
Non-Operating Revenues (Expenses)	321,477	309,382
Change in Net Position	69,128	54,108

There was no significant change to operating revenue at the end of the current fiscal year. The District's operating revenues are from water sales to its residents.

Operating expenses decreased $3,043, or 0.42 percent compared to the prior year.

The majority of the non-operating revenue is derived from property tax assessments and payments from leased cell towers.

As shown in the chart below, administrative and general expenses represent 52% of total expenses, which depreciation accounts for another 20% of expenses. The magnitude of these two expense categories demonstrates that the delivery of water to customers is a labor and capital intensive enterprise.



Capital Assets and Debt Administration

The District's investment in capital assets totals $2,808,921, (net of accumulated depreciation) as of June 30, 2015. This investment in capital assets includes land, other physical property, construction in progress, wells, pumping plants, water treatment plants, transmission and distribution plants and other plant-related items. The decrease in the District's investment in capital assets for the current fiscal year was the result of a new liability incurred for the purchase of a new tractor. Additional information on the District's capital assets can be found in Note 4 of this report.

At the end of the current fiscal year and last fiscal year, Pine Cove water District had no bonded debt outstanding. In June 2015, the District paid off, in full its liability owed to Southern California Edison. In July 2014, the District incurred a new loan payable to CNH Capital for the purchase of a new tractor, as mentioned above.

Water Rates for Pine Cove Water District

The water rate schedule for PCWD was changed on April 1, 2015. Effective April 2015, the monthly minimum charge for PCWD was increased by $2.00 per month bringing the monthly minimum charge to $28.50. The basic quantity allocation rate was increased 20% across the board, and the tiers were changed from 6 tiers to 4 tiers.

Capital Improvements

The District continues to improve its infrastructure by having an aggressive main line replacement program. During the past two years, we have replaced over 2 miles of main lines, utilizing District personnel only. Our total assets of $3,589,503 continue to rise. This year, our construction in progress was $203,579. This project is to be completed during calendar year 2015. Those monies plus this year's improvements will be added to our assets.

Planned Improvements

The most important element of our improvement program is to continue doing all maintenance programs. By doing so, the District has no deferred maintenance at this time. We are in our 3rd year of an aggressive 10 year pipeline replacement program. We are planning to install over 4,000 feet of new pipeline next year.

Regulatory Agencies

The United States Environmental Protection Agency (USEPA) and the California Department of Health Services prescribe regulations that establish standards for the drinking water provided by PCWD to its customers. PCWD continually tests the water it delivers to its customers to ensure that the water meets all standards.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the General Manager, P.O. Box 2296, Idyllwild, CA 92549. We also encourage all to visit our website and blog at www.pcwd.org.

Pine Cove Water District
Statement of Net Position
June 30, 2015

ASSETS		
Current Assets:		
Cash	$	87,766
Imprest cash		300
Temporary investments		106,912
Accounts receivable - water sales		17,911
Unbilled revenue		6,582
Due from other governmental agencies		8,471
Inventories of materials and supplies		124,528
Total Current Assets		352,470
Noncurrent Assets:		
Restricted assets		94
Capital assets not being depreciated:		
Land		357,178
Other physical property		271,312
Construction in progress		203,579
Capital assets, net of accumulated depreciation		2,404,870
Total Noncurrent Assets		3,237,033
TOTAL ASSETS		3,589,503
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension contributions		74,490

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

Pine Cove Water District
Statement of Net Position, Continued
June 30, 2015

LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	7,403
Unearned revenue		73,383
Note payable - current		8,456
Loans payable - current		32,001
Total Current Liabilities		121,243
Noncurrent Liabilities:		
Note payable		79,658
Loans payable		307,903
Compensated absences payable		27,873
Net pension liability		415,223
Total Noncurrent Liabilities		830,657
Total Liabilities		951,900
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension contributions		104,632
NET POSITION		
Net investment in capital assets		2,808,921
Unrestricted		(201,460)
Total Net Position	$	2,607,461

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, 2015

OPERATING REVENUES		
Water sales:		
Residential	$	419,160
Business		25,022
Meters and connections		7,544
Water services:		
Other		11,701
Total Operating Revenues		463,427
OPERATING EXPENSES		
Source of supply:		
Supervision, labor and expenses		34,250
Pumping:		
Supervision, labor and expenses		25,930
Power purchased for pumping		31,363
Water treatment:		
Supervision, labor and expenses		5,303
Transmission and distribution:		
Supervision, labor and expenses		106,961
Administrative and general:		
Salaries		46,983
Office supplies and other expenses		31,623
Office utilities		5,728
Property insurance, injuries, and damages		29,657
Employees' retirement and benefits		147,083
Maintenance, general plant - auto		11,817
Maintenance, general plant - other		41,846
Professional services		56,831
Other operating:		
Depreciation		140,401
Total Operating Expenses		715,776
Operating Loss		(252,349)
NON-OPERATING REVENUES (EXPENSES)		
Interest income		280
Taxes and assessments		152,517
Franchise and lease payments		182,109
Interest on long term debt		(12,789)
Miscellaneous expense		(640)
Total Non-Operating Revenues (Expenses)		321,477
CHANGE IN NET POSITION		69,128
BEGINNING NET POSITION, AS RESTATED		2,538,333
ENDING NET POSITION	$	2,607,461

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 446,142
Cash payments to suppliers for goods/services	(156,208)
Cash payments to employees for services	(365,136)
Other operating revenues	11,701
Net Cash Used for Operating Activities	(63,501)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes and assessments	154,780
Franchise and lease payments	185,601
Non-operating expenses	(640)
Net Cash Provided by Noncapital Financing Activities	339,741
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(300,636)
Proceeds from capital debt	82,613
Principal payments on debt	(53,202)
Interest paid	(12,789)
Net Cash Used for Capital and Related Financing Activities	(284,014)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	280
Net Decrease in Cash and Cash Equivalents	(7,494)
Cash and Cash Equivalents - Beginning of Year	202,472
Cash and Cash Equivalents - End of Year	$ 194,978
Cash and Cash Equivalents - End of Year Includes:	
Current Assets:	
Cash	$ 87,766
Imprest cash	300
Temporary investments	106,912
Totals	$ 194,978

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, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating Loss	$	(252,349)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		140,401
Change in deferred inflows and deferred outflows		(993)
Change in assets and liabilities:		
Increase in accounts receivable, water sales		(4,013)
Increase in unbilled revenue		(1,612)
Decrease in restricted assets		41
Decrease in inventories of materials and supplies		62,375
Decrease in accounts payable and accrued expenses		(8,725)
Increase in compensated absences payable		1,374
Net Cash Used for Operating Activities	$	(63,501)

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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.

Implementation of New Pronouncements

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

These pronouncements have been implemented 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 Plans’ 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.

Note 1: **Summary of Significant Accounting Policies** (continued)

Pension Plan

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

See also Note 8 - District Employees' Retirement Plan (Defined Benefit Pension Plan) and Note 9 - Postemployment Benefits Other Than Pensions.

Date of Management's Review

Management has evaluated subsequent events through October 19, 2015, 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, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash	$	87,766
Imprest cash		300
Temporary investments		106,912
Total Cash and Investments	$	194,978

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	$	88,066
Temporary investments		106,912
Total Cash and Investments	$	194,978

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	$106,912	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.

Note 3: Cash and Investments (continued)

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.

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, 2015, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Note 3: Cash and Investments (continued)

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, 2015 was 0.29%. The estimated amortized cost and fair value of the LAIF Pool at June 30, 2015 was $69,614,988,609 and $69,641,162,418, respectively. The District's share of the Pool at June 30, 2015 was approximately 0.0001535 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 $1,447,948,000. LAIF’s (and the District's) exposure to risk (credit, market or legal) is not currently available.

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	$ 357,178	$ -	$ -	$ 357,178
Other physical property	271,312	-	-	271,312
Construction in progress	30,849	172,730	-	203,579
Total capital assets, not being depreciated	659,339	172,730	-	832,069
Capital assets, being depreciated:				
Source of supply plant wells	568,518	7,921	-	576,439
Pumping plant	254,214	-	-	254,214
Water treatment plant	341,418	-	-	341,418
Transmission and distribution plant	2,272,863	8,222	-	2,281,085
General plant	872,403	111,763	-	984,166
Total capital assets, being depreciated	4,309,416	127,906	-	4,437,322
Less accumulated depreciation for:				
Source of supply plant wells	285,651	18,432	-	304,083
Pumping plant	154,764	10,666	-	165,430
Water treatment plant	69,345	13,628	-	82,973
Transmission and distribution plant	1,036,563	48,817	-	1,085,380
General plant	345,728	48,858	-	394,586
Total accumulated depreciation	1,892,051	140,401	-	2,032,452
Total capital assets, being depreciated, net	2,417,365	(12,495)	-	2,404,870
Capital assets, net of depreciation	$ 3,076,704	$ 160,235	$ -	$ 3,236,939

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, 2015. 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	$ 289,171		$ -	$ 4,342	$ 284,829	$ 4,463
Note Payable - Citizens Business Bank	96,141			8,027	88,114	8,456
Other Liability - So Cal Edison	13,295			13,295	-	-
Loan Payable - CNH Capital	-		82,613	27,538	55,075	27,538
Compensated Absences Payable	26,499		22,669	21,295	27,873	-
Net Pension Liability	519,547	(a)	180,156	284,480	415,223	-
Total	$ 944,653		$ 285,438	$ 358,977	$ 871,114	$ 40,457

(a) This liability was not included on the prior year financial statements and is a result of the implementation of GASB 68, as discussed in Note 1.

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
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	4,982	7,258	12,240
2021 - 2025	27,068	34,132	61,200
2026 - 2030	31,053	30,147	61,200
2031 - 2035	35,624	25,576	61,200
2036 - 2040	40,869	20,331	61,200
2041 - 2045	46,885	14,315	61,200
2046 - 2050	53,788	7,412	61,200
2051 - 2053	25,948	817	26,765
Total	$ 284,829	$ 170,336	$ 455,165

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
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	10,418	2,500	12,918
2021 - 2024	41,056	4,156	45,212
Total	$ 88,114	$ 21,688	$ 109,802

CNH Capital Loan Agreement

On July 15, 2014, the district entered into a zero-interest loan agreement with CNH Capital in the amount of $82,613 with monthly payments of $2,295 beginning July 15, 2014. The purpose of this loan was to provide for the purchase of a New Holland tractor.

Future payment requirements are as follows:

Loan Payable - CNH Capital

June 30,	Principal	Interest	Total
2016	$ 27,538	$ -	$ 27,538
2017	27,537	-	27,537
Total	$ 55,075	$ -	$ 55,075

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)

A. General Information about the Pension Plan

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS’ audited financial statements are publicly available reports that can be obtained on their website under Forms and Publications, at www.calpers.ca.gov.

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. 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 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan operates under the provisions of the California Public Employees’ Retirement Law (PERL), the California Public Employees’ Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan’s authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

The Plan’s provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	22.508%	6.25%

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

A. General Information about the Pension Plan (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) 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. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate is 3.5 percent of annual pay, and the employer's contribution rate is 21.761 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2014 are $53,988. Employer Paid Member Contributions for the measurement period ended June 30, 2014 are $19,508. The actual employer payments of $53,988 made to CalPERS by the District during the measurement period ended June 30, 2014 differed from the District's proportionate share of the employer's contributions of $40,275 by $13,713, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

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

B. Net Pension Liability (continued)

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases (1)	Varies by Entry Age and Service
Investment Rate of Return (2)	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service
(2) Net of pension plan investment and administrative expenses; includes inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

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

B. Net Pension Liability (continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	100%		

[1] An expected inflation of 2.5% used for this period

[2] An expected inflation of 3.0% used for this period

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

B. Net Pension Liability (continued)

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS’ audited financial statements, which are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications, at www.calpers.ca.gov. The plan’s fiduciary net position and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the District’s GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

C. Proportionate Share of Net Pension Liability

The following table shows the Plan’s proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (c) = (a) - (b)**
Balance at: 6/30/2013 (VD)	$ 1,786,855	$ 1,267,308	$ 519,547
Balance at: 6/30/2014 (MD)	$ 1,893,190	$ 1,477,967	$ 415,223
Net Changes during 2013-14	$ 106,335	$ 210,659	$ (104,324)

Valuation Date (VD), Measurement Date (MD)

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website under Forms and Publications, at www.calpers.ca.gov. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

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

C. Proportionate Share of Net Pension Liability (continued)

	Miscellaneous
Proportionate Share - June 30, 2013	0.01586%
Proportionate Share - June 30, 2014	0.01680%
Change - Increase (Decrease)	0.00094%

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 of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.50%)
Plan's Net Pension Liability/(Asset)	$ 666,379	$ 415,223	$ 206,788

Subsequent Events

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

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

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

D. Proportionate Share of Net Pension Liability (continued)

The EARSL for the Plan for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

E. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability is $519,547 (the net pension liability of the Miscellaneous Risk Pool as of June 30, 2013 is $3,276,668,431).

For the measurement period ending June 30, 2014 (the measurement date), the District incurred a pension expense of $63,392 for the Plan (the pension expense for the risk pool for the measurement period is $239,824,465).

Pension Expense Component	Risk Pool Amounts	Employer's Share	Percentage of Employer's Share
Service Cost	$ 338,829,351	$ 47,142	0.01391%
Interest on the Total Pension Liability	921,162,366	133,014	0.01444%
Recognized Differences between Expected and Actual Experience	-	-	N/A
Recognized Changes of Assumptions	-	-	N/A
Employee Contributions	(159,834,203)	(18,927)	0.01184%
Employer Paid Member Contributions		19,508	
Projected Earnings on Pension Plan Investments	(678,133,636)	(94,462)	0.01393%
Recognized Differences between Projected and Actual Earnings on Plan Investments	(182,199,413)	(25,380)	0.01393%
Other Changes in Fiduciary Net Position	-	-	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	(1,112)	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	3,609	N/A
Subtotal: Expense Components	$ 239,824,465	$ 63,392	
Changes of Benefit Terms	-	-	
Pension Expense/(Income)	**$ 239,824,465**	**$ 63,392**	

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

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

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

As of June 30, 2014, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ -	$ (101,519)
Adjustment due to Differences in Proportions	-	(3,113)
Net Difference between Contributions and Proportionate Share of Contributions	10,104	-
Pension Contributions Subsequent to Measurement Date	64,386	-
Total	**$ 74,490**	**$ (104,632)**

These amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense. The $64,386 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2015	$ (26,492)
2016	(22,883)
2017	(22,660)
2018	(22,493)
2019	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2015, the District reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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)
June 30, 2015	5,755	5,714	99%	(94)

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 2015 is as follows:

	June 30, 2015
Annual required contribution	$ 5,714
Interest on net OPEB obligation	(10)
Adjustment to annual required contribution	51
Annual OPEB cost	5,755
Contributions made	(5,714)
Increase (decrease) in net OPEB obligation	41
Net OPEB obligation (asset) - beginning of year	(135)
Net OPEB obligation (asset) - end of year	$ (94)

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, 2015	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, 2015, the District paid $1,769 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, 2015, there were no such liabilities to be reported.

Note 11: Prior Year Restatement

Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statement No. 68 effective July 1, 2014. GASB 68, among other provisions, amended prior guidance with respect to the reporting of pensions. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the District's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

Accordingly, beginning net position on the Statement of Activities has been restated for any change related to GASB 68 as shown below:

Statement of Activities:

Beginning net position, as previously reported	$2,984,692
Restatement due to change in accounting principle	(446,359)
Beginning net position, as restated	$2,538,333

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Pine Cove Water District
Schedule of the Local Government's Proportionate Share
Of the Plan's Net Pension Liability and Related Ratios
as of the Measurement Date
Last 10 Years*

	6/30/2014
Plan's Proportion of the Net Pension Liability/(Asset)	0.00667%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 415,223
Plan's Covered-Employee Payroll[1]	$ 248,097
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a percentage of its Covered-Employee Payroll	167.36%
Plan's Proportion of the Fiduciary Net Position[2]	0.01389%
Plan's Share of Risk Pool Fiduciary Net Position[2]	$ 1,477,967
Plan's Additional Payments to Side Fund During Measurement Period	$ -
Plan's Proportionate Share of the Fiduciary Net Position (*sum of the two preceding lines*)	$ 1,477,967
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	78.07%
Plan's Proportionate Share of Aggregate Employer Contributions[3]	$ 39,967

[1] Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

[2] The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

[3] The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Required Supplementary Information
Pine Cove Water District
Schedule of Plan Contributions
Last 10 Years*

	Fiscal Year 2013-14
Actuarially Determined Contribution	$ 53,988
Contributions in Relation to the Actuarially Determined Contribution	(53,988)
Contribution Deficiency (Excess)	$ -
Covered-Employee Payroll	$ 248,097
Contributions as a Percentage of Covered-Employee Payroll	21.76%

[1] Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None