Rincon del Diablo Municipal Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rincon del Diablo Municipal Water District
Escondido, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Rincon del Diablo Municipal Water District as of and for the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Offices located in Orange and San Diego Counties

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Rincon del Diablo Municipal Water District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and California regulations governing Special Districts.

Emphasis of Matters

As discussed in Notes 1 and 10 to the basic financial statements, the District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a $3,190,870 reduction of previously reported net position. As discussed in Note 10 to the financial statements, the beginning net position has also been restated for other items. 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, Budgetary Comparison Schedule, Governmental Fund, Schedule of Funding Progress - Other Post Employment Benefit Plan, Schedule of Contributions - Defined Benefit Pension Plans and Schedule of the Proportionate Share of the Net Pension Liability 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 management's discussion and analysis, Schedule of Funding Progress - Other Post Employment Benefit Plan, Schedule of Contributions - Defined Benefit Pension Plans and Schedule of the Proportionate Share of the Net Pension Liability because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rincon del Diablo Municipal Water District's basic financial statements. The Schedule of Revenues and Expenses by Operating Department is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenses by Operating Department is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses by Operating Department is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

White Nelson Diehl Evans LLP

Carlsbad, California
November 20, 2015

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Rincon del Diablo Municipal Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section. Topics covered in this section include:

- Financial Statements Overview
- Financial Highlights
- Financial Analysis
- Capital Asset Administration
- Debt Administration
- Economic Factors
- Changes to the Basic Financial Statements
- Contacting the District's Financial Management

Financial Statements Overview

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements reflect how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements.

The Financial Statements include the following:

- The Government-wide Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

- The Government-wide Statement of Activities accounts for all of the current year's revenue and expenses. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate credit worthiness and positive fiscal operations.

- Governmental Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Fund accounts for the activities of the Fire District using the modified accrual method of accounting.

- The Proprietary Funds Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide information about the District's core activities of delivering potable and recycled water, while non-operating revenues and expenses (investment income, property tax, capacity and connection charges) are not directly related to the core activities of the District. These funds are reported using accounting methods similar to those used by private sector companies.

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

Financial Statements Overview (Continued)

- The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by Generally Accepted Accounting Principles (GAAP) that are not otherwise visible in the financial statements. The notes immediately follow the statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 through 42.

Financial Highlights

Operating revenues covered operating expenses in the District's water service activity, resulting in operating income of $332,589. This was mainly due to continued cost containment efforts of the District.

Highlights for Fiscal Year 2015 are as follows:

- The District's net position for the current fiscal year decreased by $531,089 or 1%.
- All revenues for the year totaled $18,814,208, a decrease of $2,818,059 or 13% over the prior year.
- Charges for services revenues for the year totaled $14,497,603, a decrease of $783,843 or 5% over the prior year.
- Expenses for the year totaled $16,101,604, a decrease of $294,781 or 2% over the prior year.
- Total assets at year end were $61,477,197, an increase of $7,362,510 or 14% over the prior year.
- Total liabilities at year end were $9,560,136, an increase of $7,035,456 or 279% over the prior year as a result of the Harmony Grove Village deposits and new net pension liability accounting.
- The District adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required a restatement of beginning net position of $3,190,870.

Financial Analysis

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

Financial Analysis (Continued)

Net Position

Net Position is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with GAAP, capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by developers are recorded at developers' construction cost. Net Position represents the District's net worth including, but not limited to, capital contributions received to date and all investment in capital assets since formation.

Condensed Statements of Net Position

	2015	2014	Change
ASSETS:			
Current assets	$ 26,107,458	$ 19,142,567	$ 6,964,891
Noncurrent assets	-	112,570	
Capital assets, net	35,369,739	34,972,120	397,619
Total Assets	61,477,197	54,227,257	7,362,510
DEFERRED OUTFLOWS OF RESOURCES:	287,309	-	287,309
LIABILITIES:			
Current liabilities	7,033,715	2,524,680	4,509,035
Noncurrent liabilities	2,526,421	-	2,526,421
Total Liabilities	9,560,136	2,524,680	7,035,456
DEFERRED INFLOWS OF RESOURCES:	1,032,882	-	1,032,882
NET POSITION:			
Investment in capital assets	35,369,739	34,972,120	397,619
Unrestricted	15,801,749	16,730,457	(928,708)
Total Net Position	$ 51,171,488	$ 51,702,577	$ (531,089)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by $51,171,488 and $51,702,577 as of June 30, 2015 and 2014, respectively.

By far the largest portion of the District's net position (69% as of June 30, 2015 and 68% as of June 30, 2014) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2015 and 2014, the District showed a positive balance in its unrestricted net position of $15,801,749 and $16,730,457, respectively, which may be utilized in future years.

The decrease in Total Net Position is primarily due to a decrease in the Rate Stabilization and Capital Replacement Reserves, which were used to smooth rate increases.

Financial Analysis (Continued)

Changes in Net Position

While the Statement of Net Position focuses on the District's financial position at June 30 of each year, the Statement of Activities summarizes the District's operations during the year. Revenues are recorded when services are provided, and expenses are recorded when incurred.

Condensed Statement of Activities

	2015	2014	Change
REVENUE:			
Charges for services	$ 14,497,603	$ 15,281,446	$ (783,843)
Operating grants and contributions	-	-	-
Capital grants and contributions	1,444,514	3,567,233	(2,122,719)
General revenues	2,872,091	2,783,588	88,503
Total Revenue	18,814,208	21,632,267	(2,818,059)
EXPENSE:			
Public safety - fire services	1,938,629	1,488,012	450,617
Recycled water service	13,790,806	14,502,503	(711,697)
Potable water service	372,169	405,870	(33,701)
Total Expense	16,101,604	16,396,385	(294,781)
Change in Net Position	2,712,604	5,235,882	(2,523,278)
Net position at beginning of year, as previously stated	51,702,577	46,466,695	5,235,882
Prior Period Adjustment	(3,243,693)	-	(3,243,693)
Net position at beginning of year, as restated	48,458,884	46,466,695	1,992,189
Net position at end of year	$ 51,171,488	$ 51,702,577	$ (531,089)

The statement of activities shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position increased by $2,712,604 and $5,235,882 for the fiscal years ended June 30, 2015 and 2014, respectively.

Revenues

A closer examination of the sources of changes in net position reveals that: In 2015, the District's charges for services revenues decreased 5% or $783,843 primarily due to a $1,256,567 decrease in water sales offset mainly by a $730,615 increase in connection fees and engineering revenue.

Expenses

In 2015, the District's expenses decreased 2% or $294,781 primarily due to a decrease in water fund expenses of $764,379 offset mainly by an increase in governmental activities fund expenses of $461,192.

Financial Analysis (Continued)

Investments

Balances in cash and investment accounts at year end were $24,065,825, an increase of $7,405,211 or 44% from the prior year due to approximately $4,400,000 of prepaid capacity fees paid by developers for the Harmony Grove Village development and a decrease in capital expenditures. The District's portfolio consists primarily of securities with maturities spread over five years, helping to mitigate the effect of a decline in value or market risk. The District also invests with two pooled funds, the California Local Agency Investment Fund (LAIF) and the San Diego County Treasurer's Pooled Money Fund. The pools provide a flexible, liquid source of funds for the District's operating and capital expenses, and over the past several years have yielded interest earning comparable to that of securities. Yields on the portfolio as of June 30, 2015 were 0.94%, an increase of 64% over the yield of 0.57% for 2014 fiscal year end.

Capital Asset Administration

The District's capital assets were financed through a combination of current revenues, available reserves from the capital funds and capacity and connection charges. The Construction in Progress (CIP) is being funded mainly using the pay-as-you-go method from cash collected from unrestricted funds such as service revenues, reserves and restricted funds such as grants and developers' fees. The District's CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District's Water Master Plan Update was completed June 2014. The master plan is updated every five years and combines all facilities planning efforts within the District's enterprise areas of potable and recycled water.

Changes in capital asset amounts for 2015 were as follows:

	As Restated Balance 2014	Additions	Transfers/ Deletions	Balance 2015
Capital assets:				
Non-depreciable assets	$ 2,332,624	$ 1,257,864	$ (1,640,693)	$ 1,949,795
Depreciable assets	60,176,986	2,379,872	(30,920)	62,525,938
Accumulated depreciation	(27,519,993)	(1,616,921)	30,920	(29,105,994)
Total capital assets, net	$ 34,989,617	$ 2,020,815	$ (1,640,693)	$ 35,369,739

At the end of fiscal year 2015 and 2014, the District's investment in capital assets amounted to $35,369,739 and $34,989,617 (net of accumulated depreciation), respectively. This investment in capital assets includes land, transmission and distribution systems, buildings, equipment, vehicles and construction-in-process, etc. See Note 3 for further information.

Debt Administration

All long-term debt has been paid-off as of June 30, 2013.

Economic Factors

The San Diego County Water Authority (SDCWA) has adopted rate increases effective January 2016 that will raise the District's cost of imported water by approximately 5.4%. The District's planned rate increase through 2020 includes pass through of purchased water wholesale costs, which are expected to increase significantly as the SDCWA begins paying for desalinated seawater through its agreement with Poseidon. The Board's support for raising revenues by adopting pass through ordinance along with its revenue and debt management policy contributed to the District's financial stability especially in mitigating revenue and expense volatility in current economic conditions. The District continues to seek ways to improve business processes and employee productivity through investment in technology to achieve the lowest cost of service possible.

Changes to the Basic Financial Statements

These financial statements provide information for the fiscal year ended June 30, 2015. Comparative years are not provided in these financial statements due to the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The statement addresses accounting and financial reporting for pensions that are provided to state and local governmental employees through pension plans that are administered through trusts. Such reporting includes measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Additional information on GASB 68 and the pension plans provided by the District are included under Note 5.

Contacting the District's Financial Management

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

Basic Financial Statements

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and investments	$ 1,758,885	$ 22,306,940	$ 24,065,825
Accrued interest receivable	20	39,749	39,769
Accounts receivable-water sales and services	-	1,817,191	1,817,191
Property taxes receivable	9,936	3,545	13,481
Accounts receivable-other	10,882	87,639	98,521
Prepaid expenses and other assets	-	72,671	72,671
Total Current Assets	1,779,723	24,327,735	26,107,458
Noncurrent Assets:			
Capital Assets:			
Not being depreciated	-	1,949,795	1,949,795
Capital assets, net of depreciation	-	33,419,944	33,419,944
Total Capital Assets	-	35,369,739	35,369,739
Total Noncurrent Assets	-	35,369,739	35,369,739
TOTAL ASSETS	1,779,723	59,697,474	61,477,197
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amount from Pension	24,324	262,985	287,309
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,324	262,985	287,309
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued liabilities	692,652	1,134,408	1,827,060
Accrued salaries and related payables	-	55,327	55,327
Customer and developer deposits	-	5,140,989	5,140,989
Unearned revenue	-	10,339	10,339
Total Current Liabilities	692,652	6,341,063	7,033,715
Noncurrent Liabilities:			
Compensated absences	-	148,206	148,206
Net Pension Liabililty / (Asset)	(66,430)	2,444,645	2,378,215
Total Noncurrent Liabilities	(66,430)	2,592,851	2,526,421
TOTAL LIABILITIES	626,222	8,933,914	9,560,136
DEFERRED INFLOWS OF RESOURCES:			
Deferred amount from Pension	91,435	941,447	1,032,882
TOTAL DEFERRED INFLOWS OF RESOURCES	91,435	941,447	1,032,882
NET POSITION:			
Net investment in capital assets	-	35,369,739	35,369,739
Unrestricted	1,086,390	14,715,359	15,801,749
TOTAL NET POSITION	$ 1,086,390	$ 50,085,098	$ 51,171,488

STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Public safety- fire services	$ 1,938,629	$ 81,472	$ -	$ -
Total governmental activities	1,938,629	81,472	-	-
Business-Type Activities:				
Recycled water service	372,169	507,296	-	1,326,775
Potable water service	13,790,806	13,908,835	-	117,739
Total business-type activities	14,162,975	14,416,131	-	1,444,514
Total primary government	$ 16,101,604	$ 14,497,603	$ -	$ 1,444,514

(Continued)

GENERAL REVENUES:
- Property taxes-ad valorum
- Redevelopment agency
- Voter-approved tax
- Rental income
- Investment earnings

Total General Revenues

CHANGES IN NET POSITION

NET POSITION - BEGINNING OF YEAR, AS ORIGINALLY STATED

PRIOR PERIOD ADJUSTMENT

NET POSITION - BEGINNING OF YEAR, RESTATED

NET POSITION - END OF YEAR

(Continued)

Net (Expense)/Revenue and Changes in Net Position — Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (1,857,157)	$ -	$ (1,857,157)
(1,857,157)	-	(1,857,157)
-	1,461,902	1,461,902
-	235,768	235,768
-	1,697,670	1,697,670
(1,857,157)	1,697,670	(159,487)
1,630,051	617,588	2,247,639
-	15,270	15,270
305,922	-	305,922
-	128,562	128,562
680	174,018	174,698
1,936,653	935,438	2,872,091
79,496	2,633,108	2,712,604
1,018,150	50,684,427	51,702,577
(11,256)	(3,232,437)	(3,243,693)
1,006,894	47,451,990	48,458,884
$ 1,086,390	$ 50,085,098	$ 51,171,488

GOVERNMENTAL FUND BALANCE SHEET
AND RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
June 30, 2015

	Governmental Fund
ASSETS:	
Cash and investments	$ 1,758,885
Accrued interest receivable	20
Property taxes receivable	9,936
Accounts receivable-other	10,882
Total Assets	$ 1,779,723
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued liabilities	$ 692,652
Total Liabilities	692,652
FUND BALANCE:	
Assigned for public safety	1,087,071
Total Fund Balance	1,087,071
TOTAL LIABILITIES AND FUND BALANCE	$ 1,779,723
Amounts reported for governmental activities in the statement of net position are different becaus	
Fund balance of governmental fund	$ 1,087,071
The net pension asset is not collectible and recieivable in the current period, and therefore, is not reported on the governmental fund balance sheet	66,430
Deferred Outflows and Inflows of Resources present sources and uses of funds that are not available in the current period and therefore are not reported on the governmental fund balance sheet.	
Deferred Outflows of Resources	24,324
Deferred Inflows of Resources	(91,435)
Net position of governmental activities	$ 1,086,390

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS AND THE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

		Governmental Fund
REVENUES:		
Property taxes	$	1,630,051
Voter-approved tax		305,922
Charges for services		81,472
Investment earnings		680
Total Revenues		2,018,125
EXPENDITURES:		
Fire services operating services contract		1,868,389
General and administrative		80,815
Total Expenditures		1,949,204
NET CHANGES IN FUND BALANCE		68,921
FUND BALANCE, July 1,		1,018,150
FUND BALANCE, June 30,	$	1,087,071

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

Net changes in fund balance of total governmental funds	$	68,921
Pension related expenses attributable to the implementation of GASB 68		10,575
Change in net position of governmental activities	$	79,496

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

CURRENT ASSETS:	
Cash and investments	$ 22,306,940
Accrued interest receivable	39,749
Accounts receivable-water sales and services	1,817,191
Property taxes receivable	3,545
Accounts receivable-other	87,639
Prepaid expenses and other assets	72,671
Total Current Assets	24,327,735
NONCURRENT ASSETS:	
Capital assets-not being depreciated	1,949,795
Capital assets-net of depreciation	33,419,944
Total Noncurrent Assets	35,369,739
Total Assets	59,697,474
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amount from Pension	262,985
TOTAL DEFERRED OUTFLOWS OF RESOURCES	262,985
LIABILITIES:	
Accounts payable and accrued liabilities	1,134,408
Accrued salaries and related payables	55,327
Deposits and unearned revenue	5,151,328
Compensated absences	148,206
Net pension liability	2,444,645
Total Liabilities	8,933,914
DEFERRED INFLOWS OF RESOURCES:	
Deferred amount from Pension	941,447
TOTAL DEFERRED INFLOWS OF RESOURCES	941,447
NET POSITION:	
Net investment in capital assets	35,369,739
Unrestricted	14,715,359
Total Net Position	$ 50,085,098

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2015

OPERATING REVENUES:	
Water consumption sales	$ 9,682,084
Water service charges	4,118,076
Other charges and services	615,971
Total Operating Revenues	14,416,131
OPERATING EXPENSES:	
Source of supply	8,548,909
Pumping and water treatment	93,790
Transmission and distribution	1,496,410
Customer service	124,844
General and administrative	2,202,667
Total Operating Expenses	12,466,620
Operating Income (Loss) Before Depreciation	1,949,511
Depreciation	(1,616,922)
Operating Income	332,589
NONOPERATING REVENUES (EXPENSES):	
Property taxes- ad valorum	617,588
Redevelopment agency-property tax increment	15,270
Rental income	128,562
Investment earnings	174,018
Abandonment of assets - expired plans and studies	(79,433)
Total Nonoperating Revenues, net	856,005
Income before capital contributions	1,188,594
CAPITAL CONTRIBUTIONS:	
Connection fees	589,956
Capacity charges	102,758
Capital contributions	751,800
Total Capital Contributions	1,444,514
Change In Net Position	2,633,108
Net position at beginning of year, as previously stated	50,684,427
Prior Period Adjustment	(3,232,437)
Net position at beginning of year, as restated	47,451,990
Net position at end of year	$ 50,085,098

See accompanying independent auditors' report and notes to financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	$	14,964,740
Cash payments for source of supply		(8,548,909)
Cash payments for services and supplies		(2,959,868)
Cash payments to employees for salaries and wages		(1,092,241)
Net Cash Provided (Used) by Operating Activities		2,363,722
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Property taxes-ad valorum received		617,728
Redevelopment agency-property tax increment received		15,270
Net Cash Provided (Used) by Non-Capital and Related Financing Activities		632,998
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets		(2,076,475)
Proceeds from capital contributions		5,833,185
Rental income received		73,271
Net Cash and Cash Equivalents Provided (Used) by Capital and Related Financing Activities		3,829,981
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment earnings		153,245
Net Cash Provided (Used) by Investing Activities		153,245
Net Increase (Decrease) in Cash and Investments		6,979,946
Cash and Cash Equivalents, Beginning of Year		15,326,994
Cash and Cash Equivalents, End of Year	$	22,306,940

Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:

Operating income (loss)	$	332,589
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation		1,616,922
GASB 68 Adjustment to Pension Expense		(56,507)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable-water sales and services		548,609
(Increase) decrease in accounts receivable-other		18,337
(Increase) decrease in prepaid expenses and other assets		(9,082)
Increase (decrease) in accounts payable and accrued liabilities		(97,982)
Increase (decrease) in accrued salaries and related payables		5,685
Increase (decrease) in compensated absences		5,151
Total Adjustments		2,031,133
Net Cash Provided (Used) by Operating Activities	$	2,363,722

See accompanying independent auditors' report and notes to financial statements.

June 30, 2015

1. Summary of Significant Accounting Policies

a. Organization and Operations of the Reporting Entity

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements (Continued)

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

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

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

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

Enterprise Funds

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

1. Summary of Significant Accounting Policies (Continued)

c. New Accounting Pronouncements

Implemented

In fiscal year 2014-2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify 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. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2014 by $3,179,614.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the District.

Pending Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

1. Summary of Significant Accounting Policies (Continued)

d. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The first item is deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The second item is a deferred inflow related to pensions for the changes in employer's proportion and differences between employer's contributions and the employer's proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

e. Financial Reporting

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

f. Assets, Liabilities and Net Position

Cash and Cash Equivalents
Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

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

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

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

1. Summary of Significant Accounting Policies (Continued)

f. Assets, Liabilities and Net Position (Continued)

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

The property tax calendar is as follows:

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

Capital Assets
Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at $5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

Compensated Absences
Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes to compensated absences for 2015 were as follows:

Balance 2014	Earned	Taken	Balance 2015
$ 143,054	$ 162,178	$ (157,026)	$ 148,206

1. Summary of Significant Accounting Policies (Continued)

f. Assets, Liabilities and Net Position (Continued)

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

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

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

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

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

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

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

g. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

1. Summary of Significant Accounting Policies (Continued)

h. Use of Estimates

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

2. Cash, Cash Equivalents and Investments

Cash and investments at June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Current Assets:		
Cash and cash equivalents	$	3,173,924
Investments		20,891,901
Total cash and investments	$	24,065,825

Cash and investments consist of the following:

Cash on hand	$	1,404
Deposits with financial institutions		3,172,520
Investments		20,891,901
Total cash and investments	$	24,065,825

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

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

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

2. Cash, Cash Equivalents and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to $250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name. As of June 30, 2015, $3,095,356 of the District's deposits held financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	$ 6,984,451	$ 6,984,451	$ -	$ -	$ -
San Diego County Pooled Investment Fund	3,003,946	3,003,946	-	-	-
Government sponsored agency securities	6,786,715	-	-	6,786,715	-
Negotiable certificates of deposit	4,116,789	-	-	4,116,789	-
Total	$ 20,891,901	$ 9,988,397	$ -	$10,903,504	$ -

2. Cash, Cash Equivalents and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2015.

				Rating as of Year End			
Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
Local Agency Investment Fund (LAIF)	$ 6,984,451	N/A	$ -	$ -	$ -	$ -	$ 6,984,451
San Diego County Pooled Investment Fund	3,003,946	N/A	-	3,003,946	-	-	-
Government sponsored agency securities	6,786,715	A-	-	6,786,715	-	-	-
Negotiable certificates of deposit	4,116,789	N/A	-	-	-	-	4,116,789
Total	$ 20,891,901		$ -	$ 9,790,661	$ -	$ -	$ 11,101,240

Concentration of Credit Risk:

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks	U.S. Gov't Sponsored Entities	$ 2,086,438
Federal National Mortgage Association	U.S. Gov't Sponsored Entities	$ 2,232,249
Federal Home Loan Mortgage Corp	U.S. Gov't Sponsored Entities	$ 2,468,028

3. Capital Assets

Major capital assets additions during the year include upgrades and extensions of the District's water transmission and distribution systems and recycled water systems in the following schedules:

	As Restated Balance June 30, 2014	Additions	Disposals/ Transfers	Balance June 30, 2015
Capital assets, nondepreciable				
Land	$ 656,151	$ -	$ -	$ 656,151
Construction in progress	1,676,473	1,257,864	(1,640,693)	1,293,644
Total capital assets, nondepreciable	2,332,624	1,257,864	(1,640,693)	1,949,795
Capital assets, depreciable				
Transmission and distribution system	53,144,009	1,033,245	-	54,177,254
Recycled water system	5,137,329	857,775	-	5,995,104
Structures and improvements	924,968	427,419	-	1,352,387
Vehicles and equipment	742,063	61,433	(30,920)	772,576
Machinery and equipment	228,617	-	-	228,617
Total capital assets, depreciable	60,176,986	2,379,872	(30,920)	62,525,938
Accumulated Depreciation				
Tansmission and distribution system	(25,114,854)	(1,411,488)	-	(26,526,342)
Recycled water system	(859,782)	(104,534)	-	(964,316)
Structures and improvements	(821,374)	(22,147)	-	(843,521)
Vehicles and equipment	(531,266)	(67,648)	30,920	(567,994)
Machinery and equipment	(192,717)	(11,104)	-	(203,821)
Total accumulated depreciation	(27,519,993)	(1,616,921)	30,920	(29,105,994)
Total depreciable assets, net	32,656,993	762,951	-	33,419,944
Total capital assets	$ 34,989,617	$ 2,020,815	$ (1,640,693)	$ 35,369,739

Construction-In-Progress

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

Project Description	2015
Adminitstration facility refurbishment	$ 41,555
Waterline projects	296,048
Automated meter intelligence system	544,438
Groundwater exploration	272,982
Reservoir projects	138,621
Total Construction in progress	$ 1,293,644

4. Other Post-Employment Benefits

Plan Description – Benefits

The District offers post-employment medical and dental coverage benefits to retired employees who satisfy the eligibility rules (5-years of service and 50 years of age). Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical program and ACWA dental coverage program. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to identify the *Annual Required Contribution (ARC) of the Employer*, 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 the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.
The District will pay 100% of the cost of the post-employment benefit plan, which is based on a full funding method. The District funds the plan on a pay-as-you-go basis and maintains reserves (by recording a liability) for the difference between the annual pay-as-you-go amount and the actuarially determined ARC cost.

For the year ended June 30, 2015, the District's ARC cost was $225,428 and the District contributed $55,871 to the irrevocable trust and paid $169,557 in retiree benefits.

The balance at June 30, consists of the following:

	2015	2014	2013
Annual OPEB expense:			
Annual required contribution (ARC)	$ 225,428	$ 218,862	$ 279,427
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	225,428	218,862	279,427
Contributions made:			
Contributions made to irrevocable trust	(55,871)	(53,508)	(60,728)
Retiree benefit payments paid outside of the trust	(169,557)	(165,354)	(218,699)
Total contributions made	(225,428)	(218,862)	(279,427)
Total change in net OPEB payable obligation	-	-	-
OPEB payable (asset) - July 1	-	-	-
OPEB payable (asset) - June 30	$ -	$ -	$ -

4. Other Post-Employment Benefits (Continued)

Funding Policy (Continued)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Three-Year History of Net OPEB Obligations

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation Payable/(Asset)
2015	$	225,428	100%	$	-
2014	$	218,862	100%	$	-
2013	$	279,427	100%	$	-

Funded Status and Funding Progress of the Plan

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $3,261,372. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was $1,327,622. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 202.47%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Valuation Date	June 1, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Closed 30-Year Period
Average Remaining Period	27 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	3.00%
Inflation - Discount Rate	3.00%
Health Care Trend Rate	4.00%

5. Pension Plans

a. General Information about the Pension Plans

Summary of Significant Accounting Policies
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.

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

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

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

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Hire date	Prior to January 1, 2013	On or After January 1, 2013	Prior to January 1, 2013
Benefit formula	2.0% at 55	2.0% at 62	2.0% at 55
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 67	50 - 55
Monthly benefits, as a % of eligible compensation	1.1% to 2.5%	1.0% to 2.5%	2.0% to 2.7%
Required employee contribution rates	7%	6.75%	7%
Required employer contribution rates	9.829%	6.953%	0%

5. Pension Plans (Continued)

a. General Information about the Pension Plans (Continued)

Contributions

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Contributions - employers	$ 142,284	$ 18,367	$ -
Contributions - employee (paid by employer)	$ 84,474	$ -	$ -

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

As of June 30, 2015, the District reported net pension (Asset)/liabilities for its proportionate shares of the net pension (Asset)/liabilities as follows:

	Proportionate Share of Net Pension (Asset)/Liability
Governmental Activies	
Safety Plan	$ (66,430)
Business-Type Activities	
Miscellaneous Plan	$ 2,443,660
PEPRA Miscellaneous Plan	985
Total Net Pension Liability	$ 2,444,645

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

5. Pension Plans (Continued)

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

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Proportion - June 30, 2013	0.1019%	0.0000%	0.0010%
Proportion - June 30, 2014	0.0989%	0.0000%	-0.0018%
Change - increase (decrease)	-0.0030%	0.0000%	-0.0028%

For the year ended June 30, 2015, the District recognized pension expense of $(10,575) related to its Governmental Activities and $119,367 related to its business-type activities. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Pension contributions subsequent to measurement date	$ -	$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	24,324	-
Net differences between projected and actual earnings on plan investments	-	91,435
Total	$ 24,324	$ 91,435

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Pension contributions subsequent to measurement date	$ 175,874	$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	87,111	(119,933)
Net differences between projected and actual earnings on plan investments	-	(821,514)
Total	$ 262,985	$ (941,447)

5. Pension Plans (Continued)

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

The $175,874 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 ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Governmental Activities Amount	Business-Type Activities Amount
2016	$ (14,172)	$ (217,101)
2017	(14,172)	(217,101)
2018	(15,909)	(214,758)
2019	(22,858)	(205,376)
2020	-	-
Thereafter	-	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2013	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:			
Discount Rate	7.50%	7.50%	7.50%
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Projected Salary Increase	(1)	(1)	(1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)
Mortality	(3)	(3)	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. 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.

5. Pension Plans (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. 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% 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% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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% 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%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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 a change in methodology occurs.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

5. Pension Plans (Continued)

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

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous Plan	PEPRA Miscellaneous Plan	Safety Plan
1% Decrease	6.50%	6.50%	6.50%
Net Pension (Asset)/ Liability	$ 4,353,846	$ 1,756	$ 102,411
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension (Asset)/ Liability	$ 2,443,660	$ 985	$ (66,430)
1% Increase	8.50%	8.50%	8.50%
Net Pension (Asset)/ Liability	$ 858,386	$ 346	$ (205,548)

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

c. Payable to the Pension Plan

At June 30, 2015, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

6. Deferred Compensation Savings Plan

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

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

7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of $1,000,000, combined single limit at $1,000,000 per occurrence. The JPIA purchases additional excess coverage layers: $60 million per occurrence for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

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

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $100 million per occurrence, subject to a $2,500 deductible per occurrence.

- Boiler and machinery coverage for the replacement cost up to $50 million per occurrence, subject to various deductibles depending on the type of equipment.

- Workers’ compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law. The ACWA/JPIA is self-insured up to $2.0 million and excess insurance coverage has been purchased.

7. Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ending June 30, 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015, 2014 and 2013, respectively.

8. Commitments and Contingencies

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

Construction Contracts
The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and capital contributions. Unfulfilled commitments under open contracts was $162,389 as of June 30, 2015.

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

9. Subsequent Events

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of November 20, 2015, which is the date the financial statements were available to be issued. On August 25, 2015, the District Board of Directors voted to exercise latent powers and become a wastewater service agency. Should this action be approved by the San Diego Local Agency Formation Commission, associated revenues and expenses, as well as assets associated with the treatment plant, collection system, and pump station, will be added to the District.

10. Restatement of Beginning Net Position

Implementation of GASB Statement
The implementation of GASB Statement Numbers 68 and 71 requires reporting the net pension liability of the District's defined benefit pension plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Numbers 68 and 71 resulted in a reduction of net position for governmental activities of $11,256 and for business-type activities of $3,179,614 as of July 1, 2014.

Removal of OPEB Asset
The removal of the OPEB asset resulted in a reduction of net position for business-type activities of $112,570 as of July 1, 2014.

10. Restatement of Beginning Net Position (Continued)

Capital Asset

The restatement of the construction in progress balance is due to $137,565 of capital expenditures incurred in the prior fiscal year expensed in error and $120,067 of construction in progress capital expenditures projects abandoned in a prior fiscal year but not written off. The net change of the errors resulted in an increase of net position for business-type activities of $17,498 as of July 1, 2014.

Interest Receivable

The restatement of interest receivable is due to the District not accruing interest earned on multiple investment accounts in the prior fiscal year. The error resulted in an increase of net position for business-type activities of $14,603 as of July 1, 2014.

Cell Site Rent Receivable

The restatement of the cell site rent receivable is due to the District not accruing revenue earned on a cell site tower in the prior fiscal year. The error resulted in an increase of net position for business-type activities of $27,646 as of July 1, 2014.

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE, GOVERNMENTAL FUND
For the year ended June 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
FUND BALANCE, JULY 1	$ 1,018,150	$ 1,018,150	$ 1,018,150	$ -
RESOURCES (INFLOWS):				
Property taxes	1,444,000	1,444,000	1,630,051	186,051
Voter-approved tax	315,000	315,000	305,922	(9,078)
Charges for services	31,000	31,000	81,472	50,472
Investment Earnings	2,250	2,250	680	(1,570)
Amount Available For Appropriations	1,792,250	1,792,250	2,018,125	225,875
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Fire services operating services contract	1,675,719	1,675,719	1,868,389	(192,670)
General and administrative	95,281	95,281	80,815	14,466
Total Charges to Appropriations	1,771,000	1,771,000	1,949,204	(178,204)
NET CHANGE IN FUND BALANCE	21,250	21,250	68,921	47,671
FUND BALANCE, JUNE 30	$ 1,039,400	$ 1,039,400	$ 1,087,071	$ 47,671

Schedule of Funding Progress for OPEB

Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / (c)
6/30/2013	$ 573,313	$ 3,261,372	$ 2,688,059	17.58%	$ 1,327,622	202.47%
6/30/2010	136,643	2,812,545	2,675,902	4.86%	1,382,418	193.57%
6/30/2007	-	2,852,145	2,852,145	0.00%	1,616,631	176.43%

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

		2015
Contractually required contribution (actuarially determined)	$	164,323
Contributions in relation to the actuarially determined contributions		164,323
Contribution deficiency (excess)	$	-
Covered - employee payroll	$	1,171,322
Contributions as a percentage of covered - employee payroll		14.03%

Notes to Schedule:

Valuation Date 6/30/2011

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age normal cost method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years (2% at 55), 30 years (2% at 62), 30 years (2% at 50)
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years (2% at 55), 52 years (2% at 62), 50 years (2% at 50)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries. For more details on this table, refer to the 2014 experience study report.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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

		2015
Miscellaneous Plan		
Plan's Proportion of the Net Pension Liability		0.03927%
Plan's Proportionate Share of the Net Pension Liability	$	2,443,660
Plan's Covered-Employee Payroll	$	1,076,521
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll		227.00%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	$	323,287
PEPRA Miscellaneous Plan		
Plan's Proportion of the Net Pension Liability		0.00002%
Plan's Proportionate Share of the Net Pension Liability	$	985
Plan's Covered-Employee Payroll	$	94,801
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll		1.04%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		83.04%
Plan's Proportionate Share of Aggregate Employer Contributions	$	130
Safety Plan		
Plan's Proportion of the Net Pension Liability/(Asset)		(0.00107%)
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$	(66,430)
Plan's Covered-Employee Payroll		N/A
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		N/A
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		105.27%
Plan's Proportionate Share of Aggregate Employer Contributions	$	37,567

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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Supplementary Information

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SCHEDULE OF REVENUES AND EXPENSES BY OPERATING DEPARTMENT
PROPRIETARY FUNDS
For the year ended June 30, 2015

	Potable Water	Recycled Water	Total
OPERATING REVENUES:			
Water consumption sales	$ 9,241,968	$ 440,116	$ 9,682,084
Water service charges	4,055,938	62,138	4,118,076
Other charges and services	610,929	5,042	615,971
Total Operating Revenues	13,908,835	507,296	14,416,131
OPERATING EXPENSES:			
Source of supply	8,360,908	188,001	8,548,909
Pumping and water treatment	82,845	10,945	93,790
Transmission and distribution	1,461,146	35,264	1,496,410
Customer service	123,783	1,061	124,844
General and administrative	2,170,304	32,363	2,202,667
Total Operating Expenses	12,198,986	267,634	12,466,620
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	1,709,849	239,662	1,949,511
Depreciation	(1,512,388)	(104,534)	(1,616,922)
Operating Income	197,461	135,128	332,589
NONOPERATING REVENUES (EXPENSES)			
Property taxes-ad valorum	617,588	-	617,588
Redevelopment agency-property tax increment	15,270	-	15,270
Rental income	128,562	-	128,562
Investment earnings	174,018	-	174,018
Abandonment of Assets	(79,433)	-	(79,433)
Total Nonoperating Revenues, net	856,005	-	856,005
Income before capital contributions	1,053,466	135,128	1,188,594
CAPITAL CONTRIBUTIONS			
Connection fees	574,975	14,981	589,956
Capacity charges	-	102,758	102,758
Capital contributions	751,800	-	751,800
Total Capital Contributions	1,326,775	117,739	1,444,514
Change In Net Position	$ 2,380,241	$ 252,867	$ 2,633,108

NOTES

(a) General and admiistrative costs are allocated to Potable Water and Recycled Water operations based on a budgeted annual percentage. For fiscal year June 30, 2015, general and admistrative costs were allocated as follows: 98% to Potable Water operations and 2% to Recycled Water operations. Allocation is analyzed annually as part of the budget process.