

Board of Directors  
Audit Committee  
Padre Dam Municipal Water District  
Santee, California

We have audited the financial statements of the Padre Dam Municipal Water District (the District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated September 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings:**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Padre Dam Municipal Water District are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended June 30, 2017. We noted no transactions entered into by Padre Dam Municipal Water District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Significant Audit Findings (Continued):**

### *Qualitative Aspects of Accounting Practices (Continued)*

The most sensitive estimates affecting the District's financial statements were:

- a. Management's estimate of the fair market value of investments which is based on market values by outside sources.
- b. Management's estimate of useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- c. Management's estimate of the allowance for doubtful accounts is based on historical water revenues, historical loss levels, and an analysis of the collectability of individual accounts.
- d. Management's estimate of the Other Post-Employment Benefits Plan actuarial accrued liability which impacts the annual required contributions are based upon several key assumptions that are set by management with the assistance of an independent third party actuary. These key assumptions include anticipated investment rate of return, health care cost trends, projected salary increases, mortality and certain amortization periods.
- e. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the District's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 1.k. regarding depreciation expense, Note 7 regarding the defined benefit pension plan and Note 8 regarding Other Post-Employment Benefits.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Adjustments*

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## **Significant Audit Findings (continued)**

### *Disagreements with Management*

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 12, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Padre Dam Municipal Water District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Padre Dam Municipal Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis, Schedule of Funding Progress for the Other Post-Employment Benefit Plan, Schedule of Changes in the Net Pension Liability and Related Ratios, and the Schedule of Contributions- Defined Benefit Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

## **Other Matters (continued)**

We were not engaged to report on the Supplementary Schedule of Income (Loss) Before Contributions by Fund Services, the Supplementary Schedule of Income (Loss) Before Contributions (Budget to Actual), and Schedule of Change in Cash, Cash Equivalents and Investments, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## **Upcoming Changes in Accounting Standards and Regulatory Updates**

### Procurement Rules under the Uniform Guidance

The Uniform Guidance has different procurement rules than those previously required by the Circular A-133. Due to the work required by nonfederal entities to implement these new rules, a two-year grace period was given. In May 2017, an additional one-year grace period was given. Beginning July 1, 2018, nonfederal entities will be required to comply with all of the Uniform Guidance procurement rules. Included in these new rules is the requirement for written policies and procedures.

Commencing with the fiscal year 2018-2019 audits, auditors will request the written policies of the nonfederal entity for all single audits and review the procurement policies and procedures for compliance with the Uniform Guidance procurement rules.

### Other Postemployment Benefit Standards

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The scope of this Statement addresses accounting and financial reporting for postemployment benefits other than pension (other postemployment benefits or OPEB) that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit and define contribution plans. This Statement requires governments to report a net OPEB liability or asset on the face of the financial statements. The District is required to implement this Statement in fiscal year ending June 30, 2018.

## **Restriction on Use**

This information is intended solely for the use of the Board of Directors, Audit Committee and management of the Padre Dam Municipal Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

*White Nelson Dick Evans LLP*

Carlsbad, California  
March 12, 2018

Padre Dam Municipal Water District  
Schedule of Uncorrected Adjustments  
June 30, 2017

<b>AJE</b>	<b>Account Description</b>	<b>Debit</b>	<b>Credit</b>
<b>#1</b>	Accounts Payable CIP	63,840.00	189,331.84
	To remove from A/P and CIP amount of invoice to contractor for services rendered after end of fiscal year.		
<b>#2</b>	Construction Expense Accounts Payable	69,640.98	69,640.98
	To record expense and accounts payable for invoice for services rendered partially before the end of the fiscal year.		
<b>#3</b>	Receivables- All Others Deferred Revenue	102,441.78	102,441.78
	To adjust A/R as Deferred Revenue at June 30,2017.		

**PADRE DAM MUNICIPAL WATER DISTRICT**

**FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**JUNE 30, 2017**

JUNE 30, 2017

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Padre Dam Municipal Water District  
Santee, California

We have audited the accompanying financial statements of Padre Dam Municipal Water District as of and for the year ended June 30, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Padre Dam Municipal Water District as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Summarized Comparative Information*

We have previously audited the Padre Dam Municipal Water District's 2016 financial statements, and our report dated October 24, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*White Nelson Dick Evans LLP*

Carlsbad, California  
March 12, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Padre Dam Municipal Water District's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

**Financial Statements**

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Basic Financial Statements

The statement of net position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Net position may be displayed in the categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The statement of net position provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The statement of revenues, expenses and changes in net position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through current services and other revenues.

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement may report cash activity in four categories:

- Operating
- Noncapital and related financing
- Capital and related financing
- Investing

This statement differs from the statement of revenues, expenses and changes in net position because it accounts only for transactions that result in cash receipts or cash disbursements.

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 that are not otherwise present in the financial statements.

# PADRE DAM MUNICIPAL WATER DISTRICT      MANAGEMENT'S DISCUSSION AND ANALYSIS

## Financial Highlights

During the year ended June 30, 2017, the District's total net position increased by \$8,193,059. The District's operating revenues of \$67,309,758 increased by \$6,710,119 while operating expenses of \$61,535,130 increased by \$5,945,330. Non-operating revenues decreased by \$814,196 and non-operating expense increased by \$379,845. The current year's non-operating expenses includes bond issuance costs on the issuance of debt to refinance the 2009 COP and to fund future projects.

## Financial Analysis of the Financial Statements

### Net Position

The District's net position at June 30, 2017 totaled \$249,279,751 compared with \$241,086,692 at June 30, 2016. The \$8,193,059 increase in net position is primarily attributed to operating income of \$5,774,628, non-operating revenues of \$2,589,294, capital contributions of \$2,839,616, and is offset by interest expense of \$2,439,248 and bond issuance cost of \$571,231. The following is a summary of the District's statement of net position:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 85,611,070	\$ 75,028,919	\$ 10,582,151
Noncurrent Assets:			
Restricted Assets	21,599,429	24,302,607	(2,703,178)
Capital Assets, net of depreciation	<u>250,723,567</u>	<u>247,340,000</u>	<u>3,383,567</u>
Total Assets	<u>357,934,066</u>	<u>346,671,526</u>	<u>11,262,540</u>
<b>Deferred Outflows of Resources</b>			
Pension Contribution	6,689,125	2,508,068	4,181,057
Deferred Amount on Refunding	<u>1,702,443</u>	<u>114,382</u>	<u>1,588,061</u>
Total Deferred Outflows of Resources	<u>8,391,568</u>	<u>2,622,450</u>	<u>5,769,118</u>
<b>Liabilities</b>			
Current Liabilities	13,186,503	11,340,604	1,845,899
Due to Other Agencies	-	421,921	(421,921)
Long-Term Debt	101,001,319	92,750,039	8,251,280
Other Noncurrent Liabilities	<u>1,540,176</u>	<u>1,175,704</u>	<u>364,472</u>
Total Liabilities	<u>115,727,998</u>	<u>105,688,268</u>	<u>10,039,730</u>
<b>Deferred Inflows of Resources</b>	<u>1,317,885</u>	<u>2,519,016</u>	<u>(1,201,131)</u>
<b>Net Position</b>			
Net investment in capital assets	200,246,322	197,386,757	2,859,565
Restricted for future capital projects	6,265,301	6,254,788	10,513
Restricted for future debt service	114,286	4,500,097	(4,385,811)
Unrestricted	<u>42,653,842</u>	<u>32,945,050</u>	<u>9,708,792</u>
Total Net Position	<u>\$ 249,279,751</u>	<u>\$ 241,086,692</u>	<u>\$ 8,193,059</u>

**Financial Analysis of the Financial Statements (Continued)**

**Revenues, Expenses and Changes in Net Position**

The District reported an increase in net position of \$8,193,059 for the year ended June 30, 2017. Operating revenues were higher than the prior year by \$6,710,119 mostly due to higher water sales. Current year potable water sales were higher than the prior year by 20.7%. The increase in water sales were from higher water demand and a rate increase for water and wastewater operations. There was also an increase in campground revenues. Operating expenses were \$5,945,330 higher than the prior year due to a \$2,122,413 increase in external direct costs, a \$3,746,564 increase in internal operating expenses and a \$76,353 increase in depreciation expense as a result of capital asset additions. Nonoperating revenues decreased by \$116,155 and nonoperating expenses increased by \$1,077,886. Since current year water sales were higher than prior year, the amount of water purchased from San Diego County Water District (CWA) was also higher. The cost of the water purchased was higher due to the increase in customer demand and an increase by CWA in the external unit cost of water. The current year nonoperating expenses includes write off of land cost related to ESA Project and bond issuance costs on the issuance of debt to refinance the 2009 COP and to fund future projects. The following is a summary of the District's statement of revenues, expenses and changes in net position:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Operating Revenues	\$ 67,309,758	\$ 60,599,639	\$ 6,710,119
Nonoperating Revenues	<u>3,287,335</u>	<u>3,403,490</u>	<u>(116,155)</u>
Total Revenues	<u>70,597,093</u>	<u>64,003,129</u>	<u>6,593,964</u>
Operating Expenses	61,535,130	55,589,800	5,945,330
Nonoperating Expenses	<u>3,708,520</u>	<u>2,630,634</u>	<u>1,077,886</u>
Total Expenses	<u>65,243,650</u>	<u>58,220,434</u>	<u>7,023,216</u>
Income Before Capital Contributions	5,353,443	5,782,695	(429,252)
Capital Contributions	2,839,616	6,144,804	(3,305,188)
Change in Net Position	<u>8,193,059</u>	<u>11,927,499</u>	<u>(3,734,440)</u>
Net Position at Beg. of Year	<u>241,086,692</u>	<u>229,159,193</u>	<u>11,927,499</u>
Net Position at End of Year	<u>\$ 249,279,751</u>	<u>\$ 241,086,692</u>	<u>\$ 8,193,059</u>

**PADRE DAM MUNICIPAL WATER DISTRICT      MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

At June 30, 2017, the District had invested \$250,723,567 in capital assets, net of accumulated depreciation of \$119,073,407, including land, franchises and water rights, a water system, sewer system, water recycling system, buildings, equipment, park and campgrounds and construction-in-progress (CIP). This amount represents an increase of \$3,383,567, net of depreciation, over the prior year.

The following is a summary of the capital assets at June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land, Franchises and Water Rights	\$ 1,029,046	\$ 898,511
Water System	212,106,066	211,280,641
Sewer System	50,039,177	48,977,722
Water Recycling System	26,488,044	26,429,104
Parks and Campgrounds	20,780,716	20,180,329
Buildings	27,807,275	15,595,065
Equipment	10,660,360	10,755,262
Construction-in-Progress	<u>20,886,290</u>	<u>30,167,656</u>
Total	369,796,974	364,284,290
Less: Accumulated Depreciation	<u>(119,073,407)</u>	<u>(116,944,290)</u>
Net Capital Assets	<u>\$ 250,723,567</u>	<u>\$ 247,340,000</u>

Significant additions to CIP for the year ended June 30, 2017 include:

ESA Secondary Connection ALT Site	\$ 3,990,693
S Lakes West Side Parking	1,023,606
WSA Valve Replacement Program	590,647
WRF Concrete Repair	550,409
Mast Steel Pipe Repair IRS Design & Contst.	350,832
Site Paving As Needed	265,865
Small Dia Sewer Repairs	239,900
WRF Aeration Panels	224,151
Emergency Diesel Trailer Pump	223,876
La Cresta PRS Planning	207,157

Additional information on the District's capital assets can be found in notes 1 and 4 of the notes to financial statements.

**Long-Term Debt**

At June 30, 2017, the District had \$65,859,372 in long-term debt, including certificates of participation, a note payable, a capital lease, revenue bonds, unamortized premiums/discounts and other debt. Long term debt increased (net) \$3,444,191. This was due to the issuance of debt to refinance the 2009 COP and to fund future projects offset by principal payments made on debt during the year. The following is a summary of the long-term debt at June 30, 2017 and 2016:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Certificates of Participation	\$ 53,195,000	\$ 50,265,000
Notes Payable	1,902,275	2,244,343
Revenue Bonds	2,730,000	3,650,000
Capital Leases	1,645,475	2,253,562
Park Cabin Loan	972,247	1,055,598
Total Long-Term Debt	<u>60,444,997</u>	<u>59,468,503</u>
Add: Unamortized Premiums/Discounts	5,414,375	2,946,678
	<u>\$ 65,859,372</u>	<u>\$ 62,415,181</u>

Additional information on the District's long-term debt can be found in note 5 of the notes to financial statements.

**Conditions Affecting Current Financial Position**

California has been in a drought for the last several years. In January 2014, Governor Jerry Brown declared a drought emergency and called on California residents to conserve. Management cannot accurately predict how this drought will affect water sales and the cost of operations in the future. Over the last few years water sales have been lower due to the drought and lower consumption from conservation. However, potable water sales demand increased 9.8% from the year ended June 30, 2016 to the year ended June 30, 2017.

In June 2012, the Board approved the second Five Year Business Plan & Budget that covered fiscal years 2013-2017. The budgeted expenditures for preventative maintenance were \$3 million per year and capital replacement and improvements were expected to average \$13.9 million per year. Annual rate increases were approved by the Board to cover the costs of regular operations and capital improvements. The average annual approved rate increases were 4.75% for water and 1.5% for sewer. At the same time the Board approved a pass through ordinance authorizing the pass through of rate increases from external agencies. For FY 2016/17, the pass through of costs from suppliers resulted in an increase in water rates. There was no pass through increase for sewer rates.

In 2012, the District hired an independent rate consultant, HDR, to perform a cost of service study. HDR found the District's rate structures to be sound but recommended changes to simplify the billing structure for water. Their proposed water and sewer rate adjustments and corresponding rate designs were developed using generally accepted rate setting methodologies and were based on accounting, budgeting, and customer record information provided by the District. The proposed rates were approved by the Board and are intended to provide adequate revenue to maintain the water and sewer utility system in a sustainable manner. On a periodic basis the rate structures should be reviewed to make sure they remain sound. In 2017, the District hired Carollo Engineers, Inc., an independent rate consultant, to perform a comprehensive cost of service and rate design study for the next Five Year Business Plan that covers fiscal years 2018-2022.

**Contacting the District's Financial Manager**

This financial report is designed to provide Padre Dam Municipal Water District's customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Padre Dam Municipal Water District Chief Financial Officer.

## **Basic Financial Statements**



**PADRE DAM MUNICIPAL WATER DISTRICT**

STATEMENT OF NET POSITION  
June 30, 2017  
(with prior year data for comparison only)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents (Notes 1 and 2)	\$ 46,291,602	\$ 37,720,900
Restricted cash and cash equivalents (Notes 1 and 2)	893,065	606,858
Investments (Notes 1 and 2)	30,327,165	27,672,309
Accounts receivable, net (Note 1)	5,922,260	5,684,889
Property taxes receivable, net (Note 1)	107,176	101,912
Accounts receivable - other	772,449	1,944,752
Accrued interest receivable	157,866	105,494
Inventory	960,542	1,058,179
Prepaid expenses	178,945	133,626
Total Current Assets	<u>85,611,070</u>	<u>75,028,919</u>
Noncurrent Assets:		
Restricted Assets (Notes 1, 2 and 3):		
Cash and cash equivalents	7,741,061	6,975,624
Investments	13,823,825	17,308,360
Accrued interest receivable	34,543	18,623
Total Restricted Assets	<u>21,599,429</u>	<u>24,302,607</u>
Capital Assets (Note 4):		
Land, franchise and water rights	1,029,046	898,511
Construction in progress	20,886,290	30,167,656
Capital assets, net of depreciation	228,808,231	216,273,833
Total Capital Assets, Net of Depreciation	<u>250,723,567</u>	<u>247,340,000</u>
Total Noncurrent Assets	<u>272,322,996</u>	<u>271,642,607</u>
Total Assets	<u>357,934,066</u>	<u>346,671,526</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow - pension contributions	6,689,125	2,508,068
Deferred amount on refunding	1,702,443	114,382
Total Deferred Outflows of Resources	<u>8,391,568</u>	<u>2,622,450</u>

(Continued)

**PADRE DAM MUNICIPAL WATER DISTRICT**STATEMENT OF NET POSITION (Continued)  
June 30, 2017  
(with prior year data for comparison only)

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 6,093,652	\$ 4,999,991
Accrued expenses and other liabilities	2,541,781	2,351,388
Accrued interest payable	152,935	746,006
Current portion of long-term debt	3,505,070	2,636,361
Liabilities payable from restricted assets:		
Deposits and advances on construction	893,065	606,858
Total Current Liabilities	<u>13,186,503</u>	<u>11,340,604</u>
Noncurrent Liabilities:		
Due to Other Agencies	-	421,921
Long-Term Debt (Note 5):		
Capital lease obligations	1,009,405	1,645,475
Certificates of participation	56,003,078	52,075,944
Note payable	1,636,123	1,894,419
Revenue bonds	2,831,297	3,190,734
Other long-term debt	874,399	972,246
Net pension liability	38,647,017	32,971,221
Total Long-Term Debt	<u>101,001,319</u>	<u>92,750,039</u>
Other Noncurrent Restricted Liabilities:		
Prepaid capacity fees (Note 6)	1,526,224	1,161,755
Accrued pension benefits and other	13,952	13,949
Total Other Noncurrent Restricted Liabilities	<u>1,540,176</u>	<u>1,175,704</u>
Total Noncurrent Liabilities	<u>102,541,495</u>	<u>94,347,664</u>
Total Liabilities	<u>115,727,998</u>	<u>105,688,268</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on pension	1,317,885	2,519,016
Total Deferred Inflows of Resources	<u>1,317,885</u>	<u>2,519,016</u>
<b>NET POSITION</b>		
Net investment in capital assets	200,246,322	197,386,757
Restricted for future capital projects	6,265,301	6,254,788
Restricted for debt service	114,286	4,500,097
Unrestricted	42,653,842	32,945,050
Total Net Position	<u>\$ 249,279,751</u>	<u>\$ 241,086,692</u>

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

**PADRE DAM MUNICIPAL WATER DISTRICT**

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2017

(with prior year data for comparison only)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Water operations	\$ 45,550,107	\$ 39,421,377
Wastewater operations	15,962,356	15,755,212
Park operations	5,797,295	5,423,050
Total Operating Revenues	<u>67,309,758</u>	<u>60,599,639</u>
<b>OPERATING EXPENSES</b>		
Water operations	40,834,045	36,747,359
Wastewater operations	15,913,731	14,250,648
Park operations	4,787,354	4,591,793
Total Operating Expenses	<u>61,535,130</u>	<u>55,589,800</u>
Operating Income	<u>5,774,628</u>	<u>5,009,839</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	217,555	443,844
Restricted investment income	114,290	160,000
Taxes and assessments	2,955,490	2,789,112
Gain / (Loss) on sale or disposition of assets	(698,041)	10,534
Bond issuance costs	(571,231)	-
Interest expense	<u>(2,439,248)</u>	<u>(2,630,634)</u>
Total Nonoperating Revenues (Expenses)	<u>(421,185)</u>	<u>772,856</u>
Income Before Capital Contributions	5,353,443	5,782,695
Capital Contributions	<u>2,839,616</u>	<u>6,144,804</u>
Change in Net Position	<u>8,193,059</u>	<u>11,927,499</u>
Net Position, Beginning of Year	<u>241,086,692</u>	<u>229,159,193</u>
Net Position, End of Year	<u>\$ 249,279,751</u>	<u>\$ 241,086,692</u>

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

**PADRE DAM MUNICIPAL WATER DISTRICT**

STATEMENT OF CASH FLOWS  
For the year ended June 30, 2017  
(with prior year data for comparison only)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 68,244,690	\$ 58,575,748
Payments for operating goods and services	(35,608,978)	(31,339,830)
Payments to employees	(16,217,570)	(16,172,878)
Net Cash Provided by Operating Activities	<u>16,418,142</u>	<u>11,063,040</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from taxes and assessments	<u>2,950,226</u>	<u>2,786,898</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>2,950,226</u>	<u>2,786,898</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(11,987,709)	(9,847,149)
Principal payments on long-term debt	(52,218,507)	(2,972,163)
Proceeds from capital contributions	2,839,616	5,798,529
Proceeds from debt issuance	53,195,000	-
Bond issuance payments	(571,231)	-
Interest paid, net of amounts capitalized	(2,152,683)	(2,873,554)
Proceeds from sale of assets	<u>56,257</u>	<u>10,532</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(10,839,257)</u>	<u>(9,883,805)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(39,567,990)	(20,906,648)
Proceeds from sale and maturities of investments	39,910,000	11,970,000
Interest received on investments	<u>751,225</u>	<u>452,107</u>
Net Cash Provided (Used) by Investing Activities	<u>1,093,235</u>	<u>(8,484,541)</u>
Net Increase in Cash and Cash Equivalents	9,622,346	(4,518,408)
Cash and Cash Equivalents, Beginning of Year	<u>45,303,382</u>	<u>49,821,790</u>
Cash and Cash Equivalents, End of Year	<u>\$ 54,925,728</u>	<u>\$ 45,303,382</u>

(Continued)

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

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**PADRE DAM MUNICIPAL WATER DISTRICT**STATEMENT OF CASH FLOWS (Continued)  
For the year ended June 30, 2017  
(with prior year data for comparison only)

	<u>2017</u>	<u>2016</u>
<b>Reconciliation of operating income to net cash flows provided by operating activities:</b>		
Operating income	\$ 5,774,628	\$ 5,009,839
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,409,319	7,332,966
GASB 68 adjustment to pension expense	293,608	(390,992)
CIP expensed in current year	440,525	-
(Increase)/Decrease in accounts receivable	(237,371)	(682,185)
(Increase)/Decrease in accounts receivable - other	1,172,303	161,103
(Increase)/Decrease in inventories	97,637	(62,904)
(Increase)/Decrease in prepaid expenses	(45,319)	4,232
Increase/(Decrease) in accounts payable	1,093,661	288,983
Increase/(Decrease) in accrued expenses and other liabilities	(231,528)	598,737
Increase/(Decrease) in deposits and advances on construction	286,207	306,068
Increase/(Decrease) in prepaid capacity fees and accrued pension benefits	364,472	(1,502,807)
	<u>\$ 16,418,142</u>	<u>\$ 11,063,040</u>
<b>Financial Statement Classification</b>		
<b>Cash and cash equivalents</b>		
Current assets:		
Cash and cash equivalents	\$ 46,291,602	\$ 37,720,900
Restricted cash and cash equivalents	893,065	606,858
Noncurrent assets:		
Restricted cash and cash equivalents	<u>7,741,061</u>	<u>6,975,624</u>
Total Cash and Cash Equivalents	<u>54,925,728</u>	<u>45,303,382</u>
<b>Investments</b>		
Current assets:		
Investments	30,327,165	27,672,309
Noncurrent assets:		
Restricted investments	<u>13,823,825</u>	<u>17,308,360</u>
Total Investments	<u>44,150,990</u>	<u>44,980,669</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 99,076,718</u>	<u>\$ 90,284,051</u>
<b>Supplemental Disclosures:</b>		
Noncash Investing and Financing Activities		
Contributed Capital for Capital Assets	\$ 1,196,941	\$ 346,275
Amortization Related to Long-Term Debt	\$ 180,758	\$ (252,771)
Unrealized Gain/(Loss) on Investments	\$ (346,557)	\$ 96,625

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

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The Padre Dam Municipal Water District (the "District") was organized November 23, 1955, (as Rio San Diego Municipal Water District) pursuant to the Municipal Water District Law of 1911, Division 20 of the Water Code, as the result of an election held December 2, 1952. The name changed to Padre Dam Municipal Water District effective January 1, 1977.

Santee County Water District (formed in 1956 pursuant to the County Water District Law, Division 12 of the Water Code) operated within the territory of the District. As the result of an election held on November 2, 1976, Santee County Water District dissolved and its functions and operations were assumed by the District on December 31, 1976.

The communities of Alpine, Crest, and Harbison Canyon (Eastern Service Area) were annexed to the District in 1961. The area within Crest Public Utility District was annexed in 1985 when that agency dissolved.

The District purchases its water supply from the San Diego County Water Authority.

The District sends its wastewater to City of San Diego METRO for treatment.

The District produces recycled water for construction and irrigation.

The District owns and operates Santee Lakes Recreation Preserve.

The District is comprised of two geographically distinct Service Areas:

Western Service Area

Western Service Area provides retail potable water, recycled water and sewer services to the community of Santee. The Santee Lakes Recreation Preserve and the Santee Water Reclamation Facility are located within this service area.

Eastern Service Area

Eastern Service Area provides retail potable water service to the communities of Alpine, Crest and Harbison Canyon.

b. Basis of Presentation:

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

The District is accounted for as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

## c. Measurement Focus and Basis of Accounting:

“Measurement Focus” is a term used to describe *which* transactions are recorded within the various financial statements. “Basis of Accounting” refers to *when* transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent) and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues are generated by water sales, wastewater services and park services while operating expenses are directly related to furnishing those services. Nonoperating revenues and expenses are not directly associated with the normal business of supplying water, wastewater treatment services and park services.

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

## d. Net Position:

Net position of the District is classified into three components: (1) net investment in capital assets (2) restricted net position, and (3) unrestricted net position. These classifications are defined 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, 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 is not included in the calculation of net investment in capital assets.

Restricted Net Position

This component of net position consists of net position whose use is constrained by external sources such as creditors (i.e. debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

## e. New Accounting Pronouncements:

**Current Year Standards:**

- GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," effective for periods beginning after June 15, 2016 and did not impact the District.
- GASB Statement No. 77 - "Tax Abatement Disclosure," effective for periods beginning after December 15, 2015 and did not impact the District.
- GASB Statement No. 78 - "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans," effective for periods beginning after December 15, 2015 and did not impact the District.
- GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants," was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.
- GASB Statement No. 80 - "Blending Requirements for Certain Component Units," effective for periods beginning after June 15, 2016 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 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*," effective for periods beginning after June 15, 2017.
- GASB 81 - "*Irrevocable Split-Interest Agreements*," effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*," effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 84 - "*Omnibus 2017*," effective for periods beginning after June 15, 2017.
- GASB 85 - "*Certain Debt Extinguishment Issues*," effective for periods beginning after June 15, 2017.
- GASB 87 - "*Leases*," effective for periods beginning after December 15, 2019.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

## f. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has the following items that qualify for reporting in this category.

- Deferred amount on refunding relating to the 2013 and 2017 refunding Certificates of Participation. This amount is being amortized over the lives of the respective debt issuances.
- Deferred outflows related to pensions for employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. 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, 2016.
- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on plan investments of the pension plan fiduciary net position. This amount is amortized over five years.

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

- Deferred inflows related to pensions resulting from changes in assumptions. This amount is amortized over five years.
- Deferred inflows related to pensions for differences between expected and actual experiences. 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, 2016.

## g. Statement of Cash Flows:

For purposes of the Statement of Cash Flows the District considers all financial instruments purchased with a maturity of three months or less to be cash and cash equivalents.

## h. Investments:

Investments are stated at their fair value, which represents the quoted or stated market value. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value as represented by the external pool.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Accounts Receivable and Allowance for Doubtful Accounts:

Accounts receivable are from billed and unbilled customer accounts and total \$5,922,260 at June 30, 2017. Management believes that all uncollectible accounts have been identified and written-off. Due to historically low write-offs of water and sewer revenue billed, no allowance has been established as of June 30, 2017.

j. Inventory:

Inventory consists primarily of materials and supplies used in the construction and maintenance of capital assets. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense or construction in progress at the time that individual items are withdrawn from inventory or consumed.

k. Capital Assets:

The District records the acquisition of capital assets and additions, improvements and other capital outlays that significantly extend the life of an asset at historical cost. Contributed assets are recorded at their fair market value at the date of donation. Self-constructed assets are recorded in the amount of direct labor, material, and allocated overhead. District policy has set the capitalization threshold for reporting capital assets at \$5,000 and an estimated useful life of greater than five years.

The District capitalizes interest on construction projects up to the point in time that the project is substantially completed. Capitalized interest is included in the cost of the assets and is depreciated on the straight-line basis over the estimated useful life of such assets.

Depreciation is calculated on the straight-line method over the estimated useful life of an asset, which ranges from five to one hundred years as follows:

Water system	10 - 75 years
Wastewater system	10 - 100 years
Water recycling system	5 - 50 years
Park and campgrounds	5 - 30 years
Buildings	20 - 30 years
Equipment	5 - 10 years

Depreciation totaled \$7,409,319 for the year ended June 30, 2017. Depreciation expense has been allocated to Water Operations, Wastewater Operations and Park Operations on the Statement of Revenues, Expenses and Changes in Net Position. The allocation of depreciation expense for the years ended June 30, 2017 is as follows:

Water Operations	\$5,567,149
Wastewater Operations	1,090,692
Park Operations	751,478
	<u>\$7,409,319</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

l. Compensated Absences:

Vested or accumulated vacation and sick leave are recorded as expenses and liabilities as benefits accrue to employees. At June 30, 2017 accumulated vacation and sick leave totaled \$1,803,144, and is included in accrued expenses and other liabilities on the Statement of Net Position.

m. Restricted Assets and Liabilities:

Certain current liabilities have been classified as current liabilities payable from restricted assets as they will be funded from restricted assets.

n. Use of Estimates:

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management’s best estimates and judgments. Actual results could differ from those estimates.

o. Property Taxes:

Property taxes are billed by the County of San Diego to property owners. The District takes into account differences in the property taxes assessed in the two service areas when establishing its water rates for each area. The District’s property tax calendar for the fiscal year ended June 30, 2017 was as follows:

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

Property taxes receivable of \$107,176 as of June 30, 2017 have been reported net of an allowance for estimated uncollectible taxes in the amount of \$5,378.

p. Amortization of Deferred Charges, Bond Discounts and Premiums Costs:

Deferred charges, bond discounts, and premiums are being amortized over the periods of debt maturities. Amortization of deferred charges, bond discounts, and premiums totaled \$180,758 for the year ended June 30, 2017, and is included in interest expense on the Statement of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

q. Interest Expense:

The District incurs interest charges on long-term debt. Interest expense for the year ended June 30, 2017, is as follows (does not include amortization of bond premium):

Amount Expensed	\$ 2,630,155
Amount Capitalized as a Cost of Construction Projects	<u>147,567</u>
Total Interest	<u>\$ 2,777,722</u>

r. 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.

2. CASH AND INVESTMENTS:

Cash and investments at June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Current Assets:	
Cash and cash equivalents	\$ 46,291,602
Restricted cash and cash equivalents	893,065
Investments	30,327,165
Noncurrent Assets:	
Restricted:	
Cash and cash equivalents	7,741,061
Investments	<u>13,823,825</u>
Total cash and investments	<u><u>\$ 99,076,718</u></u>

Cash and investments consist of the following:

Cash on hand	\$ 3,950
Deposits with financial institutions	32,285,802
Investments	<u>66,786,966</u>
Total cash and investments	<u><u>\$ 99,076,718</u></u>

GASB Statement No. 9 defines cash equivalents and investments for presentation in the financial statements (Statement of Net Position and Statement of Cash Flows), and GASB Statement No. 3 defines cash equivalents and investments for presentation in the notes to the financial statements. GASB Statement No. 9 classifies investments with an original maturity of three months or less when purchased and investment pools with no withdrawal penalty as cash equivalents. GASB Statement No. 3 classifies both of these items as investments for note disclosure.

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by the California Government Code and the District’s Investment policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	None	None
Banker’s Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	Multiple
Local Agency Investment Fund (LAIF)**	N/A	None	None
San Diego County Pooled Investment Fund	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

\*\*Maximum investment in LAIF is \$65 million per California Government Code.

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by a bond trustee are governed by the general provisions of the California Government Code or the District’s investment policy (whichever is more restrictive).

Disclosures Relating to Interest Rate Risk:

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

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

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 show the distribution of the District’s investments by maturity.

As of June 30, 2017 the District had the following investments:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	\$ 21,218,276	\$ 21,218,276	\$ -	\$ -	\$ -
Money Market Mutual Funds	4,375,823	4,375,823	-	-	-
Commercial Paper	1,791,876	1,791,876	-	-	-
U.S. Government Sponsored Entities	15,027,783	-	10,756,170	4,271,613	-
U.S. Treasury Obligations	10,013,874	-	6,968,851	3,045,023	-
Negotiable Certificates of Deposit	5,467,818	600,420	4,867,398	-	-
Corporate Obligations	8,891,516	409,869	2,663,477	5,818,170	-
<b>Total</b>	<b>\$ 66,786,966</b>	<b>\$ 28,396,264</b>	<b>\$ 25,255,896</b>	<b>\$ 13,134,806</b>	<b>\$ -</b>

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District’s investment policy or debt agreements, and the Standard and Poor’s rating as of June 30, 2017 for each investment type.

The District’s investment policy and the actual rating as of June 30, 2017 for each investment type is as follows:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	AA	A/BBB	Not Rated
Local Agency Investment Fund (LAIF)	\$ 21,218,276	N/A	\$ -	\$ -	\$ -	\$ -	\$ 21,218,276
Money Market Mutual Funds	4,375,823	AAA	-	4,375,823	-	-	-
Commercial Paper	1,791,876	N/A	-	-	-	1,791,876	-
U.S. Government Sponsored Entities	15,027,783	N/A	-	-	15,027,783	-	-
U.S. Treasury Obligations	10,013,874	N/A	10,013,874	-	-	-	-
Negotiable Certificates of Deposit	5,467,818	N/A	-	740,620	698,096	699,587	3,329,515
Corporate Obligations	8,891,516	N/A	-	190,485	2,537,285	6,163,746	-
<b>Total</b>	<b>\$ 66,786,966</b>		<b>\$ 10,013,874</b>	<b>\$ 5,306,928</b>	<b>\$ 18,263,164</b>	<b>\$ 8,655,209</b>	<b>\$ 24,547,791</b>

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

The investment policy of the District contains various limitations on the amounts that can be invested in any one type or group of investments and in any issuer, beyond that stipulated by the California Government Code, Sections 53600 through 53692. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments are as follows as of June 30, 2017.

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	U.S. Government Sponsored Entities	\$ 6,615,859
Federal Home Loan Bank Bonds	U.S. Government Sponsored Entities	\$ 5,557,489

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2017, \$19,276,127 of the District’s deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

Local Agency Investment Fund (LAIF):

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.

Fair Value Measurements:

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



**2. CASH AND INVESTMENTS (CONTINUED):**

## Fair Value Measurements (Continued):

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the District's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

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

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

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

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

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

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

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

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	June 30, 2017
<b>Investments by Fair Value Level</b>				
U.S. Government Sponsored				
Entity Securities				
FNMA	\$ -	\$ 6,615,859	\$ -	\$ 6,615,859
FHLMC	-	2,854,434	-	2,854,434
FHLB	-	5,557,490	-	5,557,490
U.S. Treasury Securities	-	10,013,874	-	10,013,874
Commercial Paper		1,791,876	-	1,791,876
Negotiable Certificates of Deposit		5,467,818	-	5,467,818
Corporate Obligations	-	8,891,516	-	8,891,516
Total Investments by Fair Value Level	<u>\$ -</u>	<u>\$ 41,192,867</u>	<u>\$ -</u>	<u>41,192,867</u>
<b>Investments measured at Cost or Net Asset Value (NAV)</b>				
Local Agency Investment Fund (LAIF)				21,218,276
Money Market Mutual Funds				4,375,823
Total Investments at Cost or Net Assets Value (NAV)				<u>25,594,099</u>
Total Investments				<u>\$ 66,786,966</u>

3. RESTRICTED ASSETS:

Restricted assets were provided by, and are to be used for, the following:

Funding Source	Use	2017
Customer and construction deposits	Various	\$ 893,065
Capacity expansion funds and accrued interest receivable	Acquisition and construction	7,390,225
Debt proceeds, capital contributions and interest earned	Debt service and acquisition and construction	14,195,252
Pensions and other	Various	<u>13,952</u>
		<u>\$ 22,492,494</u>

## 4. CAPITAL ASSETS:

The following is a summary of changes in Capital Assets for the year ended June 30, 2017:

	June 30, 2016	Additions	Deletions	June 30, 2017
Capital Assets, Not Depreciated:				
Land, Franchise and Water Rights	\$ 898,511	\$ 130,535	\$ -	\$ 1,029,046
Construction in Progress	30,167,656	10,126,899	(19,408,265)	20,886,290
Total Capital Assets Not Depreciated	<u>31,066,167</u>	<u>10,257,434</u>	<u>(19,408,265)</u>	<u>21,915,336</u>
Capital Assets, Being Depreciated:				
Water System	211,280,641	4,690,440	(3,865,015)	212,106,066
Sewer System	48,977,722	1,223,761	(162,306)	50,039,177
Water Recycling System	26,429,104	58,940	-	26,488,044
Park and Campgrounds	20,180,329	640,893	(40,506)	20,780,716
Buildings	15,595,065	12,212,210	-	27,807,275
Equipment	10,755,262	1,109,104	(1,204,006)	10,660,360
Total Capital Assets Being Depreciated	<u>333,218,123</u>	<u>19,935,348</u>	<u>(5,271,833)</u>	<u>347,881,638</u>
Less Accumulated Depreciation:	<u>(116,944,290)</u>	<u>(7,400,950)</u>	<u>5,271,833</u>	<u>(119,073,407)</u>
Total Capital Assets Being Depreciated, Net	<u>216,273,833</u>	<u>12,534,398</u>	<u>-</u>	<u>228,808,231</u>
Total Capital Assets, Net	<u>\$ 247,340,000</u>	<u>\$ 22,791,832</u>	<u>\$ (19,408,265)</u>	<u>\$ 250,723,567</u>

## 5. LONG-TERM DEBT:

Long-term liabilities for the year ended June 30, 2017 are as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017	Due within One Year
Certificates of Participation (COPs):					
2017 Refunding COPs	\$ -	\$ 53,195,000	\$ -	\$ 53,195,000	\$2,210,000
2017 Refunding COPs Unamortized Premiums	-	5,018,078	-	5,018,078	-
2009 COPs	50,265,000	-	(50,265,000)	-	-
2009 COPs Unamortized Premium	2,485,944	-	(2,485,944)	-	-
Net COPs	52,750,944	58,213,078	(52,750,944)	58,213,078	2,210,000
Note Payable:					
California Bank and Trust	2,244,343	-	(342,068)	1,902,275	266,152
Capital Lease:					
Banc of America	2,253,562	-	(608,087)	1,645,475	636,070
Revenue Bonds:					
2013 Refunding Revenue Bonds	3,650,000	-	(920,000)	2,730,000	295,000
2013 Unamortized Premium	460,734	-	(64,437)	396,297	-
Net Revenue Bonds	4,110,734	-	(984,437)	3,126,297	295,000
Other Long-Term Debt:					
Capital One Park Cabins Loan	1,055,598	-	(83,351)	972,247	97,848
Total Other Long-Term Debt	1,055,598	-	(83,351)	972,247	97,848
Total Long-Term Debt	\$ 62,415,181	\$ 58,213,078	\$ (54,768,887)	\$ 65,859,372	\$3,505,070

5. LONG-TERM DEBT (CONTINUED):

Certificates of Participation (COPs padre notes):

On September 1, 2009, the District issued \$53,695,000 of 2009 Capital Improvement and Refunding Project, Series A Certificates of Participation which consisted of serial bonds and term bonds. \$27,020,000 of serial bonds mature annually from October 1, 2010 to October 1, 2029 and bear varying interest rates between 2.00% and 5.25%. A \$11,600,000 term bond matures on October 1, 2034 and bears an interest rate of 5.25%, and a \$15,075,000 term bond matures on October 1, 2039 and bears an interest of 5.25%. The COPs were issued in part to refinance the Certificates of Participation issued in 1996 and in part to finance various improvements to the District’s Water System. In October 2017, the 2009 Certificates of Participation were defeased with issuance of the 2017 Capital Improvement and Refunding Project.

On June 15, 2017, the District issued \$53,195,000 of 2017 Capital Improvement and Refunding Project, Series A Certificates of Participation which consist of serial bonds. \$45,850,000 of the serial bonds maturing annually from October 1, 2017 to October 1, 2040 and bear varying interest rates between 3.00% and 5.00%. \$7,345,000 of the serial bonds mature annually from October 1, 2017 to October 1, 2039 and bear varying interest rates between 3.00% and 5.00%. The COPs were issued in part to defease the Certificates of Participation issued in 2009 and in part to fund future capital projects. The savings between the cash flow required to service the old debt and the cash flow required to service the new debt is \$15,856,177 and represents an economic gain on refunding of \$11,892,769.

The total amount outstanding at June 30, 2017 and aggregate maturities of the 2017 Certificates of Participation for the fiscal years subsequent to June 30, 2017, are as follows:

For the Year Ended June 30,	Principal	Interest	Total
2018	\$ 2,210,000	\$ 1,697,677	\$ 3,907,677
2019	1,860,000	2,049,481	3,909,481
2020	1,955,000	1,954,106	3,909,106
2021	2,055,000	1,853,856	3,908,856
2022	2,160,000	1,748,481	3,908,481
2023-2027	8,910,000	7,403,156	16,313,156
2028-2032	11,385,000	4,922,731	16,307,731
2033-2037	13,800,000	2,512,211	16,312,211
2038-2040	8,860,000	420,616	9,280,616
	<u>\$ 53,195,000</u>	<u>\$ 24,562,315</u>	<u>\$ 77,757,315</u>

5. LONG-TERM DEBT (CONTINUED):

Note Payable:

In April 1996, the District obtained an unsecured loan from California Bank and Trust, which was refinanced in 2002, 2007, 2012, and again in 2017, in the amount of \$5,000,000. The note bears interest at 61% of the prime rate (2.593% at June 30, 2017). The note requires monthly interest and principal payments of \$34,585 with the remaining unpaid principal balance due August, 2022. This note is payable from revenues levied by the District for purposes other than the payment of principal and interest of bonded debt.

Future debt service requirements for the California Bank and Trust Note are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 266,152	\$ 48,136	\$ 314,288
2019	376,520	38,500	415,020
2020	386,464	28,556	415,020
2021	396,819	18,201	415,020
2022	407,376	7,644	415,020
2023	68,944	226	69,170
	<u>\$ 1,902,275</u>	<u>\$ 141,263</u>	<u>\$ 2,043,538</u>

Capital Lease:

The District entered into a capital lease agreement on July 16, 2009 with Banc of America for \$5,604,125 to finance a portion of the \$8,706,363 cost of various new equipment. Accumulated depreciation on this equipment at June 30, 2017 was \$3,759,475. The capital lease is for a term of 10 years with semiannual lease payments of \$351,892 which include interest at 6.75%. Upon the expiration of the lease term the equipment can be purchased for \$1.00.

Future minimum lease payments under the capital lease are as follows:

<u>For the Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 636,070	\$ 67,715	\$ 703,785
2019	665,340	38,445	703,785
2020	344,065	7,827	351,892
	<u>\$ 1,645,475</u>	<u>\$ 113,987</u>	<u>\$ 1,759,462</u>

5. LONG-TERM DEBT (CONTINUED):

Revenue Bonds:

In April 2013, the 2013 Refunding Revenue Bonds were issued to defease the 2004 Certificates of Participation and the 1995 and 1996 State of California Loans Payable. The bonds were issued with a face value of \$7,225,000 plus an \$831,257 original issue premium. The bonds bear interest at 1% to 5% and are due in annual installments of \$395,000 to \$1,120,000 from December 31, 2013 through December 31, 2024.

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

For the Year Ended June 30,	Principal	Interest	Total
2018	\$ 295,000	\$ 117,250	\$ 412,250
2019	305,000	103,725	408,725
2020	320,000	89,700	409,700
2021	330,000	75,050	405,050
2022	345,000	59,900	404,900
2023-2025	1,135,000	81,000	1,216,000
	<u>\$ 2,730,000</u>	<u>\$ 526,625</u>	<u>\$ 3,256,625</u>

Other Long-Term Debt:

On October 1, 2010, the District entered into an installment sale agreement with Capital One to finance the purchase and site work necessary to install 7 land based cabins and 3 floating cabins at Santee Lakes. The total amount financed, including legal and closing costs, is \$1,415,000. The term of the agreement is 15 years with an effective interest rate of 2.89%. Annual payments of \$126,448 are required and are made with Park Funds. The agreement is subordinate to the existing COPs and is secured by a pledge of Park and District net revenues.

Future debt service requirements for the Government Capital Corporation installment agreement is as follows:

For the Year Ended June 30,	Principal	Interest	Total
2018	\$ 97,848	\$ 28,600	\$ 126,448
2019	100,676	25,772	126,448
2020	103,586	22,862	126,448
2021	106,579	19,869	126,448
2022	109,659	16,789	126,448
2023-2026	453,899	34,534	488,433
	<u>\$ 972,247</u>	<u>\$ 148,426</u>	<u>\$ 1,120,673</u>

6. PREPAID CAPACITY FEES:

The District records capacity fees collected as a liability until its duty to perform has been completed and service has begun at which time these fees are recorded as capital contributions. Following is a summary of the prepaid capacity fee liability at June 30, 2017:

	2017
Balance, Beginning of Year	\$ 1,161,755
Add: Construction and Capacity Fees Received	2,250,075
Less: Water and Sewer Connections	(1,885,606)
Balance, End of Year	\$ 1,526,224

7. PENSION PLANS

**Summary of Significant Accounting Policies**

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 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.

A. General Information about the Pension Plans:

**Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. 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.

**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. Members under Tier III PEPRAs are eligible to retire at age 52. 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.



7. PENSION PLANS (Continued)

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plan		
	Tier I	Tier II	Tier III - PEPRA
Hire date	Prior to June 26, 2010	June 26, 2010 to December 31, 2012	On or After January 1, 2013
Benefit formula	3%@60	2.5%@55	2%@62
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 - 60	50 - 55	52 - 67
Required employee contribution rates	8%	8%	6.25%
Required employer contribution rates	26.989%	26.989%	26.989%

**Employees Covered**

At June 30, 2017, the following employees were covered by the benefit terms for the Plans:

Inactive employees or beneficiaries	
currently receiving benefits	128
Inactive employees entitled to but	
not yet receiving benefits	50
Active employees	131
Total	<u>309</u>

**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 the Plan is 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.

7. PENSION PLANS (Continued)

B. Net Pension Liability:

The District’s net pension liability for the Plans is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) 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 the table please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2007. Further details of the Experience Study can be found on the CalPERS website.

## 7. PENSION PLANS (Continued)

## B. Net Pension Liability (Continued):

**Change of Assumptions**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65% for the Plans. 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

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 fiscal year 2017-18. 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.

7. PENSION PLANS (Continued)

B. Net Pension Liability (Continued):

**Discount Rate**

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

7. PENSION PLANS (Continued)

C. Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plans are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at June 30, 2015</b>	\$ 101,046,661	\$ 68,075,440	\$ 32,971,221
<b>Changes in the Year:</b>			
Service cost	1,667,007	-	1,667,007
Interest on the total pension liability	7,620,341	-	7,620,341
Differences between actual and expected experience	29,468	-	29,468
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	2,509,483	(2,509,483)
Contribution - employee	-	819,151	(819,151)
Net investment income	-	353,874	(353,874)
Administrative expenses	-	(41,488)	41,488
Benefit payments, including refunds of employee contributions	(4,594,669)	(4,594,669)	-
<b>Net Changes</b>	<u>4,722,147</u>	<u>(953,649)</u>	<u>5,675,796</u>
<b>Balance at June 30, 2016</b>	<u>\$ 105,768,808</u>	<u>\$ 67,121,791</u>	<u>\$ 38,647,017</u>

Due to the timing of the CALPers Actuarial valuations, the June 30, 2015 balance above is reported as the June 30, 2016 balance on the Statement of Net Position, and the June 30, 2016 balance above is reported as the June 30, 2017 balance on the Statement of Net Position.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District for the Plans, calculated using the discount rate for the Plan, as well as what the District’s 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
1% Decrease	6.65%
Net Pension Liability	\$ 52,784,810
Current Discount Rate	7.65%
Net Pension Liability	\$ 38,647,017
1% Increase	8.65%
Net Pension Liability	\$ 26,918,626

7. PENSION PLANS (Continued)

C. Changes in the Net Pension Liability (Continued):

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

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2017, the District recognized pension expense of \$3,306,928. At June 30, 2017, 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
Pension contributions subsequent to measurement date	\$ 3,013,321	\$ -
Differences between actual and expected experience	22,101	(369,449)
Change in assumptions	-	(948,436)
Net differences between projected and actual earnings on plan investments	3,653,703	-
Total	<u>\$ 6,689,125</u>	<u>\$ (1,317,885)</u>

\$3,013,321 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (76,761)
2018	(76,760)
2019	1,557,297
2020	954,143
2021	-
Thereafter	-

E. Payable to the Pension Plans:

At June 30, 2017, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

8. OTHER POST EMPLOYMENT BENEFITS (OPEB):

Plan Description

The District contributes to a single-employer defined benefit plan (Plan) to provide medical benefits to eligible retired District employees and beneficiaries. The Plan has three tiers of retiree health insurance benefits. Members who were hired on or before August 27, 2002 and who meet full eligibility requirements receive medical benefits paid for entirely by the employer; members must meet additional eligibility requirements after this date to receive the same benefit. Reduced benefits are available to members hired after August 27, 2002 and before August 6, 2006. For members hired after August 8, 2006, the District will contribute up to \$600 per month towards health insurance at the time of retirement if the member meets certain requirements; this coverage ends when the member becomes eligible for Medicare. The Plan does not provide a publicly available financial report.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal annual cost plus the portion of the unfunded actuarial accrued liability (or funding excess). Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The current ARC rate is 12.25% of the annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District’s annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation:

Annual Required Contribution (ARC)	\$ 1,237,125
Interest on net OPEB obligation	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB cost (expense)	<u>1,237,125</u>
Contributions made	<u>1,237,125</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

8. OTHER POST EMPLOYMENT BENEFITS (CONTINUED):

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years 2017, 2016 and 2015 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/17	\$ 1,237,125	100%	\$ -
6/30/16	\$ 1,237,125	100%	\$ -
6/30/15	\$ 1,268,717	100%	\$ -

Funded Status and Funding Progress

The funded status of the Plan as of the June 30, 2015 actuarial valuation was as follows:

Actuarial Accrued Liability (AAL)	\$ 26,695,832
Actuarial Value of Plan Assets	\$ 10,966,557
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,729,275
Funded Ratio (Actuarial Value of Plan Assets/AAL)	41.08%
Covered Payroll (Active Plan Members)	\$ 10,314,259
UAAL as a Percentage of Covered Payroll	152.50%

Actuarial Methods and Assumptions

The required contribution was determined as part of the June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.28% investment rate of return. The District’s projected healthcare cost trend rate is projected to be 9% per annum graded down approximately one-quarter percent increments to an ultimate rate of 4.5%. The District’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a fixed 30-year period. The District’s projected salary increase was 3.00%. Inflation was projected at 3.25%. The average remaining amortization period at June 30, 2015 was 22 years. The asset valuation method is based on the market value basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

9. REIMBURSEMENT CONTRACTS:

The District has entered into a number of reimbursement contracts with developers who have made contributions to the District to aid in the construction of water and sewer facilities. These contracts are to be repaid as new connections are made to the related water and sewer facilities. The District’s liability is limited to collecting the applicable connection fees and payment of the fees to the developers. The District currently has three active reimbursement contracts. The active contracts consist of two agreements that expire in March of 2019 and have an option for a 5 year extension and the third agreement has no expiration date but has a limited amount of money to be reimbursed per the agreement.



10. COMMITMENTS AND CONTINGENCIES:

Leases

The District entered into a twenty-five year agreement in 1976 with the City of San Diego for the use of a portion of a major water transmission line. The lease was extended for an additional ten years in December 2002 and another ten years in November 2011. The minimum annual payments under the terms of the agreement are \$33,339 through December 2021.

The District entered into a lease agreement in 1997 with the City of San Diego for the use of an antenna for the purpose of a mobile relay station and as a data relay station. The lease was amended in February 2008 to extend the lease to February 2018. Monthly payments are \$1,360 with an annual cost of living increase of 3%.

Rent expense under these non-cancellable leases was \$54,633 for the year ended June 30, 2017.

Future minimum lease payments as of June 30, 2017 are as follows:

2018	\$ 55,272
2019	33,339
2020	33,339
2021	<u>33,339</u>
	<u>\$ 155,289</u>

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, would not materially affect the operations or financial condition of the District.

Construction Contracts

The District has entered into various contracts for the purchase of material and construction of facilities. The amounts contracted for are based on the contractors' estimated cost of construction. At June 30, 2017 the total unpaid amount on these contracts was \$14,375,022.

11. CERTIFICATION OF RATE COVENANT REQUIREMENTS:

In connection with the execution and delivery of the outstanding Certificates of Participation and Revenue Bonds, the District agreed to meet certain covenants to maintain and collect gross revenues sufficient in each fiscal year to provide District net revenues which meet or exceed required ratios, as defined in the Rate Covenant section of the Official Statements. The District has complied with the Rate Covenants as outlined in the 2017 Certificates of Participation agreement and the 2013 Refunding Revenue Bonds for the year ending June 30, 2017. In connection with the execution and delivery of the California Bank and Trust Note, the District agreed to meet certain covenants to meet or exceed required ratios, as defined in the Rate Covenant section of the Note Agreement. The District has complied with the Rate Covenants as outlined in the Note Agreement for the year ended June 30, 2017.

## 12. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, excess liability, property, automobile, public employee dishonesty, and various other risks. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814. During its membership, the following policies are in effect:

General and Auto Liability - Public Officials' and Employees' Errors and Omissions and Employment Practices Liability: Total risk financing limits of \$10 million, combined single limit at \$10 million per occurrence, subject to the following deductibles:

- \$25,000 per occurrence for third party general liability property damage.
- \$10,000 per occurrence for third party auto liability property damage.
- 50% co-insurance of cost expended by SDRMA in excess of \$10,000 up to \$50,000 per occurrence for employment related claims. However 100% of the obligation may be waived if certain criteria are met.

Employee Dishonesty Coverage - Total of \$1 million per loss includes Public Employee Dishonesty, Forgery or Alteration and Theft, and Disappearance and Destruction.

Property Loss - Replacement cost, for property on file, if replaced and if not replaced within two years after the loss, paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to \$1,000 deductible per occurrence.

Boiler and Machinery - Replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.

Comprehensive and Collision - On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected; ACV limits, fully self-funded by SDRMA.

Public Officials' Personal Liability - \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverages, deductible of \$500 per claim.

Workers' Compensation & Employer's Liability - Statutory limits per occurrence for Workers' Compensation and \$5 million for Employer's Liability Coverage.

Members are subject to dividends and/or assessments, in accordance with the Sixth Amended Joint Powers Agreement and amendments thereto. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District.

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

## **Required Supplementary Information**

**PADRE DAM MUNICIPAL WATER DISTRICT      REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years\*

	2017	2016	2015
Total Pension Liability:			
Service cost	\$ 1,667,007	\$ 1,708,536	\$ 1,792,911
Interest on total pension liability	7,620,341	7,268,299	6,967,691
Differences between expected and actual experience	29,468	(705,311)	-
Changes in assumptions	-	(1,810,650)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(4,594,669)	(4,172,721)	(4,016,332)
Net Change in Total Pension Liability	4,722,147	2,288,153	4,744,270
Total Pension Liability - Beginning of Year	101,046,661	98,758,508	94,014,238
Total Pension Liability - End of Year (a)	<u>\$ 105,768,808</u>	<u>\$ 101,046,661</u>	<u>\$ 98,758,508</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 2,509,483	\$ 2,277,997	\$ 2,023,175
Contributions - employee	819,151	819,055	877,391
Net investment income	353,874	1,516,313	10,094,956
Benefit payments, including refunds of employee contributions	(4,594,669)	(4,172,721)	(4,016,332)
Administrative Expense	(41,488)	(76,726)	-
Net Change in Plan Fiduciary Net Position	(953,649)	363,918	8,979,190
Plan Fiduciary Net Position - Beginning of Year	68,075,440	67,711,522	58,732,332
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 67,121,791</u>	<u>\$ 68,075,440</u>	<u>\$ 67,711,522</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 38,647,017</u>	<u>\$ 32,971,221</u>	<u>\$ 31,046,986</u>
Plan fiduciary net position as a percentage of the total pension liability	63.46%	67.37%	68.56%
Covered - employee payroll	\$ 10,245,265	\$ 10,332,850	\$ 10,478,117
Net pension liability as percentage of covered- employee payroll	377.22%	319.09%	296.30%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions:

The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

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

**PADRE DAM MUNICIPAL WATER DISTRICT      REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN

Last Ten Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,509,483	\$ 2,277,997	\$ 2,023,175
Contributions in relation to the actuarially determined contributions	<u>(2,509,483)</u>	<u>(2,277,997)</u>	<u>(2,023,175)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 10,245,265	\$ 10,332,850	\$ 10,478,117
Contributions as a percentage of covered - employee payroll	24.49%	22.05%	19.31%

**Notes to Schedule:**

Valuation Date    June 30, 2013

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	28 years as of the valuation date
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 and Administrative Expenses; includes Inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period 1997 -
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997-2007. Pre-retirement and Post-Retirement mortality rates include 5 years of projected mortality improvement using Scale AA published in the Society of Actuaries.

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

**Schedule of Funding Progress for OPEB**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (A)	<u>Actuarial Liability (AAL) Entry Age</u> (B)	<u>Unfunded AAL (UAAL)</u> (B-A)	<u>Funded Status</u> (A/B)	<u>Annual Covered Payroll</u> (C)	<u>UAAL as a Percentage of Covered Payroll</u> [(B-A)/C]
June 30, 2011	\$5,568,515	\$23,247,868	\$17,679,353	24.0%	\$9,608,620	184.0%
June 30, 2013	\$8,489,252	\$24,390,130	\$15,900,878	34.8%	\$9,921,986	160.3%
June 30, 2015	\$10,966,557	\$26,695,832	\$15,729,275	41.1%	\$10,100,905	155.7%

## **Supplementary Information**

**PADRE DAM MUNICIPAL WATER DISTRICT**

SCHEDULE OF INCOME (LOSS) BEFORE CONTRIBUTIONS BY FUND SERVICES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	<u>Other</u>	<u>Restricted</u>	<u>Total</u>
<b>Operating Revenues:</b>						
Water Sales	\$ 28,702,157	\$ -	\$ -	\$ -	\$ -	\$ 28,702,157
Sewer Revenues	-	15,953,752	-	-	-	15,953,752
System Charges	9,585,794	-	-	-	-	9,585,794
Park Fees	-	-	5,797,217	-	-	5,797,217
Other Operating Income	7,262,156	8,604	78	-	-	7,270,838
Total Operating Revenues	<u>45,550,107</u>	<u>15,962,356</u>	<u>5,797,295</u>	<u>-</u>	<u>-</u>	<u>67,309,758</u>
<b>Operating Expenses:</b>						
<b>Direct Expenses</b>						
Water Purchases	14,775,516	-	-	-	-	14,775,516
Sewer METRO Costs	-	4,340,385	-	-	-	4,340,385
Other Operating Expenses	2,141,381	2,381,222	336,244	-	-	4,858,847
<b>Internal Expenses</b>						
Salary and Wages	7,672,137	3,052,131	1,185,869	-	-	11,910,137
Employee Benefits	4,867,783	2,048,355	746,390	-	-	7,662,528
Professional Services	3,822,700	1,489,763	346,645	-	-	5,659,108
Materials, Supplies, Vehicle, & Bldg. Rent	2,416,158	1,398,427	602,526	-	-	4,417,111
Administrative Expenses	973,737	384,092	169,595	-	-	1,527,424
Utilities	307,775	501,734	671,240	-	-	1,480,749
Depreciation	5,567,149	1,090,692	751,478	-	-	7,409,319
Billing Credits	(1,710,291)	(773,070)	(22,633)	-	-	(2,505,994)
Total Operating Expenses	<u>40,834,045</u>	<u>15,913,731</u>	<u>4,787,354</u>	<u>-</u>	<u>-</u>	<u>61,535,130</u>
Operating Income (Loss)	<u>4,716,062</u>	<u>48,625</u>	<u>1,009,941</u>	<u>-</u>	<u>-</u>	<u>5,774,628</u>
<b>Nonoperating Revenues and (Expenses):</b>						
Investment Income (Loss)	270,614	221,116	20,398	(294,573)	-	217,555
Restricted Investment Income (Loss)	-	-	-	-	114,290	114,290
Taxes and Assessments	2,955,490	-	-	-	-	2,955,490
Settlement Income	-	-	-	(698,041)	-	(698,041)
Gain on Sale of Assets	-	-	-	-	-	-
Bond Issuance Costs	(491,834)	-	(79,397)	-	-	(571,231)
Interest Expense	(1,668,786)	(15,785)	(128,512)	-	(626,165)	(2,439,248)
Total Nonoperating Revenues and (Expenses)	<u>1,065,484</u>	<u>205,331</u>	<u>(187,511)</u>	<u>(992,614)</u>	<u>(511,875)</u>	<u>(421,185)</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>\$ 5,781,546</u>	<u>\$ 253,956</u>	<u>\$ 822,430</u>	<u>\$ (992,614)</u>	<u>\$ (511,875)</u>	<u>\$ 5,353,443</u>

See accompanying independent auditors' report.



**PADRE DAM MUNICIPAL WATER DISTRICT**

SCHEDULE OF INCOME (LOSS) BEFORE CONTRIBUTIONS BY FUND SERVICES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Park</u>	<u>Other</u>	<u>Restricted</u>	<u>Total</u>
<b>Operating Revenues:</b>						
Water Sales	\$ 23,575,774	\$ -	\$ -	\$ -	\$ -	\$ 23,575,774
Sewer Revenues	-	15,600,030	-	-	-	15,600,030
System Charges	9,137,904	-	-	-	-	9,137,904
Park Fees	-	-	5,419,637	-	-	5,419,637
Other Operating Income	6,707,699	155,182	3,413	-	-	6,866,294
Total Operating Revenues	<u>39,421,377</u>	<u>15,755,212</u>	<u>5,423,050</u>	<u>-</u>	<u>-</u>	<u>60,599,639</u>
<b>Operating Expenses:</b>						
<b>Direct Expenses</b>						
Water Purchases	13,382,614	-	-	-	-	13,382,614
Sewer METRO Costs	-	3,853,866	-	-	-	3,853,866
Other Operating Expenses	2,044,617	2,267,831	303,407	-	-	4,615,855
<b>Internal Expenses</b>						
Salary and Wages	7,546,283	3,002,057	1,069,751	-	-	11,618,091
Employee Benefits	4,051,582	1,704,899	568,442	-	-	6,324,923
Professional Services	2,195,251	855,522	465,642	-	-	3,516,415
Materials, Supplies, Vehicle, & Bldg. Rent	2,309,893	1,336,922	646,538	-	-	4,293,353
Administrative Expenses	807,431	318,491	151,821	-	-	1,277,743
Utilities	276,556	450,841	630,887	-	-	1,358,284
Depreciation	5,499,726	1,077,935	755,305	-	-	7,332,966
Billing Credits	(1,366,594)	(617,716)	0	-	-	(1,984,310)
Total Operating Expenses	<u>36,747,359</u>	<u>14,250,648</u>	<u>4,591,793</u>	<u>-</u>	<u>-</u>	<u>55,589,800</u>
Operating Income (Loss)	<u>2,674,018</u>	<u>1,504,564</u>	<u>831,257</u>	<u>-</u>	<u>-</u>	<u>5,009,839</u>
<b>Nonoperating Revenues and (Expenses):</b>						
Investment Income (Loss)	180,159	147,205	13,580	102,900	-	443,844
Restricted Investment Income (Loss)	-	-	-	-	160,000	160,000
Taxes and Assessments	2,789,112	-	-	-	-	2,789,112
Settlement Income	-	-	-	-	-	-
Gain on Sale of Assets	-	-	-	10,534	-	10,534
Bond Issuance Costs	-	-	-	-	-	-
Interest Expense	(1,838,321)	(17,389)	(147,579)	-	(627,345)	(2,630,634)
Total Nonoperating Revenues and (Expenses)	<u>1,130,950</u>	<u>129,816</u>	<u>(133,999)</u>	<u>113,434</u>	<u>(467,345)</u>	<u>772,856</u>
<b>Income (Loss) Before Capital Contributions</b>	<u>\$ 3,804,968</u>	<u>\$ 1,634,380</u>	<u>\$ 697,258</u>	<u>\$ 113,434</u>	<u>\$ (467,345)</u>	<u>\$ 5,782,695</u>

SCHEDULE OF INCOME (LOSS) BEFORE CONTRIBUTIONS (BUDGET TO ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2017

	PRIOR YEAR		CURRENT YEAR				CURRENT YEAR ACTUAL TO - FAV/(UNFAV)			
	ACTUAL		ACTUAL	BUDGET		BUDGET		PRIOR YEAR		
	\$		\$	\$	%	\$	%	\$	%	
<b>Operating Revenues:</b>										
<b>Revenues:</b>										
Water Sales	\$ 23,575,774	\$ 28,702,157	42.6	\$ 23,919,954	41.4	\$ 4,782,203	20.0	\$ 5,126,383	21.7	
Infrastructure Access Charge	876,131	941,688	1.4	874,865	1.5	66,823	7.6	65,557	7.5	
Energy Billings	1,162,809	1,298,353	1.9	1,455,712	2.5	(157,359)	(10.8)	135,544	11.7	
CWA/MWD Credits	304,920	158,550	0.2	304,290	0.5	(145,740)	(47.9)	(146,370)	(48.0)	
Padre Dam Sewer Processing Fee	2,267,831	2,381,222	3.5	2,381,222	4.1	-	-	113,391	5.0	
Sewer Revenues	15,600,030	15,953,752	23.7	13,393,127	23.2	2,560,625	19.1	353,722	2.3	
System Charges	9,137,904	9,585,794	14.2	9,175,918	15.9	409,876	4.5	447,890	4.9	
Park Fees	5,419,637	5,797,217	8.6	5,312,193	9.2	485,024	9.1	377,580	7.0	
Other Revenues	2,254,603	2,491,025	3.7	965,110	1.7	1,525,915	158.1	236,422	10.5	
<b>Total Operating Revenues</b>	<b>60,599,639</b>	<b>67,309,758</b>	<b>100.0</b>	<b>57,782,391</b>	<b>100.0</b>	<b>9,527,367</b>	<b>16.5</b>	<b>6,710,119</b>	<b>11.1</b>	
<b>Operating Expenses:</b>										
<b>Direct Expenses:</b>										
Water Purchases	13,382,614	14,775,516	22.0	12,835,076	22.2	(1,940,440)	(15.1)	(1,392,902)	(10.4)	
Infrastructure Access Charge	868,818	891,180	1.3	874,865	1.5	(16,315)	(1.9)	(22,362)	(2.6)	
Energy Purchases	1,175,799	1,250,201	1.9	1,455,712	2.5	205,511	14.1	(74,402)	(6.3)	
Sewer METRO Costs	3,853,866	4,340,385	6.4	3,805,725	6.6	(534,660)	(14.0)	(486,519)	(12.6)	
Padre Dam Sewer Treatment	2,267,831	2,381,222	3.5	2,381,222	4.1	-	-	(113,391)	(5.0)	
Fish Stock, Propane, & Retail	303,407	336,244	0.5	318,732	0.6	(17,512)	(5.5)	(32,837)	(10.8)	
<b>Total Direct Expenses</b>	<b>21,852,335</b>	<b>23,974,748</b>	<b>35.6</b>	<b>21,671,332</b>	<b>37.5</b>	<b>(2,303,416)</b>	<b>(10.6)</b>	<b>(2,122,413)</b>	<b>(9.7)</b>	
<b>Internal Expenses:</b>										
Salary & Wages	11,618,091	11,910,137	17.7	12,106,335	21.0	196,198	1.6	(292,046)	(2.5)	
Employee Benefits	6,324,923	7,662,528	11.4	7,604,384	13.2	(58,144)	(0.8)	(1,337,605)	(21.1)	
Professional Services	3,516,415	5,659,108	8.4	2,692,322	4.7	(2,966,786)	(110.2)	(2,142,693)	(60.9)	
Materials, Supplies, Vehicle, & Bldg. Rent	4,293,353	4,417,111	6.6	4,413,886	7.6	(3,225)	(0.1)	(123,758)	(2.9)	
Administrative Expenses	1,277,743	1,527,424	2.3	1,501,813	2.6	(25,611)	(1.7)	(249,681)	(19.5)	
Utilities	1,358,284	1,480,749	2.2	1,531,465	2.7	50,716	3.3	(122,465)	(9.0)	
Billing Credits	(1,984,310)	(2,505,994)	(3.7)	(2,420,137)	(4.2)	85,857	3.5	521,684	26.3	
Subtotal	26,404,499	30,151,063	44.8	27,430,068	47.5	(2,720,995)	(9.9)	(3,746,564)	(14.2)	
Depreciation	7,332,966	7,409,319	11.0	8,372,201	14.5	962,882	11.5	(76,353)	(1.0)	
<b>Total Internal Expenses</b>	<b>33,737,465</b>	<b>37,560,382</b>	<b>55.8</b>	<b>35,802,269</b>	<b>62.0</b>	<b>(1,758,113)</b>	<b>(4.9)</b>	<b>(3,822,917)</b>	<b>(11.3)</b>	
<b>Total Operating Expenses</b>	<b>55,589,800</b>	<b>61,535,130</b>	<b>91.4</b>	<b>57,473,601</b>	<b>99.4</b>	<b>(4,061,529)</b>	<b>(7.1)</b>	<b>(5,945,330)</b>	<b>(10.7)</b>	
<b>Operating Income (Loss)</b>	<b>5,009,839</b>	<b>5,774,628</b>	<b>8.6</b>	<b>308,790</b>	<b>0.6</b>	<b>5,465,838</b>	<b>1,770.1</b>	<b>764,789</b>	<b>15.3</b>	
<b>Nonoperating Revenues and (Expenses):</b>										
Interest Income (Designated)	340,944	512,128	0.8	200,352	0.3	311,776	155.6	171,184	50.2	
Interest Income (Restricted)	141,841	166,274	0.2	112,294	0.2	53,980	48.1	24,433	17.2	
Gain (Loss) on Investments	121,059	(346,557)	(0.5)	-	-	(346,557)	N/A	(467,616)	(386.3)	
Taxes and Assessments	2,789,112	2,955,490	4.3	2,738,892	4.7	216,598	7.9	166,378	6.0	
Settlement Income	-	-	-	-	-	-	N/A	-	N/A	
Gain (Loss) on Sale of Other Capital Assets	10,534	(698,041)	(1.0)	-	-	(698,041)	N/A	(708,575)	(6,726.6)	
Bond Issuance Costs	-	(571,231)	(0.8)	-	-	(571,231)	N/A	(571,231)	N/A	
Interest Expense	(2,630,634)	(2,439,248)	(3.6)	(2,607,290)	(4.5)	168,042	645%	191,386	7.3	
Other Expense	-	-	-	-	-	-	N/A	-	N/A	
<b>Total Nonoperating Revenues and (Expenses)</b>	<b>772,856</b>	<b>(421,185)</b>	<b>(0.6)</b>	<b>444,248</b>	<b>0.7</b>	<b>(865,433)</b>	<b>(194.8)</b>	<b>(1,194,041)</b>	<b>(154.5)</b>	
<b>Income (Loss) Before Capital Contributions</b>	<b>\$ 5,782,695</b>	<b>\$ 5,353,443</b>	<b>8.0</b>	<b>\$ 753,038</b>	<b>1.3</b>	<b>\$ 4,600,405</b>	<b>610.9</b>	<b>\$ (429,252)</b>	<b>(7.4)</b>	

SCHEDULE OF INCOME (LOSS) BEFORE CONTRIBUTIONS (BUDGET TO ACTUAL)  
FOR THE YEAR ENDED JUNE 30, 2016

	PRIOR YEAR		CURRENT YEAR				CURRENT YEAR ACTUAL TO - FAV/(UNFAV)			
	ACTUAL		ACTUAL	BUDGET		BUDGET		PRIOR YEAR		
	\$		\$	\$	%	\$	%	\$	%	
<b>Operating Revenues:</b>										
<b>Revenues:</b>										
Water Sales	\$ 25,824,838	\$ 23,575,774	38.9	\$ 19,873,738	38.1	\$ 3,702,036	18.6	\$ (2,249,064)	(8.7)	
Infrastructure Access Charge	858,767	876,131	1.4	874,865	1.7	1,266	0.1	17,364	2.0	
Energy Billings	1,225,273	1,162,809	1.9	1,088,384	2.1	74,425	6.8	(62,464)	(5.1)	
CWA/MWD Credits	325,898	304,920	0.5	312,479	0.6	(7,559)	(2.4)	(20,978)	(6.4)	
Padre Dam Sewer Processing Fee	2,159,839	2,267,831	3.7	2,267,831	4.4	-	-	107,992	5.0	
Sewer Revenues	15,589,443	15,600,030	25.7	12,996,608	24.9	2,603,422	20.0	10,587	0.1	
System Charges	8,556,185	9,137,904	15.1	8,928,271	17.1	209,633	2.3	581,719	6.8	
Park Fees	5,099,855	5,419,637	8.9	4,846,859	9.3	572,778	11.8	319,782	6.3	
Other Revenues	3,696,021	2,254,603	3.7	944,883	1.8	1,309,720	138.6	(1,441,418)	(39.0)	
<b>Total Operating Revenues</b>	<b>63,336,119</b>	<b>60,599,639</b>	<b>100.0</b>	<b>52,133,918</b>	<b>100.0</b>	<b>8,465,721</b>	<b>16.2</b>	<b>(2,736,480)</b>	<b>(4.3)</b>	
<b>Operating Expenses:</b>										
<b>Direct Expenses:</b>										
Water Purchases	14,897,128	13,382,614	22.1	12,206,545	23.4	(1,176,069)	(9.6)	1,514,514	10.2	
Infrastructure Access Charge	851,460	868,818	1.4	874,865	1.7	6,047	0.7	(17,358)	(2.0)	
Energy Purchases	1,490,122	1,175,799	1.9	1,088,384	2.1	(87,415)	(8.0)	314,323	21.1	
Sewer METRO Costs	3,479,445	3,853,866	6.4	4,390,940	8.4	537,074	12.2	(374,421)	(10.8)	
Padre Dam Sewer Treatment	2,159,839	2,267,831	3.7	2,267,831	4.4	-	-	(107,992)	(5.0)	
Fish Stock, Propane, & Retail	313,412	303,407	0.5	291,921	0.6	(11,486)	(3.9)	10,005	3.2	
<b>Total Direct Expenses</b>	<b>23,191,406</b>	<b>21,852,335</b>	<b>36.1</b>	<b>21,120,486</b>	<b>40.5</b>	<b>(731,849)</b>	<b>(3.5)</b>	<b>1,339,071</b>	<b>5.8</b>	
<b>Internal Expenses:</b>										
Salary & Wages	11,403,369	11,618,091	19.2	11,419,643	21.9	(198,448)	(1.7)	(214,722)	(1.9)	
Employee Benefits	6,586,749	6,324,923	10.4	6,881,100	13.2	556,177	8.1	261,826	4.0	
Professional Services	2,724,238	3,516,415	5.8	2,177,548	4.2	(1,338,867)	(61.5)	(792,177)	(29.1)	
Materials, Supplies, Vehicle, & Bldg. Rent	5,749,346	4,293,353	7.1	4,194,090	8.0	(99,263)	(2.4)	1,455,993	25.3	
Administrative Expenses	1,124,112	1,277,743	2.1	1,447,136	2.8	169,393	11.7	(153,631)	(13.7)	
Utilities	1,393,906	1,358,284	2.2	1,368,479	2.6	10,195	0.7	35,622	2.6	
Billing Credits	(1,795,731)	(1,984,310)	(3.3)	(2,520,028)	(4.8)	(535,718)	(21.3)	188,579	10.5	
Subtotal	27,185,989	26,404,499	43.6	24,967,968	47.9	(1,436,531)	(5.8)	781,490	2.9	
Depreciation	6,876,046	7,332,966	12.1	8,054,562	15.4	721,596	9.0	(456,920)	(6.6)	
<b>Total Internal Expenses</b>	<b>34,062,035</b>	<b>33,737,465</b>	<b>55.7</b>	<b>33,022,530</b>	<b>63.3</b>	<b>(714,935)</b>	<b>(2.2)</b>	<b>324,570</b>	<b>1.0</b>	
<b>Total Operating Expenses</b>	<b>57,253,441</b>	<b>55,589,800</b>	<b>91.7</b>	<b>54,143,016</b>	<b>103.9</b>	<b>(1,446,784)</b>	<b>(2.7)</b>	<b>1,663,641</b>	<b>2.9</b>	
<b>Operating Income (Loss)</b>	<b>6,082,678</b>	<b>5,009,839</b>	<b>8.3</b>	<b>(2,009,098)</b>	<b>(3.9)</b>	<b>7,018,937</b>	<b>(349.4)</b>	<b>(1,072,839)</b>	<b>(17.6)</b>	
<b>Nonoperating Revenues and (Expenses):</b>										
Interest Income (Designated)	177,722	340,944	0.6	180,958	0.3	159,986	88.4	163,222	91.8	
Interest Income (Restricted)	124,581	141,841	0.2	79,000	0.2	62,841	79.5	17,260	13.9	
Gain (Loss) on Investments	(4,645)	121,059	0.2	-	-	121,059	N/A	125,704	2,706.2	
Taxes and Assessments	2,698,948	2,789,112	4.6	2,711,774	5.2	77,338	2.9	90,164	3.3	
Settlement Income	12,349,602	-	-	-	-	-	N/A	(12,349,602)	N/A	
Gain (Loss) on Sale of Other Capital Assets	11,386	10,534	-	-	-	10,534	N/A	(852)	(7.5)	
Bond Issuance Costs	-	-	-	-	-	-	N/A	-	N/A	
Interest Expense	(2,733,760)	(2,630,634)	(4.3)	(2,720,811)	(5.2)	90,177	331%	103,126	3.8	
Other Expense	-	-	-	-	-	-	N/A	-	N/A	
<b>Total Nonoperating Revenues and (Expenses)</b>	<b>12,623,834</b>	<b>772,856</b>	<b>1.3</b>	<b>250,921</b>	<b>0.5</b>	<b>521,935</b>	<b>208.0</b>	<b>(11,850,978)</b>	<b>(93.9)</b>	
<b>Income (Loss) Before Capital Contributions</b>	<b>\$ 18,706,512</b>	<b>\$ 5,782,695</b>	<b>9.5</b>	<b>\$ (1,758,177)</b>	<b>(3.4)</b>	<b>\$ 7,540,872</b>	<b>428.9</b>	<b>\$ (12,923,817)</b>	<b>(69.1)</b>	

**PADRE DAM MUNICIPAL WATER DISTRICT**

SCHEDULE OF CHANGE IN CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

	Retail	Water Recycling	Sewer	Park	Total Designated	Restricted CEF/ Other	Restricted COP	Non-Operating Woodside & LWD	Non-Operating METRO	Grand Total
<b>Cash Flows From Operating Activities:</b>										
Operating Income (Loss)	\$ 2,751,387	\$ 1,964,675	\$ 48,625	\$ 1,009,941	\$ 5,774,628	\$ -	\$ -	\$ -	\$ -	\$ 5,774,628
Depreciation	4,806,305	760,844	1,090,692	751,478	7,409,319	-	-	-	-	7,409,319
GASB 68 Adjustment to Pension Expense	190,314	27,899	75,395	-	293,608	-	-	-	-	293,608
CIP Expensed	285,544	41,860	113,121	-	440,525	-	-	-	-	440,525
Accounts Receivable	(153,861) *	(22,556) *	(60,954) *	- *	(237,371)	-	-	-	-	(237,371)
Accounts Receivable - Other	759,875 *	111,395 *	301,033 *	- *	1,172,303	-	-	-	-	1,172,303
Inventory	63,287 *	9,278 *	25,072 *	- *	97,637	-	-	-	-	97,637
Prepaid Expenses	(29,376) *	(4,306) *	(11,637) *	- *	(45,319)	-	-	-	-	(45,319)
Accounts Payable	708,900 *	103,923 *	280,838 *	- *	1,093,661	-	-	-	-	1,093,661
Accrued Expense and Other Liabilities	(150,074) *	(22,000) *	(59,453) *	- *	(231,527)	-	-	-	-	(231,527)
Deposits & Advances on Construction	185,516 *	27,196 *	73,494 *	- *	286,206	-	-	-	-	286,206
Other Noncurrent Liabilities	236,247 *	34,633 *	93,592 *	- *	364,472	-	-	-	-	364,472
Net Cash Provided by Operating Activities	9,654,064	3,032,841	1,969,818	1,761,419	16,418,142	-	-	-	-	16,418,142
<b>Cash &amp; Cash Equivalents and Investments From Noncapital and Related Financing Activities:</b>										
Property Tax Receipts	2,950,226	-	-	-	2,950,226	-	-	-	-	2,950,226
Net Cash Provided (Used) by Noncapital and Related Financing Activities	2,950,226	-	-	-	2,950,226	-	-	-	-	2,950,226
<b>Cash Flows From Capital and Related Financing Activities:</b>										
Acquisition and Construction of Capital Assets	(6,527,808)	(955,480)	(1,475,716)	(1,401,052)	(10,360,056)	(1,627,653)	-	-	-	(11,987,709)
Net Proceeds from Issuance of Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Principal Payments on Long-Term Debt	(1,393,270)	(360,409)	(495,975)	(358,351)	(2,608,005)	-	3,584,498	-	-	976,493
Bond Issuance Costs Paid	(491,834)	-	-	(79,397)	(571,231)	-	-	-	-	(571,231)
Proceeds from Capital Contributions	-	-	-	-	-	2,839,616	-	-	-	2,839,616
Proceeds from Settlements	-	-	-	-	-	-	-	-	-	-
Interest Paid, Net of Amount Capitalized	(1,442,551)	27,747	16,798	(128,512)	(1,526,518)	(626,165)	-	-	-	(2,152,683)
Proceeds from Sale of Assets	-	-	-	-	-	-	-	56,257	-	56,257
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,855,463)	(1,288,142)	(1,954,893)	(1,967,312)	(15,065,810)	585,798	3,584,498	56,257	-	(10,839,257)
<b>Cash Flows From Investing Activities:</b>										
Interest Received on Investments	223,852	101,996	240,201	20,400	586,449	95,236	69,540	-	-	751,225
Net Cash Provided by Investing Activities	223,852	101,996	240,201	20,400	586,449	95,236	69,540	-	-	751,225
<b>Transfers:</b>										
Transfers	(653,216)	(95,759)	(258,779)	-	(1,007,754)	15,140	-	992,614	-	-
Transfers Sales Proceeds Woodside Property	-	-	-	-	-	-	-	-	-	-
Transfers 2009 COP	4,656,541	-	-	-	4,656,541	1,673,278	(6,329,819)	-	-	-
Transfers 2009 AMR	-	-	-	-	-	-	-	-	-	-
Transfers 2010 Park Loan	-	-	-	-	-	-	-	-	-	-
Transfers LWD Detachment	-	-	-	-	-	-	-	-	-	-
Transfers Debt Service (2009 COP)	-	-	-	-	-	-	-	-	-	-
Transfers (METRO)	1,326,570	117,608	(4,342,339)	-	(2,898,161)	371,675	-	-	2,526,486	-
Transfers Other	1,765,567	179,767	1,114,105	-	3,059,439	(2,504,595)	6,358	(1,048,871)	-	(487,669)
Net Transfers	7,095,462	201,616	(3,487,013)	-	3,810,065	(444,502)	(6,323,461)	(56,257)	2,526,486	(487,669)
Net Increase (Decrease) in Cash and Cash Equivalents and Investments	10,068,141	2,048,311	(3,231,887)	(185,493)	8,699,072	236,532	(2,669,423)	-	2,526,486	8,792,667
Cash and Cash Equivalents and Investments at Beginning of Year	21,023,492	9,760,073	21,904,686	4,317,685	57,005,936	8,026,167	16,864,675	-	8,387,273	90,284,051
<b>Cash and Cash Equivalents and Investments at End of Year</b>	<b>\$ 31,091,633</b>	<b>\$ 11,808,384</b>	<b>\$ 18,672,799</b>	<b>\$ 4,132,192</b>	<b>\$ 65,705,008</b>	<b>\$ 8,262,699</b>	<b>\$ 14,195,252</b>	<b>\$ -</b>	<b>\$ 10,913,759</b>	<b>\$ 99,076,718</b>

\* Note: Allocation (of changes in receivables/payables/other assets) are based upon a constant percentage (overhead allocation percentage) applied throughout the fiscal year.

SCHEDULE OF CHANGE IN CASH, CASH EQUIVALENTS AND INVESTMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Retail	Water Recycling	Sewer	Park	Total Designated	Restricted CEF/ Other	Restricted COP	Non-Operating Woodside & LWD	Non-Operating METRO	Grand Total
<b>Cash Flows From Operating Activities:</b>										
Operating Income (Loss)	\$ 1,029,179	\$ 1,644,839	\$ 1,504,564	\$ 831,257	\$ 5,009,839	\$ -	\$ -	\$ -	\$ -	\$ 5,009,839
Depreciation	4,755,605	744,121	1,077,935	755,305	7,332,966	-	-	-	-	7,332,966
GASB 68 Adjustment to Pension Expense	(253,437)	(37,153)	(100,402)	-	(390,992)	-	-	-	-	(390,992)
CIP Expensed	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	(442,186) *	(64,823) *	(175,176) *	- *	(682,185)	-	-	-	-	(682,185)
Accounts Receivable - Other	104,426 *	15,308 *	41,369 *	- *	161,103	-	-	-	-	161,103
Inventory	(40,774) *	(5,977) *	(16,153) *	- *	(62,904)	-	-	-	-	(62,904)
Prepaid Expenses	2,743 *	402 *	1,087 *	- *	4,232	-	-	-	-	4,232
Accounts Payable	187,316 *	27,460 *	74,207 *	- *	288,983	-	-	-	-	288,983
Accrued Expense and Other Liabilities	388,095 *	56,894 *	153,748 *	- *	598,737	-	-	-	-	598,737
Deposits & Advances on Construction	198,391 *	29,083 *	78,594 *	- *	306,068	-	-	-	-	306,068
Other Noncurrent Liabilities	(974,104) *	(142,801) *	(385,902) *	- *	(1,502,807)	-	-	-	-	(1,502,807)
Net Cash Provided by Operating Activities	4,955,254	2,267,353	2,253,871	1,586,562	11,063,040	-	-	-	-	11,063,040
<b>Cash &amp; Cash Equivalents and Investments From Noncapital and Related Financing Activities:</b>										
Property Tax Receipts	2,786,898	-	-	-	2,786,898	-	-	-	-	2,786,898
Net Cash Provided (Used) by Noncapital and Related Financing Activities	2,786,898	-	-	-	2,786,898	-	-	-	-	2,786,898
<b>Cash Flows From Capital and Related Financing Activities:</b>										
Acquisition and Construction of Capital Assets	(4,475,206)	(797,828)	(2,123,984)	(86,138)	(7,483,156)	(2,363,993)	-	-	-	(9,847,149)
Net Proceeds from Issuance of Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Principal Payments on Long-Term Debt	(1,432,859)	(806,828)	(353,700)	(349,271)	(2,942,658)	(29,505)	-	-	-	(2,972,163)
Bond Issuance Costs Paid	-	-	-	-	-	-	-	-	-	-
Proceeds from Capital Contributions	-	-	-	-	-	5,798,531	-	-	-	5,798,531
Proceeds from Settlements	-	-	-	-	-	-	-	-	-	-
Interest Paid, Net of Amount Capitalized	(1,887,381)	(166,288)	(44,961)	(147,579)	(2,246,209)	(627,345)	-	-	-	(2,873,554)
Proceeds from Sale of Assets	-	-	-	-	-	-	-	10,532	-	10,532
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,795,446)	(1,770,944)	(2,522,645)	(582,988)	(12,672,023)	2,777,688	-	10,532	-	(9,883,803)
<b>Cash Flows From Investing Activities:</b>										
Interest Received on Investments	98,044	60,428	139,712	13,580	311,764	65,027	75,316	-	-	452,107
Net Cash Provided by Investing Activities	98,044	60,428	139,712	13,580	311,764	65,027	75,316	-	-	452,107
<b>Transfers:</b>										
Transfers	73,527	10,779	29,128	-	113,434	-	-	(113,434)	-	-
Transfers Sales Proceeds Woodside Property	-	-	-	-	-	-	-	-	-	-
Transfers 2009 COP	378,916	-	-	-	378,916	240,227	(619,143)	-	-	-
Transfers 2009 AMR	-	-	-	-	-	-	-	-	-	-
Transfers 2010 Park Loan	-	-	-	-	-	-	-	-	-	-
Transfers LWD Detachment	44,800	-	-	-	44,800	-	-	(44,800)	-	-
Transfers Debt Service (2009 COP)	-	-	-	-	-	-	-	-	-	-
Transfers (METRO)	463,024	32,066	192,944	-	688,034	-	-	-	(688,034)	-
Transfers Other	1,526,508	(139,520)	902,717	60,500	2,350,205	(2,359,661)	3,183	102,896	-	96,623
Net Transfers	2,486,775	(96,675)	1,124,789	60,500	3,575,389	(2,119,434)	(615,960)	(55,338)	(688,034)	96,623
Net Increase (Decrease) in Cash and Cash Equivalents and Investments	2,531,525	460,162	995,727	1,077,654	5,065,068	723,281	(540,644)	(44,806)	(688,034)	4,514,865
Cash and Cash Equivalents and Investments at Beginning of Year	18,491,967	9,299,911	20,908,959	3,240,031	51,940,868	7,302,886	17,405,319	44,806	9,075,307	85,769,186
<b>Cash and Cash Equivalents and Investments at End of Year</b>	<b>\$ 21,023,492</b>	<b>\$ 9,760,073</b>	<b>\$ 21,904,686</b>	<b>\$ 4,317,685</b>	<b>\$ 57,005,936</b>	<b>\$ 8,026,167</b>	<b>\$ 16,864,675</b>	<b>\$ -</b>	<b>\$ 8,387,273</b>	<b>\$ 90,284,051</b>

\* Note: Allocation (of changes in receivables/payables/other assets) are based upon a constant percentage (overhead allocation percentage) applied throughout the fiscal year.