



Yucaipa Valley Water District

12770 Second Street, Yucaipa, California 92399

Annual Financial Statements

for the

Fiscal Year Ending June 30, 2020

Board of Directors

Chris Mann

Division 1

Dennis Miller

Division 2

Jay Bogh

Division 3

Lonni Granlund

Division 4

Joyce McIntire

Division 5

Financial Audit Preparation Team:

Allison M. Edmisten, Chief Financial Officer

Matthew Porras, Management Analyst

Denise Howard, Purchasing Agent

Erin Anton, Administrative Clerk V

Tysa Baeumel, Administrative Clerk IV

Sara Onate, Administrative Clerk IV



**Yucaipa Valley Water District
Basic Financial Statements
Year Ended June 30, 2020**

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Yucaipa Valley Water District

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INTRODUCTION

It is my pleasure to provide the following financial report for Yucaipa Valley Water District ("District") for the fiscal year ended on June 30, 2020. The financial report was prepared by District staff following guidelines set forth by the Governmental Accounting Standards Board.

The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

This report is organized into the following sections: (1) Transmittal Letter and District Overview; (2) Management Discussion & Analysis; (3) Audited Financial Statements and (4) Required Supplementary Information. The first section provides the reader with a general overview of the District. The Management Discussion & Analysis section offers a summary of significant financial results. The Audited Financial Statements section includes the Independent Auditors' Report. The Required Supplementary section provides information and schedules to supplement the basic financial statements.

OVERVIEW OF THE DISTRICT

The Yucaipa Valley Water District is made up of a proactive group of elected officials and employees dedicated to providing reliable drinking water, recycled water and sewer service in an efficient, cost effective manner that provides a high level of customer satisfaction. On May 1, 2002, the Board of Directors adopted the following mission statement to clearly reflect the vision and principles that guide elected officials and employees of the District.

Yucaipa Valley Water District is committed to professionally managing the precious potable drinking water, sewer and recycled water resources of the Yucaipa Valley in a reliable, efficient and cost-effective manner in order to provide the finest service to our customers, both present and future.

We are entrusted to serve the public for the benefit of the community.



We believe in responsive, innovative and aggressive service, and take pride in getting the job done right the first time.

We encourage a work environment that fosters professionalism, creativity, teamwork and personal accountability.

We treat our customers and one another with fairness, dignity, respect and compassion and exhibit the utmost integrity in all we do.

We believe in enhancing the environment by following a general philosophy of eliminating waste and maximizing recycling and reuse of our natural resources.

We are committed to using the following operating principles as a guide to accomplishing our mission:

- We are proactive in our approach to issues.
- We are committed to integrity and consistently high ethical standards in all our business dealings.
- We use the strategic planning process to focus our efforts and minimize our crisis management mode.
- We make informed, rational and objective decisions.
- We aggressively pursue technological solutions to improve operations.
- We are inclusive in our decision making and delegate responsibility whenever possible.
- We design our services around customer wants and needs to the degree possible within our financial and regulatory constraints.
- We cultivate widespread commitment to common goals.

We believe our success depends on every employee knowing and sharing these values and principles.

This financial report is a reflection of the District's commitment to professionally manage the precious potable drinking water, sewer and recycled water resources and infrastructure of the Yucaipa Valley in a reliable, efficient, and cost-effective manner in order to provide the finest service to our customers, both present and future.

To meet the mission of the District, the Board of Directors and staff members continue to proactively focus on water quality issues, water supply issues, infrastructure deficiencies, maintenance of existing systems and compliance with increasingly stringent regulatory requirements.

Historical Background

The District was formed as part of reorganization, pursuant to the Reorganization Act of 1965, being Division I of Title 6 of the Government Code of the State of California. This reorganization consisted of the formation of the District, dissolution of the Calimesa Water District and formation of Improvement District No. 1 of the District as successor-in-interest, and dissolution of Improvement District "A" of the San Bernardino Valley Municipal Water District and the formation of Improvement District "A" of the District as successor-in-interest. On September 14, 1971, the Secretary

of State of the State of California certified and declared the formation of the Yucaipa Valley County Water District. The District operates under the County Water District Law, being Division 12, section 30000 of the State of California Water Code. Although the immediate function of the District was to provide water service, the District has assumed responsibility for providing recycled water and sewer service in Yucaipa Valley.

The District is located about 70 miles east of Los Angeles and 20 miles southeast of San Bernardino in the foothills of the San Bernardino Mountains and provides water, sewer, and recycled water services.

As of June 30, 2020, the District provided service to 14,440 water connections (19,355 units), 14,363 sewer connections (21,429 units) and 695 recycled water connections (845 units).

Customer Type	Drinking Water Enterprise		Sewer Enterprise		Recycled Water Enterprise	
	Number of Service Connections	Water Service Units (WSUs)	Number of Service Connections	Sewer Service Units (SSUs)	Number of Service Connections	Recycled Service Units (RSUs)
Single Family	12,482	12,477	10,599	10,608	567	323
Multiple Units	479	5,464	460	5,435	1	3
Commercial	236	665	228	228	4	13
Institutional	85	420	57	73	2	12
Industrial	13	31	3	3	1	33
Irrigation	116	298	4	4	113	461
Fire Detectors	1,013	--	--	--	--	--
Construction	16	--	--	--	7	--
Water						
Sewer Only	--	--	3,012	5,078	--	--
Total	14,440	19,355	14,363	21,429	695	845

Land and Land Use

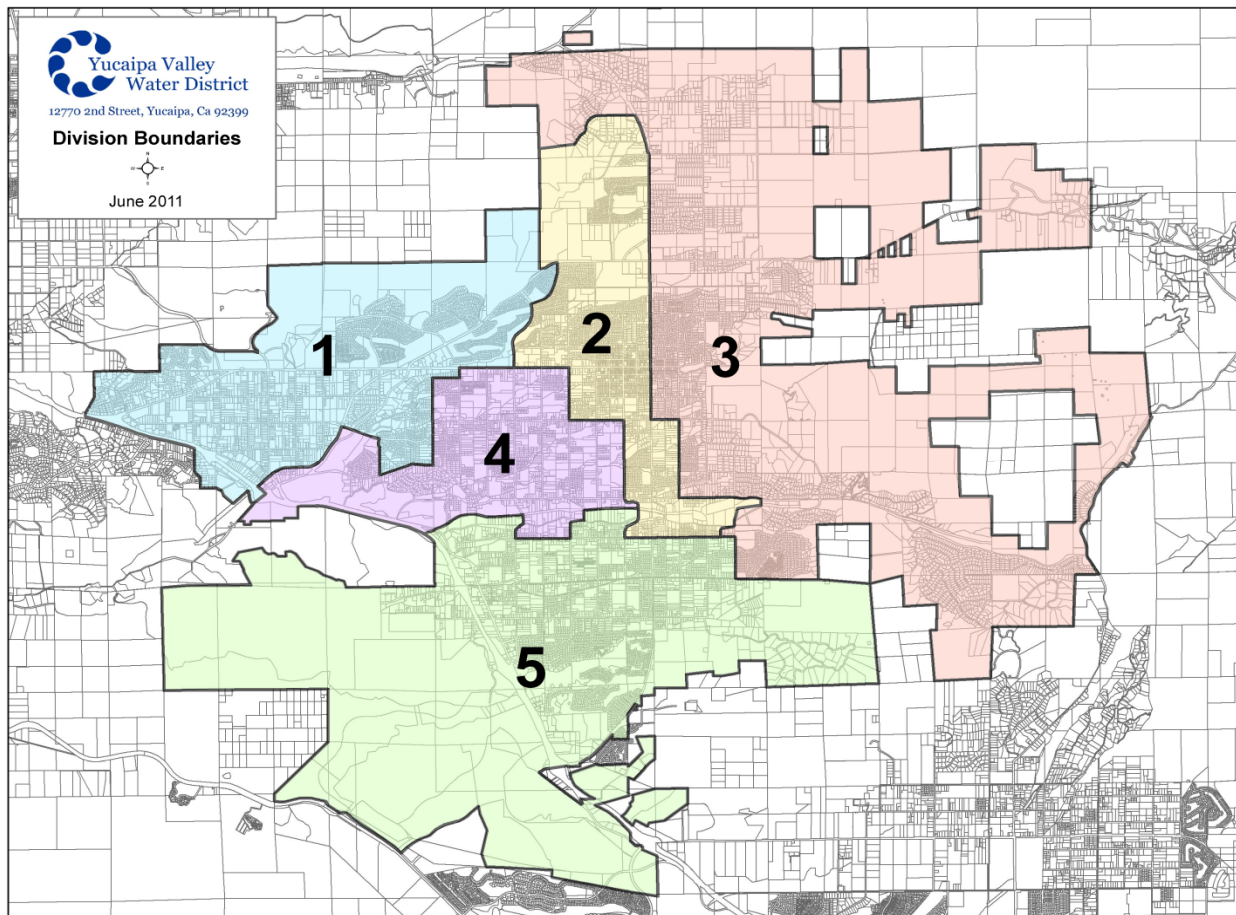
The altitude of the District rises from about 2,000 feet above sea level at the western end of the valley to about 5,000 feet at the eastern end, with average elevation of roughly 2,650 feet. The topography of the area is characterized by rolling hills separated by deeply entrenched stream beds, namely, the Yucaipa and Wilson Creeks. The District includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties respectively.

The District projects that the undeveloped land within its boundaries will continue to be developed consistent with the general plans as provided by the City of Yucaipa and the City of Calimesa. The projected population of the District in the year 2060 will be approximately 94,800, which reflects build-out of the City of Yucaipa, City of Calimesa, and the Oak Valley development. Although approximately 49.8% of the land within the boundaries of the District is currently undeveloped, less than 1% of District water sales are to agricultural water users.

Governance and Management

The District is governed by a 5-member board of directors (the "Board"), the members of which are elected from five separate divisions of the District to staggered 4-year terms. The current Board members, the expiration dates of their terms and their occupations are set forth below.

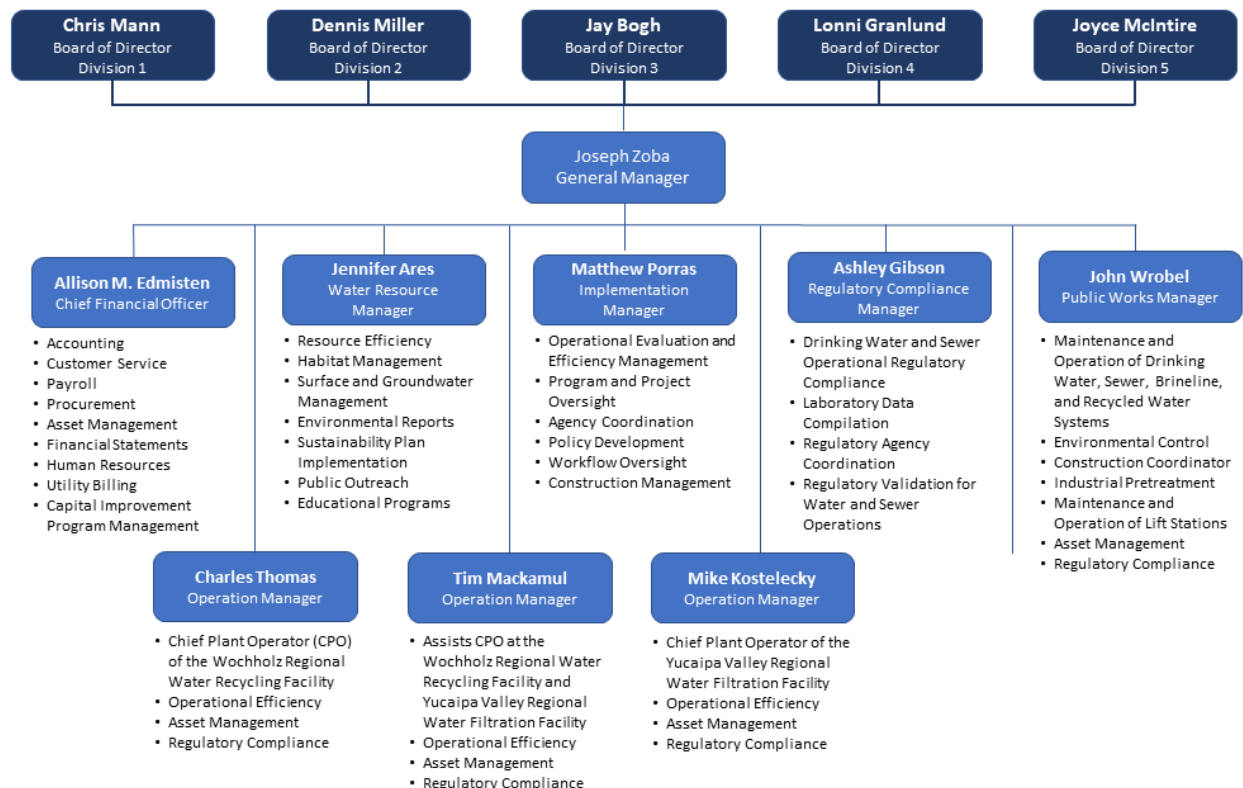
Member of the Board of Directors	Division	Initial Date of Service	Expiration of Term	Occupation
Chris Mann, President	One	12/2/2016	2024	City Manager
Dennis Miller, Director	Two	05/19/2020	2022	Real Estate Broker
Jay Bogh, Director	Three	09/07/2005	2022	Building Firm Manager
Lonni Granlund, Vice President	Four	12/05/2008	2024	Real Estate Broker
Joyce McIntire, Director	Five	12/07/2018	2022	Retired School District Employee



The following individuals have served as President of the Board since the District was created in 1971.

Yucaipa Valley Water District Presidents of the Board	
October 1971 to November 1973	Harold Lockwood
December 1973 to November 1975	Hank Wochholz
December 1975 to October 1977	Geno Gasponi
November 1977 to November 1979	Eve Kraft
December 1979 to December 1983	Pete Squires
January 1984 to December 1987	Fred Childs
January 1988 to November 1989	George Sardeson
November 1989 to December 1991	Hank Wochholz
January 1992 to November 1993	David Lesser
December 1993 to December 1995	Conrad Nelson
December 1995 to December 1998	Steve Copelan
January 1999 to November 2002	Conrad Nelson
December 2002 to December 2006	Bruce Granlund
December 2006 to December 2008	Tom Shalhoub
December 2008 to December 2012	Jay Bogh
January 2013 to December 2014	Bruce Granlund
December 2014 to December 2016	Lonni Granlund
December 2016 to January 2019	Jay Bogh
January 2019 to Present	Chris Mann

Day-to-day management of the District is delegated to the General Manager who works closely with an executive team who ultimately oversee all of the District's services and functions.

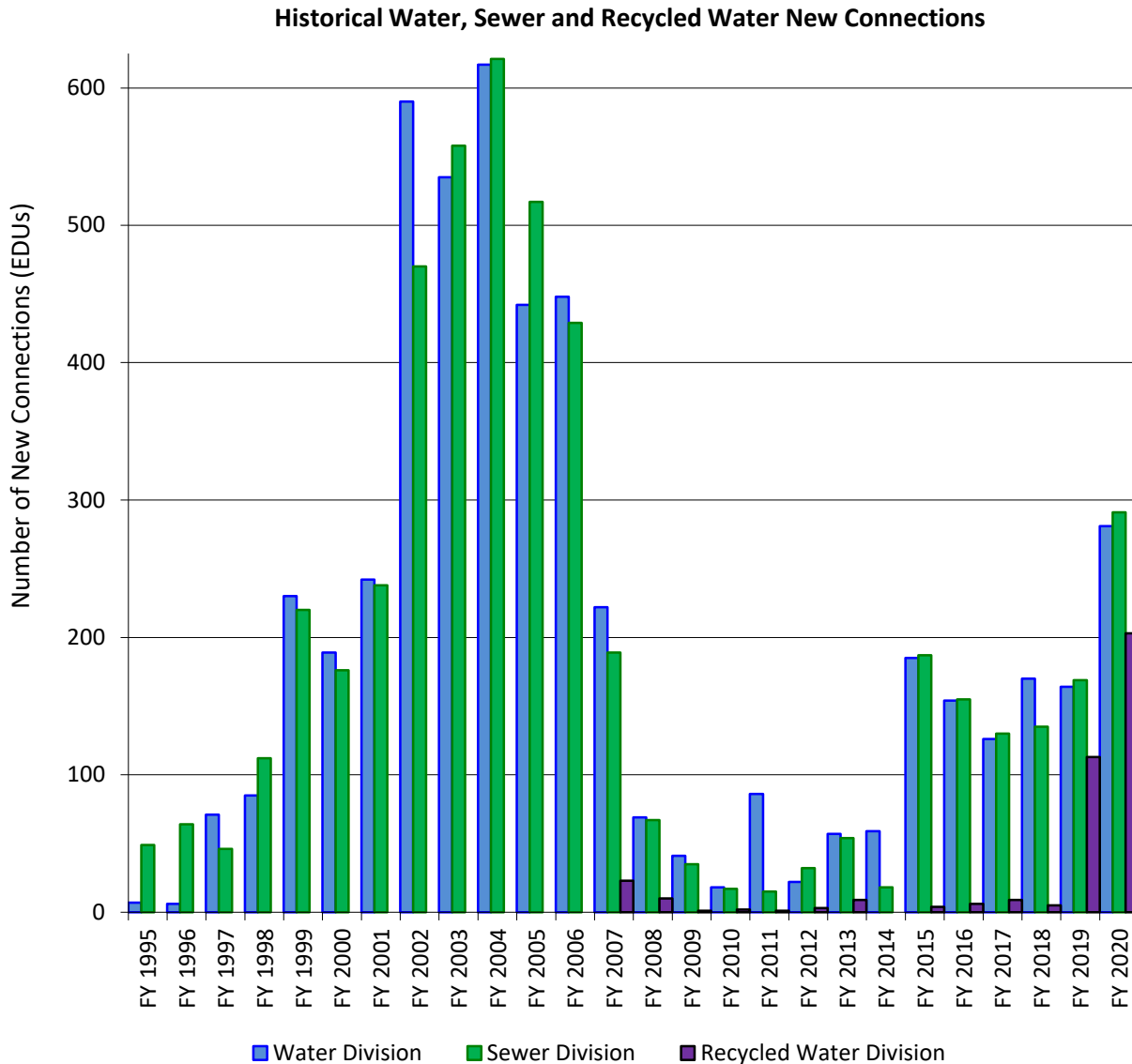


DEVELOPMENT ACTIVITY WITHIN THE DISTRICT

Facility Capacity Charges - Fiscal Year 2020

During this fiscal year, the District added 281 water connections, 291 sewer connections, and 203 recycled water connections. When compared to the development activity in the prior year, the District had 71.3% more water connections, 72.1% more sewer connections, and 79.7% more recycled water connections.

Fiscal Year	New Water Connections	New Sewer Connections	New Recycled Water Connections
2009	41	35	1
2010	18	17	2
2011	86	15	1
2012	22	32	3
2013	57	54	9
2014	59	18	0
2015	185	187	4
2016	154	155	6
2017	126	130	9
2018	170	135	5
2019	164	169	113
2020	281	291	203



MAJOR INITIATIVES AND CONTROLS

Sustainability Initiative

California's water supply continues to be a concern due to projected population increases and limited capabilities to convey water throughout the state. On August 20, 2008 the Board of Directors adopted a *Strategic Plan for a Sustainable Future - The Integration and Preservation of Resources*. The purpose of this document was to document the proactive steps taken by the Yucaipa Valley Water District to improve the social, economic and environmental sustainability of our community. These actions have included the purchase of valuable watershed properties, protection of local water supplies and management of environmental corridors. While the decisions to embark on these actions have been generally unrelated, a look back in time indicates

that the District has been progressing towards a more independent, flexible and sustainable future.

"The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired in value."

- Theodore Roosevelt

The proactive steps taken by the District to protect and conserve our resources have been based on the concepts that: (1) resources are not limitless and therefore need to be conserved, nurtured and renewed; and (2) resources that are used to generate short-term gains result in an inefficient and inequitable consumption of resources that are not beneficial for a long-

term strategy. Both of these concepts help to guide the District to make decisions that are conservative, careful and conscious of the role we currently play in a long-term strategy to protect the community.

The purpose of pursuing a sustainability plan is twofold. First and foremost, the sustainability plan has been designed to establish the policies and guidelines necessary to protect and preserve the natural resources entrusted to the District for our customers. It is our business to maximize the use of our limited natural resources for the long-term economic growth and expansion of the local economy. In the arid southwest, the basic fuel to create and maintain a local economy is water. Secondly, the sustainability policy has been designed to provide a means to measure performance of the organization. While performance monitoring or benchmarking is not normally associated with sustainability, this document has been created with the intention that the goals and reporting requirements are designed around performance management across a wide range of disciplines.

"Sustainable development is . . . development that meets the needs of the present without compromising the ability of further generations to meet their own needs."

World Commission on Environment and Development, *Our Common Future*, 1987

With the use of this document the District is better equipped to:

- Identify the key challenges over the next five decades and assess the goals to overcome these challenges;
- Deal with the challenges of the future in a transparent manner involving stakeholders;
- Identify and manage risk in a reasonable and prudent manner with information, data and resources necessary to minimize the potential costs associated with certain scenarios; and
- Embark on a program to ensure that the generations that follow are provided with the necessary tools and resources to grow the community as the prior generation has done for us.

The implementation of this initiative will come about largely with the return of new development. However, the District has enacted additional measures for existing customers which largely involves the purchase of imported water to offset groundwater production by 15% beginning in January 2010.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. Budget adjustments are presented to the Board semi-annually for items that were not initially anticipated. The budget and reporting steps taken by the District are consistent with generally accepted accounting principles with monthly reporting of public documents for complete transparency and disclosure.

Investment Policy

The Board of Directors adopts an investment policy annually that conforms to state law, District ordinance and resolutions, and prudent money management. The District is extremely conservative in our approach to investing to maximize safety and protection of public funds.

Audit and Financial Reporting

State law and bond covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Davis Farr, LLP has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report is attached.

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Independent Auditor's Report



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Independent Auditor's Report

Board of Directors
Yucaipa Valley Water District
Yucaipa, California

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Yucaipa Valley Water District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Yucaipa Valley Water District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described further in Note 11 to the financial statements. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

The financial statements of the District for the year ended June 30, 2019 were audited by other auditors whose report dated November 18, 2019, 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability – Last Ten Years, Schedule of the District's Contributions to the Pension Plan – Last Ten Years, and the Schedule of Changes in Total OPEB Liability and Related Ratios – Last Ten Years*, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The letter of transmittal is presented for the purpose of additional analysis and is not a required part of the financial statements. The letter of transmittal 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
December 3, 2020

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Management's Discussion & Analysis



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This section of the Yucaipa Valley Water District's comprehensive annual financial report presents a discussion and analysis of the District's financial performance during the fiscal years ending June 30, 2019 and June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District's basic financial statements following this section.

Yucaipa Valley Water District's financial statements consist of three enterprise funds: Water Fund, Sewer Fund, and Recycled Water Fund.

FINANCIAL HIGHLIGHTS

Based on the financial information for the fiscal year ending on June 30, 2020, the following financial highlights are noted for the Yucaipa Valley Water District.

- The District's net position decreased 0.26% to \$191,086,772.
- The District's total revenues increased 1.89% to \$26,102,398.
- The District's total expenses increased 8.26% to \$34,539,745.
- The capital contributions to the District totaled \$6,653,688 for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Yucaipa Valley Water District's basic financial statements. The District's basic financial statements are comprised of three components: Financial Statements, Notes to the Financial Statements, and Required Supplementary Information.

The District's Basic Financial Statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how Net Position changed during the fiscal year.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments of the District during the fiscal year. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess the District's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the District's financial position

of its cash and its non-cash investing, capital and related financing transactions during the year.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes are included immediately following the financial statements within this report.

FINANCIAL ANALYSIS - STATEMENT OF NET POSITION

The following table summarizes the changes in the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position as of June 30, 2020.

Statement of Net Position				
	2020	2019	Change	% Change
Assets				
Current assets	\$ 16,763,792	\$ 15,805,375	\$ 958,417	6.06%
Noncurrent assets	245,737,173	249,568,169	(3,830,996)	-1.54%
Total Assets	262,500,965	265,373,544	(2,872,579)	-1.08%
Deferred Outflow of Resources				
Deferred amounts related to pensions	1,577,203	1,798,769	(221,566)	-12.32%
Deferred amounts related to OPEB	72,528	-	72,528	N/A
Total Deferred Outflows	1,649,731	1,798,769	(149,038)	-8.29%
Total Assets and Deferred Outflow of Resources	264,150,696	267,172,313	(3,021,617)	-1.13%
Liabilities				
Current liabilities	7,341,472	6,905,730	435,742	6.31%
Long-term liabilities	65,198,362	68,498,017	(3,299,655)	-4.82%
Total Liabilities	72,539,834	75,403,747	(2,863,913)	-3.80%
Deferred Inflow of Resources				
Deferred amounts related to pensions	477,675	185,739	291,936	157.18%
Deferred amounts related to OPEB	46,415	-	46,415	N/A
Total Deferred Inflow of Resources	524,090	185,739	338,351	182.16%
Net Position				
Net Investment in capital assets	181,280,953	180,905,576	375,377	0.21%
Restricted for:				
Capital projects	3,133,197	3,053,429	79,768	2.61%
Unrestricted	6,672,622	7,623,822	(951,200)	-12.48%
Total Net Position	191,086,772	191,582,827	(496,055)	-0.26%
Total Liabilities, Deferred Inflow and Net Position	\$ 264,150,696	\$ 267,172,313	\$ (3,021,617)	-1.13%

Statement of Net Position – The District's net position decreased between fiscal years 2018-19 and 2019-20, decreasing from \$191,582,827 to \$191,086,772. The change can be seen in the condensed Statement of Net Position above as a \$496,055 decrease in net position.

The increase in current assets is primarily associated with the water fund as a result of accounting for water inventory stored in local basins. This was not accounted for in prior years. In addition, a rate study was approved in February 2020 which resulted in increased revenues for the water, sewer and recycled funds. In addition, all funds experienced an increase in expenses related to salaries and benefits for employees.

The decrease in net capital water, sewer and recycled assets is primarily attributed to the depreciation expenses for the year.

FINANCIAL ANALYSIS - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following table summarizes changes in Net Position for the year ended June 30, 2020.

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	Change	% Change
Operating Revenues				
Current services	\$ 22,201,910	\$ 21,718,062	\$ 483,848	2.23%
Interfund services provided	-	202,500	(202,500)	-100.00%
Other revenues	20,325	2,625	17,700	674.29%
Total Operating Revenues	<u>22,222,235</u>	<u>21,923,187</u>	<u>299,048</u>	<u>1.36%</u>
Non-Operating Revenues				
Interest income	217,763	192,807	24,956	12.94%
Property taxes	3,647,487	3,477,140	170,347	4.90%
Other income	14,913	24,691	(9,778)	-39.60%
Total Non-Operating Revenues	<u>3,880,163</u>	<u>3,694,638</u>	<u>185,525</u>	<u>5.02%</u>
Total Revenues	<u>26,102,398</u>	<u>25,617,825</u>	<u>484,573</u>	<u>1.89%</u>
Operating Expenses				
Salaries and employee benefits	10,877,870	8,317,654	2,560,216	30.78%
Electrical power	2,464,307	2,894,832	(430,525)	-14.87%
Water purchases	821,739	1,092,040	(270,301)	-24.75%
Maintenance and repairs	3,376,668	2,859,775	516,893	18.07%
Operating expenses	5,903,707	6,147,272	(243,565)	-3.96%
Operating Expenses before Depreciation	<u>23,444,291</u>	<u>21,311,573</u>	<u>2,132,718</u>	<u>10.01%</u>
Depreciation	9,272,656	8,696,191	576,465	6.63%
Total Operating Expenses	<u>32,716,947</u>	<u>30,007,764</u>	<u>2,709,183</u>	<u>9.03%</u>
Non-Operating Expenses				
Interest expense	1,767,883	1,897,490	(129,607)	-6.83%
Loss on asset disposal	54,915	-	54,915	N/A
Total Non-Operating Expenses	<u>1,822,798</u>	<u>1,897,490</u>	<u>(74,692)</u>	<u>-3.94%</u>
Total Expenses	<u>34,539,745</u>	<u>31,905,254</u>	<u>2,634,491</u>	<u>8.26%</u>
Income (Loss) Before Contributions	\$ (8,437,347)	\$ (6,287,429)	\$ (2,149,918)	34.19%
Contributions:				
Capital contributions	<u>6,653,688</u>	<u>6,647,936</u>	<u>5,752</u>	<u>0.09%</u>
Changes in Net Position	(1,783,659)	360,507	(2,144,166)	-594.76%
Net Position at Beginning of Year, as restated	192,870,431	191,222,320	1,648,111	0.86%
Ending Net Position	<u>\$ 191,086,772</u>	<u>\$ 191,582,827</u>	<u>\$ (496,055)</u>	<u>-0.26%</u>

The Statement of Revenues, Expenses and Changes in Net Position provides the nature and source of these changes. As can be seen in the preceding table, the loss before capital contributions of \$8,437,347 and capital contributions of \$6,653,688 offset the decrease in Net Position of \$496,055 in Fiscal Year 2020. The beginning net position was restated to include the OPEB liability, water inventory, prior year grant revenue and accrued payroll from the prior year that were not previously included in the financial statements.

The water fund experienced an increase in operating expenses as a result of an increase in costs for salaries and benefits. In addition, maintenance and repair expenses have increased as a result of the purchase of meters for the automated meter infrastructure project. This project is partially funded by a \$1.0 million grant from the U.S. Bureau of Reclamation. Property taxes were also higher in fiscal year 2019-20 than in the prior year.



CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At the end of Fiscal Year 2020, the District had invested \$241,710,813 in a broad range of capital assets as shown below.

Schedule of Capital Assets

	2020	2019	Change	% Change
Capital assets not being depreciated				
Land and easements	\$ 6,647,969	\$ 5,892,830	\$ 755,139	12.81%
Water rights	10,018,878	9,687,619	331,259	3.42%
Construction in progress	2,382,739	7,274,352	(4,891,613)	-67.24%
Total capital assets not being depreciated	19,049,586	22,854,801	(3,805,215)	-16.65%
Capital assets being depreciated				
Structures and improvements	356,645,862	347,896,302	8,749,560	2.51%
Equipment	6,821,481	6,669,669	151,812	2.28%
Total capital assets being depreciated	363,467,343	354,565,971	8,901,372	2.51%
Total accumulated depreciation	(140,806,116)	(131,799,192)	(9,006,924)	6.83%
Total capital assets being depreciated, net	222,661,227	222,766,779	(105,552)	-0.05%
Total Capital Assets, Net	\$ 241,710,813	\$ 245,621,580	\$ (3,910,767)	-1.59%

As of June 30, 2020, land increased by \$755,139 in the water fund due to multiple property purchases near the district administration building. Water rights increased in the water fund as a result of the purchase and transfer of permanent water rights to the District. Construction in progress decreased \$4,891,613 amongst the water, sewer and recycled water funds combined. These projects include multiple pipeline replacement projects, rehabilitation of the primary clarifiers at the wastewater treatment plant, replacement of the microfiltration membranes at both the water and wastewater treatment plants as well as sewer pipelines in Wildwood Canyon and Yucaipa Boulevard. This decrease in Construction in progress results in the increase in structures and improvements.

Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term obligations, including the current portion, total \$62,742,018 as of June 30, 2020, a decrease of \$4,100,709 from \$66,842,727 as of June 30, 2019. The long-term obligations were comprised of compensated absences, water revenue bonds and sewer fund state revolving fund (SRF) loans for the Wochholz Regional Water Recycling plant expansion, Regional Brineline Extension, (WISE) Wochholz Improved Salinity Effluent Project, Non-Potable Reservoir NR-10.3.1 project and the Crow Street Recycled Project.

	Schedule of Liabilities				
	2020	2019	Change	% Change	Due Within One Year
2015 Refunding Revenue Bonds	\$ 25,450,000	\$ 26,620,000	\$ (1,170,000)	-4.40%	\$ 1,230,000
Unamortized premium	2,498,685	2,669,050	(170,365)	-6.38%	170,365
Total Certificates of Participation	<u>27,948,685</u>	<u>29,289,050</u>	<u>(1,340,365)</u>	<u>-4.58%</u>	<u>1,400,365</u>
State Revolving Fund Loan - 2006	23,414,498	25,720,865	(2,306,367)	-8.97%	2,361,737
State Revolving Fund Loan - 2010	7,039,366	7,486,504	(447,138)	-5.97%	459,211
State Revolving Fund Loan - 2013 Wise	2,074,852	2,211,451	(136,599)	-6.18%	139,605
State Revolving Fund Loan - 2013 R-10.3	607,916	647,939	(40,023)	-6.18%	40,903
State Revolving Fund Loan - 2013 Crow	237,706	253,355	(15,649)	-6.18%	15,994
Total State Revolving Fund Loans	<u>33,374,338</u>	<u>36,320,114</u>	<u>(2,945,776)</u>	<u>-8.11%</u>	<u>3,017,450</u>
Compensated absences	<u>1,418,995</u>	<u>1,233,563</u>	<u>185,432</u>	<u>15.03%</u>	<u>496,649</u>
Total Long-term Liabilities	<u>\$ 62,742,018</u>	<u>\$ 66,842,727</u>	<u>\$ (4,100,709)</u>	<u>-6.13%</u>	<u>4,914,464</u>

Additional information on the District's long-term obligations can be found in Note 4 of this report.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the Yucaipa Valley Water District for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allison M. Edmisten, Chief Financial Officer at 12770 Second Street, Yucaipa, California 92399.

Financial Statements



YUCAIPA VALLEY WATER DISTRICT

Statement of Net Position

June 30, 2020
(with comparative information for prior year)

	Water	Sewer	Recycled Water	Eliminations	2020	2019
Assets:						
Current Assets:						
Cash and investments (Note 2)	\$ 2,458,541	5,030,795	2,196,439	-	9,685,775	10,898,014
Accounts receivable, net	1,291,612	1,198,101	164,948	(57,344)	2,597,317	2,378,098
Taxes and assessments receivable	74,211	-	-	-	74,211	61,013
Interest receivable	13,448	13,448	2,988	-	29,884	56,327
Materials and supplies inventory	1,594,285	-	-	-	1,594,285	1,162,397
Water inventory	2,049,898	-	-	-	2,049,898	-
Prepayments and deposits	694,373	38,049	-	-	732,422	1,249,526
Total Current Assets	<u>8,176,368</u>	<u>6,280,393</u>	<u>2,364,375</u>	<u>(57,344)</u>	<u>16,763,792</u>	<u>15,805,375</u>
Noncurrent Assets:						
Restricted investments (Note 2)	1,141,027	893,163	1,992,170	-	4,026,360	3,946,592
Capital assets not being depreciated (Note 3)	7,307,990	11,318,823	422,773	-	19,049,586	22,854,801
Capital assets being depreciated, net (Note 3)	93,749,516	106,344,930	22,566,781	-	222,661,227	222,766,776
Total Noncurrent Assets	<u>102,198,533</u>	<u>118,556,916</u>	<u>24,981,724</u>	<u>-</u>	<u>245,737,173</u>	<u>249,568,169</u>
Total Assets	<u>110,374,901</u>	<u>124,837,309</u>	<u>27,346,099</u>	<u>(57,344)</u>	<u>262,500,965</u>	<u>265,373,544</u>
Deferred Outflow of Resources:						
Deferred amounts related to pensions (Note 6)	840,861	563,579	172,763	-	1,577,203	1,798,769
Deferred amounts related to OPEB (Note 7)	46,154	13,187	13,187	-	72,528	-
Total Deferred Outflow of Resources	<u>887,015</u>	<u>576,766</u>	<u>185,950</u>	<u>-</u>	<u>1,649,731</u>	<u>1,798,769</u>
Liabilities:						
Current Liabilities:						
Accounts payable and accrued liabilities	369,909	349,595	14,011	(57,344)	676,171	659,197
Customer deposits	106,690	-	-	-	106,690	115,790
Developer/construction deposits	266,035	-	-	-	266,035	558,758
Accrued payroll	237,573	164,339	45,024	-	446,936	53,512
Accrued interest payable	367,279	563,643	254	-	931,176	997,676
Current portion of long-term liabilities:						
Compensated absences (Note 4)	264,813	177,453	54,383	-	496,649	405,002
Certificates of participation (Note 4)	1,400,365	-	-	-	1,400,365	1,170,000
State revolving fund loans (Note 4)	-	3,017,450	-	-	3,017,450	2,945,795
Total Current Liabilities	<u>3,012,664</u>	<u>4,272,480</u>	<u>113,672</u>	<u>(57,344)</u>	<u>7,341,472</u>	<u>6,905,730</u>
Long-Term Liabilities:						
Compensated absences (Note 4)	491,795	329,554	100,997	-	922,346	828,561
Certificates of participation (Note 4)	26,548,320	-	-	-	26,548,320	28,119,050
State revolving fund loans (Note 4)	-	30,356,888	-	-	30,356,888	33,374,319
Net pension liability (Note 6)	3,555,180	2,382,824	730,446	-	6,668,450	6,176,087
OPEB liability (Note 7)	446,956	127,701	127,701	-	702,358	-
Total Long-Term Liabilities	<u>31,042,251</u>	<u>33,196,967</u>	<u>959,144</u>	<u>-</u>	<u>65,198,362</u>	<u>68,498,017</u>
Total Liabilities	<u>34,054,915</u>	<u>37,469,447</u>	<u>1,072,816</u>	<u>(57,344)</u>	<u>72,539,834</u>	<u>75,403,747</u>
Deferred Inflow of Resources:						
Deferred amounts related to pensions (Note 6)	254,665	170,687	52,323	-	477,675	185,739
Deferred amounts related to OPEB (Note 7)	29,537	8,439	8,439	-	46,415	-
Total Deferred Inflow of Resources	<u>284,202</u>	<u>179,126</u>	<u>60,762</u>	<u>-</u>	<u>524,090</u>	<u>185,739</u>
Net Position:						
Net investment in capital assets	73,108,821	85,182,578	22,989,554	-	181,280,953	180,905,576
Restricted for:						
Capital projects	1,141,027	-	1,992,170	-	3,133,197	3,053,429
Unrestricted	<u>2,672,951</u>	<u>2,582,924</u>	<u>1,416,747</u>	<u>-</u>	<u>6,672,622</u>	<u>7,623,822</u>
Total Net Position	<u>\$ 76,922,799</u>	<u>87,765,502</u>	<u>26,398,471</u>	<u>-</u>	<u>191,086,772</u>	<u>191,582,827</u>

See accompanying notes to the basic financial statements.

YUCAIPA VALLEY WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020
(with comparative information for prior year)

	Water	Sewer	Recycled Water	Eliminations	2020	2019
Operating Revenues:						
Charges for current services	\$ 10,305,859	11,329,998	1,117,757	(551,704)	22,201,910	21,718,062
Interfund services provided	210,000	-	-	(210,000)	-	202,500
Other revenues	<u>7,129</u>	<u>13,196</u>	<u>-</u>	<u>-</u>	<u>20,325</u>	<u>2,625</u>
Total Operating Revenues	<u>10,522,988</u>	<u>11,343,194</u>	<u>1,117,757</u>	<u>(761,704)</u>	<u>22,222,235</u>	<u>21,923,187</u>
Operating Expenses:						
Salaries and employee benefits	5,361,927	4,176,781	1,339,162	-	10,877,870	8,317,654
Electrical power	1,361,668	1,568,907	85,436	(551,704)	2,464,307	2,894,832
Water purchases	821,739	-	-	-	821,739	1,092,040
Administrative services	519,630	540,546	33,927	(210,000)	884,103	1,268,992
Operating supplies	180,372	852,776	6,214	-	1,039,362	1,162,503
Maintenance and repairs	2,665,628	605,499	105,541	-	3,376,668	2,859,775
Crystal Creek Water Treatment	594,408	-	-	-	594,408	618,228
Brineline charges	-	426,732	-	-	426,732	413,813
Depreciation	3,613,977	4,616,193	1,042,486	-	9,272,656	8,696,191
Insurance	152,492	115,280	20,416	-	288,188	251,678
Professional fees	926,844	1,248,281	51,072	-	2,226,197	1,934,604
Other	<u>82,375</u>	<u>348,870</u>	<u>13,472</u>	<u>-</u>	<u>444,717</u>	<u>497,454</u>
Total Operating Expenses	<u>16,281,060</u>	<u>14,499,865</u>	<u>2,697,726</u>	<u>(761,704)</u>	<u>32,716,947</u>	<u>30,007,764</u>
Operating Income (Loss)	<u>(5,758,072)</u>	<u>(3,156,671)</u>	<u>(1,579,969)</u>	<u>-</u>	<u>(10,494,712)</u>	<u>(8,084,577)</u>
Non-Operating Revenues (Expenses):						
Interest income	129,185	72,473	16,105	-	217,763	192,807
Property taxes	3,247,487	-	400,000	-	3,647,487	3,477,140
Other income	14,885	-	28	-	14,913	24,691
Interest expense	(931,496)	(836,387)	-	-	(1,767,883)	(1,897,490)
Loss on asset disposal	<u>(54,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,915)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>2,405,146</u>	<u>(763,914)</u>	<u>416,133</u>	<u>-</u>	<u>2,057,365</u>	<u>1,797,148</u>
Income (Loss) Before Contributions	<u>(3,352,926)</u>	<u>(3,920,585)</u>	<u>(1,163,836)</u>	<u>-</u>	<u>(8,437,347)</u>	<u>(6,287,429)</u>
Contributions:						
Capital contributions	<u>1,830,217</u>	<u>3,110,769</u>	<u>1,712,702</u>	<u>-</u>	<u>6,653,688</u>	<u>6,647,936</u>
Changes in Net Position	<u>(1,522,709)</u>	<u>(809,816)</u>	<u>548,866</u>	<u>-</u>	<u>(1,783,659)</u>	<u>360,507</u>
Net Position at Beginning of Year, as restated (Note 11)	<u>78,445,508</u>	<u>88,575,318</u>	<u>25,849,605</u>	<u>-</u>	<u>192,870,431</u>	<u>191,222,320</u>
Net Position at End of Year	<u>\$ 76,922,799</u>	<u>87,765,502</u>	<u>26,398,471</u>	<u>-</u>	<u>191,086,772</u>	<u>191,582,827</u>

See accompanying notes to the basic financial statements.

YUCAIPA VALLEY WATER DISTRICT

Statement of Cash Flows

Year ended June 30, 2020
(with comparative information for prior year)

	Water	Sewer	Recycled Water	2020	2019
Cash Flows from Operating Activities:					
Receipts from customers	\$ 10,162,159	11,439,110	1,039,935	22,641,204	21,900,612
Receipts from interfund services provided	210,000	-	-	210,000	-
Payments to suppliers	(7,088,561)	(5,771,254)	(308,740)	(13,168,555)	(13,547,039)
Employment related payments	(4,836,437)	(3,791,936)	(903,789)	(9,532,162)	(8,499,824)
Net Cash Provided by/(used for) Operating Activities	<u>(1,552,839)</u>	<u>1,875,920</u>	<u>(172,594)</u>	<u>150,487</u>	<u>(146,251)</u>
Cash Flows from Capital and Related Financing Activities:					
Capital contributions	1,552,379	3,110,769	1,712,702	6,375,850	6,647,936
Cash paid for capital assets	(3,176,296)	(2,095,138)	(145,373)	(5,416,807)	(3,591,093)
Principal paid on capital debt	(1,340,365)	(2,945,776)	-	(4,286,141)	(3,990,827)
Interest paid on capital debt	(948,172)	(886,465)	254	(1,834,383)	(2,136,744)
Net Cash Provided by/(used for) Capital and Related Financing Activities	<u>(3,912,454)</u>	<u>(2,816,610)</u>	<u>1,567,583</u>	<u>(5,161,481)</u>	<u>(3,070,728)</u>
Cash Flows from Non-Capital Financing Activities:					
Property taxes received	3,234,289	-	400,000	3,634,289	3,500,992
Other receipts	-	-	-	-	24,691
Net Cash Provided by/(used for) Non-Capital Financing Activities	<u>3,234,289</u>	<u>-</u>	<u>400,000</u>	<u>3,634,289</u>	<u>3,525,683</u>
Cash Flows from Investing Activities:					
Interest and dividends	<u>141,084</u>	<u>84,372</u>	<u>18,778</u>	<u>244,234</u>	<u>221,036</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,089,920)	(856,318)	1,813,767	(1,132,471)	529,740
Cash and cash equivalents at beginning of year	<u>5,689,488</u>	<u>6,780,276</u>	<u>2,374,842</u>	<u>14,844,606</u>	<u>14,314,866</u>
Cash and cash equivalents at end of year	<u>\$ 3,599,568</u>	<u>5,923,958</u>	<u>4,188,609</u>	<u>13,712,135</u>	<u>14,844,606</u>
Reconciliation of Statement of Net Position:					
Cash and investments	\$ 2,458,541	5,030,795	2,196,439	9,685,775	10,898,014
Restricted cash and investments - Noncurrent	<u>1,141,027</u>	<u>893,163</u>	<u>1,992,170</u>	<u>4,026,360</u>	<u>3,946,592</u>
Total Cash and Investments	<u>\$ 3,599,568</u>	<u>5,923,958</u>	<u>4,188,609</u>	<u>13,712,135</u>	<u>14,844,606</u>

See accompanying notes to the basic financial statements.

YUCAIPA VALLEY WATER DISTRICT

Statement of Cash Flows (Continued)

Year ended June 30, 2020
(with comparative information for prior year)

	Water	Sewer	Recycled Water	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (loss)	\$ (5,758,072)	(3,156,671)	(1,579,969)	(10,494,712)	(8,084,577)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,613,977	4,616,193	1,042,486	9,272,656	8,696,191
Changes in assets and liabilities:					
Receivables, net	(141,729)	95,916	(77,822)	(123,635)	576,983
Material and supplies inventory	(431,888)	-	-	(431,888)	20,422
Water inventory	-	-	-	-	-
Prepayments and deposits	551,783	(34,679)	-	517,104	(248,318)
Accounts payable and accrued liabilities	96,700	(29,684)	7,338	74,354	(527,724)
Customer deposits	(9,100)	-	-	(9,100)	(397,058)
Accrued payroll	86,528	66,084	20,109	172,721	-
Compensated absences	(104,514)	134,566	155,380	185,432	(73,553)
Net pension liability	288,030	(56,730)	261,063	492,363	(349,233)
OPEB liability	(38,356)	(10,960)	(10,960)	(60,276)	-
Change in deferred outflows of resources related to pensions	110,687	146,935	(36,056)	221,566	478,489
Change in deferred outflows of resources related to OPEB	(2,831)	(809)	(809)	(4,449)	-
Change in deferred inflows of resources related to pensions	156,409	97,320	38,207	291,936	(237,873)
Change in deferred inflows of resources related to OPEB	29,537	8,439	8,439	46,415	-
Net Cash Provided by/(Used for) Operating Activities	\$ (1,552,839)	1,875,920	(172,594)	150,487	(146,251)

There were no significant noncash investing and financing activities for the years ended June 30, 2020 and 2019.

See accompanying notes to the basic financial statements.

YUCAIPA VALLEY WATER DISTRICT

Statement of Fiduciary Assets and Liabilities

June 30, 2020

(with comparative information for prior year)

	SCIP R-12.4 Reservoir Agency Fund
Assets:	
Cash and cash equivalents (Note 2)	<u>\$ 1,297,349</u>
Liabilities:	
Due to Bondholders	<u>\$ 1,297,349</u>

See accompanying notes to the basic financial statements.

Notes to the Financial Statements



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YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

Yucaipa Valley Water District (the District) is a special-purpose government district providing water distribution and sewer collection and treatment for consumers within its service area. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(b) Basis of Presentation

The District has the following major proprietary funds:

- Water – This fund accounts for the activities of the District's drinking water supply system.
- Sewer – This fund accounts for the activities of the District's sewage treatment plant, pumping stations, and collection systems.
- Recycled Water – This fund accounts for the activities of the District's recycled water supply system.

The SCIP R-12.4 Reservoir agency fund utilizes the accrual basis of accounting for reporting its assets and liabilities. This fund is used to account for receipts and disbursements associated with Assessment District AD-14-01, which is administered by, but is not the liability of, the District.

(c) Basis of Accounting

Proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes apply. Property taxes are collected for the District by the Counties of San Bernardino and Riverside. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies

The agency funds are custodial in nature (assets equal liabilities) and uses the accrual basis of accounting, but do not involve measurement of results of operations. The District reports agency funds used to account for an assessment district that was formed to finance the construction and installation of a reservoir that will service properties located within the assessment district.

(d) Capital Assets

Capital assets purchased or constructed are carried at cost. Constructed costs include labor, materials, and construction period interest expense (net of interest income, where applicable). Repairs, maintenance, and minor replacements of property are charged to expense. Capitalization threshold is \$5,000.

Contributed assets are stated at acquisition value at the time received by the District. Depreciation is calculated on the straight-line method over the following estimated useful lives of the assets:

Structures and improvements	10 – 50 years
Equipment	4 – 10 years

(e) Restricted Investments

Various resources of the District are limited as to their use by law or by debt covenants and are classified on the balance sheet as restricted investments. Undisbursed debt proceeds are restricted for repayment of the debt and project costs. Also, fees imposed on new real estate development are restricted by law for the construction of capital improvements which benefit the development projects.

(f) Inventories

Material and supplies inventory consists primarily of materials used in the construction and maintenance of the water system and is valued at the lower of cost, using the average cost method, or market. Inventory uses the consumption method whereby they are reported as an asset and expensed as they are consumed.

Water inventory consists of native groundwater and purchased water holdings in the USGS Well. Water inventory is valued at cost using the first-in/first-out (FIFO) method.

(g) Cash and Cash Equivalents

All cash and investments are held in the District's cash management pool. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Therefore, for purposes of the statement of cash flows, the District considers the entire pooled cash and investment balance to be cash and cash equivalents.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

(h) Investments

Investments are reported at fair value, which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Management reviews investments for events that might affect fair value measurements of investments on a monthly basis. The evaluation is performed at the lowest level of identifiable unit of account.

(i) Fair Value Hierarchy

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. As of June 30, 2020, the District had no investments with recurring fair value measurements.

In determining fair value, the District's custodians use various methods including market and income approaches. Based on these approaches, the District's custodians utilize certain assumptions that market participants would use in pricing the asset or liability. The District's custodians utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Various inputs are used in determining the value of the District's investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 – quoted prices in active markets for identical investments, Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 – significant unobservable inputs (including the District's own assumptions in determining the fair value of instruments).

(j) Property tax

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to entities based on complex formulas. The property tax calendar for San Bernardino and Riverside County is as follows:

Lien date	January 1
Levy date	July 1
Due date	November 1 and February 1

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

Collection dates December 10 and April 10

(k) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(l) Uncollectible Accounts

The District provides an allowance for doubtful accounts for all accounts deemed uncollectible. As of June 30, 2020, this allowance was estimated at \$20,000 in the Water Fund and \$15,000 in the Sewer Fund.

(m) Credit/Market Risk

The District provides water, sewer, and recycled water services to local residential and commercial customers. As part of normal operating practices, credit is granted to local customers, on an unsecured basis.

(n) Use of Restricted Resources

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 they are needed.

(o) Net Position

Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position consists of those restricted assets reduced by liabilities related to those assets.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

(p) 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) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

(q) Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to the liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

(r) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category, deferred outflows related to pensions and OPEB.

In addition to liabilities, the Statement of Net Position reports 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 a future period and will not be recognized as an inflow (revenue) until that time. The District has two items that qualify for reporting in this category, deferred inflow related to pensions and OPEB.

(s) Comparative Financial Statements

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which selected financial data was derived. The District has reclassified certain prior year information to conform with current year presentations.

(2) Cash and Investments

Cash and investments are classified as the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 9,685,775
Restricted investments - non-current	4,026,360
Statement of Fiduciary Assets and Liabilities	
Cash and cash equivalents	<u>1,297,349</u>
Total Cash and Investments	<u><u>\$ 15,009,484</u></u>

Cash and investments as of June 30, 2020, consist of the following:

Cash	\$ 4,630,084
Investments	<u>10,379,400</u>
Total Cash and Investments	<u><u>\$ 15,009,484</u></u>

Investments Authorized by the District's Investment Policy

The table below identifies the investment types that are authorized for the Yucaipa Valley Water District by the California Government Code and the District's policy, whichever is more restricted.

The table also identifies certain provisions of the California Government Code that address interest rate risk that are governed by the provisions of debt agreements of Yucaipa Valley Water District, rather than the general provisions of the California Government Code.

YUCAIPA VALLEY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2020

(2) Cash and Investments (Continued)

<u>Authorized Investments</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
U.S. Treasury Securities	5 years	70%	None
U.S. Treasury Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Bank Demands	N/A	5%	None
Repurchase Agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Managed Pools	N/A	None	20%
Placement Certificates of Deposits	5 years	30%	None

Investments Authorized by the District's Investment Policy

Investment of debt proceeds held by the bond trustee is governed by provisions of debt agreement, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investment held by bond trustee. The table also identifies certain provisions of debt agreement that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investments</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
U.S. Treasury Securities	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Repurchase Agreements	365 days	None	None
Negotiable Certificates of Deposit	None	30%	None
Money Market Mutual Funds	None	None	None

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 as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations are provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(2) Cash and Investments (Continued)

Investment Type	Total	Remaining Maturity (in Months)
		12 Months or Less
LAIF	\$ 9,611,928	9,611,928
Money Market Funds	767,472	767,472
Total	<u>\$ 10,379,400</u>	<u>10,379,400</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, or debt agreements, and the S&P ratings as of June 30, 2020 for each investment type.

The District's rating as of the year ended June 30, 2020 for each investment type are as follows:

Investment Type	Total	Minimum Legal Rating	Not Rated	AAAm
LAIF	\$ 9,611,928	N/A	9,611,928	-
Money Market Funds	767,472	N/A	-	767,472
Total	<u>\$ 10,379,400</u>		<u>9,611,928</u>	<u>767,472</u>

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(2) Cash and Investments (Continued)

California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured deposits.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not registered with the Securities and Exchange Commission and is not rated. Deposits and withdrawals to and from LAIF are transferred on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, LAIF is based on inputs not categorized as Level 1, Level 2, or Level 3. This external pool has no limitations or restrictions on participant withdrawals.

(3) Capital Assets

Capital assets are as follows for the year ended June 30, 2020:

Water Fund	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land and easements	\$ 4,111,106	755,139	-	4,866,245
Water rights	432,941	331,259	-	764,200
Construction in progress	<u>5,779,661</u>	<u>951,666</u>	<u>(5,053,782)</u>	<u>1,677,545</u>
Total capital assets not being depreciated	<u>10,323,708</u>	<u>2,038,064</u>	<u>(5,053,782)</u>	<u>7,307,990</u>
Capital assets being depreciated:				
Structures and improvements	138,991,212	6,040,199	(320,647)	144,710,764
Equipment	<u>4,929,681</u>	<u>151,812</u>	<u>-</u>	<u>5,081,493</u>
Total capital assets being depreciated	<u>143,920,893</u>	<u>6,192,011</u>	<u>(320,647)</u>	<u>149,792,257</u>
Less accumulated depreciation:				
Structures and improvements	(48,648,973)	(3,487,784)	265,732	(51,871,025)
Equipment	<u>(4,045,523)</u>	<u>(126,193)</u>	<u>-</u>	<u>(4,171,716)</u>
Total accumulated depreciation	<u>(52,694,496)</u>	<u>(3,613,977)</u>	<u>265,732</u>	<u>(56,042,741)</u>
Total capital assets being depreciated, net	<u>91,226,397</u>	<u>2,578,034</u>	<u>(54,915)</u>	<u>93,749,516</u>
Water Fund capital assets, net	<u><u>\$ 101,550,105</u></u>	<u><u>4,616,098</u></u>	<u><u>(5,108,697)</u></u>	<u><u>101,057,506</u></u>

Depreciation expense was \$3,613,977 for the year ended June 30, 2020.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(3) Capital Assets (Continued)

Sewer Fund	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land and easements	\$ 1,781,724	-	-	1,781,724
Water rights	9,254,678	-	-	9,254,678
Construction in progress	1,036,082	805,180	(1,558,841)	282,421
Total capital assets not being depreciated	12,072,484	805,180	(1,558,841)	11,318,823
Capital assets being depreciated:				
Structures and improvements	177,359,273	2,848,800	-	180,208,073
Equipment	1,592,988	-	-	1,592,988
Total capital assets being depreciated	178,952,261	2,848,800	-	181,801,061
Less accumulated depreciation:				
Structures and improvements	(69,459,119)	(4,596,591)	-	(74,055,710)
Equipment	(1,380,819)	(19,602)	-	(1,400,421)
Total accumulated depreciation	(70,839,938)	(4,616,193)	-	(75,456,131)
Total capital assets being depreciated, net	108,112,323	(1,767,393)	-	106,344,930
Sewer Fund capital assets, net	<u>\$ 120,184,807</u>	<u>(962,213)</u>	<u>(1,558,841)</u>	<u>117,663,753</u>

Depreciation expense was \$4,616,193 for the year ended June 30, 2020.

Recycled Water Fund	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Construction in progress	\$ 458,610	43,521	(79,358)	422,773
Total capital assets not being depreciated	458,610	43,521	(79,358)	422,773
Capital assets being depreciated:				
Structures and improvements	31,545,817	181,208	-	31,727,025
Equipment	147,000	-	-	147,000
Total capital assets being depreciated	31,692,817	181,208	-	31,874,025
Less accumulated depreciation:				
Structures and improvements	(8,176,558)	(1,027,786)	-	(9,204,344)
Equipment	(88,200)	(14,700)	-	(102,900)
Total accumulated depreciation	(8,264,758)	(1,042,486)	-	(9,307,244)
Total capital assets being depreciated, net	23,428,059	(861,278)	-	22,566,781
Recycled Water Fund capital assets, net	<u>\$ 23,886,669</u>	<u>(817,757)</u>	<u>(79,358)</u>	<u>22,989,554</u>

Depreciation expense was \$1,042,486 for the year ended June 30, 2020.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities balances for the fiscal year ended June 30, 2020.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
2015 Refunding Revenue Bonds	\$ 26,620,000	-	(1,170,000)	25,450,000	1,230,000
Unamortized premium	2,669,050	-	(170,365)	2,498,685	170,365
Total Certificates of Participation	29,289,050	-	(1,340,365)	27,948,685	1,400,365
State Revolving Fund Loan - 2006	25,720,865	-	(2,306,367)	23,414,498	2,361,737
State Revolving Fund Loan - 2010	7,486,504	-	(447,138)	7,039,366	459,211
State Revolving Fund Loan - 2013 Wise	2,211,451	-	(136,599)	2,074,852	139,605
State Revolving Fund Loan - 2013 R-10.3	647,939	-	(40,023)	607,916	40,903
State Revolving Fund Loan - 2013 Crow	253,355	-	(15,649)	237,706	15,994
Total State Revolving Fund Loans	36,320,114	-	(2,945,776)	33,374,338	3,017,450
Compensated absences	1,233,563	1,660,550	(1,475,118)	1,418,995	496,649
Total Long-term Liabilities	\$ 66,842,727	1,660,550	(5,761,259)	62,742,018	4,914,464

Refunding Revenue Bonds Series 2015A

In 2015, the District sold certificates of participation in the amount of \$30,810,000 to refund the 2004 Certificates of Participation and to pay delivery costs of the certificates. Certificates began maturing on September 1, 2015 with semi-annual interest payments due March 1 and September 1 at various interest rates from 3.00 to 5.00 percent. Principal payments are due annually September 1 at various amounts from \$980,000 to \$2,240,000. The final principal payment of the certificates is scheduled for September 1, 2034. The bonds are subject to optional redemption as a whole or in part on any date in order of maturity as directed by the District. The District has covenanted to provide certain financial information and operating data annually not later than 270 days following the end of the fiscal year.

Maturities of the revenue refunding bonds are as follows:

Fiscal Year Ending	2015 Redunding Revenue Bonds Series A		
	Principal	Interest	Total
2021	\$ 1,230,000	1,062,612	2,292,612
2022	1,290,000	1,006,062	2,296,062
2023	1,335,000	960,237	2,295,237
2024	1,390,000	903,462	2,293,462
2025	1,455,000	832,337	2,287,337
2026-2030	8,430,000	3,034,885	11,464,885
2031-2035	10,320,000	1,152,185	11,472,185
Total	\$ 25,450,000	8,951,780	34,401,780

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(4) Changes in Long-Term Liabilities (Continued)

State Revolving Fund Loan - 2006

In August 2006, the District entered into a loan agreement with the State of California Water Resources Control Board to provide funding for the expansion and modification of the Henry N. Wochholz Wastewater Treatment Plant. The maximum amount of \$44,748,356 has been drawn. The loan accrues interest at a rate of 2.4 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in September 2009. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2006 State Revolving Fund Loan		
	Principal	Interest	Total
2021	\$ 2,361,737	561,932	2,923,669
2022	2,418,402	505,267	2,923,669
2023	2,476,444	447,225	2,923,669
2024	2,535,878	387,791	2,923,669
2025	2,596,740	326,929	2,923,669
2026-2029	11,025,297	669,379	11,694,676
Total	<u>\$ 23,414,498</u>	<u>2,898,523</u>	<u>26,313,021</u>

State Revolving Fund Loan - 2010

In June 2010, the District entered into a loan agreement with the State of California Water Resources Control Board (SWRCB) to provide the funding for the construction of the Regional Brineline Extension Project. The maximum amount of \$9,752,100 has been drawn plus interest accrued during the period of construction of \$183,714. The loan accrues interest at a rate of 2.7 percent annually. Principal and interest payments are due in 20 annual installments. In accordance with Amendment No. 1 of the loan agreement, the first payment occurred in December 2013. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2010 State Revolving Fund Loan		
	Principal	Interest	Total
2021	\$ 459,211	190,063	649,274
2022	471,609	177,665	649,274
2023	484,343	164,931	649,274
2024	497,420	151,854	649,274
2025	510,850	138,424	649,274
2026-2030	2,768,747	477,623	3,246,370
2031-2033	1,847,186	100,636	1,947,822
Total	<u>\$ 7,039,366</u>	<u>1,401,196</u>	<u>8,440,562</u>

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(4) Changes in Long-Term Liabilities (Continued)

State Revolving Fund Loan – 2013 (Wise)

In December 2011, the District entered into a loan agreement (Wise) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The maximum amount of the loan is \$2,988,364. The loan accrues interest at a rate of 2.2 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in March 2014. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2013 (Wise) State Revolving Fund Loan		
	Principal	Interest	Total
2021	\$ 139,605	45,646	185,251
2022	142,676	42,575	185,251
2023	145,815	39,436	185,251
2024	149,023	36,228	185,251
2025	152,301	32,950	185,251
2026-2030	813,267	112,988	926,255
2031-2033	532,165	23,588	555,753
Total	<u>\$ 2,074,852</u>	<u>333,411</u>	<u>2,408,263</u>

State Revolving Fund Loan – 2013 (R-10.3)

In December 2011, the District entered into a loan agreement (R-10.3) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The maximum amount of the loan is \$871,570. The loan accrues interest at a rate of 2.2 percent annually. Principal and interest payments are due in 20 annual installments. The first payment occurred in March 2014. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2013 (R-10.3) State Revolving Fund Loan		
	Principal	Interest	Total
2021	\$ 40,903	13,374	54,277
2022	41,803	12,474	54,277
2023	42,723	11,554	54,277
2024	43,663	10,614	54,277
2025	44,623	9,654	54,277
2026-2030	238,280	33,105	271,385
2031-2033	155,921	6,910	162,831
Total	<u>\$ 607,916</u>	<u>97,685</u>	<u>705,601</u>

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(4) Changes in Long-Term Liabilities (Continued)

State Revolving Fund Loan – 2013 (Crow)

In December 2011, the District entered into a loan agreement (Crow Street) with the State of California Water Resources Control Board (SWRCB) to provide the funding for Recycled Water Fund projects. The District received the amount of \$310,179. The loan accrues interest at a rate of 2.2 percent annually on amounts drawn. Repayment will be made in 20 annual installments. The first payment occurred in March 2016. The District has pledged all revenues and amounts legally available to repay the loan.

Fiscal Year Ending	2013 (Crow) State Revolving Fund Loan		
	Principal	Interest	Total
2021	\$ 15,994	5,229	21,223
2022	16,346	4,877	21,223
2023	16,705	4,518	21,223
2024	17,073	4,150	21,223
2025	17,448	3,775	21,223
2026-2030	93,171	12,944	106,115
2031-2033	60,969	2,700	63,669
Total	<u>\$ 237,706</u>	<u>38,193</u>	<u>275,899</u>

(5) Revenue Pledged

The District has pledged future water fund revenues, net of specified operating expenses, to repay \$30,810,000 in refunding revenue bonds (2015 bonds) as disclosed in Note 4. Net revenues are defined as operating income, less specified operating expenses, plus specified non-operating income. The 2015 bonds refunded the 2004 Certificates of Participation (COP). Proceeds from the COPs provided financing for the construction of the Yucaipa Valley Regional Water Filtration Facility (YVRWFF). The 2015 bonds are payable through 2035. Net revenues are anticipated to equal at least 110 percent of annual principal and interest payments.

The total principal and interest remaining to be paid on the 2015 bonds is \$34,401,780. Principal and interest paid for the current year was \$2,291,361 and total net revenues were \$3,022,990. For the state revolving fund loans recorded in the Sewer Fund, the District has pledged all revenues and amounts legally available to repay the loans.

(6) Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan ("Plan"), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System ("CalPERS").

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

Benefit provisions under the Plan are established by State statute and may be amended by the District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information. These reports 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. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

The Plan's provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous Plans	
	Classic	PEPRA
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 60
Benefit vesting schedule	5 years of service	5 years of service
Benefits payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	7.653%	6.533%

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

Members covered by Benefit Terms

At June 30, 2018 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	39	31	70
Transferred and terminated members	65	1	66
Retired members and beneficiaries	<u>47</u>	<u>-</u>	<u>47</u>
Total plan members	<u>151</u>	<u>32</u>	<u>183</u>

Contribution Description

Section 20814(c) of the California PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2019 (the measurement date) the total pension liability was determined by rolling forward the June 30, 2018 total pension liability determined in the June 30, 2018 valuation. The June 30, 2019 pension liability was based on the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

<u>Investment Type</u> ¹	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10</u> ²	<u>Real Return Years 11+</u> ³
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Allocation of Net Pension Liability and Pension Expense to Individual Employers

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

The proportion of the net pension liability was based on a projection of the District's long term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the plan as of June 30, 2019 and 2020 was as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(c) = (a) - (b)</u>
Balance at June 30, 2019	\$ 30,380,428	24,204,341	6,176,087
Balance at June 30, 2020	<u>32,308,594</u>	<u>25,640,144</u>	<u>6,668,450</u>
Net changes during 2019-20	<u>\$ 1,928,166</u>	<u>1,435,803</u>	<u>492,363</u>

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2020</u>	<u>Fiscal Year Ending June 30, 2019</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	
Measurement Date			
Percentage of Risk Pool			
Net Pension Liability	0.16652%	0.16388%	0.00265%

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

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount that is 1 percentage-point lower (6.15 percent) or 1 percentage point higher (8.65 percent) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability</u>		
	<u>Discount Rate - 1% Rate 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% Rate 8.15%</u>
Miscellaneous Plan	\$ 11,014,054	6,668,450	3,081,460

Amortization of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the Plan for the measurement date ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

For the year ended June 30, 2020, the District recognized a pension expense of \$745,808 for the Plan. As of June 30, 2020, the District reports deferred outflows of resources and deferred inflows of resources related to pensions as follows:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$ 659,622	-
Adjustment due to differences in proportions	136,446	212,483
Differences between expected and actual experience	463,152	35,885
Differences between projected and actual earnings on pension plan investments	-	116,585
Changes in assumptions	<u>317,983</u>	<u>112,722</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 1,577,203</u>	<u>477,675</u>

\$659,622 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 fiscal year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources in the previous chart will be recognized in future pension expense as follows:

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(6) Defined Benefit Pension Plan (Continued)

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ 453,848
2022	(81,481)
2023	43,981
2024	<u>23,558</u>
Total	<u>\$ 439,906</u>

(7) Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Benefits Provided

The District pays the retired employee's medical premium until the age of 65, with the requirement that the employee is vested with ten (10) years of regular, uninterrupted service and is at least 55 years of age at retirement. Employees hired after July 1, 1999 are not eligible for any retiree medical benefits. The District CalPERS PEMHCA administrative fee, or 0.27% of premium.

Plan Membership

At June 30, 2019, membership consisted of the following:

Active members	7
Inactive plan members or beneficiaries currently receiving benefit payments	<u>8</u>
Total plan members	<u><u>15</u></u>

Contributions

The contribution requirements of Plan members and the District are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements.

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(7) Other Post-Employment Benefits (OPEB) (Continued)

Total OPEB Liability

The District's Total OPEB liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The Total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Actuarial Assumptions:	
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	3.00 percent
Healthcare cost trend rate	6.00 percent for 2019; 5.90 percent for 2020; 5.80 percent for 2021; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the June 30, 2019 valuation were based on a review of Plan experience during the period of July 1, 2017 to June 30, 2019.

Discount Rate

The discount rate used to measure the Total OPEB liability was 3.13 percent. The discount rate is based on a 20-year tax exempt general obligation municipal bond with an average rating of AA/A or higher. The District's Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected	Fidelity GO AA 20	Discount Rate
		Return of Plan Investments (if any)	Years Municipal Index	
June 30, 2020	June 30, 2019	4.00%	3.13%	3.13%

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(7) Other Post-Employment Benefits (OPEB) (Continued)

Schedule of Changes in Total OPEB Liability (June 30, 2018 to June 30, 2019)

Total OPEB Liability	
Service Cost	\$ 5,691
Interest	26,592
Changes of benefit terms	-
Difference between expected and actual experience	(70,844)
Changes of assumptions	46,365
Benefit payments ¹	<u>(68,079)</u>
Net Change in total OPEB Liability	(60,275)
Total OPEB Liability - June 30, 2018 (a)	<u>762,633</u>
Total OPEB Liability - June 30, 2019 (b)	<u>\$ 702,358</u>

¹ Amount includes any implicit subsidy associated with benefits paid.

Sensitivity of the Total OPEB liability to changes in the discount rate

The following presents the Total OPEB liability, as well as what the Total OPEB 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 discount rate:

	1% Decrease 2.13%	Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability \$	776,453	702,358	639,379

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates

The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that 1-percentage point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing to 5.00%)	Increase (7.00% decreasing to 6.00%)
Total OPEB liability \$	636,399	702,358	779,942

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(7) Other Post-Employment Benefits (OPEB) (Continued)

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

The District's OPEB expense was \$23,842 for the fiscal year ended June 30, 2020. As of fiscal year ended June 30, 2020, the District's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	46,415
Changes in assumptions or other inputs	30,377	-
Contributions subsequent to measurement date	<u>42,151</u>	<u>-</u>
		-
Total	<u>\$ 72,528</u>	<u>46,415</u>

The \$42,151 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follow:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ (8,441)
2022	<u>(7,597)</u>
Total	<u>\$ (16,038)</u>

(8) Commitments and Contingencies

Construction Contracts

The District has entered into contracts for various services and projects that will require payments in future fiscal years. At June 30, 2020, the District had capital projects under construction with an estimated cost to complete of approximately \$2,026,671.

Litigation

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

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the District purchased insurance through various commercial carriers to cover these risks with various limits as follows:

Real Property & Business Personal Property: Coverage limit of \$99,902,731.

Inland Marine: Coverage limit of \$1,555,347.

Crime: Coverage limit of \$250,000.

General Liability: Coverage limit of \$1,000,000 with an aggregate limit of \$3,000,000.

Public Officials and Management Liability: Coverage limit of \$1,000,000 with an aggregate limit of \$3,000,000.

Auto: A combined single limit of \$1,000,000.

Excess: Coverage limit of \$10,000,000.

The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal year and there were no reductions in the District's insurance coverage during the years ending June 30, 2020. Liabilities are recorded when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

(10) Assessment District

The District acts in a fiduciary capacity for an Assessment District that was formed to finance the construction and installation of a reservoir that will service properties located within the assessment district. The bonds issued by the assessment district are payable solely from the revenues of annual special taxes levied against land within the district and do not constitute an indebtedness of the Yucaipa Valley Water District. Yucaipa Valley Water District is not liable for the bonds, but acts as an agent for the bondholders. Since the District is acting in an agency capacity, the assets and liabilities of the assessment district have been excluded from the District's statement of net position. The amount outstanding on the bonds on June 30, 2020 was \$10,115,000.

(11) Prior Period Adjustments

During the year ended June 30, 2020, the District made certain adjustments to beginning Net Position as follows:

YUCAIPA VALLEY WATER DISTRICT
Notes to the Basic Financial Statements
Year ended June 30, 2020

(11) Prior Period Adjustments (Continued)

	Water Fund	Sewer Fund	Recycled Water Fund	Total
Beginning Net Position	\$ 76,793,173	88,789,828	25,999,826	191,582,827
Record OPEB Liability	(441,989)	(126,283)	(126,283)	(694,555)
Record water inventory	2,049,898	-	-	2,049,898
Record prior year grant revenue	152,928	-	-	152,928
Record accrued payroll	(108,502)	(88,227)	(23,938)	(220,667)
Restated Net Position	<u>\$ 78,445,508</u>	<u>88,575,318</u>	<u>25,849,605</u>	<u>192,870,431</u>

Required Supplementary Information



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YUCAIPA VALLEY WATER DISTRICT

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability - Last Ten Years*

Year ended June 30, 2020

Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the collective net pension liability	0.06508%	0.64090%	0.06580%	0.06547%	0.06295%	0.07950%
Proportionate share of the collective net pension liability	\$ 6,668,450	6,176,087	6,525,230	5,665,084	4,320,667	4,947,010
Covered payroll	5,478,278	4,973,515	5,752,996	5,611,132	5,411,972	5,245,090
Proportionate share of the collective net pension liability as a percentage of covered payroll	121.73%	124.18%	113.42%	100.96%	79.84%	94.32%
Plan fiduciary net position as a percentage of the total pension liability	384.50%	391.90%	73.31%	73.31%	73.31%	73.31%

* - Fiscal year 2015 was the first year of implementation.

Notes to schedule:

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

YUCAIPA VALLEY WATER DISTRICT

Required Supplementary Information

Schedule of the District's Proportionate Contributions to the Pension Plan - Last Ten Years*

Year ended June 30, 2020

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 659,622	919,668	752,731	697,729	882,127	570,529
Contribution in relation to the actuarially determined contribution	<u>659,622</u>	<u>919,668</u>	<u>752,731</u>	<u>697,729</u>	<u>882,127</u>	<u>570,529</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-
District's covered payroll	\$ 5,180,114	5,478,278	4,973,515	5,752,996	5,611,132	5,411,972
Contributions as a percentage of covered payroll	12.73%	16.79%	15.13%	12.13%	15.72%	10.54%

* - Fiscal year 2015 was the first year of implementation.

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2020 were from the June 30, 2017 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level of Percent of Payroll
Actuarial Assumptions:	
Discount Rate	7.25%
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Floor on Purchasing Power applies, 2.75% thereafter

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

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017 the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decrease in the discount rate. For June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

YUCAIPA VALLEY WATER DISTRICT

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

Year ended June 30, 2020

Measurement Date	<u>6/30/2019</u>
Total OPEB Liability	
Service cost	\$ 5,691
Interest on the Total OPEB liability	26,592
Difference between expected and actual experience	(70,844)
Changes in assumptions	46,365
Benefit payments	<u>(68,079)</u>
Net change in Total OPEB liability	(60,275)
Total OPEB liability - beginning	<u>762,633</u>
Total OPEB liability - ending (a)	<u>\$ 702,358</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%
Covered-employee payroll	\$ 1,041,057
Total OPEB liability as a percentage of covered-employee payroll	67.47%

*Future years' information will be displayed up to 10 years as information becomes available.

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