

YORBA LINDA WATER DISTRICT  
of Yorba Linda, California

# Comprehensive Annual Financial Report

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WITH REPORT ON AUDIT BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

*For the Year Ended June 30, 2018*

*Prepared by:*

*The Yorba Linda Water District Finance Department*

*Delia Lugo, Finance Manager  
Kelly McCann, Senior Accountant  
Maria Trujillo, Accounting Assistant II  
Richard Cabadas, Accounting Assistant II  
Saira Hernandez, Accountant*

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**For the Fiscal Year Ended June 30, 2018**  
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## **INTRODUCTORY SECTION**

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September 20, 2018  
Members of the Board of Directors  
Yorba Linda Water District

## **Introduction**

It is our pleasure to submit Yorba Linda Water District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2018. This report was prepared pursuant to the guidelines set forth by the Governmental Accounting Standards Board (GASB).

District staff prepared this financial report in conjunction with an unmodified opinion issued by the independent audit firm White, Nelson, Diehl, Evans LLP. The independent auditor's report is located at the front of the financial section of this document. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

This report consists of management's representations concerning the finances of Yorba Linda Water District. Consequently, management assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal control should not outweigh its benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that to the best of our knowledge and belief this financial report is complete and reliable in all material aspects.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Yorba Linda Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one

year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for certificate again this year.

### **District Structure and Leadership**

The Yorba Linda Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Yorba Linda Water District has provided water and sewer services to the residents of the City of Yorba Linda, portions of Placentia, Brea, Anaheim, and nearby unincorporated areas since 1959, the year it was formed to take over the assets and water service responsibilities of the Yorba Linda Water Company, a mutual formed in 1909. The District is governed by a five-member Board of Directors, elected at large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Yorba Linda Water District employs a full-time staff of 80 employees. The District's Board of Directors meets on the second and fourth Tuesday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area, which includes approximately 14,475 acres of land comprising 22.6 square miles. The District serves a population of approximately 80,000 and currently provides water service through approximately 25,000 service connections.

### **District Services**

Residential customers make up approximately 92% of the District's customer base and consume approximately 73% of the water provided annually by the District. The District obtains about 30% of its water supply from the Metropolitan Water District (MWD) through the Municipal Water District of Orange County (MWDOC) and the 70% from groundwater wells within the area. In FY18 the District provided 20,386 acre-feet of water to its customers.

The District's service area is known for having larger than average residential lots and a network of horse trails. The City of Yorba Linda's median income is approximately 25% greater than the overall median income for Orange County, as reported by 2016-17 Census data.

### **Economic Condition and Outlook**

The District's administrative offices are located in the City of Placentia in Orange County. The economic outlook for the area shows moderate growth, which is projected to continue with new commercial business and a steadily improving housing market.

On May 9, 2016, the Governor issued a new Executive Order (B-37-16) "Making Water Conservation a California Way of Life". Though the District still encourages its customers to conserve, it was anticipated that customer consumption would increase above the prior



year regardless of permanent restrictions on water use. As a result, the Operating Budget for FY18 reflected an increase in customer consumption of 8% from the calculated customer consumption projected by the end of FY17. Experiencing a year of minimal rainfall and record setting heat days, actual customer consumption for FY18 surpassed that of FY17 by approximately 14% (6% greater than projected).

As staff monitors the proposals and discussions of the SWRCB, as they pertain to “Making Water Conservation a Way of Life” and potential future mandatory conservation efforts, staff is diligently working on preparing proactive proposals on how to best incorporate potential future changes as smoothly as possible, while ensuring customer needs are met.

As of May 2014, the District was granted annexation of the remaining 26% of its service area into the Orange County Water District (OCWD). It was anticipated that with full annexation the District will be able to pump the maximum groundwater allowable each year, at a lower cost than purchasing the same amount of import (MWD) water. The October 2, 2013 Annexation Agreement between OCWD and the District, however, has limited the District from producing the full OCWD’s Basin Production Percentage (BPP), 75%, over the past five years and is due to expire in October 2018. Current facility (infrastructure) limitations and agreement limitations prevented the District from pumping more than 70% for the reporting fiscal year. Upon completion of the Fairmont Booster Pump Station (FBPS) in Fall 2018, the District will be able to meet the maximum BPP as set by OCWD (now at 77%). Once the FBPS is fully operational, the District will experience a significant decrease in its annual variable water costs by using more groundwater that is less expensive.

Future financial challenges are likely to be due to increasing regulatory requirements at both the state and federal levels. California’s water supply continues to be a concern due to the current drought conditions and potential mandates from the State Water Resource Control Board and environmental and regulatory restrictions that threaten the State’s water supply and conveyance system through the Sacramento-San Joaquin Delta—all of which lead to increasing supply costs. Within the District’s boundaries, population growth is expected to increase only minimally in the next 5-10 years. Additionally, the District’s area is primarily “built out”, and an influx of residents from outside the area is expected to remain fairly low.

### **Mission/Vision Statement and Major Initiatives**

The activities of the Board and staff of the District are driven by its Mission Statement: “Yorba Linda Water District will provide reliable water and sewer services to protect public health and the environment with financial integrity and superior customer service,” and its Vision Statement: “Yorba Linda Water District will accomplish our mission to improve the quality of life for those we serve by: Embracing proven technology, improving customer satisfaction, providing efficient and responsive operations, and ensuring reliable infrastructure.” The Mission and Vision Statements dictate the following six core values of the District.

1. **Integrity**– We demonstrate integrity every day by practicing the highest ethical standards and by ensuring that our actions follow our words.
2. **Accountability**– We acknowledge that both the Board and the staff of the District are accountable to the public that we serve, as well as to each other.
3. **Responsibility**– We take full responsibility for our actions. We maintain a commitment of courtesy, assessment, and resolution with all customer concerns.
4. **Transparency** – We listen to our customer and communicate openly about our policies, processes, and plans for the future.
5. **Teamwork** – We work together by sharing information and resources to achieve common goals.
6. **Respect** – We ensure every voice of the District is treated with dignity and civility; differences are valued and individual abilities and contributions are recognized.

### **Future Years**

In 2018, the California State Legislature enacted two policy bills, Senate Bill 606 and Assembly Bill 1668. Both bills are direct outcomes of the Governor’s Executive Order (B-37-16) “Making Conservation a California Way of Life” and will establish a new foundation for long-term improvements in water conservation and drought planning. In the forthcoming FY19, this new framework will assist the District in using water more wisely (developing a water budget), eliminating water waste, and strengthening local drought resiliency. As the District looks towards the future, the goals, objectives and initiatives within the updated District Strategic Plan and Asset Management Plan will pave the way as to how the District continues to move forward.

The forthcoming FY19 budget is predicated upon the assumption that customer water consumption will remain as resulted in the prior year due to permanent landscaping changes, water use efficiency awareness, and a growing culture of drought sensitivity.

As we continue to adapt to the State’s mandated water conservation regulations, and with reduced consumption, our ability to maintain a high level of service while holding costs down has been challenged. District staff, with the assistance of Raftelis Financial Consultants, Inc, has developed financial models for the water and sewer enterprises to ensure financial sufficiency that includes the establishment of adequate reserve balances, meets the operation and maintenance costs, and ensures sufficient funding for capital refurbishment and replacement needs. Policies and procedures have been revised to ensure financial strength.

## **Long-term Financial Planning and Policies**

The District perpetually maintains a five-year Financial Forecast to identify and focus on current and projected economic conditions. The purpose of the forecast is to identify the District's ability over the next five years to continue current services, maintain existing assets and fund new initiatives or acquire new capital assets.

The Board of Directors also annually reviews and adopts a five-year forecast of Capital Improvement Projects. These investments reflect the Board of Directors commitment to maintain and improve the District, in order to provide citizens the highest possible service.

The District's Debt Management Policy has a significant impact on the District's water and sewer rates set by the Board of Directors on an annual basis. District annual rates and charges shall be set to maintain an annual debt coverage ratio of at least 225% to retain a AA rating from bond rating agencies. Therefore, having an impact on the District's reportable net position for each fiscal year end.

## **Water and Sewer Rates**

With the absence of a conservation mandate from the SWRCB, staff had projected that the annual customer consumption for FY18 would increase by approximately 8% from the projected year-end results of FY17. This projected consumption increase therefore, enabled the District to retain the commodity rate and monthly service charges as set by the Board of Directors in FY17 for FY18 with the goal of meeting the District's cost of service and providing superior customer service. As such, the District's commodity rate was set at \$2.70/unit and the monthly service charges were set at follows: 5/8 and 3/4 inch meters at \$19.45, 1" meters at \$32.49, 1 1/2 inch meters at \$64.78, 2" meters at \$103.69, 3' meters at \$227.04, 4' meters at \$408.55 and 6" meters at \$907.95. One unit of water equals 748 gallons, equating one gallon of water to a cost of approximately \$0.01. At an average of 18 units of water per month (approximately 13,500 gallons), a typical 1 inch metered YLWD residential classed customer would pay about \$81.09 for their monthly water bill.

YLWD also provided wastewater service to approximately 19,191 customer connections in FY18, at a charge of \$6.94 per month for traditional single-family residential customers, \$6.52 per month for multi-family residential customers, and \$6.94 plus a \$0.44 per unit charge based on water consumption above 7 units for commercial customers. These rates are the result of a Cost of Service analysis via the 2016 Water and Sewer Rate Update Report.

The District's water supply is currently derived from both groundwater (70%) and import water (30%). Both import and groundwater prices have dramatically increased over the past five fiscal years, and it is anticipated that costs will continue to increase as supplies become more strained from projected population increases, cyclical drought conditions, and environmental and regulatory regulations.

## **Enhanced Outreach & Communications**

The District continues to enhance its communications presence within the community. The Public Affairs division of the Administration Department develops and disseminates information to the public and supports water conservation programs with the overall goal of developing a more transparent image of the District to the community.

## **Technological Advancements in Progress**

Technological advancements include the incorporation of a Computerized Maintenance & Management System (CMMS), which automates and tracks fieldwork orders and provides actual costs to perform work-order related functions. In planning is an Automated Purchase Requisitioning System, which will provide better workflow and approvals for purchasing items, as well as have direct integration with the District's financial software.

## **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 (GAAP). 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 Board of Directors adopts an operating and capital budget every 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. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and financial statement presentation.

## **Cash and Investment Management**

In order of priority, the District's objectives when investing, reinvesting, purchasing, acquiring, selling and managing public funds are as follows:

1. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by the District are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.

2. *Liquidity*: The investment portfolio is to remain sufficiently liquid to enable the District to meet all operating requirements that might be reasonably anticipated.
3. *Return on Investments*: The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

### **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 White, Nelson, Diehl, Evans LLP has conducted the audit of the District's financial statements. Their unmodified (clean) Independent Auditor's Report appears in the Financial Section.

### **Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

### **Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Yorba Linda Water District's fiscal policies.

Respectfully submitted,



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Marc Marcantonio  
General Manager



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Delia Lugo  
Finance Manager

**Yorba Linda Water District  
Board of Directors and Executive Staff**



Al Nederhood, President



Brooke Jones, Vice-  
President



Andrew J. Hall, Director



Phil Hawkins, Director



J. Wayne Miller, Director



Marc Marcantonio, General Manager



Brett Barbre, Asst General Manager



Rosanne Weston  
Engineering Mgr



John DeCriscio  
Operations Mgr



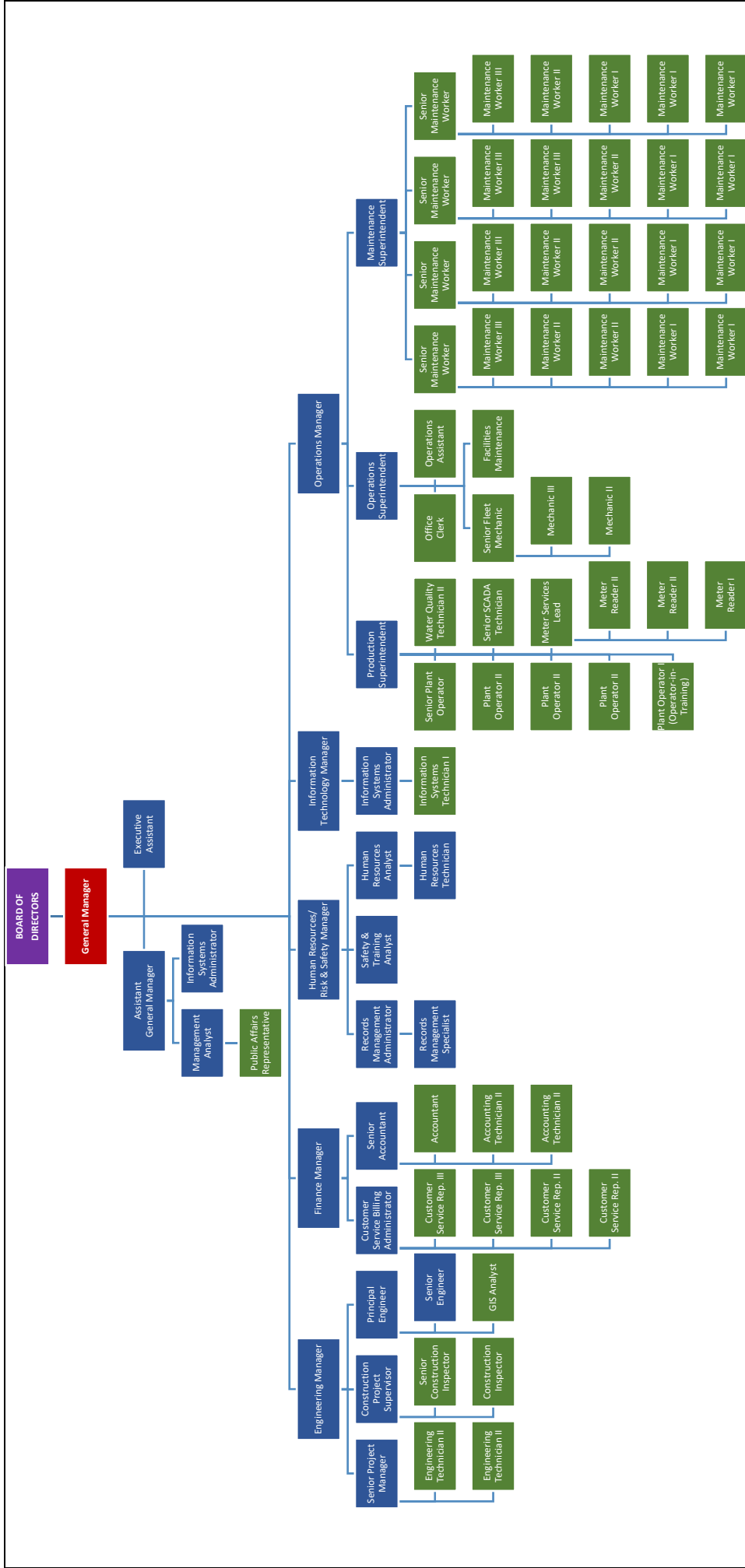
Gina Knight  
HR/Risk & Safety Mgr



Delia Lugo  
Finance Manager



Art Vega  
IT Manager

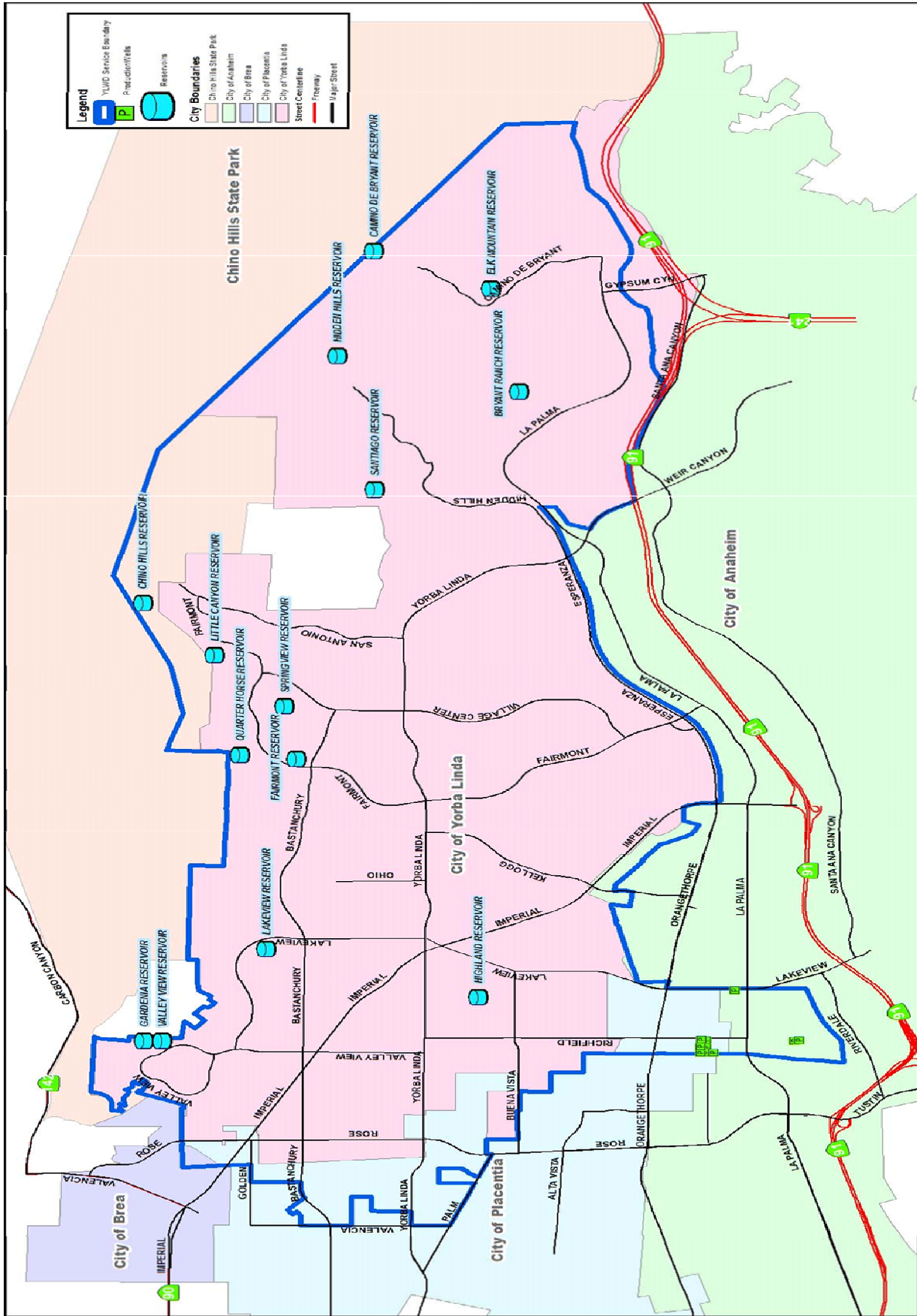


**Job Classification Legend**



**ORGANIZATIONAL CHART**

# District Boundaries







Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Yorba Linda Water District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Yorba Linda Water District  
Placentia, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Yorba Linda Water District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1e and 13 of the financial statements, the District adopted Governmental Accounting Standards Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The adoption of this standard required retrospective application resulting in a \$2,514,827 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Prior-Year Comparative Information*

The statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements as of and for the year ended June 30, 2017, from which such summarized information was derived.

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions - defined benefit pension plans, the schedule of changes in the net other post-employment benefit (OPEB) liability and related ratios, and the schedule of contributions - OPEB, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information consisting of the combining schedules, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets as of and for the year ended June 30, 2018, as listed in the table of contents, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements.

**Other Matters (Continued)**

*Other Information (Continued)*

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, the schedules of operating expenses by cost center and nature of expenses for water and sewer, and the schedules of capital assets are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "White Nelson Dick Evans LLP".

Irvine, California  
September 20, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# YORBA LINDA WATER DISTRICT

## *MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)*

**For the Year Ended June 30, 2018**

The following Management's Discussion and Analysis ("MD&A") of activities and financial performance of the Yorba Linda Water District ("District") provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

### **Financial Highlights**

#### **FY 2018**

- The District's net position decreased by \$1.1 million, or a .7 % decrease in net position.
- During the year the District's revenues were \$37.9 million, an increase of 7.8%.
- During the year, the District's expenses were \$37.9 million, an increase of 7.5%.
- The District had net additions to capital assets of \$3.6 million.

#### **FY 2017**

- The District's net position increased by \$2.6 million, or a 1.6% increase in net position.
- During the year the District's revenues were \$35.2 million, an increase of 0.17%.
- During the year, the District's expenses were \$35.2 million, an increase of 9.6%.
- The District had net additions to capital assets of \$.7 million.

### **Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds; the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to the customer of the District are financed primarily through user charges.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred

# YORBA LINDA WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

For the Year Ended June 30, 2018

outflows of resources, obligations to creditors (liabilities) and deferred inflow of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

### Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, conservation mandates, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 21 through 57.

**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

**Statement of Net Position**

Statement of Net Position for the year ended June 30, 2018 is as follows:

	<u>2018</u>		<u>2017</u>		<u>Change</u>
Assets:					
Current assets	\$ 41,482,969	\$	39,924,566	\$	1,558,403
Restricted assets	593,767		5,189,724		(4,595,957)
Capital assets, net					
Not depreciable	10,788,120		5,848,629		4,939,491
Depreciable, net of accumulated depreciation	183,473,005		184,811,581		(1,338,576)
Other post-employment benefit (OPEB) asset	-		411,343		(411,343)
<b>Total assets</b>	<u>236,337,861</u>		<u>236,185,843</u>		<u>152,018</u>
Deferred Outflows of Resources:	<u>3,524,983</u>		<u>2,366,673</u>		<u>1,158,310</u>
Liabilities:					
Liabilities payable from unrestricted current assets	7,957,100		7,523,933		433,167
Liabilities payable from restricted assets	346,205		111,000		235,205
Non-current liabilities	64,894,947		63,076,794		1,818,153
<b>Total liabilities</b>	<u>73,198,252</u>		<u>70,711,727</u>		<u>2,486,525</u>
Deferred Inflows of Resources:	<u>787,723</u>		<u>861,366</u>		<u>(118,609)</u>
Net position:					
Net investment in capital assets	154,271,627		154,273,025		(1,398)
Restricted	352,063		1,222,452		(870,389)
Unrestricted	11,253,179		11,483,946		(230,767)
<b>Total net position</b>	<u>\$ 165,876,869</u>	\$	<u>166,979,423</u>	\$	<u>(1,102,554)</u>

**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

Statement of Net Position for the year ended June 30, 2017 was as follows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets:			
Current assets	\$ 39,924,566	\$ 44,555,956	\$ (4,631,390)
Restricted assets	5,189,724	2,199,135	2,990,589
Capital assets, net			
Not depreciable	5,848,629	5,005,418	843,211
Depreciable, net of accumulated depreciation	184,811,581	184,944,351	(132,770)
Note receivable	-	78,567	(78,567)
Other post-employment benefit (OPEB) asset	411,343	276,289	135,054
<b>Total assets</b>	<u>236,185,843</u>	<u>237,059,716</u>	<u>(873,873)</u>
Deferred Outflows of Resources:	<u>2,366,673</u>	<u>1,137,794</u>	<u>1,228,879</u>
Liabilities:			
Liabilities payable from unrestricted current assets	7,523,933	13,775,913	(6,251,980)
Liabilities payable from restricted assets	111,000	57,668	53,332
Non-current liabilities	63,076,794	58,656,501	4,420,293
<b>Total liabilities</b>	<u>70,711,727</u>	<u>72,490,082</u>	<u>(1,778,355)</u>
Deferred Inflows of Resources:	<u>861,366</u>	<u>1,331,326</u>	<u>(469,960)</u>
Net position:			
Net investment in capital assets	154,273,025	153,776,247	496,778
Restricted	1,222,452	1,572,527	(350,075)
Unrestricted	11,483,946	9,027,328	2,456,618
<b>Total net position</b>	<u>\$ 166,979,423</u>	<u>\$ 164,376,102</u>	<u>\$ 2,603,321</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$165.8 million and \$166.9 million as of June 30, 2018 and 2017, respectively. The net change between these two reported fiscal years is primarily due in Net Position "Restricted" balance.

By far the largest portion of the District's net position (93.0% and 92.4% as of June 30, 2018 and 2017, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

For the year ended June 30, 2018, the District showed a positive balances in its unrestricted net position of \$11.2 million and in its Restricted for Water Conservation/OPEB contribution position of \$352,063, which indicates that there are reserves to be utilized in future years and is a decrease from the stated balance of \$12.7 million for the year ended June 30, 2017.

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

Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2018 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 32,082,152	\$ 29,326,565	\$ 2,755,587
Sewer revenue	2,330,809	2,099,947	230,862
Other operating revenue	831,733	1,033,608	(201,875)
Total operating revenues	<u>35,244,694</u>	<u>32,460,120</u>	<u>2,784,574</u>
Non-operating revenues:			
Investment income	518,600	377,205	141,395
Property taxes	1,749,957	1,687,384	62,573
Other non-operating income	413,465	645,562	(232,097)
Total non-operating revenue	<u>2,682,022</u>	<u>2,710,151</u>	<u>(28,129)</u>
<b>Total revenues</b>	<u>37,926,716</u>	<u>35,170,271</u>	<u>2,756,445</u>
<b>Expenses:</b>			
Operating expenses:			
Variable costs	15,028,131	12,710,857	2,317,274
Personnel services	9,874,212	8,913,639	960,573
Supplies and services	4,298,863	4,504,054	(205,191)
Depreciation	7,465,977	7,147,369	318,608
Total operating expenses	<u>36,667,183</u>	<u>33,275,919</u>	<u>3,391,264</u>
Non-operating expenses:			
Interest expense	1,106,515	1,552,896	(446,381)
Other non-operating expense	89,021	403,597	(314,576)
Total non-operating expenses	<u>1,195,536</u>	<u>1,956,493</u>	<u>(760,957)</u>
<b>Total expenses</b>	<u>37,862,719</u>	<u>35,232,412</u>	<u>2,630,307</u>
<b>Net income(loss) before capital contributions and special items</b>	63,997	(62,141)	126,138
Capital contributions	3,554,123	2,665,462	888,661
Special item	<u>(2,205,847)</u>	<u>-</u>	<u>(2,205,847)</u>
<b>Change in net position</b>	1,412,273	2,603,321	(1,191,048)
<b>Net position, beginning of year</b>	166,979,423	164,376,102	2,603,321
<b>Prior-period Adjustments</b>	<u>(2,514,827)</u>	<u>-</u>	<u>(2,514,827)</u>
<b>Net position, end of year</b>	<u>\$ 165,876,869</u>	<u>\$ 166,979,423</u>	<u>\$ (1,102,554)</u>

**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2017 was as followed:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues:			
Water sales	\$ 29,326,565	\$ 27,820,638	\$ 1,505,927
Sewer revenue	2,099,947	1,849,114	250,833
Other operating revenue	1,033,608	2,665,835	(1,632,227)
Total operating revenues	<u>32,460,120</u>	<u>32,335,587</u>	<u>124,533</u>
Non-operating revenues:			
Investment income	377,205	288,817	88,388
Property taxes	1,687,384	1,615,454	71,930
Other non-operating income	645,562	872,420	(226,858)
Total non-operating revenue	<u>2,710,151</u>	<u>2,776,691</u>	<u>(66,540)</u>
<b>Total revenues</b>	<u>35,170,271</u>	<u>35,112,278</u>	<u>57,993</u>
<b>Expenses:</b>			
Operating expenses:			
Variable costs	12,710,857	10,470,181	2,240,676
Personnel services	8,913,639	8,096,853	816,786
Supplies and services	4,504,054	4,355,033	149,021
Depreciation	7,147,369	7,546,407	(399,038)
Total operating expenses	<u>33,275,919</u>	<u>30,468,474</u>	<u>2,807,445</u>
Non-operating expenses:			
Interest expense	1,552,896	1,671,539	(118,643)
Other non-operating expense	403,597	7,273	396,324
Total non-operating expenses	<u>1,956,493</u>	<u>1,678,812</u>	<u>277,681</u>
<b>Total expenses</b>	<u>35,232,412</u>	<u>32,147,286</u>	<u>3,085,126</u>
<b>Net income(loss) before capital contributions</b>	(62,141)	2,964,992	(3,027,133)
Capital contributions	<u>2,665,462</u>	<u>788,445</u>	<u>1,877,017</u>
<b>Change in net position</b>	2,603,321	3,753,437	(1,150,116)
<b>Net position, beginning of year</b>	<u>164,376,102</u>	<u>160,622,665</u>	<u>3,753,437</u>
<b>Net position, end of year</b>	<u>\$ 166,979,423</u>	<u>\$ 164,376,102</u>	<u>\$ 2,603,321</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position decreased by \$1.1 million and increased by \$2.6 million for the fiscal years ended June 30, 2018 and 2017, respectively.

**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

A closer examination of the sources of changes in net position reveals that:

In 2018, the District's total revenues increased by \$2.8 million, primarily due to a net increase in water sales of \$2.76 million as a result of the increase of water usage. Total expenses increased by \$2.6 million primarily due to a increase in variable water costs of \$2.3 million.

In 2017, the District's total revenues increased by \$58 thousand, as well as a decrease in Other Operating Revenue of \$1.6 million predominantly due to the suspension of the assessment of Administrative Penalties as authorized by Ordinance No. 16.01. Total expenses increased by \$3.1 million primarily due to an increase in variable water costs for \$2.2 million

**Capital Assets**

Changes in capital asset amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2018</u>
Capital assets:				
Capital assets, not being depreciated	\$ 5,848,629	\$ 11,076,270	(\$ 6,136,779)	\$ 10,788,120
Capital assets, being depreciated	281,695,381	6,201,313	(384,828)	287,511,866
Less accumulated depreciation	<u>(96,883,800)</u>	<u>(7,465,977)</u>	<u>310,916</u>	<u>(104,038,861)</u>
Total capital assets, net	<u>\$ 190,660,210</u>	<u>\$ 9,811,606</u>	<u>\$ (6,210,691)</u>	<u>\$ 194,261,125</u>

Changes in capital asset amounts for 2017 were as follows:

	<u>Balance 2016</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2017</u>
Capital assets:				
Capital assets, not being depreciated	\$ 5,005,418	\$ 7,330,282	(\$ 6,487,071)	\$ 5,848,629
Capital assets, being depreciated	274,769,041	7,014,599	(88,259)	281,695,381
Less accumulated depreciation	<u>(89,824,690)</u>	<u>(7,147,369)</u>	<u>88,259</u>	<u>(96,883,800)</u>
Total capital assets, net	<u>\$ 189,949,769</u>	<u>\$ 7,197,512</u>	<u>\$ (6,487,071)</u>	<u>\$ 190,660,210</u>

At the end of fiscal year 2018 and 2017, the District's investment in capital assets amounted to \$194.3 million and \$190.6 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, vehicles and construction-in-process, etc. Major capital assets projects in fiscal year 2017-18 include the construction of Fairmont Booster Pump Station, Well 22, and the purchase of various district vehicles and equipment. Where in fiscal year 2016-17, major capital asset projects included the construction of Well 21, various water and sewer mains for development and the purchase of various district vehicles and equipment.



**YORBA LINDA WATER DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)**

**For the Year Ended June 30, 2018**

Additional information regarding capital assets can be found in note 4 in Notes to Basic Financial Statements.

**Long-Term Liabilities**

Changes in long-term debt amounts for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
2012A Refunding Certificate of Participation	\$ 7,230,000	\$	-	\$	(295,000)	\$	6,935,000
2017A Revenue Bonds	<u>29,335,000</u>		<u>-</u>		<u>(945,000)</u>		<u>28,390,000</u>
Subtotal	36,565,000		-		(1,240,000)		35,325,000
Add (Less):							
2012A Premium	767,216		-		(47,703)		719,513
2017A Premium	<u>4,425,817</u>		<u>-</u>		<u>(208,274)</u>		<u>4,217,543</u>
Total Certificates of Participation	41,758,033		-		(1,495,977)		40,262,056
Compensated Balances	<u>1,619,653</u>		<u>880,816</u>		<u>(745,207)</u>		<u>1,755,262</u>
Total	\$ <u>43,377,686</u>	\$	\$ <u>880,816</u>	\$	\$ <u>(2,241,184)</u>	\$	\$ <u>42,017,318</u>

Changes in long-term debt amounts for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>
2008 Revenue Certificates of Participation	\$ 29,865,000	\$	-	\$	(29,865,000)	\$	-
2012A Refunding Certificate of Participation	7,515,000		-		(285,000)		7,230,000
2017A Revenue Bonds	<u>-</u>		<u>29,335,000</u>		<u>-</u>		<u>29,335,000</u>
Subtotal	37,380,000		29,335,000		(30,150,000)		36,565,000
Add (Less):							
2008 Pemium	572,435		-		(572,435)		-
2012A Premium	814,919		-		(47,703)		767,216
2017A Premium	<u>-</u>		<u>4,460,529</u>		<u>(34,712)</u>		<u>4,425,817</u>
Total Certificates of Participation	38,767,354		33,795,529		(30,804,850)		41,758,033
Line of Credit	6,883,720		116,280		(7,000,000)		-
Compensated Balances	<u>1,442,344</u>		<u>872,091</u>		<u>(694,782)</u>		<u>1,619,653</u>
Total	\$ <u>47,093,418</u>	\$	\$ <u>34,783,900</u>	\$	\$ <u>(38,499,632)</u>	\$	\$ <u>43,377,686</u>

**YORBA LINDA WATER DISTRICT**

***MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)***

**For the Year Ended June 30, 2018**

In fiscal year 2017-18, long-term debt decrease by 1.4 million due to the principal payments on the 2012A and 2017A Revenue Bonds. Compared to fiscal year 2016-17, two significant items occurred in relation to the District's long-term debt. On September 30, 2016, the District paid down the Wells Fargo Line of Credit in the amount of \$7 million. Secondly, in May of 2017, the District's 2008 Revenue Certificates of Participation were refunded in advance by the Revenue Bonds, Series 2017A. The refunding will reduce debt service payments over the next 21 years by over \$5.05 million, resulting in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$4.22 million.

Additional information regarding long-term liabilities can be found in note 5 in Notes to Basic Financial Statements.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District at 1717 E. Miraloma Avenue, Placentia, California 92807 or the Finance Department at (714) 701-3040.

## **BASIC FINANCIAL STATEMENTS**

YORBA LINDA WATER DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

(With comparative totals for June 30, 2017)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017
CURRENT ASSETS:		
UNRESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	\$ 34,795,833	\$ 27,991,568
Investments (Note 2)	2,063,675	6,920,955
Accounts receivable - water and sewer services	4,131,858	4,310,234
Accounts receivable - property taxes	21,518	19,581
Note receivable (Note 10)	-	78,567
Accrued interest receivable	51,039	47,841
Prepaid expenses and deposits	170,557	289,987
Inventory	248,489	265,833
	41,482,969	39,924,566
RESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	593,767	5,189,724
	593,767	5,189,724
TOTAL CURRENT ASSETS		
	42,076,736	45,114,290
NONCURRENT ASSETS:		
Capital assets (Note 4):		
Not depreciable	10,788,120	5,848,629
Depreciable, net of accumulated depreciation	183,473,005	184,811,581
Other post-employment benefit (OPEB) asset	-	411,343
	194,261,125	191,071,553
TOTAL ASSETS		
	236,337,861	236,185,843
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts from pension plans	2,749,826	1,966,284
Deferred amounts from OPEB	399,599	-
Deferred loss on refunding	375,558	400,389
	3,524,983	2,366,673

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF NET POSITION  
(CONTINUED)

June 30, 2018

(With comparative totals for June 30, 2017)

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2018	2017
CURRENT LIABILITIES:		
PAYABLE FROM UNRESTRICTED CURRENT ASSETS:		
Accounts payable	\$ 4,969,190	\$ 4,497,076
Accrued expenses	182,110	144,164
Compensated absences payable - current portion (Note 5)	438,816	404,913
Customer and construction deposits	553,128	650,848
Unearned revenue	268,592	300,263
Accrued interest payable	405,264	286,669
Certificates of Participation - current portion (Note 5)	1,140,000	1,240,000
TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS	7,957,100	7,523,933
PAYABLE FROM RESTRICTED ASSETS:		
Retention payable	346,205	111,000
TOTAL PAYABLE FROM RESTRICTED ASSETS	346,205	111,000
TOTAL CURRENT LIABILITIES	8,303,305	7,634,933
LONG-TERM LIABILITIES (LESS CURRENT PORTION):		
Unearned annexation revenue	13,607,976	14,103,022
Compensated absences (Note 5)	1,316,446	1,214,740
Certificates of Participation (Note 5)	39,122,056	40,518,033
Net pension liability (Note 7)	8,575,054	7,240,999
Net OPEB liability (Note 6)	2,273,415	-
TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)	64,894,947	63,076,794
TOTAL LIABILITIES	73,198,252	70,711,727
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts from pension plans	639,586	753,101
Deferred amounts from OPEB	44,966	-
Deferred gain on refunding	103,171	108,265
TOTAL DEFERRED INFLOWS OF RESOURCES	787,723	861,366
NET POSITION:		
Net investment in capital assets (Note 8)	154,271,627	154,273,025
Restricted:		
Water conservation	104,673	1,222,452
Other post-employment benefits	247,390	-
Unrestricted	11,253,179	11,483,946
TOTAL NET POSITION	\$ 165,876,869	\$ 166,979,423

See accompanying notes to basic financial statements.

YORBA LINDA WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the year ended June 30, 2018  
(With comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Water sales	\$ 32,082,152	\$ 29,326,565
Sewer revenues	2,330,809	2,099,947
Other operating revenues	<u>831,733</u>	<u>1,033,608</u>
TOTAL OPERATING REVENUES	<u>35,244,694</u>	<u>32,460,120</u>
OPERATING EXPENSES:		
Variable water costs	15,028,131	12,710,857
Personnel services	9,874,212	8,913,639
Supplies and services	4,298,863	4,504,054
Depreciation	<u>7,465,977</u>	<u>7,147,369</u>
TOTAL OPERATING EXPENSES	<u>36,667,183</u>	<u>33,275,919</u>
OPERATING INCOME (LOSS)	<u>(1,422,489)</u>	<u>(815,799)</u>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	1,749,957	1,687,384
Investment income	518,600	377,205
Interest expense	(1,106,515)	(1,552,896)
Other nonoperating revenues	413,465	645,562
Other nonoperating expenses	<u>(89,021)</u>	<u>(403,597)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,486,486</u>	<u>753,658</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	63,997	(62,141)
CAPITAL CONTRIBUTIONS	<u>3,554,123</u>	<u>2,665,462</u>
CHANGES IN NET POSITION, BEFORE SPECIAL ITEM	3,618,120	2,603,321
SPECIAL ITEM (NOTE 12)	<u>(2,205,847)</u>	<u>-</u>
CHANGES IN NET POSITION	1,412,273	2,603,321
NET POSITION - BEGINNING OF YEAR	<u>166,979,423</u>	<u>164,376,102</u>
PRIOR-PERIOD ADJUSTMENT (NOTE 13)	(2,514,827)	-
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>164,464,596</u>	<u>164,376,102</u>
NET POSITION - END OF YEAR	<u>\$ 165,876,869</u>	<u>\$ 166,979,423</u>

See accompanying notes to basic financial statements.

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018  
(With comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 35,418,459	\$ 32,357,591
Cash payments to employees for salaries and wages	(9,448,361)	(8,728,277)
Cash payments to suppliers of goods and services	(18,576,010)	(16,624,358)
Other revenues	234,874	348,061
Other expenses	(89,021)	(77,317)
Refund to customers	(2,205,847)	-
	<u>5,334,094</u>	<u>7,275,700</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from property taxes and assessments	<u>1,751,697</u>	<u>1,681,497</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,751,697</u>	<u>1,681,497</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from annexation fees and capital contributions	77,206	94,746
Acquisition and construction of capital assets	(7,351,354)	(5,228,389)
Proceeds from sales of capital assets	11,556	21,646
Proceeds from long-term debt issuance	-	33,795,529
Payment to refunding escrow agent	-	(29,511,305)
Bond issuance costs	-	(326,280)
Principal paid on long-term liabilities	(1,240,000)	(1,080,000)
Interest paid on long-term liabilities	(1,509,535)	(1,768,613)
Payment on line of credit	-	(6,883,720)
	<u>(10,012,127)</u>	<u>(10,886,386)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	15,984,982	18,902,845
Purchase of investments	(11,385,477)	(16,634,078)
Interest and investment earnings	<u>535,139</u>	<u>375,788</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,134,644</u>	<u>2,644,555</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,208,308	715,366
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>33,181,292</u>	<u>32,465,926</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 35,389,600</u>	<u>\$ 33,181,292</u>

(Continued)

YORBA LINDA WATER DISTRICT

STATEMENT OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2018  
(With comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,422,489)	\$ (815,799)
Adjustments to reconcile operating loss to		
net cash provided by operating activities:		
Depreciation	7,465,977	7,147,369
Other revenues	234,874	348,061
Other expenses	(89,021)	(77,317)
Refund to customers	(2,205,847)	-
Changes in operating assets, deferred outflows of resources,		
operating liabilities, and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	178,376	(93,487)
Inventory	17,344	(30,934)
Prepaid expenses and deposits	119,430	2,963
Other post-employment benefits (OPEB) asset	-	(135,054)
Deferred outflows of resources from pension plans	(783,542)	(1,253,710)
Deferred outflows of resources from OPEB	(43,926)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	707,319	480,601
Accrued salaries and wages	37,946	23,365
Accrued compensated absences	135,609	177,309
Customer and construction deposits	(97,720)	128,881
Net pension liability	1,334,055	1,951,677
Net OPEB liability	(185,742)	-
Deferred inflows of resources from pension plans	(113,515)	(578,225)
Deferred inflows of resources from OPEB	44,966	-
	<u>6,756,583</u>	<u>8,091,499</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,334,094</u>	<u>\$ 7,275,700</u>
CASH AND CASH EQUIVALENTS -		
FINANCIAL STATEMENT CLASSIFICATION:		
Unrestricted	\$ 34,795,833	\$ 27,991,568
Restricted	593,767	5,189,724
TOTAL CASH AND CASH EQUIVALENTS -		
FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 35,389,600</u>	<u>\$ 33,181,292</u>
NONCASH INVESTING, CAPITAL, AND		
RELATED FINANCING ACTIVITIES:		
Amortization related to long-term debt	<u>\$ 255,077</u>	<u>\$ 104,432</u>
Capital contributions	<u>\$ 3,523,811</u>	<u>\$ 2,647,734</u>

See accompanying notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**

## YORBA LINDA WATER DISTRICT

### Notes to Basic Financial Statements

June 30, 2018

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#### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

a. Organization and Description of the Reporting Entity

The Yorba Linda Water District (the District) is an independent special district established in 1959, which operates under the authority of Division 12 of the California Water Code for the purpose of providing water and sewer services to properties within the District. The District is governed by a five member Board of Directors elected by the voters in the area to four-year terms. The District provides two services that include water and sewer. Water is provided to the entire service area. Sewer is provided to most of the service areas. The District's service area includes Yorba Linda, portions of Placentia, Anaheim, and Brea, and areas of unincorporated Orange County. The District provides water service to approximately 79,500 residents and sewer service to approximately 61,000 residents.

The financial statements present the District (the primary government), the Yorba Linda Water District Public Financing Corporation (the Corporation), and the Yorba Linda Water District Financing Authority (the Authority). The Corporation and the Authority meet the definition of a component unit and are presented on a blended basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Corporation and the Authority are composed of the same membership as the District's Board of Directors. The District may impose its will on the Corporation and the Authority, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the District and the Corporation and the Authority.

The Corporation, a California nonprofit public benefit corporation, was formed in July 2003 for the purpose of providing assistance to the District and other public agencies in the state of California, of which the District is a member or is otherwise engaged in the financing, refinancing, acquiring, constructing, and rehabilitating of facilities, land, and equipment; the sale or leasing of facilities, land, and equipment for the use, benefit, and enjoyment of the public served by such agencies; and any other purpose incidental thereto. There are no separate financial statements for the Corporation.

The Authority, a public agency, was organized pursuant to a Joint Exercise of Powers Agreement (the JPA Agreement) between the District and the California Municipal Finance Authority (CMFA), dated April 11, 2017. The Authority is statutorily authorized by Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and is empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein. Separate basic financial statements prepared for the Authority may be obtained from the Yorba Linda Water District, 1717 East Miraloma Avenue, Placentia, CA 92870.

b. Basic Financial Statements

The basic financial statements are composed of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the notes to the basic financial statements.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. Basis of Presentation

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

d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the economic measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with these activities are included on the statement of net position. The statement of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

e. New Accounting Pronouncements

**GASB Current-Year Standards**

In fiscal year 2017-2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for post-employment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017, of the District by \$2,514,827.

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the District.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the District.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the District.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e. New Accounting Pronouncements (Continued)

**GASB Pending Accounting Standards**

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

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.

f. Cash and Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

g. Investments and Investment Policy

The District has adopted an investment policy directing the District's General Manager or Finance Manager to invest, reinvest, sell, or exchange securities.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

h. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes they are all collectible. Management evaluates all accounts receivable and, if it is determined that they are uncollectible, they are written off as a bad debt expense. A charge of \$4,611 and \$9,042 was made to bad debt expense for the years ended June 30, 2018 and 2017, respectively.

i. Prepaid Expenses

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

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

j. Inventory

Inventory consists primarily of materials and supplies used in the construction and maintenance of the water and sewer systems and are stated at cost using the average-cost method on a first-in, first-out basis.

k. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000 with an expected useful life of greater than one year. Contributed assets are recorded at acquisition value at the date of acquisition. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows:

Source of Supply	30 - 75 years
Pumping Plant	20 - 40 years
Water Treatment Plant	12 - 40 years
Sewer Plant	5 - 60 years
Transmission and Distribution Plant	10 - 40 years
General Plant	3 - 40 years

l. Interest Expense

The District incurs interest charges on the line of credit and certificates of participation. Interest expense of \$265,638 and \$7,671 has been capitalized as an addition to the cost of construction for the years ended June 30, 2018 and 2017, respectively.

m. Deferred Outflows/Inflows of Resources

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

- Deferred outflow related to loss on refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

m. Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans' fiduciary net position. This amount is amortized over five years.
- Deferred outflow related to OPEB. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflow related to gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflow related to pensions for differences between expected and actual experiences. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred inflow from pensions resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to OPEB resulting from the difference in projected and actual earnings on investments of the OPEB plans' fiduciary net position. This amount is amortized over five years.

n. Compensated Absences

The District's policy is to permit employees to accumulate earned vacation and sick leave. The liability for vested vacation and sick leave is recorded as an expense when earned. Employees may carry forward up to one-and-a-half years of earned vacation days and an unlimited number of sick leave days. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused eligible leave.

Permanent employees that retire in accordance with California Public Employee's Retirement System (CalPERS) qualifications are entitled to receive cash compensation at their current base salary for three-eighths of all unused sick leave, and the remaining five-eighths of the unused sick leave is contributed to the employee's CalPERS account. The District has accrued 100% of the unused sick leave as a liability, as it expects most employees to meet CalPERS requirements when retiring or leaving the District.

o. Construction Advances and Deposits

Construction deposits are collected by the District to cover the cost of construction projects within the District. Funds in excess of project costs are refunded to the customer.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

p. Construction Bonding Deposits

The District's policy is to maintain certain bonding requirements for water and sewer construction projects performed within District boundaries to ensure the proper completion of the project. Deposited amounts are refunded upon final approval of the project.

q. Unearned Revenue

Unearned revenue consists of customer refunds that have not been cashed.

r. Unearned Annexation Revenue

The District collects a fee from newly annexed developments for all residential and commercial properties. This fee is in lieu of the District's share of 40 years of the 1% property tax revenue that the District no longer receives post-Proposition 13. The fee is a present worth value required to generate a 40-year revenue stream equivalent to the lost property tax revenue.

The fee is calculated based on the fair market value estimate of the improved property at the time the fee is collected and is based on the current rate of return on the District's investments. The deposit balance accrues interest and provides a source of operational revenue for the District and is amortized on a straight-line basis over 40 years. This unearned revenue source may be used for capital facilities in the future if approved by the Board of Directors.

s. Net Position

In the statement of net position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. Amounts reported in restricted net position for the years ended June 30, 2018 and 2017, represent the following:
  - Amounts of \$104,673 and \$1,222,452, respectively, which are the balance remaining of administrative penalty fees collected by the District that must be used for capital improvement projects that are related to conservation efforts, water use efficiency improvements, water conservation education, and regulatory compliance. In addition, the June 30, 2018 balance reflects a contribution the District made to a PARS account which has a remaining balance of \$247,390.
- Unrestricted net position - This amount is all net position that does not meet the definition of net investment in capital assets or restricted net position.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

t. Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

u. Operating Revenues and Expenses

Operating revenues, such as charges for services (water sales and sewer service charges), result from exchange transactions associated with the principal activity of the District. Nonoperating revenues, such as property taxes, assessments, and investment income, result from nonexchange transactions or ancillary activities in which the District receives value without directly giving equal value in exchange.

Operating expenses include the costs of providing water, sewer, and related services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

v. Property Taxes and Assessments

The Orange County Assessor's Office assesses all real and personal property within Orange County each year. The Orange County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Orange County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local governments.

Property taxes receivable at year-end are related to property taxes collected by the Orange County Tax Collector, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

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

w. Water and Sewer Sales

The District recognizes water and sewer service charges based on cycle billings rendered to the customers each month.



**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

x. Capital Contributions

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

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

z. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the District's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

aa. Budgetary Policies

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

ab. Use of Estimates

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

ac. Prior-Year Data

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's prior-year financial statements from which this selected financial data was derived.

Certain amounts in the June 30, 2017 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2018 financial statements. There was no change in reported net income or net position related to these reclassifications.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2018 and 2017, are reported in the accompanying statement of net position as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted current assets:		
Cash and cash equivalents	\$ 34,795,833	\$ 27,991,568
Investments	2,063,675	6,920,955
Restricted assets:		
Cash and cash equivalents	<u>593,767</u>	<u>5,189,724</u>
Total cash and investments	<u>\$ 37,453,275</u>	<u>\$ 40,102,247</u>

Cash and investments as of June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 1,250	\$ 1,250
Deposits with financial institutions	1,142,589	1,806,502
Investments	<u>36,309,436</u>	<u>38,294,495</u>
Total cash and investments	<u>\$ 37,453,275</u>	<u>\$ 40,102,247</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by the California Government Code and the District's Investment Policy**

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

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy. This table does not address investments of the employer contributions to the other post-employment benefit trust that are governed by the trust agreement or the investments of funds within the other post-employment benefit (OPEB) trusts that are governed by the agreement between the District and the trustees, rather than the general provisions of the California Government Code or the District's Investment Policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Credit Rating
Bank or Savings and Loans	5 years	None	None	FDIC or FSLIC
Negotiable Certificates of Deposit	5 years	30%	None	A and FDIC collateralized
Local Agency Investment Fund	N/A	None	None	None
Orange County Commingled Investment Pool	N/A	None	None	N/A
California Asset Management Program	N/A	(1)	None	N/A
United States Treasury Bills, Notes and Bonds	5 years	None	None	N/A
United States Government-Sponsored Agency Securities	5 years	None	None	N/A
Corporate Bonds	5 years	30%	None	A
Banker's Acceptance	180 days	10%	5%	A-1
Commercial Paper	270 days	25%	5%	A-1
CalTRUST Investment Pool	N/A	None	None	N/A
Money Market Funds	N/A	20%	10%	N/A

(1) Limited to bond proceeds held by the District.

N/A Not applicable

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by the provisions of debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. Investments authorized for funds held by bond trustees include, US Treasury Bills, Notes and Bonds, US Treasury Obligations, Resolution Funding Corp (REFCORP), Prefunded Municipal Bonds, US Government-Sponsored Agency Securities, Commercial Paper, Money Market Mutual Funds, Certificates of Deposits, Guaranteed Investment Contracts, Banker's Acceptance, Repurchase Agreements, and Local Agency Investment Funds. There are no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed, or the maximum maturity of an investment, except for the maturity of Banker's Acceptance, which are limited to one year and Repurchase Agreements, which are limited to 30 days.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity 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 (including investments held by bond trustee) to market interest rate fluctuations is provided by the following tables that show the distribution of the District's investments by maturity as of June 30, 2018 and 2017.

**June 30, 2018**

Investment Type	Remaining Maturity (in Months)					Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
CalTRUST Investment Pool	\$ 19,043,553	\$ -	\$ -	\$ -	\$ -	\$ 19,043,553
Local Agency Investment Fund	11,745,304	-	-	-	-	11,745,304
OPEB Trust - PARS Pooled Trust	247,390	-	-	-	-	247,390
Negotiable Certificates of Deposits	443,752	244,263	479,012	896,648	-	2,063,675
Money Market Mutual Funds	3,209,342	-	-	-	-	3,209,342
Held by Bond Trustee:						
Money Market Mutual Funds	172	-	-	-	-	172
Total	<u>\$ 34,689,513</u>	<u>\$ 244,263</u>	<u>\$ 479,012</u>	<u>\$ 896,648</u>	<u>\$ -</u>	<u>\$ 36,309,436</u>

**June 30, 2017**

Investment Type	Remaining Maturity (in Months)					Total
	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 48 Months	48 to 60 Months	
CalTRUST Investment Pool	\$ 18,961,385	\$ -	\$ -	\$ -	\$ -	\$ 18,961,385
Local Agency Investment Fund	7,333,431	-	-	-	-	7,333,431
United States Government-Sponsored Agency Securities	997,440	-	-	-	-	997,440
Negotiable Certificates of Deposits	3,821,791	445,301	245,383	489,576	921,464	5,923,515
Held by Bond Trustee:						
Money Market Mutual Funds	5,078,724	-	-	-	-	5,078,724
Total	<u>\$ 36,192,771</u>	<u>\$ 445,301</u>	<u>\$ 245,383</u>	<u>\$ 489,576</u>	<u>\$ 921,464</u>	<u>\$ 38,294,495</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table are the minimum ratings required by (where applicable) the California Government Code, the District's investment policy, or debt agreements and the actual Moody's credit rating as of June 30, 2018 and 2017, for each investment type.

<b>June 30, 2018</b>					
<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total as of June 30, 2018</u>	<u>Not Rated</u>	<u>AA+</u>	<u>AAA</u>
CalTRUST Investment Pool	N/A	\$ 19,043,553	\$ 17,710,872	\$ 1,332,681	\$ -
Local Agency Investment Fund	N/A	11,745,304	11,745,304	-	-
OPEB Trust - PARS Pooled Trust	N/A	247,390	247,390	-	-
Negotiable Certificates of Deposits	A	2,063,675	2,063,675	-	-
Money Market Mutual Funds		3,209,342	3,209,342	-	-
Held by Bond Trustee:					
Money Market Mutual Funds	N/A	172	172	-	-
Total		<u>\$ 36,309,436</u>	<u>\$ 34,976,755</u>	<u>\$ 1,332,681</u>	<u>\$ -</u>
<b>June 30, 2017</b>					
<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Total as of June 30, 2017</u>	<u>Not Rated</u>	<u>AA+</u>	<u>AAA</u>
CalTRUST Investment Pool	N/A	\$ 18,961,385	\$ 14,868,526	\$ 4,092,859	\$ -
Local Agency Investment Fund	N/A	7,333,431	7,333,431	-	-
United States Government-Sponsored Agency Securities	N/A	997,440	-	-	997,440
Negotiable Certificates of Deposits	A	5,923,515	5,923,515	-	-
Held by Bond Trustee:					
Money Market Mutual Funds	N/A	5,078,724	-	-	5,078,724
Total		<u>\$ 38,294,495</u>	<u>\$ 28,125,472</u>	<u>\$ 4,092,859</u>	<u>\$ 6,076,164</u>

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code with the exception of banker's acceptances, commercial paper, and money market funds, which are limited to an investment in any one issuer of 5%, 5%, and 10%, respectively.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the District 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, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Local Agency Investment Fund (LAIF) and CalTRUST Investment Pool).

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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018 and 2017, all of the District's deposits with financial institutions were covered by federal depository insurance limits or were held in collateralized accounts.

**Investment in State Investment Pool**

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 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).

**Investment in CalTRUST Investment Pool**

CalTRUST is a joint powers agency authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board of Trustees sets overall policies for the program and selects and supervises the activities of the investment manager and other agents. CalTRUST maintains and administers four pooled accounts within the program: Money Market, Short-Term, Medium-Term, and Long-Term accounts. The Money Market account permits daily transactions, with same-day liquidity (provided redemption requests are received by 1:00 p.m. Pacific time), with no limit on the amount of funds that may be invested. The Short-Term account permits an unlimited number of transactions per month (with prior-day notice), with no limit on the amount of funds that may be invested. The Medium- and Long-Term accounts permit investments, withdrawals, and transfers once per month, with five days' advance notice. All CalTRUST accounts comply with the limits and restrictions placed on local agency investments by the California Government Code. CalTRUST imposes a \$250,000 minimum investment; however, there is no maximum limit. 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 percentage interest of the fair value provided by CalTRUST for the CalTRUST accounts (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Cash and Investments - Other Post-Employment Benefit (OPEB) Trust**

The District established a trust account with the Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's OPEB health plan. The OPEB trust funds' specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the District. The District-approved guidelines are as follows:

Risk Tolerance	Moderate high mark plus
Risk Management	The portfolio is constructed to control through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value growth), managers, and securities. Disciplined mutual fund selection and monitoring process help to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

**Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

The District has the following recurring fair value measurements as of June 30, 2018 and 2017:

<b>June 30, 2018</b>	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ 2,063,675	\$ -	\$ 2,063,675
Total Leveled Investments	<u>\$ -</u>	<u>\$ 2,063,675</u>	<u>\$ -</u>	2,063,675
CalTRUST Investment Pool*				19,043,553
Local Agency Investment Fund*				11,745,304
OPEB Trust - PARS Pooled Trust*				247,390
Money Market Mutual Funds*				3,209,342
Held by Bond Trustee:				
Money Market Mutual Funds*				172
Total Investments				<u>\$ 36,309,436</u>

<b>June 30, 2017</b>	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
United States Government-Sponsored Agency Securities	\$ -	\$ 997,440	\$ -	\$ 997,440
Negotiable Certificates of Deposit	-	5,923,515	-	5,923,515
Total Leveled Investments	<u>\$ -</u>	<u>\$ 6,920,955</u>	<u>\$ -</u>	6,920,955
CalTRUST Investment Pool*				18,961,385
Local Agency Investment Fund*				7,333,431
Held by Bond Trustee:				
Money Market Mutual Funds*				5,078,724
Total Investments				<u>\$ 38,294,495</u>

\* Not subject to fair value measurement hierarchy.



**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets are provided by and are to be used for the following uses as of June 30, 2018 and 2017:

Source	Use	2018	2017
Bond proceeds	Repayment of debt	\$ 172	\$ 5,078,724
OPEB Trust - PARS Pooled Trust	Payment of OPEB benefits	247,390	-
District funds	Payment of retention	346,205	111,000
Total restricted assets		\$ 593,767	\$ 5,189,724

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2018, were as follows:

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Capital assets, not depreciated:				
Land, mineral, and water rights	\$ 287,419	\$ -	\$ -	\$ 287,419
Construction in progress	5,561,210	11,076,270	(6,136,779)	10,500,701
Total capital assets, not depreciated	5,848,629	11,076,270	(6,136,779)	10,788,120
Capital assets, being depreciated:				
Source of supply	6,348,997	-	-	6,348,997
Pumping plant	26,332,743	48,324	(31,989)	26,349,078
Water treatment plant	3,130,572	377,097	-	3,507,669
Transmission and distribution plant	224,187,455	5,317,578	(132,601)	229,372,432
General plant	21,695,614	458,314	(220,238)	21,933,690
Total capital assets, being depreciated	281,695,381	6,201,313	(384,828)	287,511,866
Less accumulated depreciation for:				
Source of supply	(2,652,883)	(177,083)	-	(2,829,966)
Pumping plant	(9,421,291)	(989,764)	21,060	(10,389,995)
Water treatment plant	(1,930,260)	(178,634)	-	(2,108,894)
Transmission and distribution plant	(72,099,253)	(5,340,119)	69,618	(77,369,754)
General plant	(10,780,113)	(780,377)	220,238	(11,340,252)
Total accumulated depreciation	(96,883,800)	(7,465,977)	310,916	(104,038,861)
Total capital assets, being depreciated, net	184,811,581	(1,264,664)	(73,912)	183,473,005
Total capital assets, net	\$ 190,660,210	\$ 9,811,606	\$ (6,210,691)	\$ 194,261,125

Depreciation expense for the depreciable capital assets was \$7,465,977 in 2018.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Changes in capital assets for the year ended June 30, 2017, were as follows:

	Balance at July 1, 2016	Additions	Deletions/ Transfers	Balance at June 30, 2017
Capital assets, not depreciated:				
Land, mineral, and water rights	\$ 287,419	\$ -	\$ -	\$ 287,419
Construction in progress	4,717,999	7,330,282	(6,487,071)	5,561,210
Total capital assets, not depreciated	<u>5,005,418</u>	<u>7,330,282</u>	<u>(6,487,071)</u>	<u>5,848,629</u>
Capital assets, being depreciated:				
Source of supply	6,096,155	252,842	-	6,348,997
Pumping plant	25,604,231	728,512	-	26,332,743
Water treatment plant	3,130,572	-	-	3,130,572
Transmission and distribution plant	218,794,863	5,392,592	-	224,187,455
General plant	21,143,220	640,653	(88,259)	21,695,614
Total capital assets, being depreciated	<u>274,769,041</u>	<u>7,014,599</u>	<u>(88,259)</u>	<u>281,695,381</u>
Less accumulated depreciation for:				
Source of supply	(2,484,228)	(168,655)	-	(2,652,883)
Pumping plant	(8,499,624)	(921,667)	-	(9,421,291)
Water treatment plant	(1,750,637)	(179,623)	-	(1,930,260)
Transmission and distribution plant	(67,024,340)	(5,074,913)	-	(72,099,253)
General plant	(10,065,861)	(802,511)	88,259	(10,780,113)
Total accumulated depreciation	<u>(89,824,690)</u>	<u>(7,147,369)</u>	<u>88,259</u>	<u>(96,883,800)</u>
Total capital assets, being depreciated, net	<u>184,944,351</u>	<u>(132,770)</u>	<u>-</u>	<u>184,811,581</u>
Total capital assets, net	<u>\$ 189,949,769</u>	<u>\$ 7,197,512</u>	<u>\$ (6,487,071)</u>	<u>\$ 190,660,210</u>

Depreciation expense for the depreciable capital assets was \$7,147,369 in 2017.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 5 - LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2018, were as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Certificates of Participation:					
2012A Revenue Refunding Certificates of Participation	\$ 7,230,000	\$ -	\$ (295,000)	\$ 6,935,000	\$ 310,000
2017A Revenue Bonds	29,335,000	-	(945,000)	28,390,000	830,000
Subtotal	<u>36,565,000</u>	<u>-</u>	<u>(1,240,000)</u>	<u>35,325,000</u>	<u>1,140,000</u>
Add (Less):					
2012A Premium	767,216	-	(47,703)	719,513	-
2017A Premium	4,425,817	-	(208,274)	4,217,543	-
Total Certificates of Participation	<u>41,758,033</u>	<u>-</u>	<u>(1,495,977)</u>	<u>40,262,056</u>	<u>1,140,000</u>
Compensated balances	1,619,653	880,816	(745,207)	1,755,262	438,816
Total	<u>\$ 43,377,686</u>	<u>\$ 880,816</u>	<u>\$ (2,241,184)</u>	<u>\$ 42,017,318</u>	<u>\$ 1,578,816</u>

Changes in long-term liabilities for the year ended June 30, 2017, were as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Certificates of Participation:					
2008 Revenue Certificates of Participation	\$ 29,865,000	\$ -	\$ (29,865,000)	\$ -	\$ -
2012A Revenue Refunding Certificates of Participation	7,515,000	-	(285,000)	7,230,000	295,000
2017A Revenue Bonds	-	29,335,000	-	29,335,000	945,000
Subtotal	<u>37,380,000</u>	<u>29,335,000</u>	<u>(30,150,000)</u>	<u>36,565,000</u>	<u>1,240,000</u>
Add (Less):					
2008 Premium	572,435	-	(572,435)	-	-
2012A Premium	814,919	-	(47,703)	767,216	-
2017A Premium	-	4,460,529	(34,712)	4,425,817	-
Total Certificates of Participation	<u>38,767,354</u>	<u>33,795,529</u>	<u>(30,804,850)</u>	<u>41,758,033</u>	<u>1,240,000</u>
Line of credit	6,883,720	116,280	(7,000,000)	-	-
Compensated balances	1,442,344	872,091	(694,782)	1,619,653	404,913
Total	<u>\$ 47,093,418</u>	<u>\$ 34,783,900</u>	<u>\$ (38,499,632)</u>	<u>\$ 43,377,686</u>	<u>\$ 1,644,913</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**2012A Revenue Refunding Certificates of Participation**

In September 2012, the Corporation issued \$8,330,000 of Revenue Refunding Certificates of Participation, Series 2012A (the 2012A Certificates). The 2012A Certificates were issued to provide funds (1) to advance refund all of the currently outstanding District Certificates of Participation Series 2003 (the 2003 Certificates) and (2) to pay costs of issuance of the 2012A Bonds. The District completed the refunding to reduce its total debt service payments over the next 21 years by over \$1.72 million, resulting in an economic gain (difference between the present value of the old and new debt service payments) of over \$1.32 million. The 2003 Certificates were paid off in October 2012.

The 2012A Certificates bear interest ranging from 2% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2012A Certificates.

The 2012A Certificates are obligations of the Corporation payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Corporation. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 110% of the debt service for such fiscal year. For fiscal years 2018 and 2017, the net revenues are equal to 263% and 281% of the debt service, respectively.

The 2012A and 2003 Certificates are subject to federal arbitrage regulations.

At June 30, 2018 and 2017, the 2012A Certificates' outstanding balance was \$6,935,000 and \$7,230,000, respectively.

The annual debt service requirements for the 2012A Certificates outstanding at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 310,000	\$ 281,212	\$ 591,212
2020	315,000	268,712	583,712
2021	335,000	255,712	590,712
2022	345,000	241,250	586,250
2023	360,000	225,388	585,388
2024 - 2028	2,085,000	836,855	2,921,855
2029 - 2033	2,610,000	313,715	2,923,715
2034	575,000	9,344	584,344
	<u>\$ 6,935,000</u>	<u>\$ 2,432,188</u>	<u>\$ 9,367,188</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**2017A Revenue Bonds**

In May 2017, the Authority issued \$29,335,000 of Revenue Bonds, Series 2017A (the 2017A Bonds). The 2017A Bonds were issued to provide funds (1) to finance the acquisition and construction of certain improvements to the District's water system, (2) to advance refund all of the currently outstanding District Revenue Certificates of Participation Series 2008, and (3) to pay costs of issuance of the 2017A Bonds. A portion of the proceeds was deposited in an escrow fund with a trustee. The funds will be used to pay the outstanding balance of the Revenue Certificates of Participation Series 2008. The 2008 Certificates were paid off in October 2017. The District completed the refunding to reduce its total debt service payments over the next 21 years by more than \$5.05 million, resulting in an economic gain (difference between the present value of the old and new debt service payments) of approximately \$4.22 million. At June 30, 2018 and 2017, the 2017A Bonds' outstanding balance was \$28,390,000 and \$29,335,000, respectively.

The 2017A Bonds bear interest at rates ranging from 3% to 5%, payable semiannually on April 1 and October 1. There is no reserve requirement for the 2017A Bonds.

The 2017A Bonds are obligations of the Authority payable solely from payments received from the District pursuant to the Installment Purchase Agreement by and between the District and the Authority. The Installment Purchase Agreement requires the District to fix, prescribe, and collect rates and charges for the water service that will be at least sufficient to yield during each fiscal year net revenues equal to 125% of the debt service for such fiscal year. For fiscal years 2018 and 2017, the net revenues are equal to 263% and 281% of the debt service, respectively.

The 2017A Bonds are subject to federal arbitrage regulations.

The annual debt service requirements for the 2017A Bonds outstanding at June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 830,000	\$ 1,317,044	\$ 2,147,044
2020	860,000	1,283,244	2,143,244
2021	895,000	1,243,669	2,138,669
2022	945,000	1,197,669	2,142,669
2023	990,000	1,149,294	2,139,294
2024 - 2028	5,755,000	4,930,845	10,685,845
2029 - 2033	7,150,000	3,482,604	10,632,604
2034 - 2038	8,910,000	1,663,275	10,573,275
2039	2,055,000	51,100	2,106,100
	<u>\$ 28,390,000</u>	<u>\$ 16,318,744</u>	<u>\$ 44,708,744</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

**Compensated Absences**

Compensated absences are composed of unpaid vacation leave, sick leave, and compensating time off, which are accrued as earned (see Note 1n).

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**

a. General Information about the OPEB Plan

**Plan Description**

The District, through an agent multiple-employer defined benefit plan, provides post-employment health-care benefits to retirees managed through California Employers' Retiree Benefit Trust (CEBRT). Specifically, the District provides health (medical, dental, and vision) insurance for its retired employees and directors, their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board of Director resolutions. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of five years of service with the District. Only employees hired prior to December 8, 2011, qualify for these benefits. The District pays 100% of the premium for the retiree and two-thirds of the premium amount for eligible dependents accrued at a rate of one year for every three years of service. Two-thirds of the premium amount of medical coverage is provided for the surviving spouse of retired employees for the remaining vested period. The plan does not provide a publicly available financial report.

**Employees Covered**

As of the June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees or beneficiaries currently receiving benefits	15
Active employees	48
Total	<u>63</u>

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

a. General Information about the OPEB Plan (Continued)

**Contributions**

Contribution requirements are established by District policy and may be amended by the Board of Directors. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the District made a contribution of \$257,706 to the OPEB trust and made payments totaling \$141,893 for retiree health-care insurance benefits.

b. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-age normal cost method, level percent of pay
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Projected Salary Increase	2.75% per year
Expected Long-Term Investment Rate of Return	6.50%
Health-care Cost Trend Rates	4.00% per year
Preretirement Turnover	Derived from 2014 CalPERS OPEB assumptions model for "public agency miscellaneous"
Mortality	Derived from 2014 CalPERS OPEB assumptions model for "public agency miscellaneous"

The actuarial assumptions used in the June 30, 2017, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

b. Net OPEB Liability (Continued)

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of the California Employers' Retiree Benefit Trust, and the expected yields are taken from a recent CalPERS publication for the pension fund:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
Global equity	57.00%	5.25%
Fixed income	27.00%	0.99%
Treasury securities	5.00%	0.45%
Real estate trusts	8.00%	4.50%
Commodities	3.00%	3.90%
Total	100.00%	

The estimated yield of 3.9% for commodities was obtained from various sources and is a rough guess. Using these figures, the weighted-average real rate of return is estimated to be 3.73%. Adding estimated inflation of 2.75%, the District obtains 6.48% as an estimate of the expected rate of return, which is rounded to 6.5%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Change of Discount Rate**

The discount rate utilized in the June 30, 2017, valuation was 6.50% as compared to the June 30, 2015, valuation discount rate of 7%. The discount rate was changed due to the implementation of GASB Statement No. 75.



**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

c. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2016</b> <b>(Measurement Date)</b>	\$ 3,442,911	\$ 983,754	\$ 2,459,157
<b>Changes in the Year:</b>			
Service cost	71,330	-	71,330
Interest on the total OPEB liability	219,305	-	219,305
Contribution - employer	-	355,672	(355,672)
Net investment income	-	121,311	(121,311)
Administrative expenses	-	(606)	606
Benefit payments	(137,979)	(137,979)	-
<b>Net Changes</b>	<u>152,656</u>	<u>338,398</u>	<u>(185,742)</u>
<b>Balance at June 30, 2017</b> <b>(Measurement Date)</b>	<u>\$ 3,595,567</u>	<u>\$ 1,322,152</u>	<u>\$ 2,273,415</u>

**Change of Assumptions**

There was no change of assumptions.

**Change of Benefit Terms**

There was no change of benefit terms.

**Subsequent Events**

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

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

c. Changes in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current discount rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 2,626,437	\$ 2,273,415	\$ 1,965,207

**Sensitivity of the Net OPEB Liability to Changes in Health-care Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health-care cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current health-care cost trend rates:

	1% Decrease (3.00%)	Current Health-care Cost Trend Rates (4.00%)	1% Increase (5.00%)
Net OPEB Liability	\$ 1,946,738	\$ 2,273,415	\$ 2,650,959

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$214,896. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 399,599	\$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Differences between projected and actual earnings	-	44,966
Total	\$ 399,599	\$ 44,966

The net difference between projected and actual earnings on plan investments is amortized over a five-year period.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amount of \$399,599 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (11,242)
2020	(11,242)
2021	(11,242)
2022	(11,240)
2023	-
Thereafter	-

e. Payable to the OPEB Plan

At June 30, 2018, the District had no outstanding amount of contributions to the OPEB plan as required for the year ended June 30, 2018.

**NOTE 7 - PENSION PLANS**

a. General Information about the Pension Plans

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans (Plans), which are cost-sharing multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under these plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five 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.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

a. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier I Prior to December 22, 2011	Tier II On or After December 22, 2011	Tier III - PEPR On or After January 1, 2013
Hire date			
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates			
Normal cost rate	8.921%	7.653%	6.533%
Payment of unfunded liability	\$ 318,966	\$ 215	\$ 632

**Contributions**

Section 20814(c) of CalPERS law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements are classified as plan member contributions.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 8,575,054</u>

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2017, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plans as of the measurement dates June 30, 2016 and 2017, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.20844%
Proportion - June 30, 2017	0.21753%
Change - Increase (Decrease)	0.00909%

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,287,390. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 850,393	\$ -
Differences between actual and expected experience	12,403	(177,703)
Change in assumptions	1,538,977	(117,348)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(344,535)
Net differences between projected and actual earnings on plan investments	348,053	-
Total	<u>\$ 2,749,826</u>	<u>\$ (639,586)</u>

An amount of \$850,393 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 112,812
2020	849,262
2021	504,417
2022	(206,644)
2023	-
Thereafter	-

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

**Actuarial Assumptions**

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016, total pension liability determined in the June 30, 2016, actuarial accounting valuation. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 Experience Study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.

(3) Contract cost of living adjustment up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial Experience Study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Change of Assumptions**

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for each plan and reflects the long-term expected rate of return for the each plan, net of investment expenses and without reduction for administrative expenses. 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 tests revealed that the assets would not run out. Therefore, the current 7.15% 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% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers would make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report titled "GASB Crossover Testing Report" that can be obtained from the 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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.



**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

**Discount Rate (Continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board of Directors effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

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

The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for each plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

1% Decrease	Miscellaneous
Net Pension Liability	6.15%
	\$ 13,647,962
Current Discount Rate	7.15%
Net Pension Liability	\$ 8,575,054
1% Increase	8.15%
Net Pension Liability	\$ 4,373,579

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**NOTE 7 - PENSION PLANS (CONTINUED)**

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

**Pension Plans Fiduciary Net Position**

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

- c. Payable to the Pension Plans

At June 30, 2018, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

**NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS**

The balance of net investment in capital assets consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Capital assets, net of accumulated depreciation	\$ 194,261,125	\$ 190,660,210
Certificates of participation - current	(1,140,000)	(1,240,000)
Certificates of participation - long term	(39,122,056)	(40,518,033)
Unspent debt proceeds	172	5,078,724
Deferred amount on refunding	272,386	292,124
Net investment in capital assets	<u>\$ 154,271,627</u>	<u>\$ 154,273,025</u>

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, and theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. In an effort to manage its risk exposure, the District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the Insurance Authority).

The Insurance Authority is a risk-pooling self-insurance authority created under provisions of California Government Code Sections 6500 et seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2018, as a member of the Insurance Authority, the District participated in the insurance programs as follows:

- General, auto liability, and public officials’ and employee’s error and omissions: Total risk financing self-insurance limits of \$5,000,000, combined single limit at \$5,000,000 per occurrence. The Insurance Authority purchases additional excess coverage layers of \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Employee dishonesty coverage of up to \$100,000 per loss, includes public employee dishonesty, forgery or alteration, and theft, disappearance, and destruction coverages, subject to a \$1,000 deductible per occurrence.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 9 - RISK MANAGEMENT (CONTINUED)***

- Property loss is paid at the replacement cost for property on file if replaced within two years after the loss, otherwise paid on an actual cash value basis. The District's Retrospective Allocation Point (deductible) is \$25,000 per occurrence. The Insurance Authority is self-insured for the first \$100,000 and purchases excess coverage of up to \$500 million limited to insurable value (\$29,146,579), subject to a \$1,000 deductible, except for a \$500 deductible on vehicles.
- Boiler and machinery coverage for the replacement cost of up to \$150 million per occurrence limited to insurable value, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance of up to California statutory limits for all work related injuries/illnesses covered by California law. The Insurance Authority is self-insured to \$2,000,000 and has purchased excess insurance to the statutory limit.
- Cyber security coverage is \$3 million per occurrence with \$50,000 deductible per occurrence limited to the insurable value.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years, and there were no reductions in the District's insurance coverage during the years ended 2018, 2017, and 2016. 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. There were no claims payable as of June 30, 2018, 2017, and 2016.

***NOTE 10 - PRE-ANNEXATION AGREEMENT***

In June 2008, the District entered into a pre-annexation agreement with Placentia Yorba Linda Unified School District (PYLUSD) whereby the District intends to provide access to water and sewer service to PYLUSD for the benefit of a property that PYLUSD wishes to develop for public high school use. Per the agreement, PYLUSD agreed to fund additional District reservoir improvements equal to the cost of constructing an additional 450,000 gallons of reservoir storage. The cost for the additional water storage was estimated to be approximately \$1.50 per gallon, resulting in a total approximate cost of \$675,000. PYLUSD paid the District \$32,500 within 30 days of execution of the agreement. The remaining balance is payable over a nine-year period at an annual interest rate of 4%.

Annual payments of \$81,704, which include principal and interest, started in the fiscal year ended June 30, 2010. The remaining balance was paid in full during fiscal year 2017-2018. The remaining outstanding balance at June 30, 2017, was \$78,567 plus interest receivable of \$3,142. As of June 30, 2017, the District reservoir improvements have been completed. The District has completed its obligation in its entirety and has earned the rights to the entire amount. Therefore, the outstanding balance as of June 30, 2017, is recorded in the District's books as a note receivable.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**Construction Contracts**

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to \$2,061,122 and \$5,421,671 of open construction contracts as of June 30, 2018 and 2017, respectively. Construction contracts include the following:

**June 30, 2018**

	Total Approved Contract	Construction Costs to Date	Balance to Complete
Well No. 22	\$ 1,029,565	\$ 765,961	\$ 263,604
Lakeview Grade Separation	250,000	187,695	62,305
YLWD - Fairmont/Zone 5 BPS Project	8,225,509	7,673,247	552,262
PRS Rehabilitation Phase II	630,585	268,355	362,230
Tract 15199 Waterline Replacement	654,610	-	654,610
2018 Sewer Main CIPP Rehabilitation	166,111	-	166,111
	<u>\$ 10,956,380</u>	<u>\$ 8,895,258</u>	<u>\$ 2,061,122</u>

**June 30, 2017**

	Total Approved Contract	Construction Costs to Date	Balance to Complete
Well No. 22	\$ 219,135	\$ 42,804	\$ 176,331
Lakeview Grade Separation	250,000	-	250,000
YLWD - Fairmont/Zone 5 BPS Project	7,568,688	2,845,127	4,723,561
Richfield Road Pipeline	1,313,655	1,041,876	271,779
	<u>\$ 9,351,478</u>	<u>\$ 3,929,807</u>	<u>\$ 5,421,671</u>

**Litigation**

The District is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial statements.

**NOTE 12 - SPECIAL ITEM**

During the fiscal year 2017-2018, the Board of Directors approved a refund to customers of \$2,205,847. These refunds are related to the restricted net position that consists of penalty revenues assessed and collected in prior years due to the anticipated fines from the state of \$1,105,809 and a one-time refund associated with rate charges of \$1,100,038.

**YORBA LINDA WATER DISTRICT**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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***NOTE 13 - RESTATEMENT OF PRIOR-YEAR FINANCIAL STATEMENTS***

The implementation of GASB Statement No. 75 requires reporting the net OPEB liability of the District's agent multiple employer defined benefit plan in the financial statements and is applied retroactively by restating the net position as of the beginning of the fiscal year. The implementation of GASB Statement No. 75 resulted in a reduction of net position by \$2,514,827 as of July 1, 2017.

***NOTE 14 - SUBSEQUENT EVENTS***

Events occurring after June 30, 2018, have been evaluated for possible adjustments to the financial statements or disclosure as of September 20, 2018, which is the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

YORBA LINDA WATER DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plans' proportion of the net pension liability	0.08647%	0.08368%	0.07706%	0.08184%
Plans' proportionate share of the net pension liability	\$ 8,575,054	\$ 7,240,999	\$ 5,289,322	\$ 5,092,626
Plans' covered - employee payroll	\$ 6,116,587	\$ 5,899,338	\$ 5,564,327	\$ 5,054,265
Plans' proportionate share of the net pension liability as a percentage of its covered - employee payroll	140.19%	122.74%	95.06%	100.76%
Plans' proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	73.31%	74.06%	83.35%	83.03%
Plans' proportionate share of aggregate employer contributions	\$ 1,071,006	\$ 967,937	\$ 916,213	\$ 673,737

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\*Fiscal year 2015 was the first year of implementation; therefore, four years are shown.



YORBA LINDA WATER DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 850,393	\$ 755,544	\$ 674,827	\$ 587,176
Contributions in relation to the actuarially determined contributions	<u>(850,393)</u>	<u>(755,544)</u>	<u>(674,827)</u>	<u>(587,176)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 6,561,629	\$ 6,116,587	\$ 5,899,338	\$ 5,564,327
Contributions as a percentage of covered - employee payroll	12.96%	12.35%	11.44%	10.55%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 for all plans with the exception of 52 for Miscellaneous PEPRAs @ 62**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

\* Fiscal year 2015 was the first year of implementation; therefore, four years are shown.

\*\* The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017, respectively) included the same actuarial assumptions.

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015), valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015, valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018, respectively).

YORBA LINDA WATER DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years\*

	<u>6/30/2017</u>
Measurement date	
Total Pension Liability:	
Service cost	\$ 71,330
Interest on total OPEB liability	219,305
Benefit payments, including refunds of	<u>(137,979)</u>
Net Change in Total OPEB Liability	152,656
Total OPEB Liability - Beginning of Year	<u>3,442,911</u>
Total OPEB Liability - End of Year (a)	<u>3,595,567</u>
 Plan Fiduciary Net Position:	
Contributions - employer	355,672
Net investment income	121,311
Administrative expenses	(606)
Benefit payments	<u>(137,979)</u>
Net Change in Plan Fiduciary Net Position	338,398
Plan Fiduciary Net Position - Beginning of Year	<u>983,754</u>
Plan Fiduciary Net Position - End of Year (b)	<u>1,322,152</u>
 Net OPEB Liability - Ending (a)-(b)	<u>\$ 2,273,415</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	36.77%
 Covered - employee payroll	\$ 4,498,586
 Net OPEB liability as percentage of covered - employee payroll	50.54%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

\* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

YORBA LINDA WATER DISTRICT  
SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years\*

	6/30/2018
Actuarially determined contribution	\$ 257,706
Contributions in relation to the actuarially determined contributions	(399,599)
Contribution deficiency (excess)	\$ (141,893)
Covered - employee payroll	\$ 4,698,671
Contributions as a percentage of covered - employee payroll	8.50%

Notes to Schedule:

Valuation Date 6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6.50%
Mortality	2014 CalPERS OPEB Assumptions Model

\*Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

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**SUPPLEMENTARY INFORMATION**

YORBA LINDA WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION

June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Total
CURRENT ASSETS:			
UNRESTRICTED ASSETS:			
Cash and cash equivalents	\$ 29,026,904	\$ 5,768,929	\$ 34,795,833
Investments	1,860,005	203,670	2,063,675
Accounts receivable - water and sewer services	3,884,879	246,979	4,131,858
Accounts receivable - property taxes	16,774	4,744	21,518
Accrued interest receivable	38,693	12,346	51,039
Prepaid expenses and deposits	170,557	-	170,557
Inventory	248,489	-	248,489
TOTAL UNRESTRICTED ASSETS	35,246,301	6,236,668	41,482,969
RESTRICTED ASSETS:			
Cash and cash equivalents	593,767	-	593,767
TOTAL RESTRICTED ASSETS	593,767	-	593,767
TOTAL CURRENT ASSETS	35,840,068	6,236,668	42,076,736
NONCURRENT ASSETS:			
Capital assets:			
Not depreciable	10,642,238	145,882	10,788,120
Depreciable, net of accumulated depreciation	145,331,943	38,141,062	183,473,005
TOTAL NONCURRENT ASSETS	155,974,181	38,286,944	194,261,125
TOTAL ASSETS	191,814,249	44,523,612	236,337,861
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension plans	2,434,229	315,597	2,749,826
Deferred amounts from OPEB	353,737	45,862	399,599
Deferred loss on refunding	375,558	-	375,558
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,163,524	361,459	3,524,983

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION  
(CONTINUED)

June 30, 2018

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Water	Sewer	Total
CURRENT LIABILITIES:			
PAYABLE FROM UNRESTRICTED CURRENT ASSETS:			
Accounts payable	\$ 4,881,397	\$ 87,793	\$ 4,969,190
Accrued expenses	182,110	-	182,110
Compensated absences payable - current portion	438,816	-	438,816
Customer and construction deposits	456,339	96,789	553,128
Unearned revenue	268,592	-	268,592
Accrued interest payable	405,264	-	405,264
Certificates of Participation - current portion	1,140,000	-	1,140,000
<b>TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS</b>	<b>7,772,518</b>	<b>184,582</b>	<b>7,957,100</b>
PAYABLE FROM RESTRICTED ASSETS:			
Retention payable	346,205	-	346,205
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>346,205</b>	<b>-</b>	<b>346,205</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,118,723</b>	<b>184,582</b>	<b>8,303,305</b>
LONG-TERM LIABILITIES (LESS CURRENT PORTION):			
Unearned annexation revenue	13,607,976	-	13,607,976
Compensated absences	1,316,446	-	1,316,446
Certificates of Participation	39,122,056	-	39,122,056
Net pension liability	7,590,892	984,162	8,575,054
Net OPEB liability	2,012,494	260,921	2,273,415
<b>TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)</b>	<b>63,649,864</b>	<b>1,245,083</b>	<b>64,894,947</b>
<b>TOTAL LIABILITIES</b>	<b>71,768,587</b>	<b>1,429,665</b>	<b>73,198,252</b>
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	566,179	73,407	639,586
Deferred amounts from OPEB	39,805	5,161	44,966
Deferred gain on refunding	103,171	-	103,171
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>709,155</b>	<b>78,568</b>	<b>787,723</b>
NET POSITION:			
Net investment in capital assets	115,984,683	38,286,944	154,271,627
Restricted:			
Water conservation	104,673	-	104,673
Other post-employment benefits	247,390	-	247,390
Unrestricted	6,163,285	5,089,894	11,253,179
<b>TOTAL NET POSITION</b>	<b>\$ 122,500,031</b>	<b>\$ 43,376,838</b>	<b>\$ 165,876,869</b>

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the year ended June 30, 2018

	Water	Sewer	Total
<b>OPERATING REVENUES:</b>			
Water sales	\$ 32,082,152	\$ -	\$ 32,082,152
Sewer revenues	-	2,330,809	2,330,809
Other operating revenues	763,069	68,664	831,733
<b>TOTAL OPERATING REVENUES</b>	<b>32,845,221</b>	<b>2,399,473</b>	<b>35,244,694</b>
<b>OPERATING EXPENSES:</b>			
Variable water costs	15,028,131	-	15,028,131
Personnel services	8,828,638	1,045,574	9,874,212
Supplies and services	3,865,733	433,130	4,298,863
Depreciation	6,098,375	1,367,602	7,465,977
<b>TOTAL OPERATING EXPENSES</b>	<b>33,820,877</b>	<b>2,846,306</b>	<b>36,667,183</b>
<b>OPERATING LOSS</b>	<b>(975,656)</b>	<b>(446,833)</b>	<b>(1,422,489)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Property taxes	1,749,957	-	1,749,957
Investment income	444,371	74,229	518,600
Interest expense	(1,106,515)	-	(1,106,515)
Other nonoperating revenues	403,721	9,744	413,465
Other nonoperating expenses	(47,465)	(41,556)	(89,021)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,444,069</b>	<b>42,417</b>	<b>1,486,486</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>468,413</b>	<b>(404,416)</b>	<b>63,997</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,907,644</b>	<b>1,646,479</b>	<b>3,554,123</b>
<b>CHANGES IN NET POSITION, BEFORE SPECIAL ITEM</b>	<b>2,376,057</b>	<b>1,242,063</b>	<b>3,618,120</b>
<b>SPECIAL ITEM</b>	<b>(2,205,847)</b>	<b>-</b>	<b>(2,205,847)</b>
<b>CHANGES IN NET POSITION</b>	<b>170,210</b>	<b>1,242,063</b>	<b>1,412,273</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>124,574,437</b>	<b>42,404,986</b>	<b>166,979,423</b>
<b>PRIOR-PERIOD ADJUSTMENT</b>	<b>(2,244,616)</b>	<b>(270,211)</b>	<b>(2,514,827)</b>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<b>122,329,821</b>	<b>42,134,775</b>	<b>164,464,596</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 122,500,031</b>	<b>\$ 43,376,838</b>	<b>\$ 165,876,869</b>



YORBA LINDA WATER DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 33,044,210	\$ 2,374,249	\$ 35,418,459
Cash payments to employees for salaries and wages	(8,431,746)	(1,016,615)	(9,448,361)
Cash payments to suppliers of goods and services	(18,128,973)	(447,037)	(18,576,010)
Other revenues	201,180	33,694	234,874
Other expenses	(47,465)	(41,556)	(89,021)
Refund to customers	(2,205,847)	-	(2,205,847)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,431,359</u>	<u>902,735</u>	<u>5,334,094</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Proceeds from property taxes and assessments	1,751,697	-	1,751,697
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>1,751,697</u>	<u>-</u>	<u>1,751,697</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from annexation fees and capital contributions	46,895	30,311	77,206
Acquisition and construction of capital assets	(7,311,989)	(39,365)	(7,351,354)
Proceeds from sales of capital assets	11,556	-	11,556
Principal paid on long-term liabilities	(1,240,000)	-	(1,240,000)
Interest paid on long-term liabilities	(1,509,535)	-	(1,509,535)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(10,003,073)</u>	<u>(9,054)</u>	<u>(10,012,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale of investments	15,984,982	-	15,984,982
Purchases of investments	(11,357,398)	(28,079)	(11,385,477)
Interest and investment earnings	466,636	68,503	535,139
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>5,094,220</u>	<u>40,424</u>	<u>5,134,644</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,274,203	934,105	2,208,308
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>28,346,468</u>	<u>4,834,824</u>	<u>33,181,292</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 29,620,671</u>	<u>\$ 5,768,929</u>	<u>\$ 35,389,600</u>

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (975,656)	\$ (446,833)	\$ (1,422,489)
Adjustments to reconcile loss to net cash provided by operating activities:			
Depreciation	6,098,375	1,367,602	7,465,977
Other revenues	201,180	33,694	234,874
Other expenses	(47,465)	(41,556)	(89,021)
Refund to customers	(2,205,847)	-	(2,205,847)
Changes in operating assets, deferred outflows of resources, operating liabilities and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows: of resources:			
Accounts receivable	203,144	(24,768)	178,376
Inventory	17,344	-	17,344
Prepaid expenses and deposits	119,430	-	119,430
Deferred outflows of resources from pension plans	(693,616)	(89,926)	(783,542)
Deferred outflows of resources from OPEB	(38,885)	(5,041)	(43,926)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and accrued expenses	734,148	(26,829)	707,319
Accrued salaries and wages	37,946	-	37,946
Accrued compensated absences	135,609	-	135,609
Customer and construction deposits	(110,186)	12,466	(97,720)
Net pension liability	1,180,945	153,110	1,334,055
Net OPEB liability	(164,425)	(21,317)	(185,742)
Deferred inflows of resources from pension plans	(100,487)	(13,028)	(113,515)
Deferred inflows of resources from OPEB	39,805	5,161	44,966
Total adjustments	<u>5,407,015</u>	<u>1,349,568</u>	<u>6,756,583</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,431,359</u>	<u>\$ 902,735</u>	<u>\$ 5,334,094</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:			
Unrestricted	\$ 29,026,904	\$ 5,768,929	\$ 34,795,833
Restricted	593,767	-	593,767
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 29,620,671</u>	<u>\$ 5,768,929</u>	<u>\$ 35,389,600</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES:			
Amortization related to long-term debt	<u>\$ 255,977</u>	<u>\$ -</u>	<u>\$ 255,977</u>
Capital contributions	<u>\$ 1,907,643</u>	<u>\$ 1,616,168</u>	<u>\$ 3,523,811</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF OPERATING EXPENSES BY COST CENTER  
AND NATURE OF EXPENSES FOR WATER AND SEWER

For the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING EXPENSES:</b>			
Variable Water Costs:			
Imported water	\$ 5,973,705	\$ -	\$ 5,973,705
OCWD replenishment assessment	5,469,856	-	5,469,856
In lieu	1,497,366	-	1,497,366
MWD connection charge	833,002	-	833,002
Fuel and power/pumping	1,254,202	-	1,254,202
	<u>15,028,131</u>	<u>-</u>	<u>15,028,131</u>
Total Variable Water Costs			
Personnel Services:			
Unit salaries	5,929,459	738,340	6,667,799
Fringe benefits	2,846,131	303,431	3,149,562
Director's fees	53,048	3,803	56,851
	<u>8,828,638</u>	<u>1,045,574</u>	<u>9,874,212</u>
Total Personnel Services			
Supplies and Services:			
Communications	138,958	8,676	147,634
Contractual services	400,827	29,493	430,320
Data processing	228,103	16,965	245,068
District activities	27,010	2,023	29,033
Dues and memberships	78,219	6,044	84,263
Fees and permits	244,196	10,636	254,832
Insurance	250,493	18,743	269,236
Maintenance	398,511	140,363	538,874
Materials	720,410	38,460	758,870
Noncapital equipment	123,995	26,187	150,182
Office expense	40,087	2,993	43,080
Professional services	674,815	35,565	710,380
Training	32,350	5,399	37,749
Travel and conferences	78,429	5,753	84,182
Uncollectible accounts	4,155	456	4,611
Utilities	169,758	13,299	183,057
Vehicle expense	255,417	72,075	327,492
	<u>3,865,733</u>	<u>433,130</u>	<u>4,298,863</u>
Total Supplies and Services			
Depreciation	<u>6,098,375</u>	<u>1,367,602</u>	<u>7,465,977</u>
TOTAL OPERATING EXPENSES			
	<u>\$ 33,820,877</u>	<u>\$ 2,846,306</u>	<u>\$ 36,667,183</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF CAPITAL ASSETS

For the year ended June 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Land, Mineral, and Water Rights:			
Land	\$ 78,558	\$ -	\$ 78,558
Water rights	86,300	-	86,300
Mineral rights	63,650	-	63,650
Land rights and easements	385	58,526	58,911
Total Land, Mineral, and Water Rights	<u>228,893</u>	<u>58,526</u>	<u>287,419</u>
Source of Supply:			
Wells	5,784,629	-	5,784,629
MWD connection	564,368	-	564,368
Total Source of Supply	<u>6,348,997</u>	<u>-</u>	<u>6,348,997</u>
Pumping Plant:			
Structures and improvements	13,532,628	-	13,532,628
Equipment	12,384,874	431,576	12,816,450
Total Pumping Plant	<u>25,917,502</u>	<u>431,576</u>	<u>26,349,078</u>
Water Treatment Plant:			
Structures and improvements	1,302,811	-	1,302,811
Equipment	2,204,857	-	2,204,857
Total Water Treatment Plant	<u>3,507,668</u>	<u>-</u>	<u>3,507,668</u>
Transmission and Distribution Plant:			
Mains	83,029,078	49,790,247	132,819,325
Reservoirs and tanks	61,565,606	-	61,565,606
Service and meter installation	7,047,491	3,439,358	10,486,849
Fire hydrants	7,579,804	-	7,579,804
Meters	9,887,847	-	9,887,847
Fire mains	745,360	-	745,360
Structures and improvements	2,875,096	-	2,875,096
Control system	3,379,060	33,485	3,412,545
Total Transmission and Distribution Plant	<u>176,109,342</u>	<u>53,263,090</u>	<u>229,372,432</u>
General Plant:			
Structures and improvements	13,389,583	-	13,389,583
Transportation equipment	2,223,112	1,401,250	3,624,362
Power operated equipment	601,673	-	601,673
Communication equipment	532,132	-	532,132
Computer equipment	2,287,135	238,071	2,525,206
Office furniture	1,098,711	-	1,098,711
Tools, shop, and garage equipment	101,782	-	101,782
Store equipment	60,241	-	60,241
Total General Plant	<u>20,294,369</u>	<u>1,639,321</u>	<u>21,933,690</u>
Construction in Progress	<u>10,413,346</u>	<u>87,356</u>	<u>10,500,702</u>
Accumulated Depreciation	<u>(86,845,936)</u>	<u>(17,192,925)</u>	<u>(104,038,861)</u>
Total Capital Assets	<u>\$ 155,974,181</u>	<u>\$ 38,286,944</u>	<u>\$ 194,261,125</u>

YORBA LINDA WATER DISTRICT  
COMBINING SCHEDULE OF NET POSITION

June 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water	Sewer	Total
<b>CURRENT ASSETS:</b>			
<b>UNRESTRICTED ASSETS:</b>			
Cash and cash equivalents	\$ 23,156,744	\$ 4,834,824	\$ 27,991,568
Investments	6,717,737	203,218	6,920,955
Accounts receivable - water and sewer services	4,088,023	222,211	4,310,234
Accounts receivable - property taxes	18,514	1,067	19,581
Note receivable	78,567	-	78,567
Accrued interest receivable	41,221	6,620	47,841
Prepaid expenses and deposits	289,987	-	289,987
Inventory	265,833	-	265,833
<b>TOTAL UNRESTRICTED ASSETS</b>	<b>34,656,626</b>	<b>5,267,940</b>	<b>39,924,566</b>
<b>RESTRICTED ASSETS:</b>			
Cash and cash equivalents	5,189,724	-	5,189,724
<b>TOTAL RESTRICTED ASSETS</b>	<b>5,189,724</b>	<b>-</b>	<b>5,189,724</b>
<b>TOTAL CURRENT ASSETS</b>	<b>39,846,350</b>	<b>5,267,940</b>	<b>45,114,290</b>
<b>NONCURRENT ASSETS:</b>			
Capital assets:			
Not depreciable	5,694,086	154,543	5,848,629
Depreciable, net of accumulated depreciation	146,967,111	37,844,470	184,811,581
Other post-employment benefit (OPEB) asset	382,549	28,794	411,343
<b>TOTAL NONCURRENT ASSETS</b>	<b>153,043,746</b>	<b>38,027,807</b>	<b>191,071,553</b>
<b>TOTAL ASSETS</b>	<b>192,890,096</b>	<b>43,295,747</b>	<b>236,185,843</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred amounts from pension plans	1,740,613	225,671	1,966,284
Deferred loss on refunding	400,389	-	400,389
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,141,002</b>	<b>225,671</b>	<b>2,366,673</b>

(Continued)

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION  
(CONTINUED)

June 30, 2017

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	Water	Sewer	Total
<b>CURRENT LIABILITIES:</b>			
<b>PAYABLE FROM UNRESTRICTED CURRENT ASSETS:</b>			
Accounts payable	\$ 4,382,454	\$ 114,622	\$ 4,497,076
Accrued expenses	144,164	-	144,164
Compensated absences payable - current portion	404,913	-	404,913
Customer and construction deposits	566,525	84,323	650,848
Unearned revenue	300,263	-	300,263
Accrued interest payable	286,669	-	286,669
Certificates of Participation - current portion	1,240,000	-	1,240,000
<b>TOTAL PAYABLE FROM UNRESTRICTED CURRENT ASSETS</b>	<b>7,324,988</b>	<b>198,945</b>	<b>7,523,933</b>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>			
Retention payable	111,000	-	111,000
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>111,000</b>	<b>-</b>	<b>111,000</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,435,988</b>	<b>198,945</b>	<b>7,634,933</b>
<b>LONG-TERM LIABILITIES (LESS CURRENT PORTION):</b>			
Unearned annexation revenue	14,103,022	-	14,103,022
Compensated absences	1,214,740	-	1,214,740
Certificates of Participation	40,518,033	-	40,518,033
Net pension liability	6,409,947	831,052	7,240,999
<b>TOTAL LONG-TERM LIABILITIES (LESS CURRENT PORTION)</b>	<b>62,245,742</b>	<b>831,052</b>	<b>63,076,794</b>
<b>TOTAL LIABILITIES</b>	<b>69,681,730</b>	<b>1,029,997</b>	<b>70,711,727</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts from pension plans	666,666	86,435	753,101
Deferred gain on refunding	108,265	0	108,265
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>774,931</b>	<b>86,435</b>	<b>861,366</b>
<b>NET POSITION:</b>			
Net investment in capital assets	116,274,012	37,999,013	154,273,025
Restricted for water conservation	1,222,452	-	1,222,452
Unrestricted	7,077,973	4,405,973	11,483,946
<b>TOTAL NET POSITION</b>	<b>\$ 124,574,437</b>	<b>\$ 42,404,986</b>	<b>\$ 166,979,423</b>

YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the year ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Water sales	\$ 29,326,565	\$ -	\$ 29,326,565
Sewer revenues	-	2,099,947	2,099,947
Other operating revenues	890,594	143,014	1,033,608
	<u>30,217,159</u>	<u>2,242,961</u>	<u>32,460,120</u>
<b>OPERATING EXPENSES:</b>			
Variable water costs	12,710,857	-	12,710,857
Personnel services	7,926,351	987,288	8,913,639
Supplies and services	4,078,260	425,794	4,504,054
Depreciation	5,809,682	1,337,687	7,147,369
	<u>30,525,150</u>	<u>2,750,769</u>	<u>33,275,919</u>
<b>OPERATING LOSS</b>	<u>(307,991)</u>	<u>(507,808)</u>	<u>(815,799)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Property taxes	1,687,384	-	1,687,384
Investment income	335,786	41,419	377,205
Interest expense	(1,552,896)	-	(1,552,896)
Other nonoperating revenues	493,780	151,782	645,562
Other nonoperating expenses	(396,208)	(7,389)	(403,597)
	<u>567,846</u>	<u>185,812</u>	<u>753,658</u>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	259,855	(321,996)	(62,141)
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,556,801</u>	<u>1,108,661</u>	<u>2,665,462</u>
<b>CHANGES IN NET POSITION</b>	1,816,656	786,665	2,603,321
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>122,757,781</u>	<u>41,618,321</u>	<u>164,376,102</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 124,574,437</u>	<u>\$ 42,404,986</u>	<u>\$ 166,979,423</u>

YORBA LINDA WATER DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS

For the year ended June 30, 2017

	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 30,139,476	\$ 2,218,115	\$ 32,357,591
Cash payments to employees for salaries and wages	(7,745,279)	(982,998)	(8,728,277)
Cash payments to suppliers of goods and services	(16,169,704)	(454,654)	(16,624,358)
Other revenues	177,538	170,523	348,061
Other expenses	(69,928)	(7,389)	(77,317)
	<b>6,332,103</b>	<b>943,597</b>	<b>7,275,700</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Proceeds from property taxes and assessments	1,681,497	-	1,681,497
	<b>1,681,497</b>	<b>-</b>	<b>1,681,497</b>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>			
	<b>1,681,497</b>	<b>-</b>	<b>1,681,497</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from annexation fees and capital contributions	68,762	25,984	94,746
Acquisition and construction of capital assets	(5,178,626)	(49,763)	(5,228,389)
Proceeds from sales of capital assets	21,646	-	21,646
Proceeds from long-term debt issuance	33,795,529	-	33,795,529
Payment to refunding escrow agent	(29,511,305)	-	(29,511,305)
Bond issuance costs	(326,280)	-	(326,280)
Principal paid on long-term liabilities	(1,080,000)	-	(1,080,000)
Interest paid on long-term liabilities	(1,768,613)	-	(1,768,613)
Proceeds from line of credit	(6,883,720)	-	(6,883,720)
	<b>(10,862,607)</b>	<b>(23,779)</b>	<b>(10,886,386)</b>
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
	<b>(10,862,607)</b>	<b>(23,779)</b>	<b>(10,886,386)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale of investments	18,902,845	-	18,902,845
Purchases of investments	(16,614,278)	(19,800)	(16,634,078)
Interest and investment earnings	337,131	38,657	375,788
	<b>2,625,698</b>	<b>18,857</b>	<b>2,644,555</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>			
	<b>2,625,698</b>	<b>18,857</b>	<b>2,644,555</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>(223,309)</b>	<b>938,675</b>	<b>715,366</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>28,569,777</b>	<b>3,896,149</b>	<b>32,465,926</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 28,346,468</b>	<b>\$ 4,834,824</b>	<b>\$ 33,181,292</b>

(Continued)



YORBA LINDA WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
(CONTINUED)

For the year ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (307,991)	\$ (507,808)	\$ (815,799)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	5,809,682	1,337,687	7,147,369
Other revenues	177,538	170,523	348,061
Other expenses	(69,928)	(7,389)	(77,317)
Changes in operating assets, deferred outflows of resources, operating liabilities, and deferred inflows of resources:			
(Increase) decrease in assets and deferred outflows: of resources:			
Accounts receivable	(69,980)	(23,507)	(93,487)
Inventory	(30,934)	-	(30,934)
Prepaid expenses and deposits	2,963	-	2,963
Other post-employment benefits (OPEB) asset	(125,600)	(9,454)	(135,054)
Deferred outflows of resources from pension plans	(1,109,821)	(143,889)	(1,253,710)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable and accrued expenses	555,888	(75,287)	480,601
Accrued salaries and wages	23,365	-	23,365
Accrued compensated absences	177,309	-	177,309
Customer and construction deposits	83,793	45,088	128,881
Net pension liability	1,727,682	223,995	1,951,677
Deferred inflows of resources from pension plans	(511,863)	(66,362)	(578,225)
Total adjustments	<u>6,640,094</u>	<u>1,451,405</u>	<u>8,091,499</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,332,103</u>	<u>\$ 943,597</u>	<u>\$ 7,275,700</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:			
Unrestricted	\$ 23,156,744	\$ 4,834,824	\$ 27,991,568
Restricted	5,189,724	-	5,189,724
TOTAL CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 28,346,468</u>	<u>\$ 4,834,824</u>	<u>\$ 33,181,292</u>
NONCASH INVESTING, CAPITAL ,AND RELATED FINANCING ACTIVITIES:			
Amortization related to long-term debt	<u>\$ 104,432</u>	<u>\$ -</u>	<u>\$ 104,432</u>
Capital contributions	<u>\$ 1,539,073</u>	<u>\$ 1,108,661</u>	<u>\$ 2,647,734</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF OPERATING EXPENSES BY COST CENTER  
AND NATURE OF EXPENSES FOR WATER AND SEWER

For the year ended June 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING EXPENSES:</b>			
Variable Water Costs:			
Imported water	\$ 5,032,775	\$ -	\$ 5,032,775
OCWD replenishment assessment	5,350,574	-	5,350,574
Continuous use program	-	-	-
MWD connection charge	1,006,565	-	1,006,565
Fuel and power/pumping	1,320,943	-	1,320,943
	<u>12,710,857</u>	<u>-</u>	<u>12,710,857</u>
Total Variable Water Costs			
Personnel Services:			
Unit salaries	5,586,510	713,016	6,299,526
Fringe benefits	2,289,773	271,181	2,560,954
Director's fees	50,068	3,091	53,159
	<u>7,926,351</u>	<u>987,288</u>	<u>8,913,639</u>
Total Personnel Services			
Supplies and Services:			
Board election	120,873	9,098	129,971
Communications	156,860	9,339	166,199
Contractual services	410,650	29,672	440,322
Data processing	252,819	18,940	271,759
District activities	10,179	766	10,945
Dues and memberships	85,801	6,627	92,428
Fees and permits	250,021	15,010	265,031
Insurance	238,965	17,707	256,672
Maintenance	387,583	152,343	539,926
Materials	854,396	26,062	880,458
Noncapital equipment	150,346	23,357	173,703
Office expense	36,453	2,718	39,171
Professional services	587,855	26,433	614,288
Training	38,962	5,196	44,158
Travel and conferences	46,005	2,847	48,852
Uncollectible accounts	7,703	1,339	9,042
Utilities	148,529	11,474	160,003
Vehicle expense	294,260	66,866	361,126
	<u>4,078,260</u>	<u>425,794</u>	<u>4,504,054</u>
Total Supplies and Services			
Depreciation	<u>5,809,682</u>	<u>1,337,687</u>	<u>7,147,369</u>
TOTAL OPERATING EXPENSES			
	<u>\$ 30,525,150</u>	<u>\$ 2,750,769</u>	<u>\$ 33,275,919</u>

YORBA LINDA WATER DISTRICT

SCHEDULE OF CAPITAL ASSETS

For the year ended June 30, 2017

	Water	Sewer	Total
<b>Land, Mineral, and Water Rights:</b>			
Land	\$ 78,558	\$ -	\$ 78,558
Water rights	86,300	-	86,300
Mineral rights	63,650	-	63,650
Land rights and easements	385	58,526	58,911
Total Land, Mineral, and Water Rights	<u>228,893</u>	<u>58,526</u>	<u>287,419</u>
<b>Source of Supply:</b>			
Wells	5,784,629	-	5,784,629
MWD connection	564,368	-	564,368
Total Source of Supply	<u>6,348,997</u>	<u>-</u>	<u>6,348,997</u>
<b>Pumping Plant:</b>			
Structures and improvements	13,532,628	-	13,532,628
Equipment	12,368,539	431,576	12,800,115
Total Pumping Plant	<u>25,901,167</u>	<u>431,576</u>	<u>26,332,743</u>
<b>Water Treatment Plant:</b>			
Structures and improvements	1,302,811	-	1,302,811
Equipment	1,827,761	-	1,827,761
Total Water Treatment Plant	<u>3,130,572</u>	<u>-</u>	<u>3,130,572</u>
<b>Transmission and Distribution Plant:</b>			
Mains	80,637,076	48,517,727	129,154,803
Reservoirs and tanks	61,565,606	-	61,565,606
Service and meter installation	6,481,027	3,047,684	9,528,711
Fire hydrants	7,305,363	-	7,305,363
Meters	9,664,331	-	9,664,331
Fire mains	717,746	-	717,746
Structures and improvements	2,875,096	-	2,875,096
Control system	3,342,314	33,485	3,375,799
Total Transmission and Distribution Plant	<u>172,588,559</u>	<u>51,598,896</u>	<u>224,187,455</u>
<b>General Plant:</b>			
Structures and improvements	13,381,591	-	13,381,591
Transportation equipment	2,160,191	1,401,250	3,561,441
Power operated equipment	601,673	-	601,673
Communication equipment	511,269	-	511,269
Computer equipment	2,146,325	238,071	2,384,396
Office furniture	1,098,711	-	1,098,711
Tools, shops, and garage equipment	96,292	-	96,292
Other	-	-	-
Store equipment	60,241	-	60,241
Total General Plant	<u>20,056,293</u>	<u>1,639,321</u>	<u>21,695,614</u>
Construction in Progress	<u>5,465,193</u>	<u>96,017</u>	<u>5,561,210</u>
Accumulated Depreciation	<u>(81,058,477)</u>	<u>(15,825,323)</u>	<u>(96,883,800)</u>
Total Capital Assets	<u>\$ 152,661,197</u>	<u>\$ 37,999,013</u>	<u>\$ 190,660,210</u>

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## **STATISTICAL SECTION**

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**YORBA LINDA WATER DISTRICT**  
**Description of Statistical Section Contents**  
**June 30, 2018**

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This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and the note disclosures say about the government’s overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.	84
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the District’s most significant local revenue source, water sales.	86
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.	88
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.	90
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.	92

**Yorba Linda Water District  
Changes in Net Position  
Last Ten Fiscal Years**

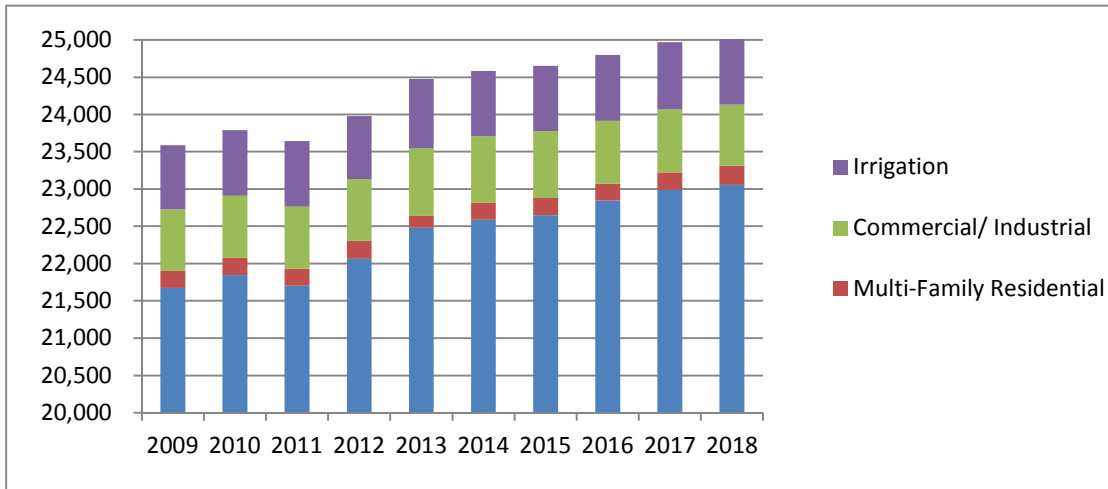
<b>Changes in Net Position:</b>	<b>Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating Revenues				
Water Sales	\$ 32,082,152	\$ 29,326,565	\$ 27,820,638	\$ 26,446,618
Sewer Revenues	2,330,809	2,099,947	1,849,114	1,775,676
Other Operating Revenues	831,733	1,033,608	2,665,835	1,461,106
Operating Expenses				
Variable Water Costs	15,028,131	12,710,857	10,470,181	12,733,762
Personnel Services	9,874,212	8,913,639	8,096,853	7,778,763
Supplies and Services	4,298,863	4,504,054	4,355,033	3,806,900
Depreciation	7,465,977	7,147,369	7,546,407	7,432,586
Operating Income (Loss)	(1,422,489)	(815,799)	1,867,113	(2,068,611)
Nonoperating Revenues (Expenses)				
Property Taxes	1,749,957	1,687,384	1,615,454	1,496,489
Investment Income	518,600	377,205	288,817	187,316
Interest Expense	(1,106,515)	(1,552,896)	(1,671,539)	(1,683,039)
Bond Issuance Costs	-	-	-	-
Other Nonoperating Revenues	413,465	645,562	872,420	744,572
Other Nonoperating Expenses	(89,021)	(403,597)	(7,273)	(116,528)
Total Nonoperating Revenues (Expenses)	1,486,486	753,658	1,097,879	628,810
Net Income (Loss) Before Capital Contributions, Special Items and Extraordinary Items	63,997	(62,141)	2,964,992	(1,439,801)
Capital Contributions	3,554,123	2,665,462	788,445	705,848
Special Items	(2,205,847)	-	-	-
Extraordinary Items	-	-	-	-
<b>Changes in Net Position</b>	<b>\$ 3,618,120</b>	<b>\$ 2,603,321</b>	<b>\$ 3,753,437</b>	<b>\$ (733,953)</b>
<b>Net Position by Component:</b>				
Net Investment in Capital Assets	\$ 154,271,627	\$ 154,273,025	\$ 153,776,247	\$ 157,092,210
Restricted	352,063	1,222,452	1,603,050	-
Unrestricted	11,253,179	11,483,946	8,996,805	3,530,455
<b>Total Net Position</b>	<b>\$ 165,876,869</b>	<b>\$ 166,979,423</b>	<b>\$ 164,376,102</b>	<b>\$ 160,622,665</b>



Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 28,376,082	\$ 26,369,940	\$ 24,998,673	\$ 22,686,251	\$ 21,806,164	\$ 19,626,738
1,762,816	1,762,039	1,785,804	1,274,579	1,275,980	1,259,723
1,047,625	723,577	848,238	1,035,545	1,102,143	439,302
14,673,144	13,509,336	12,275,853	11,268,306	10,688,318	10,859,328
7,529,481	7,225,729	6,979,088	6,902,995	6,677,757	6,498,959
3,849,183	4,222,398	3,811,125	3,686,333	3,576,147	4,151,058
7,315,084	6,884,213	6,595,720	5,279,860	5,153,891	4,167,958
<u>(2,180,369)</u>	<u>(2,986,120)</u>	<u>(2,029,071)</u>	<u>(2,141,119)</u>	<u>(1,911,826)</u>	<u>(4,351,540)</u>
1,394,722	1,340,916	1,273,855	1,258,769	1,269,441	1,283,521
145,048	137,569	277,137	274,152	244,857	689,108
(1,715,429)	(1,781,416)	(1,626,190)	(1,172,503)	(1,170,498)	(1,469,925)
-	(192,410)	-	-	-	-
1,325,685	588,854	805,654	739,062	589,201	479,911
(47,948)	(35,954)	(108,984)	(406,575)	(151,300)	(177,553)
<u>1,102,078</u>	<u>57,559</u>	<u>621,472</u>	<u>692,905</u>	<u>781,701</u>	<u>805,062</u>
(1,078,291)	(2,928,561)	(1,407,599)	(1,448,214)	(1,130,125)	(3,546,478)
2,128,579	1,174,673	17,214,138	706,319	6,278,135	4,363,527
-	-	-	-	-	-
5,000,000	-	(5,000,000)	-	-	-
<u>\$ 6,050,288</u>	<u>\$ (1,753,888)</u>	<u>\$ 10,806,539</u>	<u>\$ (741,895)</u>	<u>\$ 5,148,010</u>	<u>\$ 817,049</u>
\$ 161,159,541	\$ 161,494,158	\$ 161,672,565	\$ 146,235,362	\$ 146,877,122	\$ 141,514,024
-	-	9,598,420	12,620,256	15,797,432	14,063,802
6,617,328	232,423	(6,228,771)	(4,619,943)	(7,696,984)	(6,158,513)
<u>\$ 167,776,869</u>	<u>\$ 161,726,581</u>	<u>\$ 165,042,214</u>	<u>\$ 154,235,675</u>	<u>\$ 154,977,570</u>	<u>\$ 149,419,313</u>

**Yorba Linda Water District  
Number of Connections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Single Family Residential</b>	<b>Multi-Family Residential</b>	<b>Commercial/ Industrial</b>	<b>Irrigation</b>	<b>Direct Rate (Billing Unit)</b>
2009	21,672	228	831	855	1.79
2010	21,846	228	837	877	2.52
2011	21,701	231	833	879	2.52
2012	22,064	240	829	846	2.52
2013	22,480	158	908	933	2.52
2014	22,586	230	892	876	2.64
2015	22,649	230	898	876	2.70
2016	22,845	229	842	884	2.70
2017	22,991	232	845	902	2.70
2018	23,055	256	821	908	2.70



Source: YLWD Billing System

**Yorba Linda Water District  
Ten Largest Customers  
Current and Five Years Ago**

**FY 2018**

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues *</u>
1	City of Yorba Linda	Government	\$ 2,461,999	7.21%
2	Placentia Yorba Linda USD	Government	379,162	1.11%
3	The Hills at Yorba Linda	Homeowner's Assoc.	165,731	0.49%
4	Yorba Linda Villages	Homeowner's Assoc.	141,227	0.41%
5	Fairmont Hill Community Assoc.	Homeowner's Assoc.	125,092	0.37%
6	Aseptic Technology	Manufacturing	112,692	0.33%
7	RRE Yorba Linda	Homeowner's Assoc.	109,572	0.32%
8	Lake Park Mobile Home Community	Homeowner's Assoc.	101,717	0.30%
9	Placentia Linda Hospital	Hospital	94,510	0.28%
10	Amalfi Hills Community Assoc.	Homeowner's Assoc.	93,235	0.27%
			<u>\$ 3,784,936 #</u>	<u>11.08%</u>

**FY 2014**

	<u>Customer Name</u>	<u>Business Type</u>	<u>Annual Revenues</u>	<u>% of Total Revenues</u>
1	City of Yorba Linda	Government	\$ 1,860,227	5.96%
2	Placentia Unified School	Government	267,442	0.86%
3	Fairmont Hill Community Association	Homeowner's Assoc.	110,976	0.36%
4	Archstone Apartments	Apartment Complex	108,023	0.35%
5	Yorba Linda Villages	Homeowner's Assoc.	99,849	0.32%
7	The Hills at Yorba Linda	Homeowner's Assoc.	94,025	0.30%
6	Lake Park Mobile Home Community	Homeowner's Assoc.	53,825	0.17%
8	Woodgate Condominiums	Homeowner's Assoc.	59,401	0.19%
9	Kerrigan Ranch II Community Assoc.	Homeowner's Assoc.	59,149	0.19%
10	Aspetic Tech	Manufacturing	55,728	0.18%
			<u>\$ 2,768,645 #</u>	<u>8.88%</u>

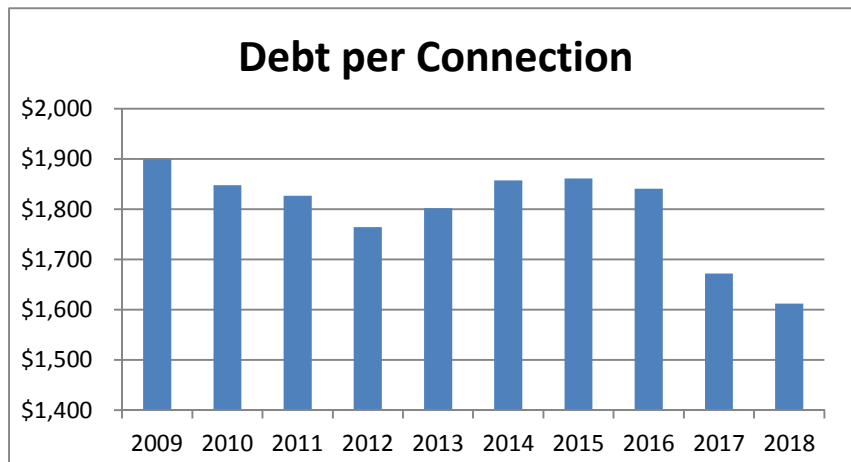
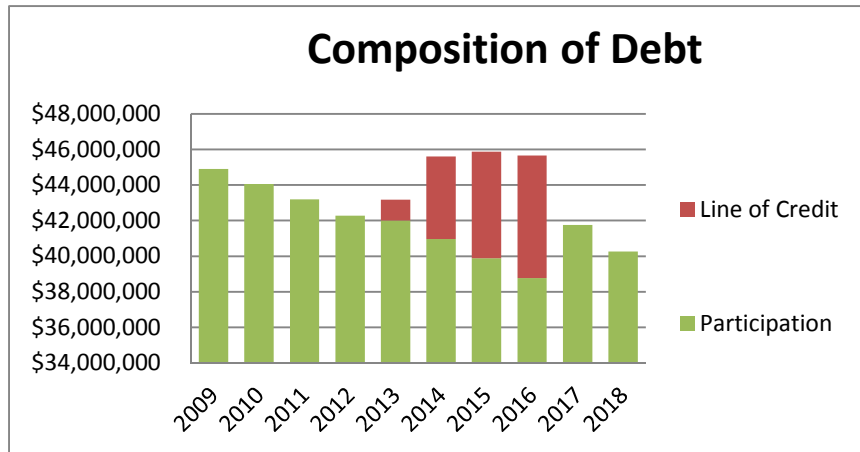
NOTES:

\* Total "actual revenues" represents revenue generated from customer billings (water and sewer related)

# Annual Revenues represents the listed customer's annual total billing for water and sewer services (including Base Service Charges)

**Yorba Linda Water District  
Ratio of Outstanding Debt  
Last Ten Fiscal Years**

Fiscal Year	Wells Fargo Bank Line of Credit	Certificates of Participation	Total			As a Share of Personal Income
			Debt	Per Connection	Per Capita	
2009	\$ -	\$ 44,911,092	\$ 44,911,092	\$ 1,900	\$ 628	1.50%
2010	-	44,065,104	44,065,104	1,848	611	1.50%
2011	-	43,189,117	43,189,117	1,827	604	1.44%
2012	-	42,278,129	42,278,129	1,764	575	1.32%
2013	1,171,131	42,009,722	43,180,853	1,802	577	1.28%
2014	4,642,656	40,970,599	45,613,255	1,858	616	1.32%
2015	5,994,099	39,886,475	45,880,574	1,861	613	1.33%
2016	6,883,720	38,767,354	45,651,074	1,841	581	1.26%
2017	-	41,758,033	41,758,033	1,672	527	1.14%
2018	-	40,262,056	40,262,056	1,612	506	1.10%



Source: YLWD Audited Financial Statements

**Yorba Linda Water District  
Debt Coverage  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Operating &amp; Maint. Costs</b>	<b>Net Revenues</b>	<b>Debt Service</b>			<b>Coverage Ratio</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2009	\$ 22,514	\$ 20,604	\$ 1,910	\$ 570	\$ 2,051	\$ 2,621	0.73
2010	24,417	19,928	4,489	825	1,951	2,776	1.62
2011	25,912	20,845	5,067	855	1,949	2,804	1.81
2012	27,818	21,950	5,868	890	1,915	2,805	2.09
2013	27,055	23,790	3,265	925	1,985	2,910	1.12
2014	29,309	24,853	4,456	965	1,813	2,778	1.60
2015	27,759	23,102	4,657	1,010	1,714	2,724	1.71
2016	30,417	21,611	8,806	1,045	1,777	2,822	3.12
2017	30,217	24,715	5,502	1,080	1,768	2,848	1.93
2018	32,845	27,723	5,122	1,240	1,509	2,749	1.86

NOTE: Excludes depreciation and debt service payments

**Yorba Linda Water District  
Demographics  
Last Ten Fiscal Years**

YLWD

<u>Year</u>	<u>Population *</u>	<u>City of YL Population</u>	<u>Personal Income</u>	<u>Personal Income per Capita</u>
2009	71,507	68,852	\$ 2,996,221,308	\$ 41,901
2010	72,083	69,816	2,943,660,024	40,837
2011	71,520	70,681	2,993,957,236	41,862
2012	73,498	72,706	3,192,753,120	43,440
2013	74,861	65,777	3,374,570,547	45,078
2014	73,990	67,069	3,461,036,956	46,777
2015	74,787	67,826	3,451,134,500	46,146
2016	78,539	67,637	3,624,303,533	46,147
2017	79,170	67,890	3,654,487,200	46,160
2018	79,565	68,229	3,672,735,413	46,160

County of Orange

<u>Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Personal Income</u>	<u>Personal Income per Capita</u>
2009 <sup>^</sup>	3,139,017	9.0%	\$ 159,710,562	\$ 50,879
2010 <sup>#^</sup>	3,170,721	9.8%	150,467,328	47,455
2011 <sup>#^</sup>	3,192,916	8.7%	155,323,766	48,646
2012 <sup>^</sup>	3,182,171	7.9%	160,637,055	50,480
2013 <sup>^</sup>	3,055,792	8.5%	160,072,905	52,383
2014	3,081,804	6.2%	168,966,068	54,827
2015	3,113,991	5.4%	177,412,900	56,973
2016	3,132,681	4.6%	169,792,810	54,200
2017	3,194,024	3.7%	172,509,495	54,010
2018	3,221,103	3.3%	174,062,080	54,038

NOTES: ^ No personal income data available for County of Orange, used State of California data.

# No population data available for County of Orange, used State of California data.

Sources: City of Yorba Linda CAFR  
County of Orange CAFR  
State of California, Employment Development Department  
State of California, Department of Finance

**Yorba Linda Water District  
Ten Largest Employers  
Current and Nine Years Ago**

Employer ^	2018*		2010+	
	Employees	% of Total Labor Force	Employees	% of Total Labor Force
Placentia Linda Hospital	480	0.029 %	441	0.023 %
Costco Wholesale Corp.	355	0.022 %	276	0.014 %
Nobel Biocare USA, Inc.	298	0.018 %	328	0.017 %
Viasys Respiratory Care, Inc. (CareFusion)	308	0.019 %	-	- %
City of Yorba Linda	204	0.013 %	194	0.010 %
Sprouts	170	0.010 %	110	0.006 %
Emeritus Corporation	167	0.010 %	126	0.006 %
Office Solution	161	0.010 %	92	0.005 %
Kohl's Inc.	150	0.009 %	158	0.008 %
White House Catering	120	0.007 %	125	0.006 %
<b>Total</b>	<b>2,413</b>	<b>0.148 %</b>	<b>1,850</b>	<b>0.095 %</b>

NOTES: \* Most current available data

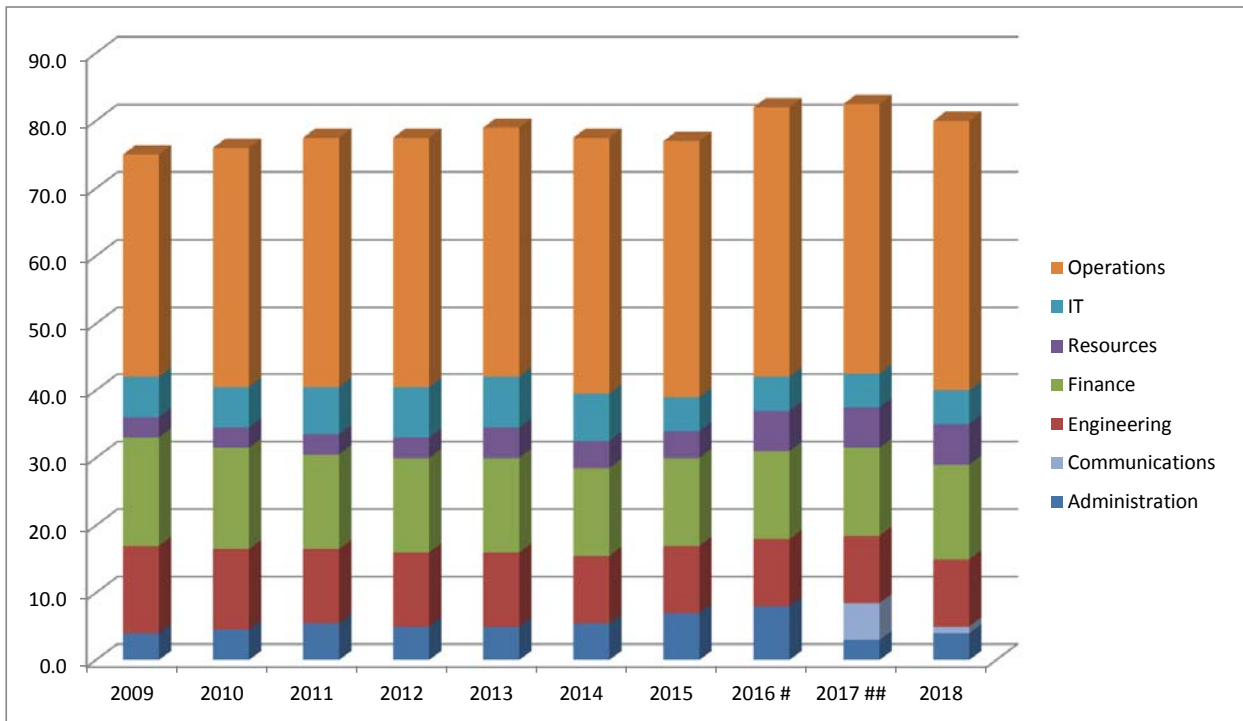
+ Oldest available data

^ The Placentia- Yorba Linda Unified School District has 2,500 employees and serves the entire communities of Yorba Linda and Placentia, and also serves parts of the Cities of Brea, Anaheim and Fullerton. YLWD cannot provide the number of employees working within the boundaries of Yorba Linda.

**Yorba Linda Water District  
Number of Employees  
Last Ten Fiscal Years**

**Full Time Equivalent Employees by Department \***

Fiscal Year	Department							Total
	Administration	Communications	Engineering	Finance	Human Resources	IT	Operations	
2009	4.0		13.0	16.0	3.0	6.0	33.0	75.0
2010	4.5		12.0	15.0	3.0	6.0	35.5	76.0
2011	5.5		11.0	14.0	3.0	7.0	37.0	77.5
2012	5.0		11.0	14.0	3.0	7.5	37.0	77.5
2013	5.0		11.0	14.0	4.5	7.5	37.0	79.0
2014	5.5		10.0	13.0	4.0	7.0	38.0	77.5
2015	7.0		10.0	13.0	4.0	5.0	38.0	77.0
2016 <sup>#</sup>	8.0		10.0	13.0	6.0	5.0	40.0	82.0
2017 <sup>##</sup>	3.0	5.5	10.0	13.0	6.0	5.0	40.0	82.5
2018	4.0	1.0	10.0	14.0	6.0	5.0	40.0	80.0



NOTE: \* Number of employees in each department are authorized and funded positions.  
<sup>#</sup> Includes 3FTE temporary positions in relation to the SWRCB Emergency Mandate  
<sup>##</sup> Includes 3 Limited-term FT and 1 Limited-term PT positions in relation to the SWRCB Emergency Mandate



**Yorba Linda Water District  
Operating and Capacity Indicators  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Miles of Water Mains Installed*</u>	<u>Yearly Water Production (MG)</u>	<u>Average Production (MGD)</u>	<u>Number of Field Service Calls</u>
2009	9.72	7,590	20.8	1,674
2010	9.72	6,569	18.0	1,640
2011	2.00	6,282	17.2	1,924
2012	2.02	6,780	18.6	1,693
2013	1.10	7,099	19.4	1,561
2014	0.77	7,329	20.1	1,579
2015	1.53	6,447	17.7	1,247
2016	2.86	4,408	12.1	1,873
2017	1.15	5,827	16.0	1,782
2018	1.50	6,643	18.2	1,681

<u>Fiscal Year</u>	<u>Number of Booster Pumps</u>	<u>Capacity by Booster Pump (GPM)</u>	<u>Number of Reservoirs</u>	<u>Capacity by Reservoir (MG)</u>
2009	11	43,025	12	49
2010	11	43,025	12	49
2011	12	46,525	14	57
2012	12	46,525	14	57
2013	12	46,525	14	57
2014	12	46,525	14	57
2015	12	52,025	14	57
2016	12	52,025	14	57
2017	12	52,025	14	57
2018	12	52,025	14	57

MG - Millions of Gallons

MGD - Millions of Gallons per Day

GPM - Gallon per Minute

NOTE: \* Miles of Water Main estimated

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